HOUSING AUTHORITY of the CITY OF SAN BUENAVENTURA

Edward L. Moses, Chief Executive Officer

September 20, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Attention: Comments RIN No. 3064-AD09

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

We write respectfully with regard to the Federal Deposit Insurance Corporation (FDIC) notice of proposed rulemaking and request for comment on deposit insurance assessments. Specifically, we 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 appreciate the opportunity to express our views on this important matter.

Our concerns regarding the inclusion of FHLBank advances in the proposed rule stem from the very real potential that if implemented it will reduce the profitability of the Federal Home Loan Bank System as a whole and thereby reduce the overall contributions to the Affordable Housing Program (AHP), without serving any necessary public purpose goal.

Our Agency was a recipient of AHP funds last year for our Chapel Lane Senior Apartment Project. We received $190,000 from a member bank, which financed the gap in our 38-unit very-low income senior project. Without this funding, our project could not have been completed.

As you are aware, 10 percent of FHLBank profits are dedicated to the AHP. In 2005, a total of $280 million in AHP funds were awarded, funding hundreds of affordable housing units. If there is a decline in the income of the FHLBanks, the Affordable Housing Program will be significantly curtailed, and low-income projects will not be created.

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Advances are not volatile liabilities for FHLBank members. FHLBank advances have pre-defined, understood, and predictable terms. FHLBank advances serve as a critical source of credit for housing and community development purposes, support sound financial management practices, and allow member banks throughout the nation to remain competitive.

Penalizing financial institutions for their cooperative relationship with the FHLBanks would result in their being less competitive, limit credit availability in the communities they serve, and limit their use of a valuable liquidity source, all for no justifiable economic or public policy reason.

Finally, including FHLBank advances in the proposed rule would conflict with the intent of Congress in establishing the FHLBanks. The FHLBanks' mission is to provide financial institutions with access to low-cost funding so they may adequately meet communities' credit needs to support homeownership and community development. Charging higher assessments to those banks utilizing advances would, in effect, use the regulatory process to vitiate the FHLBanks' mission as established and repeatedly reaffirmed by the Congress.

We respectfully urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities. Thank you for your consideration.

Sincerely,

Edward L. Moses
Chief Executive Officer