

Franklin Federal

SAVINGS AND LOAN



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RICHARD T. WHEELER, JR.
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

July 11, 2006

Federal Housing Finance Board
1625 Eye Street, N.W.
Washington, D.C. 20006

Attention: Public Comments

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

Dear Sir or Madam:

Franklin Federal Savings and Loan Association of Richmond is a member of the Federal Home Loan Bank of Atlanta (FHLBA). At June 30, 2006, our advances from FHLBA approximated \$243 million on an asset base of \$930 million (including \$12.7 million of FHLBA stock). Our advances are primarily long-term, fixed-rate credits with original maturities of 10, 15 or 20 years. We use these advances to reduce our interest-rate risk, since a substantial portion of our loans are 15- and 30-year fixed-rate mortgages. The FHLBA is critical to our ability to operate as a traditional savings and loan making long-term, fixed-rate portfolio loans.

We are concerned with the effect the proposal's retained earnings requirement could have on the availability of funding from FHLBA. If FHLBA is forced to have a retained earnings minimum of \$50 million plus 1% of all non-advance assets, less capital (or certainly more expensive capital) will be available for providing advances to our association. We are concerned that the availability of the FHLBA's low cost funding could diminish under the proposal.

We also have concerns with the effect the proposal will have on the payment of dividends by FHLBA. Such dividends are not insignificant to our bottom line, and thus a reduction in such dividends will affect us adversely. Importantly, dividends effectively reduce the cost of the FHLBA advances. Increasing the cost of this source of funding could result in the loss of business due to our inability to offer the same competitive pricing.

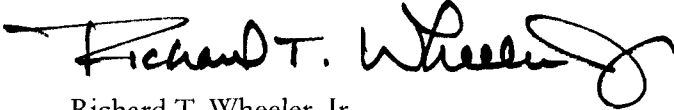
All of this is to say that the proposal's retained earnings requirement could hurt our ability to compete in the marketplace. As a mutual institution, we particularly lack access to the capital markets that large stock institutions enjoy, and we have relied on FHLBA as a low-cost source of funding for our lending operations. To the extent that funding is reduced, or the cost of such funding is increased, we will be disadvantaged.

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Accordingly, we urge the Federal Housing Finance Board to withdraw or modify its proposal to ensure that the negative effects we fear do not come to fruition. Thank you for considering our views.

Sincerely,

FRANKLIN FEDERAL SAVINGS AND
LOAN ASSOCIATION OF RICHMOND

A handwritten signature in black ink that reads "Richard T. Wheeler, Jr." with a stylized flourish at the end.

Richard T. Wheeler, Jr.
President and Chief Executive Officer