



James W. Blake, President & CEO

July 5, 2006

Mr. Ronald A. Rosenfeld
Chairman
Federal Housing Finance Board
1625 Eye Street NW
Washington, D.C. 20006

RE: Proposed Rule on Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks

Dear Chairman Rosenfeld,

I am taking the opportunity to comment on the proposed rule from the Federal Housing Finance Board, that would prescribe a minimum amount of retained earnings and would limit the amount of excess stock the Federal Home Loan Bank (FHLBank) can have outstanding. The proposed rule will also prohibit a FHLBank from selling excess stock to its members or pay stock dividends as well as to restrict a FHLBank's ability to pay dividends when its retained earnings are below the prescribed minimum.

As a member of the Federal Home Loan Bank of Boston, I am concerned about the proposed restrictions. HarborOne Credit Union is a state-chartered community credit union in Massachusetts and a leading mortgage lender to both minority and low-to-moderate income borrowers in Southeastern Massachusetts. The FHLBank System and the FHLBank of Boston in particular have provided an ongoing source of advances to fund our efforts to provide affordable mortgage lending in our market place.

While I recognize the concerns of the Finance Board to preserve a safe and sound FHLBank system, I believe the current proposed regulations would produce an opposite result. I am concerned that the capital requirements and limitations on dividend payment is an approach that is inconsistent with the degree of risk associated with each of the different FHLBank balance sheets. A more appropriate model and one that is more contemporary in nature, is one that assesses the risk of each individual FHLBank and then establishes a capital requirement based upon that risk.

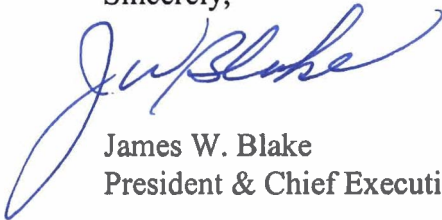
Beyond the issue of capital standards, I am concerned about the implementation process of a system that would restrict the ability of FHLBanks to continue to pay dividends to its members. Should the elimination or reduction of the dividend be implemented with the timetable associated with this proposal, the attractiveness of advances from the FHLBank would then become questionable. In assessing the borrowing opportunities available to financial institutions, the dividend is an important criteria to be added in that analysis.

Mr. Ronald A. Rosenfeld, Chairman
July 5, 2006
Page 2

The possibility exists that this restriction will cause financial institutions to seek other sources of funding and thereby have the exact opposite effect that the finance board is seeking due to reduced earnings capacity at the various FHLBanks. A more appropriate measured process, would be one that provides a phase-in period to meet certain capital requirements of at least a minimum of five years.

The FHLBanks are an important source of funding for the financial services industry and I am concerned that as proposed these new regulations will have the opposite effect of the Finance Board's intentions. My suggestion and hope is that the Finance Board will withdraw these proposed regulations and consider the commentary that has been forwarded to it from various industry sectors for reconsideration of their efforts.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Blake", with a large, stylized flourish extending from the bottom left.

James W. Blake
President & Chief Executive Officer

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cc. Michael A. Jessee, President & Chief Executive Officer
Federal Home Loan Bank of Boston