



TexasBankers
Association
Where banks put their trust

July 12, 2006

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

Re: FHFB 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 Sir or Madam:

We are writing to you to convey our high level of concern regarding the recently proposed regulations referenced above. All of our members are also members of the Federal Home Loan Bank (FHLB) of Dallas. As you are aware, the FHLB system is a bank of first resort as opposed to the Federal Reserve Banks. Our members are very aware of the services this Government Sponsored Enterprise (GSE) brings to the financial services industry in Texas. Our members use these services accordingly and have integrated them into their day to day business plans.

Prior to passage of the Gramm Leach Bliley Act of 1999 (GLBA), FHLB members were required to purchase and hold certain amounts of stock based on the members use of their particular FHLB. GLBA altered the method whereby the FHLBs were required to have one class of stock and for most of the FHLBs the implementation of new plans required by the GLBA have just recently been completed. As a result, FHLB members are just now adjusting to these very significant changes. In this context, the proposed rule is not just untimely, but appears to be in conflict with the GLBA capital standards.

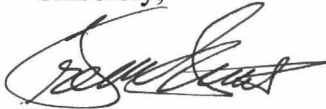
It is our understanding that your agency deems the FHLBs to be in sound condition. However, your proposal will in our opinion certainly harm the earning capacity of the members of the FHLB Dallas by curtailing the amount of dividends that can be paid to the shareholders. In this era of voluntary FHLB membership, such a step would discourage membership, and, over the long term, harm the financial condition of the FHLB Dallas and the eleven other FHLBs. We think it would severely impact the earnings ability of smaller FHLB members that are not able to access the capital markets in another economical way.

In our opinion, each FHLB is unique. Based upon various demands within geographic regions, the individual FHLBs which are governed by industry members and public interest members from their areas, certain investment and lending decisions are made as to the operation of a particular bank. This proposed regulation, on the other hand, would create a "one size fits all" scenario thereby ignoring regional differences.

The Texas Bankers Association, which represents the vast majority of the commercial banks and thrift institutions in the state, takes issue with the premise that there exists a capital deficiency or problem within the FHFBS System. We agree with the suggestion made by the overwhelming majority of commentators that the proposed regulation should be withdrawn.

Thank you for the opportunity to provide these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Smith", written in a cursive style.

Fredrick M. (Rick) Smith
President & CEO