



July 10, 2006

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Federal Housing Finance Board  
1625 Eye Street, N.W.  
Washington, D.C 20006

Dear Members of the Board:

RE: Federal Housing Finance Board Proposed Rule #2006-03

On behalf of Enterprise Community Partners, a national non-profit affordable housing and community development organization, I want to express my concerns about the potential impact of the Federal Housing Finance Board's proposed rule #2006-03, Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks. We are particularly concerned that the implementation of the rule as proposed could have an unintentional negative impact on the FHLBanks' ability to carry out their mission, particularly related to affordable housing and economic development.

Federal Home Loan Bank advances are a vital source of funding for community bankers through out the nation and they play a vital role in delivering competitively priced residential mortgages and other financial services.

We believe the requirements outlined in the Finance Board's proposed rule 2006-03 on retained earnings and capital stock requirements for FHLBanks will have significant unintended consequences that could negatively affect the way FHLBanks provide funding and services to their member institutions. As a result we believe that the benefits that have been derived by consumers in the mortgage and financial services markets will be harmed and the profits of the FHLBanks will significantly diminish over the time required to meet the new retained earnings level.

The FHLBanks' Affordable Housing Program (AHP) is directly tied to the profits of the system. The AHP provides FHLBank members with access to grants, long-term advances, and standby letters of credit for targeted low income housing and economic development. A reduction in advance borrowing would reduce FHLBank earnings, which would in turn adversely affect the amount of AHP grants. The proposed rule therefore may needlessly reduce the much needed resources that have been made available through the AHP program for low- and moderate-income housing and economic development.

Enterprise Community Partners cannot support the proposed rule as currently written and would respectfully urge the Federal Housing Finance Board to withdraw it and issue instead an Advanced Notice of Proposed Rulemaking (ANPR) that would allow the consideration of the full objectives and ramifications of ensuring the safety and soundness of the FHLBanks.

We appreciate the opportunity to comment on this proposal.

Sincerely,

F. Barton Harvey III  
Chairman, President and  
Chief Executive Officer