



GREGORY A. MITCHELL
PRESIDENT AND CEO
TELEPHONE (213) 443-1800
FACSIMILE (213) 443-1802
EMAIL: gmitchell@calnational.com

July 11, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006

Attention: Public Comments

Federal Housing Finance Board; Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for Federal Home Loan Banks; RIN Number 3069-AB30; Docket Number 2006-03.

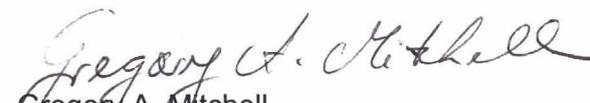
I am writing today to express my strong opposition to proposed changes in the retained earnings policies applied to Federal Home Loan Banks.

The following are a few general observations:

1. The "system" has operated in a safe and sound manner through many years and multiple economic cycles without experiencing losses. The current structure works and you will be doing far more damage than good by trying to fix it.
2. Reduced dividend rates will likely drive the largest (and strongest) members out of the system as they seek other funding alternatives which present them with a lower "all in" cost of funds. This action will have an adverse impact on FHLB earnings and capital.
3. Reduced earnings will adversely impact AHP programs during a period of increased demand for affordable housing throughout America.
4. The proposed regulation would reduce the profitability of banks like California National Bank while providing its shareholders with no real benefits. Lower capital and earnings at Cal National will result in fewer dollars to share with our community and less capital to leverage into productive lending initiatives.

Unless you can demonstrate risks and convince me and countless other bankers that this policy makes any sense at all, you must reconsider your position and preserve the status quo.

Thank you for your consideration of these comments.


Gregory A. Mitchell
President and CEO