

July 12, 2006

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

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:

We appreciate the opportunity to comment on the proposed rule referenced above. As a member of the Federal Home Loan Bank of Seattle, we oppose the implementation of this rule and would suggest its withdrawal and opening the proposed rule to additional comments in an attempt to address concerns in a more beneficial way. We feel the rule as proposed would have a potential negative impact on the Federal Home Loan Bank system, its member institutions and the communities they serve.

The one size fits all approach to retained earnings and excess stock does not comport with the capital provisions established by Congress in the Gramm-Leach-Bliley Act. Under that legislation and the subsequent Federal Housing Finance Board rulemaking, the Federal Home Loan Banks developed capital plans for each of the Banks. These capital plans address the needs of the individual Banks sufficiently, and adequately protect the safety and soundness of each Bank and the Federal Home Loan Bank system. The current proposal negates those individual plans and could cause irreparable harm to a system that is so critical to the liquidity needs of our banking system.

The proposed rule establishes a distinction between retained earnings and stock. This distinction is artificial and unnecessary and immediately decreases the value of the stock of the various Federal Home Loan Banks.

The restriction on the payment of stock dividends eliminates the tax-deferred benefit which accrues to members. Limiting the dividend payout and restricting the payout to cash will be a negative to members, and may discourage participation by members and potential members.

The proposal may also create unintended consequences. The one size fits all approach will result in an increase in retained earnings above the level needed from a risk perspective. This deleverages the Federal Home Loan Banks, reduces shareholder returns, and may cause member withdrawal. We therefor, respectfully request the withdrawal of the proposed rule. Thank you for your consideration of our comments. We appreciate your efforts to maintain and support a viable Federal Home Loan Bank system. Should you have questions, please feel free to contact me at (801)844-7792.

Very truly yours,

/s/

W. David Hemingway
Executive Vice President
Zions First National Bank