



December 16, 2008

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

VIA E-MAIL

Re: Comments on Interim Final Rule  
Affordable Housing Program Amendments: Federal Home Loan Bank Mortgage  
Refinancing Authority (73 Fed. Reg. 61660) (October 17, 2008)  
RIN Number 2590-AA04. Docket Number 2008-09

Greetings:

The Federal Home Loan Bank of San Francisco ("the Bank") appreciates the opportunity to comment on the Federal Housing Finance Agency ("Finance Agency") interim final rule (73 Fed. Reg. 61660) ("Interim Rule") amending its Affordable Housing Program ("AHP") regulations to implement section 1218 of the Housing the Economic Recovery Act of 2008. The Interim Rule allows the use of AHP set-aside funds to refinance mortgage loans for low- and moderate-income households under the Federal Housing Authority's (FHA's) HOPE for Homeowners Program.

The Bank generally supports the Interim Rule and appreciates the efforts of the Finance Agency to grant all Federal Home Loan Banks ("FHLBanks") refinancing authority to assist distressed homeowners at this critical time and to support long-term affordable homeownership.

The Finance Agency specifically requests comments in the following areas:

***Use of AHP set-aside funds to assist homeowners refinancing under other programs:***

The Bank supports giving the FHLBanks flexibility to use AHP set-aside funds in conjunction with other federal and state programs designed to aid distressed homeowners. To implement most efficiently, we suggest that the Finance Agency consider reviewing other programs from time to time, on its own or upon request by a FHLBank, and informally approving the programs, through issuance of an Advisory Bulletin or other regulatory guidance, as eligible for use with AHP set-aside funds. Authorizing the use of AHP set-aside funds with additional programs would allow the FHLBanks greater flexibility to address specific market conditions in the district each FHLBank serves, bringing maximum benefit to homeowners and meeting public policy objectives.

*Extend the sunset date to be the same as that of the HOPE for Homeowners Program*

The Bank supports extending the Interim Rule's refinancing authority sunset date to be the same as the sunset date of the HOPE for Homeowners Program (September 30, 2011). Matching these dates would allow eligible distressed homeowners whose loans are submitted to the FHA for approval after July 30, 2010, to benefit from AHP set-aside funds and the HOPE for Homeowners Program. In addition, the final rule should take into consideration the sunset dates of other programs that may be approved to be used in conjunction with the AHP set-aside funds.

In addition to the specific comments above, we ask the Finance Agency to consider the following:

*Income Calculation*

The criteria used by FHA to calculate a borrower's income in order to qualify for the FHA program is different from the AHP regulatory criteria used by the Bank to calculate household income to qualify for AHP set-aside funds. Application of the different income calculation criteria may result in a borrower qualifying for refinancing under the FHA's program but not qualifying for AHP set-aside funds. Some of the differences in income calculation criteria are as follows:

- When calculating household income eligibility for AHP purposes, the Bank takes into account total household income. The FHA, however, requires a lender to take into account only the individual borrower's income.
- The Bank calculates household income based on a projection of future earnings for the year based on current earnings. The FHA calculates borrower income based on past earnings.
- The Bank uses the highest income amount when qualifying the household. The FHA uses the lowest income amount when qualifying the borrower.

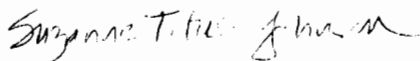
To better align the AHP with the FHA program, the final rule should allow FHLBanks the option of using the borrower income, as calculated using FHA criteria, to determine household eligibility at the time the member or lender submits a loan to the FHA for refinancing. Using the income calculation that qualified the borrower for the FHA program to qualify the household to receive AHP set-aside funds will enhance the effectiveness of the AHP program. Alignment of the two programs is also consistent with the requirement in section 10(j)(9)(G) of the FHLBank Act that the AHP rule coordinate AHP activities with other federal or federally-subsidized affordable housing activities to the maximum extent possible, as noted in the preamble of the Interim Rule.

***Increase in Subsidy***

The Interim Rule maintains the current AHP regulatory set-aside limit of \$15,000 per household. The Bank believes this limit is unnecessarily low and does not reflect the needs in many housing markets currently served by the AHP. The Bank urges the Finance Agency to reconsider the \$15,000 maximum subsidy limit in the final rule, and increase it to \$25,000. Many borrowers need significant relief before they are able to restructure their debt obligations to an affordable level, particularly in high cost areas. Raising the AHP set-aside subsidy limit is appropriate for the refinancing program because of the nature of the problems this program is designed to address. In addition, allowing a \$25,000 maximum amount of set-aside subsidy to help restructure loans with the FHA HOPE Program is consistent with the maximum subsidy amount allowed under the Bank's previously approved Homeownership Preservation Subsidy ("HPS") Program, which also aims to restructure mortgage loans to an affordable level.

Thank you for your consideration of our comments.

Sincerely,



Suzanne Titus-Johnson  
Senior Vice President and  
General Counsel-Corporate Secretary