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July 12, 2006

The Honorable Ronald Rosenfeld
Chairman
Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006

Re: Federal Housing Finance Board Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirement for the Federal Home Loan Banks.
RIN Number 3069-AB30
Docket No. 2006-03
71 FR 13306 (March 15, 2006)

Dear Chairman Rosenfeld:

We, the undersigned state banking trade associations, are writing regarding the Federal Housing Finance Board's proposed rule requiring the Federal Home Loan Banks to increase their retained earnings. Our members, who are the cooperative owners of the twelve Federal Home Loan Banks, are deeply concerned about the potential effects of this proposal. If this rule is adopted as proposed it has the very real potential to negatively impact the Federal Home Loan Bank System, its member financial institutions and the communities they serve for years to come. We request that the Finance Board withdraw this proposal, and instead issue an Advance Notice of Proposed Rulemaking.

The proposal's one-size fits all approach to retained earnings and excess stock is inconsistent with the capital regime established by Congress in 1999 in the Gramm-Leach-Bliley Act. In accord with that legislation, the twelve Banks spent significant resources developing capital plans, which were subject to extensive review and ultimately approved by the Finance Board. The current proposal has the effect of undoing years of effort in the development of these capital plans.

The Federal Home Loan Bank System is an important source of funding for our members and the businesses and consumers they serve. By withdrawing the rule and issuing an advance notice of proposed rulemaking, the Finance Board will avoid the negative impacts of the proposal on the System and encourage a broader range of debate on various approaches to the topic of FHLBank capital.

Sincerely,

Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
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Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
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South Carolina Bankers Association
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