



July 12, 2006

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

RE: Excess Stock Restrictions and Retained Earnings Requirements for Federal Home Loan Banks

Dear Federal Housing Finance Board:

On behalf of Wescom Credit Union, which serves over 275,000 members throughout southern California, I am writing to urge the Finance Board to refrain from implementing the above-referenced proposed rule until a thorough analysis of its impact on Federal Home Loan Banks and member institutions is completed.

As a FHLB member for the past seven years, Wescom Credit Union actively utilizes its services to meet the home financing needs of our credit union members. By providing a reliable and cost-effective funding source, the Bank enables us to assist thousands of homeowners throughout the state. Wescom Credit Union has made over \$200 million in home loans with low cost funding through the FHLB Community Investment Program. If the proposed retained earnings requirement is implemented, we believe the Banks will be forced to raise borrowing costs for member institutions and therefore become unable to provide these and other community lending programs

Moreover, the proposed cutting of dividends for Banks that do not meet an arbitrary retained earnings level will curtail this important revenue stream to member institutions. This reduction could impair investment income for member institutions and force members to seek alternative investment options. This could ultimately reduce the ability of the FHLB system to accomplish its mission.

Finally, we feel the provisions of the Gramm-Leach-Bliley Act already provide significant oversight for the Board to promote the safe and sound capitalization of Federal Home Loan Banks. Credit unions are restricted in the ways in which we can build retained earnings, and we know firsthand that arbitrary or inappropriate capital requirements can have a stifling effect on growth. We believe there are current effective measures that can be implemented should a Bank fall below regulatory minimums.

I hope you will take these issues into consideration and refrain from implementing the proposed FHLB restrictions.

Sincerely,

A handwritten signature in black ink, appearing to read "Darren R. Williams", is written over a horizontal line.

Darren R. Williams
President/CEO

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