

July 12, 2006  
Federal Housing Finance Board  
Attention: Public Comments  
1625 Eye Street, N.W.  
Washington, DC

RE: Proposed Excess Stock and Retained Earnings Requirements for FHLBank

Dear Finance Board Members and Staff

My name is Russell Carothers. I am Chairman, President and C.E.O. of The Citizens Bank of Winfield in Winfield, Alabama, and a member of the Atlanta Federal Home Loan Bank. I represent the financial Institution/shareholders as one of their elected directors to the Atlanta Board. In that capacity, I offer the following in response to your invitation for public comments on the referenced proposal.

I would first suggest that you thoughtfully consider withdrawing the proposed rule.

If that is not your decision, then I would ask you to consider modifying it taking into consideration the risk-weighting of assets held on the FHLBank's balance sheets. In addition, I would recommend you establish a specific transition period for the FHLBanks to achieve their retained earnings requirements. My recommendation would be 5 years. So long as the FHLBank has established an acceptable plan for first meeting and then continuing to meet its retained earnings target, no additional limits should be imposed on the amount of earnings that can be paid as dividends.

If after careful consideration, of the above suggestions, the Board is for dividend payout and still determined to enforce dividends to a percent of net income, then that percent should be raised from 50 percent to a level of 75-80 percent of net income. Hopefully, this would be a dividend rate the publicly traded member/shareholder banks could live with while meeting their quarterly financial goals and still remain an active part of the system. While striving to strengthen retained earnings and the safety of the system, the goal should be to also keep member banks in the system, not force them out. If publicly traded members were forced out by the lower dividend rate, this could potentially create increased cost thus lowering net income, further reducing dividends and forcing the FHLBanks to cut both products/services as well as staff. Thank you for your considerations of my suggestions and concerns.

Sincerely,



Russell Carothers  
Alabama State Director  
Federal Home Loan Bank of Atlanta  
Chairman, President and C.E.O.  
The Citizens Bank of Winfield