



2003 SENIOR OFFICERS

January 13, 2004

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ATTN: Public Comments

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**Re: Registration by Each Federal Home Loan Bank of a Class of Its Securities Under the Securities Exchange Act of 1934
68 FR 54396 (September 17, 2003)**

Dear Directors:

Vice President/Treasurer

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On behalf of the 215,000 member firms of the National Association of Home Builders (NAHB), I welcome the opportunity to respond to your request for comments on the Federal Housing Finance Board's (Finance Board) proposal to adopt a regulation requiring each Federal Home Loan Bank (FHLBank) to prepare and make public certain disclosures relating to its business and financial condition (Proposal). The Proposal would require each FHLBank to voluntarily register a class of its securities with the Securities and Exchange Commission (SEC) under the provisions of section 12(g) of the Securities Exchange Act of 1934 (1934 Act). By voluntarily registering a class of its securities, each Bank will subject itself to the 1934 Act's periodic disclosure regime, as interpreted and administered by the SEC.

Vice President/Secretary

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NAHB Position

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The Federal Home Loan Bank System and Community Affordable Housing Needs

NAHB views the FHLBanks as crucial components of the housing finance system, and we ardently endorse the FHLBank System's mission-oriented efforts to extend the availability of affordable housing credit in local communities. The FHLBanks, through their member institutions, are critically important in efforts to improve housing conditions and opportunities. The portfolio lending activities of commercial banks and thrift institutions, which are significantly supported by FHLBank advances and loan purchases, are essential in meeting mortgage credit needs of minorities and other underserved segments of the population, as well as of providers of affordable rental housing. In addition, NAHB's quarterly survey of home builder and developer financing shows that commercial banks and thrifts account for more than 90 percent of housing production-related lending. For these reasons, NAHB members have a vested interest

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in the FHLBank System's continued support of housing finance by community-focused institutions.

GSE Financial Disclosure and the Cost of Housing Credit

NAHB supports comprehensive, relevant and appropriate standards of financial disclosure for all government-sponsored enterprises (GSEs). We believe that such standards are not incompatible with their mission. In fact, enhancements to the financial disclosures of the GSEs can contribute to the public's confidence in the transparency of the organizations in particular, and financial markets generally. It is also possible, however, that changes in GSE disclosure requirements can impose costs on the GSEs that would feed through adversely to the price of credit provided. NAHB, therefore, believes that it is imperative to identify and assess potential ramifications of any new disclosure requirements on the cost of housing finance and the availability of affordable housing. In that vein, NAHB would oppose any changes in FHLBank financial disclosures that would have adverse impacts in these areas.

The twelve FHLBanks were created by Congress with a corporate structure that is dissimilar to most entities under the rubric of SEC oversight. For example, unlike other publicly traded institutions, the FHLBanks function as independent cooperative financial institutions that are jointly and severally obligated on FHLBank System debt. Additionally, the FHLBanks are not only unique in the fact that their stock neither trades publicly nor varies in value, but also because they have an exceptionally dynamic stock structure that is based on both membership and activity variables. In short, these singular features greatly complicate the task of developing and implementing a new disclosure regime for the FHLBanks.

Analysis of the Impact of Disclosure Requirements

The implementation of any new and complex regulatory reporting is never accomplished without a host of administrative, legal, compliance and other costs. Therefore, a fundamental duty for any regulator is to identify the order of magnitude of such costs. A recent study by the First Manhattan Consulting Group (First Manhattan) concluded that the administrative costs of SEC registration by the FHLBanks would be minimal. However, the study also suggested that SEC registration would force the FHLBanks to hold higher liquidity levels to cushion against possible funding disruptions that would result from an SEC enforcement action. In order to protect against a worst-case scenario, the study indicated that the FHLBanks would need to increase their liquidity from 5 days to 60 days, resulting in additional costs of \$300 to \$500 million a year and a 4-to-7 basis points increase in FHLBank funding costs.

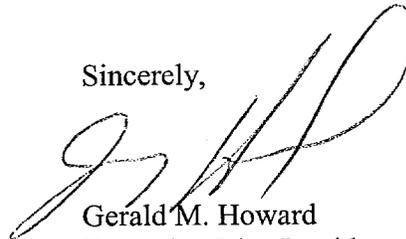
NAHB notes that the Finance Board has disagreed with the First Manhattan study's conclusions, and countered that SEC registration and disclosure would have no significant financial impact on the FHLBank System. While NAHB does not endorse the findings of the First Manhattan study, NAHB also notes that the Finance Board's refutation of the study did not provide any analytical information. As the FHLBank System's regulator, it is the Finance Board's obligation to carefully scrutinize and understand the impact of SEC registration on the operations and activities of the FHLBanks. NAHB is concerned that a number of issues or questions either have not been fully analyzed or the results have not been publicized.

Recommendation

NAHB believes that a thorough and in-depth analysis is required to accurately assess the merits and costs of SEC registration, including the impact on housing production credit and affordable housing. Therefore, NAHB urges the Finance Board – either independently or in conjunction with the SEC, and other interested industry groups – to undertake a comprehensive review of SEC registration prior to altering FHLBank disclosure regulations. Furthermore, NAHB requests that the Finance Board publish the results of the study, and provide an opportunity for public review and comment before initiating further rulemaking proceedings.

Thank you again for the opportunity to comment. NAHB is acutely interested that the consideration of new disclosure requirements for the FHLBanks recognizes the importance of preserving the housing and community investment focus and capacity of the FHLBank System.

Sincerely,



Gerald M. Howard
Executive Vice President and
Chief Executive Officer

GMH/mc