

WAINWRIGHT BANK

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The Federal Housing Finance Board
1625 Eye Street, N.W.
Washington, D.C. 20006
Attention: Public Comments

Subject: Federal Housing Finance Board. Proposed Rule: Affordable Housing Program Amendments. RIN Number 3069-AB26. Docket Number 2005-23.

Thank you for the opportunity to comment on the proposed Affordable Housing Program (AHP) rule. Wainwright Bank & Trust Company has been a Member of the Federal Home Loan Bank of Boston since 1995 and has sponsored 56 applications for AHP funds. We have found the AHP to be a valuable tool for our customers to access in providing needed affordable housing in and around greater Boston. We appreciate the Finance Board's efforts to improve the AHP and our comments will focus on how the proposed rule would impact our work as a Member bank.

Three of the proposed changes included in the AHP rule would have a significant impact on our daily activities as a Member Bank Sponsor of many AHP projects:

1. Restricting the use of AHP funds by projects located outside an FHLBank's district and scoring preferences for in-district projects;
2. Allowing the use of AHP subsidy by loan funds and loan pools;
3. Allowing FHLBanks to monitor projects using a risk-based methodology.

Prohibition Against Restricting Out-of-District Projects

As a state-chartered bank, our banking activity is restricted to Massachusetts, thus we have only sponsored projects within the state. Allowing other banks to sponsor out-of-district projects puts us, and other state-chartered institutions, at a disadvantage. This rule change would negatively impact our ability to compete with national banks for good local projects. AHP funds are already in very high demand in the New England district. Allowing FHLBBoston AHP funds to leave the district adversely impacts the good work being done by our sponsors within the district. At the very least, please consider allowing FHLBanks to have a scoring preference for in-district projects. This would remedy any perceived preferential treatment to member banks that are national versus state-chartered.

Loan Pools and Loan Funds

At Wainwright, we currently have relationships with some of the stronger loan funds in Massachusetts. Our experience has been that underwriting such organizations is very complex and involves a fair amount of time and resources. Generally the primary assets

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of a loan fund or loan pool are the loan portfolios themselves. As unregulated institutions make the individual loans in each portfolio, these loans often vary quite a bit in terms of credit quality, loan requirements, and underwriting parameters. For instance, the loan funds we work with make acquisition loans where the loan to value ratio is greater than 90%, where the source of loan repayment has not yet been secured, and where project feasibility is still in question. Therefore, we have found that we have to perform quite in-depth underwriting. Additionally, our underwriting has to compensate for the risks of unsecured lending. Most loan funds and pools lack standard collateral. When the loans in each fund or pool are the primary assets available, any loan we make to the organization is essentially unsecured. Therefore, we recommend that FHLBanks rely on Member Banks for underwriting as we have already developed the expertise in this area and it would be inefficient for FHLBank staff to replicate the work we have already done.

Wainwright and other member banks already compete with strong loan funds for good affordable housing projects. If loan funds had similar access to AHP funds as member banks, they would be able to compete with Member banks for these projects, adversely affecting member banks. Additionally, we strongly feel that AHP rules should be the same for all lenders – member banks are not allowed to recycle AHP funds, so this rule should also apply to loan funds and loan pools if this rule is adopted.

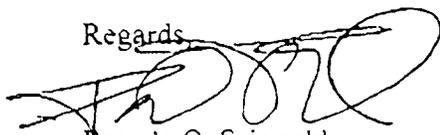
The most effective and efficient way to broaden the AHP's reach into loan funds and loan pools is to allow member banks to sponsor these entities for AHP funds. In this way Members can use the underwriting and due diligence expertise we have already developed to sponsor creditworthy loan funds and loan pools for AHP funds with no adverse impact on Member banks' competitiveness. This solution also would be a relatively easy rule change to implement for the FHLBanks rather than creating an entire new class of project, underwriting, etc.

Risk Based Monitoring

Wainwright Bank welcomes this amendment as it mirrors the monitoring we do as a regulated bank on our own loan portfolio. We are aware that the FHLB of Boston has provided detailed comments on each section of this amendment and wholeheartedly endorse their comments. We have found the staff at the FHLB of Boston to be excellent and welcome this opportunity to help them do their work more effectively.

Thank you again for the opportunity to comment on the proposed amendments to the Affordable Housing Program. Wainwright Bank greatly appreciates the Finance Board's efforts on behalf of this important program.

Regards



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