



James R. Turner, President

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June 22, 2006

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

RE: Public Comments
RIN #3069-AB30

Dear Sir or Madam:

The Heartland Community Bankers Association appreciates the opportunity to comment on Federal Housing Finance Board proposed rule: Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks: RIN Number 3069-AB30, Docket Number 2006-03.

The membership of the Heartland Community Bankers Association (HCBA) views their relationship with the regional FHLBanks as essential to meeting the housing needs of their respective communities through the various advance programs and is equally important to their bottom line through the receipt of dividend based on mandatory membership. This proposed rule threatens both of these areas.

We have grave concerns that the required build up in retained earnings not only represents the potential for unintended consequences of reduced community lending but will have a significant adverse earnings impact on HCBA members as a result of either a prohibited or reduced dividend.

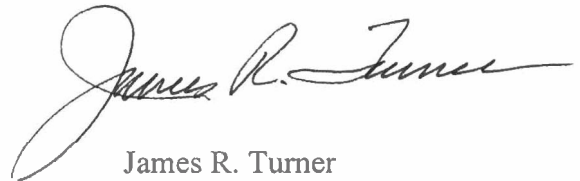
To date, we have not seen any data or analysis that would indicate a need for an increase in retained earnings, reduced dividends, or limits on excess stock. Is it the intent of the Finance Board to drive institutions away from FHLBank system? Would it not be better for Boards of directors of the regional Banks, in consultation with the Finance Board, to assess their need for expanded retained earnings and the appropriate dividend level? We note the Topeka FHLBank recently announced a 58% increase in retained earnings... a regional Bank decision!

If this proposal is, as some would suggest, an effort to curb the MPF and MPP programs then this is the wrong approach. The mortgage purchase programs should be addressed separately and correctly... if indeed this is the issue.

Should there be a need for increased retained earnings, dividend restrictions, and limits on excess stock, we would submit that this should be done through an Advance Notice of Proposed Rulemaking (ANPR) so as to allow input from the regional FHLBank members with appropriate consideration of valid data and analysis from the Finance Board staff.

In conclusion, HCBA submits that proposal #3069-AB30 creates an unnecessary risk to the system, has not been properly documented, and should be withdrawn in favor of an ANPR addressing these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "James R. Turner". The signature is fluid and cursive, with a large initial "J" and a long horizontal flourish at the end.

James R. Turner
President

JRT/da