



National
Housing
Conference

Celebrate the Legacy, Shape the Future

September 19, 2006

Robert Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 29429

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

On behalf of the National Housing Conference (NHC), I appreciate the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) notice of proposed rulemaking and request for comment on deposit insurance assessments. In particular, we appreciate the opportunity to comment on the proposal to include advances in the definition of volatile liabilities or, alternatively, whether higher assessment rates should be charged to institutions that have significant amounts of secured liabilities. NHC believes that this proposal is harmful to Federal Home Loan Banks (FHLBanks) and that it negatively impacts affordability and access to housing.

The National Housing Conference (NHC) is a nonprofit 501(c) (3) membership association dedicated to advancing affordable housing and community development causes. A membership drawn from every industry segment forms the foundation for NHC's broad, nonpartisan advocacy for national policies and legislation that promote suitable housing in a safe, decent environment across the nation.

FHLBanks are a critical part of the American banking system. As created by Congress in 1932, they have been the standard for stability and their cooperative structure ensures the future availability of advance products for their over 8,000 members.

However, NHC is concerned that the proposed rule compromises the FHLBanks' role in the mortgage market. Today, FHLBanks and their members are the largest sources of residential mortgage credit in America. NHC is concerned that enacting the proposed rule will hurt the FHLBanks' ability to remain this critical player.

Among our concerns, NHC is particularly troubled with the tough position the FHLBanks would be put in as a result of the penalty. FHLBanks will be left with two options: seek less desirable and potentially more expensive funding or curtail their lending altogether. Either of these options hurt the consumer, especially those with moderate incomes.

Additionally, the profits FHLBanks produce through their advance products contribute to the largest low-income housing grant program in the nation. Every year through the Affordable

Housing Program (AHP), FHLBanks contribute ten percent of their profits to affordable housing grants benefiting such projects as homeless shelters, first-time homebuyer programs and substance abuse recovery. To date, the AHP has provided over \$2.3 billion for such activities. However, an unnecessary reduction in the FHLBank advances would result in fewer dollars for these projects reducing their much-needed impact in the community.

When Congress created the FHLBank System its goal was a steady stream of mortgage credit through advances. Congress further reiterated this support by expanding access to this funding in the *Gramm-Leach-Bliley Act*. However, this proposal is contradictory to law and its intent.

We urge you to reconsider your proposal and retain the FHLBanks as a strong resource for their member institutions and the community-at-large.

The National Housing Conference is pleased to be able to submit these comments. If further information would be helpful, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Conrad E. Egan', written in a cursive style.

Conrad E. Egan
President and CEO

National Housing Conference
1801 K Street, NW, Suite M-100
Washington, DC 20006
Telephone (202) 466-2121 ext. 224
Email: cegan@nhc.org