



June 28, 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 2006-30**

Dear Madam or Sir:

As a member-owner of the Federal Home Loan Bank of Atlanta, I am writing to express my opposition to the Federal Housing Finance Board's proposal to issue a new capital regulation for the Federal Home Loan banks. While I support the Finance Board's efforts to address safety and soundness concerns, I believe the proposal, in fact, poses a greater risk to the Federal Home Loan banks, the member-owners and their communities. This proposal should be withdrawn.

If adopted as proposed, the rule is unlikely to improve the safety and soundness of the Federal Home Loan Bank system, but would threaten the ability of the banks to serve their members by providing a cost-effective and readily available source of funding, as well as important affordable housing programs. As a member bank, this proposal will negatively impact my institution's ability to serve our customers and community, while leaving few alternative sources for funding liquidity.

I urge the Finance Board to withdraw the proposal and issue an advanced notice of proposed rulemaking (ANPR). This will ensure that the owners of the system and other interested parties have the opportunity to provide meaningful input to the Finance Board as it considers changes to the capital structure of the Federal Home Loan Bank system. This is particularly appropriate given the significant effort and cost associated with development and recent implementation of revised capital plans by the Federal Home Loan banks.

In either event, we recommend the following revisions to the proposed rule:

Retained Earnings Formula. The retained earnings requirement for non-advance assets (cash, federal funds, mortgage-backed securities, and acquired member assets) should be modified to reflect the difference in market and credit risk of these assets, in accordance with a risk-based approach to financial institution capital standards. This inadvertently rewards FHLBanks having relatively risky asset profiles and penalizes FHLBanks having relatively safe asset profiles.

Transition Period / Dividend Policy. The proposed rule should set a specific common deadline for each FHLBank to achieve its retained earnings minimum. During this transition period each FHLBank should be permitted to continue to set its own dividend policy without restriction, so long as the FHLBank remains on course to accumulate sufficient retained earnings to meet the required minimum by the deadline.

- Dividend Timing. As drafted, the proposed rule creates an inadvertent dividend timing problem that requires technical correction. The proposed rule should be modified to permit each FHLBank to calculate and pay dividends based on the actual net income results of three-month periods other than calendar quarters.

Thank you for the opportunity to comment on this important matter.

Sincerely,



Dennis A. Starliper  
Executive Vice President and  
Chief Financial Officer