



Greenfield Co-operative Bank

TRADITIONAL PROGRESSIVE
LOCALLY FOCUSED

June 30, 2006

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

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

Dear Sir or Madam:

On behalf of the management and directors of the Greenfield Co-operative Bank, I appreciate the opportunity to comment on the Federal Housing Finance Board's ("FHFB") proposed rule on so-called "Excess Stock Restrictions and Retained Earnings Requirements" for the Federal Home Loan Banks ("FHLB"). Greenfield Co-operative Bank is a member of the FHLB system. We are a \$212 million asset-size community bank, and we rely a great deal on programs and services offered by the Federal Home Loan Bank of Boston to carry out our mission for our customers and our community. As you know, smaller members rely on the FHLB system as an important funding source. Unlike large banks, which are able to obtain funding from the capital markets and other investors, smaller mutual banks like mine are not able to cost-effectively tap these liquidity sources. The FHLB system is an important source of capital for community banks here in Massachusetts and throughout the nation. The FHFB's proposed rule would have a negative impact on these institutions, and I urge you to reconsider the proposal and reissue it for additional comment before taking action.

In addition, as a shareholder of the FHLB of Boston, my bank supports the FHFB's efforts to ensure the safety and soundness of the FHLB system. The proposed rule however, will have a negative impact on the entire system as well. Since each FHLB is different, with different asset sizes, business plans, markets, and risk profile, each should be dealt with based on their unique factors. Unfortunately, the proposed rule is a "one-size-fits-all" approach that does not reflect the complexity and diversity of the FHLB System. We believe the FHFB should focus on creating a prudent retained earnings policy for each Bank that takes into consideration each institution's risk profile.

In reviewing the history of the FHLB's capital requirements, it appears that prior to issuing the proposed rule for comment, the FHFB did, in fact, pursue this approach. An Advisory Bulletin issued in August, 2003 directed each FHLB to perform annual risk assessments to determine the adequacy of its retained earnings. The FHLB of Boston, working closely with the FHFB, conducted a robust analysis of its risk profile. The Bank's Board of Directors then adopted a strong retained earnings policy. I believe this is far preferable to the "one-size-fits-all" approach contained in the proposed rule.

The proposed rule also restricts the FHLB banks from paying more than 50 percent of net earnings until the Bank reaches its retained earnings minimum. This will needlessly increase

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the cost of borrowing, causing some members to determine it is not economical to borrow from the FHLB. If borrowers such as Greenfield Co-operative Bank leave the system, the loss of advances and drop in net income would only further delay compliance with the retained earnings minimum requirement.

If the FHFB decides to go forward with this type of rule, I believe that it should be changed to allow the FHLB to increase the percentage of net income they may pay on dividends and allow a longer period to achieve the retained earning minimum. Authorizing the FHLB to pay a higher percentage of its net earnings in dividends – perhaps 75 or 80 percent – and allowing the FHLB an extended period to achieve retained earnings goals would satisfy safety and soundness objectives without threatening the FHLB system, their members, and ultimately consumers.

Thank you again for the opportunity to comment and for considering my views. I look forward to reviewing a new proposal based upon these and other comments submitted.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Michael E. Tucker". The signature is fluid and cursive, with the first name "Michael" being the most prominent.

Michael E. Tucker
President & CEO