

July 13, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006

Re: Federal Housing Finance Board Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks
RIN Number 3069-AB30
Docket Number 2006-03

As a member of the FHLB of Seattle Advisory Council and a community development professional in Montana, I am writing to comment on the proposed rule referenced above. While I understand the need for strong fiscal oversight and a safe and sound FHLB system, I am equally concerned about the harmful effect this proposed rule may have through reduced profitability of the Federal Home Loan Banks (FHLBanks) and, thereby, reduce contributions to the Affordable Housing Program (AHP), further weakening our ability to provide affordable housing to the communities we serve.

The proposed rule would require each FHLBank to meet a fixed-formula, minimum retained earnings requirement which could translate into the larger FHLBank members strategically deciding that the FHLBank system no longer met their needs when they have direct access to the capital markets. A decline in the number of large members would likely result in reduced FHLBank earnings and, in turn, reduced availability of AHP funding. Subsequently, this could increase the cost of funds to more local community financial institutions with no direct access to the capital markets and directly affect the amount of affordable housing lending these members can support. Clearly the reserves should reflect the risk profile of each FHLBank. and be designed to cover losses during periods of financial stress without jeopardizing the overall FHLBank programs.

The Seattle FHLBank has contributed more than \$132 million to help finance more than 25,400 homes for individuals and families across our district since 1990. This investment represents real homes and real jobs for the families we work with every day. As the Finance Board considers this rule change, please take the time to study and consider the potential effects of such changes on the supply of affordable housing in our nation.

Thank you for your consideration.

Truly,

Ren S. Essene

homeWORD, Inc.