



Donald V. Rhodes
Chairman

Ronald A. Rosenfeld
Chairman
Federal Housing Finance Board
1625 Eye St., NW
Washington DC 20006

ATTN: Public Comments

RE: Federal Housing Finance Board; Proposed Rule: Excess Stock Restrictions and Retained Earnings; RIN Number 3069-AB30; Docket 2006-03

Dear Mr. Rosenfeld:

I am writing to you on the subject matter in my capacity as Chairman of Heritage Bank in Olympia, Washington, a member shareholder of the Federal Home Loan Bank of Seattle. I have also served as a Board member of the Seattle Bank since August 2005.

My request is for you to withdraw the proposed regulation to allow time for thoughtful discussion of the proposals impact by all affected parties to ensure that all consequences of the proposal are thoroughly analyzed. The FHLB system serves a vital role in the success of community banks such as ours including providing a return on the required investment to be a member. The proposed rule could unnecessarily negatively impact our investment and our return.

The one size fits all impact on the twelve regional banks does not seem to be consistent with the sound regulatory process of assessing a banks unique circumstances individually and directing solutions for appropriate safety and soundness measures based on each individual banks management, asset quality and other appropriate considerations.

The existing FHLB system is not in danger of failing. Taking time to allow thoughtful input to your proposal would lead to better solutions for the issues you are concerned about without negatively impacting community banks abilities to serve their markets and would enable you to build broad support for solutions without endangering the system as a whole.

Sincerely yours,

Donald V. Rhodes
Chairman

cc: Senator Patty Murray PO Box 3662, Seattle WA 98124
 Senator Maria Cantwell PO Box 12740, Seattle WA 98111-4740