



June 30, 2006

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

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

To the Federal Housing Finance Board,

As a community bank chartered in 1934 we strive to provide the best possible products and services to our customers. In order to provide our customers with the best opportunities we rely on a safe and sound Federal Home Loan Bank system to provide long term funding to control our cost of funds.

On behalf of the directors and officers of Security Federal Savings Bank, we oppose the rule proposed by the Federal Housing Finance Board that would require the Federal Home Loan Banks to build retained earnings, limit excess stock and stop paying dividends in stock. While the primary reason for membership is not to earn dividend income it does reduce the cost of funds in relationship to advances. The proposal has broad immediate and long term implications to the FHLBs, us as members and the communities we serve. We urge the FHFB to withdraw the proposal and reissue it as an Advance Notice of Proposed Rulemaking instead of a Proposed Rule to enable the FHFB to enter a discussion of the proposal with the FHLBs, FHLB members and interested parties.

The proposal will reduce FHLB asset size, mortgage holdings and liquidity investments thereby reducing income and ultimately funds available to help low-income families obtain housing under the successful Affordable Housing Program. Because of this program we have been able to provide over \$200,000 to first time home buyers in the last two years.

Please consider the needs of the community banks that rely on the FHLBs to serve their communities.

Sincerely,

A handwritten signature in black ink that reads "Annette Russell". The signature is written in a cursive, flowing style.

Annette Russell
President and CEO