

Mail Stop 4561

September 26, 2006

Mr. James E. Parker  
Chief Financial Officer  
KH Funding Company  
10801 Lockwood Drive, Suite 370  
Silver Spring, Maryland 20901

**Re: KH Funding Company  
Form 10-KSB for the Fiscal Year Ended December 31, 2005  
File No. 333-106501**

Dear Mr. Parker:

We have completed our review of your Form 10-KSB and related filings and have no further comments at this time.

Sincerely,

Sharon Blume  
Senior Accountant