



Federal Housing Finance Board  
1625 Eye Street, NW  
Washington, DC 20006  
ATTENTION: Public Comments

Re: FHFBS Proposed Rule; RIN No. 3069-AB30; Docket No. 2006-03

The California Independent Bankers is pleased to offer the following comments on the proposed rule by the Federal Housing Finance Board on excess stock restrictions and retained earnings requirements for Federal Home Loan Banks.

The California Independent Bankers represents 150 community banks in CA and is the affiliate in the state for the Independent Community Bankers of America.

Federal Home Loan Bank membership is extremely important to community banks. It is a major source of liquidly and long term funding which permits community banks to make loans to the small businesses in their local areas.

The California Independent Bankers opposes the rule proposed by the FHFBS that would require the Federal Home Loan Banks to build retained earnings, limit excess stock and stop paying dividends in stock. The proposed rule would adversely impact the FHLBs, their members and the communities they serve. We urge the FHFBS to withdraw the proposal and reissue it as an Advance Notice of Proposed Rulemaking instead of a Proposed Rule to enable the FHFBS to enter a discussion of the proposal with the FHLBs, their members and other interested parties.

The Graham-Leach Bliley Act of 1999 called for significant changes to the capital structure of the FHLBs with new, more permanent member stock. The FHLBs have spent several years and significant dollars developing these plans, plans that have required FHFBS approval for implementation. Each FHLB developed its plan based on its specific situation and the needs of its members. Any changes to the capital structure should be consistent with the 1999 Act. Retained earnings policies should be part of the capital plan and based on the risk profiles and business plans of each individual FHLB, not on a formula applied across the system without regard to the varied risks of an individual FHLBs or of asset classes.

The FHFBS has stated that all FHLBs are adequately capitalized. Therefore, each FHLB should be given a reasonable period of time to increase retained earnings if needed, so as not to cause unnecessary disruptions to their business or that of their members.

