CCEDA

CALIFORNIA COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION

Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention: OTS-2008-0014
Minimum Capital Ratios; Capital Adequacy Guidelines; Capital Maintenance; Capital: Treatment of Certain Claims on, or Guaranteed by, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Ma)c

Via Facsimile: (202) 906-6518

November 25, 2008

Re: Notice of Proposed Rulemaking and Request for Comment – Minimum Capital Ratios

Dear Sir or Madam:

As a member of the Affordable Housing Advisory Council (AHAC) of the Federal Home Loan Bank of San Francisco, I am submitting the following comments in response to the publication of the federal banking agencies' proposed rule to allow a banking organization to assign a 10 percent risk weight to claims on, and portions of claims guaranteed by Fannie Mae and Freddie Mac, while maintaining a 20 percent risk weighting for FHLBank debt obligations. I appreciate the opportunity to address this important issue.

The AHAC comprises a diverse group of people from throughout the Federal Home Loan Bank of San Francisco's 11th District who provide advice on the housing and community developments needs of California, Arizona and Nevada. The California Community Economic Development Association has served California since 1986. Its membership is comprised of organizations actively engaged in revitalizing California's neighborhoods, including resident driven community development corporations, local governments, community action agencies and faith based institutions. CCEDA members produce *results* through a full range of community building strategies including real estate development—housing, retail and commercial—business assistance and lending, social services, and job training and creation. CCEDA provides its members a clearinghouse for information and action that advances the field of community economic development through training and continuing education, technical assistance, and advocacy on public policy. CCEDA is involved in serving the needs of the communities throughout California and in parts of Nevada.

My concern is that the proposal as drafted will put the FHLBanks at a competitive disadvantage by increasing the cost to the FHLBanks of issuing their debt obligations, and that those increased costs will be passed on to member financial institutions in the form of higher advance rates.

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For nearly eight decades, the FHLBank's member financial institutions and the communities they serve nationwide have benefited from FHLBank advances. These advances function as a critical source of credit for housing and community development purposes, help sustain prudent financial management practices, and enable small community member banks throughout the nation to remain competitive. Higher advance rates will have the effect of restricting the flow of credit to communities, which will further weaken local economies.

Increasing the cost of FHLBank advances will decrease the profitability of the FHLBanks, and have a harmful effect on the Affordable Housing Programs (AHP) of the FHLBanks. By law the FHLBanks contribute ten percent of their net earnings to their AHP. Reducing the FHLBank's profitability will also reduce their AHP contributions.

The AHP is one of the largest private sources of grant funds for affordable housing in the country. Since the program's inception in 1990, over $496 million in AHP funds have been committed by the Federal Home Loan Bank of San Francisco to help finance over 85,000 housing units. Nationally, over $3 billion in AHP funds have been committed by the FHLBanks to help finance approximately 600,000 housing units.

In addition, each FHLBank supports community development activities through its Community Investment Cash Advance Program (CICA). CICA advances direct lending towards economic development programs that are located in low- to moderate-income neighborhoods. This funding provides loans for a variety of small businesses, commercial/industrial, social service or public facility initiatives, and infrastructure initiatives. Through the FHLBank San Francisco, lending under CICA-related programs reached $477.3 million in 2007. Total CICA lending nationwide is now approaching $50 billion, financing 650,000 housing units and thousands of economic development projects.

In an era when it is difficult for any entity to find reliable sources of financing, it is vitally important to preserve the funding that the FHLBanks provide to communities across the nation. While a 10% reduction in the capital requirement for holding obligations of Fannie Mae and Freddie is welcome, I strongly encourage the agencies involved to treat the debt securities of all the housing GSEs as comparable with regard to risk-based capital rules. Equal treatment would achieve the most favorable outcome for all stakeholders in the housing GSEs.

Sincerely,

Ralph Lippman/adR.

Ralph Lippman
Executive Director
CCEDA

WE HAVE MOVED! PLEASE MAKE A NOTE OF IT

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