



**FIRST FEDERAL SAVINGS & LOAN  
ASSOCIATION OF PORT ANGELES**

July 6, 2006

via electronic mail: [comments@fhfb.gov](mailto:comments@fhfb.gov)

Mr. Ronald A. Rosenfeld, Chairman  
Federal Housing Finance Board  
1625 Eye St. N.W.  
Washington, D.C. 20006

ATTENTION: Public Comments

Re: Federal Housing Finance Board Proposed Rule: Excess Stock  
Restrictions and Retained Earnings; RIN Number 3069-AB30; Docket  
Number 2006-03

Dear Chairman Rosenfeld:

First Federal Savings and Loan Association of Port Angeles is a long-time member and shareholder of the Federal Home Loan Bank of Seattle, a member of America's Community Bankers, and a member of the Washington Financial League.

We are deeply concerned about the negative impacts the Federal Housing Finance Board's proposed rule on retained earnings and excess stock will have, not only on our institution, but the entire FHLB system. We support the consensus opinion of the financial industry, respectively requesting that the Finance Board withdraw its proposed regulation and reissue it instead as an Advanced Notice of Proposed Rulemaking to ensure that all relevant issues are properly analyzed and debated prior to the issuance of any new regulation.

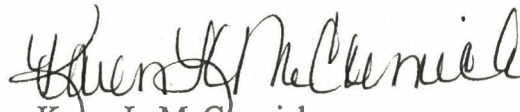
The FHLB system is a unique cooperative that has served the needs of financial institutions across this country for many, many years. We are quite fearful that implementation of this rule will result in a commonly-estimated \$3 billion economic loss to FHLBank shareholders; create intergenerational inequity among FHLBank shareholders; increase the risk that retained earnings will be confiscated at some future date (it has happened twice before); and is unnecessary to protect our investment in the FHLB of Seattle.

The FHLBank system is not a one-size fits-all-system. Neither is community banking. Our institution would not have survived for over 80 years if this was indeed the case. We have been fortunate to be a member of the FHLB system for a number of years, however we are disturbed that the proposed rule will have unintended consequences that will not only irrevocably harm the FHLBank system, but community banking and our ongoing viability as the only remaining locally owned financial institution on the North Olympic Peninsula in Washington State as well.

For these reasons, we strongly encourage the Finance Board to withdraw the proposed regulation and reissue it as an Advanced Notice of Proposed Rulemaking to ensure that all relevant issues are properly explored prior to the issuance of a new regulation.

Thank you for considering these views.

Sincerely,



Karen L. McCormick  
President & CEO

Cc: The Honorable Patty Murray, United States Senate  
The Honorable Maria Cantwell, United States Senate  
The Honorable Norman D. Dicks, United States House of Representatives  
James E. Gilleran, President & CEO, Federal Home Loan Bank of Seattle  
F. Weller Meyer, Chairman, America's Community Bankers  
Marc Gaspard, President, Washington Financial League