



July 7, 2006

Federal Housing Finance Board  
1625 Eye Street, N.W.  
Washington, D.C. 20006  
Attention: Public Comments

Re: FHFBB Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for the FHLBanks. RIN Number 3069-AB30

Dear Sir or Madam:

I am writing to object to the proposed rule referenced above on behalf of my financial institution that is a member-owner of the Federal Home Loan Bank of Atlanta. The proposed rule, while couched in safety and soundness concerns of the regulator, would not accomplish the stated objective and will negatively impact the business plans of the cooperative and its member-owners. This proposal should be withdrawn in its present form of rule making; instead, I encourage the Federal Housing Finance Board to issue an advanced notice of proposed rulemaking on this topic and seek other and better ideas on how to enhance the System's capital structure.

If this proposal is adopted, it will clearly threaten the ability of the FHLBanks to serve their members' liquidity needs, affordable housing mission and community economic development programs. It is in direct contradiction of the GLB act and, more importantly, attempts to permanently roll back the business model of the FHLBanks to a simplistic single business product design that ignores the realities of the financial markets and the evolving financial needs of its member-owners. As a cooperative, the system is essential to the business plans of community banks, both large and small, and enables them to survive in a rapidly contracting as well as continually evolving insured financial sector.

One of the roles of the Finance Board as the FHLBanks' regulator, is to make certain the FHLBanks effectively monitor and manage risk. This rule, as demonstrated by the complete lack of substantive risk assessment for market, operational, business and reputation risk, is both capricious and arbitrary.

When one considers that the FHLBanks have just completed a multi-year process of capital reorganization with its regulator and members, it is unclear what the purpose is of this regulation given that is contrary to the interests of its member-owners. To arbitrarily change the business model of the FHLBanks through manipulation of capital levels without due consideration of the risk associated with this effort subjects all the stakeholders of the system to unnecessary and harmful outcomes.

Thank you for the ability and opportunity to comment on this proposed regulation.

Yours truly,

Michael L. Middleton