



Dean Schultz
President and
Chief Executive Officer

April 28, 2009

Alfred M. Pollard, General Counsel
Christopher Curtis, Senior Deputy General Counsel and Managing Counsel
Federal Housing Finance Agency
1700 G Street, N.W.
Washington, DC 20552
Attention: Comments/Securitization Study

RE: Securitization Study

BY FEDERAL EXPRESS AND E-MAIL: RegComments@FHFA.gov

Gentlemen:

The Federal Home Loan Bank of San Francisco (“the Bank”) appreciates the opportunity to comment on the Federal Housing Finance Agency (“Finance Agency”) Notice of Concept Release, Study of Securitization of Acquired Member Assets (“AMA”) (74 Fed. Reg. 8955). For the following reasons, the Bank is generally not supportive of authorizing the Federal Home Loan Banks (“FHLBanks”) to securitize mortgage loans.

We believe the FHLBanks could not securitize mortgage loans below the conforming loan limits applicable to Fannie Mae and Freddie Mac (the “Agencies”), without giving a guaranty from either the issuing FHLBank or all 12 FHLBanks collectively. All AMA loans are eligible for securitization by the Agencies. All Agency mortgage-backed securities (“MBS”) have guarantees and therefore enjoy the greatest market liquidity and much higher prices compared with non-Agency securities and are not subject to risk of experiencing other-than-temporary impairment. Without a similar guaranty, FHLBank MBS could not be priced competitively with Agency MBS.

We are concerned that any guaranty by a single FHLBank could effectively become a guaranty by all 12 FHLBanks. The Bank believes that a single FHLBank’s guaranty of AMA MBS could negatively impact the joint and several liability of the other FHLBanks. For example, we believe default of even a single FHLBank MBS may adversely impact the FHLBanks’ ability to sell FHLBank System consolidated obligations (“COs”), particularly because some investors could be expected to have purchased both COs and FHLBank MBS. As a result, if any one FHLBank issues MBS, it will have an impact on all 12 FHLBanks, whether or not they are issuing MBS, and thereby compel all 12 to participate in MBS issuance or, at a minimum, the implied guaranty of the MBS of issuing FHLBanks.

Some FHLBanks may prefer to opt for an advances-only strategy. As an independent, cooperatively-owned entity, no FHLBank should be compelled to be directly or indirectly responsible for other FHLBanks’ decisions to adopt securitization as part of its business model. To do so could force an FHLBank to manage risks it may not want to undertake.

We thank you very much for your consideration of our comments.

Sincerely,

Dean Schultz
President and
Chief Executive Officer