

Chickasha Bank & Trust Company

MEMBER F.D.I.C.

June 20, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 2006
Attn: Public Comments

Re: Federal Housing Finance Board 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 members of the Federal Home Loan Bank System. The value to our organization from this membership is tremendous. It allows us maximum flexibility in determining our funding requirements and sources. We believe this proposed rule could have unintended detrimental consequences to our bank.

The following expresses our feelings and concerns:

1. Stock dividends should not be prohibited. Stock dividends provide a tax benefit to members that should not be eliminated. Given the adoption of an appropriate limit on the amount of excess stock, there is no basis to prohibit stock dividends. If an FHLBank controls the amount of excess stock outstanding, no regulatory objective is achieved by prohibiting stock dividends.
2. The limit on excess stock should be higher than 1 percent of assets. The preamble to the proposed regulation provided no explanation on how the 1 per cent limit was determined. Notwithstanding, 1 percent appears to be unreasonably low. A higher limit would provide greater flexibility

APACHE
624 S. COBLAKE
P.O. BOX 306
APACHE, OK 73006
580-588-3600
FAX 580-588-3604

BLANCHARD
1525 N. COUNCIL
P.O. BOX 548
BLANCHARD, OK 73010
405-485-2300
FAX 405-485-3091

CEMENT
317 N. MAIN
P.O. BOX 10
CEMENT, OK 73017
405-489-3244
FAX 405-489-3834

TUTTLE
5003 E. HWY 37
P.O. BOX 960
TUTTLE, OK 73089
405-381-9955
FAX 405-381-9929

CHICKASHA
1924 S. 4TH
P.O. BOX 1307
CHICKASHA, OK 730
405-222-0550
FAX 405-222-3231


for the FHLBank to hold liquid assets and thereby maintain higher liquidity , increasing its ability to operate in a safe and sound manner and better serve its members' fluctuating advance needs.

3. There should be a reasonable phase-in period to meet the REM. The proposed rule would limit dividends immediately if the REM is not met when the regulation is effective. It is unreasonable and unfair to impose a dividend restriction the day the rule becomes effective. There should be at least a three-year implementation period where dividend restrictions are not imposed if the FHLBank is making reasonable progress in meeting the REM.
4. The REM applicable to money market assets should be reduced. There appears to be no justification for imposing the same retained earnings requirement on money market asset as is required for 30-year, fixed-rate mortgages.
5. Once fully implemented, there should be some flexibility before dividend restrictions are imposed. The proposed rule would impose the 50 percent limitation immediately when an FHLBank failed to meet its REM. This will effectively require an FHLBank to hold substantially more than its REM in order to prevent a violation through normal balance sheet volatility.
6. Clarify that dividends paid and income earned in a quarter are independent. The proposed rule imposes limits on dividends based on a percentage of income earned in a quarter. Standard corporate practice does not tie dividends to income earned in a period (except over the long term) and dividends are generally stable even though income is not. We would assume members prefer a stable dividend policy especially when income can be materially impacted in a single quarter by gains and losses related to FAS 133. While the imposition of dividend restrictions requires that dividends be related to income earned in a quarter, any final rule should make clear that dividends need not be related to earnings in a certain time period if the FHLBank is in compliance with its REM. The FHLBank need only have sufficient retained earnings to meet its REM after payment of the dividend.
7. We respectfully request that the proposed rule be modified from a Notice of Public Rule Making to an Advanced Notice Public Rule Making to allow a longer timeframe for adequate research. We also believe that the proposal goes beyond the intent of the Gramm-Leach-Bliley Act of 1999 as it relates to capital for the twelve Federal Home Loan Banks.

Thank you for your consideration.

Sincerely,

CHICKASHA BANK & TRUST COMPANY

A handwritten signature in black ink, appearing to read "Lindel Pettigrew", with a horizontal line extending to the right from the end of the signature.

Lindel Pettigrew
President and CEO

LP:bd