

From: Laura Weinbaum [mailto:lauraweinbaum@projecthome.org]
Sent: Thursday, September 21, 2006 2:07 PM
To: Comments
Subject: Comments, RIN Number 3064-AD09



September 21, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429
Via facsimile to: 202-898-8788
And via email to: Comments@FDIC.gov

Attention: Comments, RIN Number 3064-AD09

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I write with regard to the Federal Deposit Insurance Corporation notice of proposed rulemaking and request for comment on deposit insurance assessments. Specifically, I write to address the FDIC's request for comment on whether Federal Home Loan Bank (FHLBank) advances should be included in the definition of volatile liabilities or, alternatively, whether higher assessment rates should be charged to institutions that have significant amounts of secured liabilities. We believe that enacting this rule would be harmful to FHLBanks, their member institutions, and affordability and access to housing.

The profits generated by FHLBanks, primarily through their advance products, contribute to the largest low-income housing grant program in the nation. Every year, FHLBanks contribute ten percent of their profits to affordable housing grants. Residential programs for people struggling with homelessness, first-time homebuyer projects, and housing for substance abuse recovery are just three examples of projects that have benefited from the FHLBank's Affordable Housing Program (AHP). Since 1990, the AHP has provided over \$2.3 billion for over 430,000 units of affordable housing. An unwarranted reduction in FHLBank advances would result in fewer dollars for these projects.

Project H.O.M.E. is one of the many organizations dependent on Affordable Housing Program dollars to make our projects work. Project H.O.M.E. provides housing and services to formerly homeless individuals and families throughout Philadelphia and works to revitalize a section of North Philadelphia. We are currently undertaking efforts to create 100 new homes in our community. Approximately eight percent of the rehab cost for our current phase of affordable homeownership development is being covered by a FHLB grant, and on our last project the percentage was approximately the same. With federal and some local dollars getting tighter, grants like those offered by the AHP make our work possible and keep our homes affordable. Hypothetically, if we did not have the AHP subsidy, our home prices would have to increase by approximately \$20,000 (to \$90,000) or we would have to search out more funding sources. Finding new funding sources would delay or could possibly cancel the next phase of affordable housing until funds could be raised to be leveraged against other public and private dollars needed for an affordable homeownership project.

The reduction or loss of AHP funds will be felt dramatically by those most in need and unable to access quality affordable housing. AHP dollars are critical to Project H.O.M.E.'s supportive housing developments. Here in Philadelphia, homelessness appears to be on the rise – our last “street census” showed an increase of almost 25 percent in the number of people living on our streets and our shelters are at or above capacity. Many of those living on the streets are impacted by addiction and Project H.O.M.E. has been able to use AHP funds to renovate residential recovery units. St. Elizabeth's Recovery Residence serves 25 formerly homeless men with addiction and was fortunate to receive an AHP subsidy of \$369,722 for renovations that will make the building handicapped accessible and provide other improvements.

Finally, the loss of AHP funds would have a domino effect on other housing resources. Philadelphia's already-underfunded Housing Trust Fund and CDBG and HOME allocations are not in a position to compensate for any lost funding. This will force additional reliance on private sector generosity and/or create a serious bottleneck in subsidized housing programs.

FHLBanks themselves are a core part of the American banking system. As created by Congress in 1932, they have been the standard for stability, surviving the swings of markets, interest rates and business cycles. Their cooperative structure, joint and several liability, and conservative business models ensure the future availability of advance products for their over 8,000 members. When Congress created the FHLBank System its goal was a steady stream of mortgage credit through advances. Congress reiterated its support of advances by expanding access to this funding in the Gramm-Leach-Bliley Act. This proposal, which seeks to penalize the judicious use of advances, runs contrary to the actions and intent of Congress.

I appreciate the opportunity to comment on this important matter. Please feel free to contact me at any time at 215-232-7272 or maryscullion@projecthome.org if there is additional information I can provide.

Sincerely,

S. Mary Scullion
Executive Director
Project H.O.M.E.