

July 11, 2006

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

Re: RIN No. 3069-AB30; Docket No.
2006-03; Excess Stock Restrictions and
Retained Earnings Requirements for
Federal Home Loan Banks

Dear Sir or Madam:

Navy Federal Credit Union submits the following comments on the Federal Housing Finance Board's (Finance Board) proposed rule on Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks. Navy Federal is the nation's largest natural person credit union with \$25 billion in assets and 2.7 million members.

As a member of the Federal Home Loan Bank of Atlanta, Navy Federal Credit Union feels compelled to comment on the proposed rule from the Finance Board that would require each Bank to maintain a minimum amount of retained earnings and limit the amount of outstanding excess stock that each Bank could hold.

In response to the Finance Board's Advisory Bulletin 2003-AB-08, the Federal Home Loan Bank of Atlanta has implemented a specific capital management policy that includes a target amount of retained earnings and a plan that would allow the Bank to achieve the target. This target is reviewed quarterly by the Bank's board of directors and takes into consideration various risks, such as market, credit, and operational risks. Because this policy has been adopted, the Bank of Atlanta believes that they will be in compliance with the proposed minimum retained earnings requirement within two quarters if a final rule is passed by the Finance Board. Of concern, however, is that after the transition period has expired, dividends paid to shareholders would be significantly less than normally paid. Such a reduction in dividends would be required to comply with the minimum retained earnings that the Finance Board has proposed. Navy Federal Credit Union is concerned that if the dividends paid are significantly less or even delayed, it would cause a financial loss to the Bank shareholders.

Instead of the minimum retained earnings requirement outlined in the proposed rule, we suggest a minimum retained earnings requirement that is based on the risk profile of each

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Federal Home Loan Bank. This would avoid a “one-size-fits-all” that would universally apply the same requirements to all Banks. We also believe that any minimum retained earnings requirement should be a long-term phased approach also based on the risk profile of each Bank.

Since we have concerns regarding the retained earnings requirement proposal as well as the impact on dividends, we respectfully ask that you reconsider this proposal. Further, the changes proposed would affect all Federal Home Loan Banks and their members; so we request that you gather input and ideas from each before moving forward with any final rule.

We appreciate the opportunity to provide comments in response to the Finance Board’s request for comments on its proposed rule regarding Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks.

Sincerely,

A handwritten signature in black ink, appearing to read "John R. Peden", written in a cursive style.

John R. Peden
Acting President/CEO

JRP/st