



Raymond Federal Bank

ESTABLISHED 1925

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July 3, 2006

Mr. Ronald Rosenfeld, Chairman
Federal Housing Finance Board
1625 I Street, NW
Washington DC 2006-4001

Re: Excess Stock Restrictions and
Retained Earnings Requirements RIN
#3069 AB-30; Docket #2006-30

Dear Chairman Rosenfeld,

On behalf of Raymond Federal Bank, I thank you for the opportunity to share our position on the aforementioned proposed rule. As one of the smallest banks in the state of Washington, we have serious concerns about the impact of the proposed rule on our institution.

We are concerned that the proposed rule presents unnecessary obstacles as the individual Federal Home Loan Banks (FHLBs) position themselves to do business in this new environment. We cite three reasons for our position.

First, the proposed rule gives little weight to the value of FHLB stock in serving as a net worth backstop to ensure the safety and soundness of the FHLB system. Based on the definition of capital in the Gramm Leach Bliley Act, it seems that the Federal Housing Finance Board (FHFB) is ignoring the law and the capital plans.

Second, we have real concerns regarding the continued viability of the FHLBs as a source of low cost funds for community banks, particularly for housing. A highly probable impact of the proposed rule will be to reduce FHLB dividends. Since dividends reduce the overall cost of FHLB Advances, the cost of the advances will increase. When advances become less competitive as a source of borrowings, larger institutions have other funding alternatives in the financial markets. However, such alternatives are not available to a small institution such as Raymond Federal.

Finally, is the issue of the FHLBs being cooperatives. Many member banks and thrifts, such as Raymond Federal, have committed sizeable amounts of money to capitalize each individual FHLB. Reforms that affect the capital of each FHLB

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deserve a complete discussion and analysis from the regulator and the financial institutions that are the shareholders of each FHLB.

Many in our industry have come to the conclusion that the best course of action would be for the board to withdraw the proposed regulation and reissue an Advance Notice of Proposed Rulemaking. We share this belief and urge the Housing Board to take such action.

Again, we thank you for this forum to share our concerns and wish you well.

With kind regards,

A handwritten signature in blue ink that reads "John P. Marvin". The signature is written in a cursive, flowing style.

John P. Marvin
President & CEO