

LEDYARD NATIONAL BANK

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KATHRYN G. UNDERWOOD
PRESIDENT & CEO

July 5, 2006

Federal Housing Finance Board
Attn: Public Comments
1625 Eye Street, NW
Washington, DC 20006

Re: Federal Housing Finance Board Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirement for the Federal Home Loan Banks.
RIN Number 3069-AB30
Docket No. 2006-03
71 FR 13306 (March 15, 2006)

Dear Sir or Madam:

I am writing regarding the Federal Housing Finance Board's proposed rule requiring the Federal Home Loan Banks to increase their retained earnings. If adopted as drafted, this proposal has the potential to negatively impact the Federal Home Loan Bank System, its member financial institutions and the communities they serve for years to come. I am writing to request that the Finance Board withdraw, redraft and resubmit this proposal.

The one-size fits all approach to retained earnings and excess stock suggested by the proposed rule is inconsistent with the capital regime established by Congress in 1999 in the Gramm-Leach-Bliley Act. In accord with that legislation, the twelve Federal Home Loan Banks spent significant resources developing capital plans, which were subject to extensive review and ultimately approved by the Finance Board. The current proposal has the effect of undoing years of effort in the development of these capital plans.

The Federal Home Loan Bank System is an important source of funding, particularly for community banks and the businesses and consumers they serve. By withdrawing the rule, the Finance Board will avoid the negative impacts of the proposal on the System and encourage a broader range of debate on various approaches to the topic of Federal Home Loan Bank capital.

Sincerely,



Kathryn G. Underwood
President/CEO

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