Providence Housing Development Corporation

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March 25, 2009





Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856

RE: Proposed FSPs FAS 115-a, FAS 124-a & EITF 99-20-b and FSP FAS 157-e

Dear Mr. Golden:

Providence Housing Development Corp. is a not-for-profit developer of affordable housing for families, seniors and special needs populations. Since our founding in 1994, Providence Housing has developed over 600 units of affordable rental housing, representing a total investment of \$87.4 million in the twelve counties we serve. Funding from the Federal Home Loan Bank (FHLB) is a crucial source that we use to fund gaps in Low-Income Housing Tax Credit (LIHTC) projects. An attached list of all of our projects highlights our consistent use of FHLB funds as an absolutely critical source for nearly all of our projects.

Recently I have learned that the accounting treatment for other-than-temporary-impairments (OTTI) has significantly reduced the amount of reported income for the Federal Home Loan Bank System and, consequently, has greatly reduced the funds available throughout the country under FHLB's Affordable Housing Program (AHP). This change will have a devastating effect on what has already become a very difficult development environment, due to economic conditions that have greatly weakened the value of the LIHTC. This results in even greater funding gaps on each project. FHLB has always been a consistent, reliable source of funding for affordable rental housing projects.

Please find below several recommendations that may prevent a reduction in funds available for community organizations, such as Providence Housing, to continue our mission of ensuring all members of our community have a decent, safe, affordable home.

We appreciate the opportunity to comment on the proposed FASB Staff Position No. FAS 115-a, FAS 124-a and EITF 99-20-b, Recognition and Presentation of Other-Than-Temporary Impairments ("proposed FSP #1") and on the proposed FASB Staff Position No. FSP FAS 157-e, Determining Whether a Market is Not Active and a Transaction is Not Distressed ("proposed FSP #2").

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We commend the Financial Accounting Standards Board ("FASB") for providing greater clarity to investors about the credit and noncredit component of an OTTI event and to more effectively communicate when an OTTI event has occurred.

As you are aware, the current state of the financial markets has resulted in a sharp reduction in liquidity and credit availability, making it challenging to find reasonable financing for affordable housing and community development initiatives. At the same time, the real world effects of these market conditions are increasing the demand for such projects. Mark-to-market accounting rules seem to be exacerbating this situation, with a non-functioning market leading to cyclical write-downs of assets.

In addition, other funding sources for affordable housing are being negatively impacted, such as the FHLBank System which has been the single largest provider of affordable housing grants, contributing 10% of its net income for affordable housing development. Other-than-temporary-impairment (OTTI) accounting rules that require write downs on assets that are far in excess of the probable economic losses are significantly reducing otherwise available affordable housing funds. The FHLBanks' unaudited fourth quarter 2008 financial reports suggest a reduction of greater than \$100 million in Affordable Housing Program (AHP) funding as a direct result of OTTI liquidity losses.

Thus, in that regard, we have focused our comments on only a few aspects of the proposal that we would urge FASB to consider.

Effective Date

As currently drafted, the proposed OTTI FSP would be effective for interim and annual reporting periods ending after March 15, 2009, and would be applied prospectively. Therefore, this guidance would not allow any noncredit losses to be included in OCI, rather than in retained earnings, prior to the first quarter of 2009.

The FASB should require the proposed OTTI FSP to be applied retrospectively, in accordance with SFAS No. 154, Accounting for Changes and Error Corrections, instead of prospectively. We believe that retrospective application is appropriate because during 2007 and 2008, a number of financial institutions have recorded significant OTTI charges on debt securities. These financial institutions have amortized and will continue to amortize significant non-credit impairment to interest income, which will distort net interest margin. Also, these financial institutions' retained earnings may include a significant amount of non-credit impairment. The impact of the current accounting model for OTTI securities may continue to make it difficult for investors to compare key financial metrics (Net Interest Margin and Tangible Common Equity). We believe that this will be especially troublesome relative to comparisons of financial institutions who have recorded significant OTTI charges with those that have not.

Proposed Fair Value FSP

We request that the FASB provide more explicit practical guidance on how to implement the proposed Fair Value FSP. We are concerned that the proposed Fair Value FSP, as written, will not meet its intended objectives. We believe that the guidance to determine if a market is not active appears to be sufficient. However, the proposed Fair Value FSP appears to be lacking

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sufficient details and practical guidance to determine fair value based on appropriate marketbased discount rates as of the measurement date in an orderly market. It may be difficult for independent public accountants and regulators to agree with management's assumptions without more practical and specific guidance.

I hope that you will look favorably upon these comments. Please contact me at (585) 328-3228 ext. 1434, or by email at mmccullough@dor.org if I can provide with any additional information about Providence Housing, or the benefit to our community provided by the FHLB Affordable Housing Program.

Sincerely,

Monica C. McCullough, Esq.

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Executive Director

cc: Mr. Joseph Gallo, Federal Home Loan Bank of NY

PROVIDENCE HOUSING DEVELOPMENT CORPORATION

Union Meadows Apartments		family rental units new construction \$ 3,516,430 LIHTC \$ 1,650,000 NYS HTF	Town of Chili
	Total	\$ 450,000 County of Morroe HOME \$ 5,616,430	
Brown Street Infill		family rental units new construction \$ 1,530,790 LIHTC	City of Rochester
	Total	\$ 600,000 City of Rochester \$ 2,130,790	
Clemens Manor		senior rental units rehabilitation \$ 3,220,080 LIHTC	City of Elmira
	*****	\$ 711,000 NYS HOME \$ 250,000 City of Elmira	
Mark Train Million	Total	\$ 4,181,080 senior rental units new construction	Town of Honolette
West Town Village		\$ 3,210,904 LIHTC	Town of Henrietta
	Total	\$ 1,770,000 NYS HTF \$ 350,000 Monroe County HOME & CDBG \$ 5,330,904	
Elizabeth Blackwell		special needs rental units rehabilitation	City of Geneva
Apartments		\$ 1,690,000 LIHTC \$ 646,000 NYS HTF	
		\$ 129,750 City of Geneva \$ 110,000 Federal Home Loan Bank	
	Total	\$ 2,575,750	
Sullivan Street -		single homes new construction	City of Elmira
Homeoumership Program		\$ 140,000 City of Elmira \$ 200,000 NYS AHC	
	Total	\$ 309,000 Chemung Canal Trust \$ 649,000	
Near Westside		family rental units new construction	City of Rochester
Rental		\$ 685,000 City of Rochester \$ 2,204,053 LIHTC	
	Total	\$ 2,889,053	
St. Andrews		special needs rental units new construction \$ 742,836 NYS HOME	Town of Gates
		\$ 125,000 County of Monroe HOME & CDB	G
		\$ 53,822 NYS FHLB/HSBC \$ 1,182,546 LIHTC/Equity	
	Total	\$ 15.600 Developer \$ 2,119,804	
Union Park		senior rental units new construction	Town of Chill
		\$ 1,230,000 NYS HOME \$ 500,000 County of Monroe HOME	
		\$ 250,000 FHLB NY/M&T \$ 3,627,861 LIHTC/Equity	
		\$ 118,832 Developer	
	Total	\$ 280,000 M&T Permanent \$ 6.006,693	
Northern Star		family rental units rehabilitation of scattered sites \$ 363,000 City of Rochester	City of Rochester
		County of Monroe (Lead Hazard	Reduction Funds)
		\$ 275,000 CPC/CDFI \$ 100,000 FHLB of NY/HSBC	
		\$ 25,000 MLK \$ 98,115 Leviticus Alternative Fund (Priva	ita Martanga)
	Total	\$ 861,115	ite mortgage)
Plymouth Manor		family rental units new townhomes, scattered sites \$ 7,543,048 LIHTC Equity	City of Rochester
		\$ 1,700,000 Providence HDC (RHA)	
		\$ 2,100,000 HTFC \$ 350,000 Providence HDC (AHP of FHLB)	
		\$ 120,000 City of Rochester	
		\$ 150,000 Rochester Equity Fund \$ 218,994 Developer	
	Total	\$ 12,182,042	

Carlson Commons Total	77 family rental units new townhomes, scattered sites \$ 6,419,864	City of Rochester
Shortsville Meadows	20 family rental units new construction \$ 1,246,848 IIHTC Equity \$ 375,000 USDA Rural Development \$ 740,300 HTF	Village of Shortsville
McNiff Commons Total	11 special needs rental units new construction	City of Elmira
Ehr-Dake Heights Total	33 senior rental units	Village of Churchville
Medina Country Village Total	24 family rental units \$ 857,000 \$ 420,000 \$ 1,269,500 \$ 2,546,500	Village of Medina
St. Salome Total	45 senior rental units \$ 1,799,000	Town of Irondequoit
Olean Heights Total	32 family rental units \$ 2,200,000	City of Rochester
HUD 202 Total	33 senior rental units new construction HUD 202 5 262,743 HUD Pre-Dev Grant 400,000 \$ 4,539,543 HUD Pre-Dev Grant HUD Pre-Dev Gran	TBD Suburban Monroe Co.
Northwest Apartments Total	23 family rental units \$ 3,971,703 LIHTC Equity \$ 345,000 FHLB \$ 10,000 MLK \$ 154,317 Developer \$ 756,715 \$ 5,237,735	City of Rochester
Union Meadows II	42 family rental units \$ 5,367,532 LIHTC Equity \$ 210,000 FHLB \$ 150,000 JP Morgan Chase \$ 450,000 County of Monroe \$ 2,179,700 NYS HTF	Town of Chill
TOTAL LINETS	688	
TOTAL DEVELOPMENT COSTS	\$ 87,461,978	

Number of DHCR units:

635