



June 1, 2006

Federal Housing Finance Board
1625 Eye Street, N.W.
Washington, D.C. 20006

Attention: Public Comments

Ladies and Gentlemen:

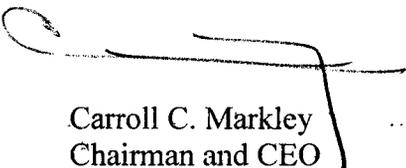
We wish to comment on the Federal Housing Finance Board's proposed rule that would change the capital structure of the Federal Home Loan Banks by requiring a minimum amount of retained earnings and restricting the amount of excess stock that a Federal Home Loan Bank can accumulate.

While we support the Finance Board's commitment to strong retained earnings accounts at the FHLBs, as a small community bank, we are opposed to any approach which results in significant reduction in FHLB dividends paid to its member banks. Small banks eventually would have to reconsider the wisdom of investment in a FHLB under these circumstances.

We believe that both the calculation of the retained earnings minimum and the transition period provisions would be more effective with the following changes:

- The retained earnings requirement for non-advance assets should be modified to reflect the difference in market and credit risk of these assets.
- With regard to the transition period, the proposed rule should set a specific deadline for each FHLB to achieve its retained earnings minimum. During this transition period, each FHLB should be permitted to continue to set its own dividend policies without restriction under the proposed rules, so long as the FHLB remains on course to accumulate sufficient retained earnings to meet the required minimum by the deadline.

Very truly yours,



Carroll C. Markley
Chairman and CEO