



**W R ROBBINS
CHAIRMAN**

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

Re: Federal Housing Finance Board. Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks. RIN # 3069-AB30. Docket Number 2006-03.

My name is W R Robbins and I am Chairman and Chief Executive Officer of Farmers Bank & Trust NA, Great Bend KS. I am also a member of the FHLBank Topeka Board of Directors.

I have been asked to contact you regarding the above-proposed rule. I have reviewed it, discussed it with my finance staff, and would like to make the following comments.

The 1% limit on excess stock holdings must be an administrative nightmare for both the FHLBanks and for their member Banks. I am told that almost every month as we go through our regular deposit cycle, we get a notice that we have excess stock, the Bank redeems stock and then as our deposits are drawn down throughout the month, we have to buy the stock back in order to borrow the funds needed to replace the spent deposits. It's a lot of busywork for my staff, and it must be the same for the FHLBanks but on a much bigger scale. You should consider setting the limit at a much more workable level that wouldn't involve repeated redemptions and purchases.

I don't understand the prohibition on the payment of stock dividends. As we grow our relationship with FHLBank of Topeka, we will need more stock to support our additional business. Why not let it be acquired on a pre tax basis? If we have more stock than we need after the payment of the stock dividend, it will be redeemed anyway as part of the excess stock redemption program. But if we're using the Bank and need the stock, why not let us accumulate it on a tax-deferred basis?

On the retained earnings minimum requirement, no matter what level you decide, there should be a phase in. To change anyone's business plan that drastically will undoubtedly lead to unforeseen consequences that may adversely affect not only the Bank, but it's members and customers. As a commercial bank, we would never dream of unilaterally imposing such drastic changes on a borrower except in an emergency situation.

Also, just as banks risk rate their assets for risk based capital purposes, the retained earnings minimum should be applied at different levels to different asset classes. In fact, by not doing so you give up a chance to reward Banks that carry relatively safer assets on its books. I believe that you will in effect encourage riskier balance sheets unless you give Banks an incentive to carry less risky assets.

In terms of how much dividend can be paid in each quarter, once again I believe the proposed policy will lead to riskier actions by the Banks. By focusing on just the current quarter, you put up an impediment to the goal of focusing on long-term performance. Instead, you give Bank managers an incentive to make decisions based on the short term, not the long run. By tying dividend payouts to a longer-term time reference you will encourage better decision making at every level. There will be so much less pressure to hit a short-term target just for purposes of a dividend payout.

Also in regard to the timing of dividend payments, it would aid management if they can consider a long run dividend payout plan rather than have to plan each dividend around the current quarter's income. Again, you're forcing a manager into making short-term decisions to hit a dividend target instead of making a sound long run decision. I can tell you by experience that at this Bank, we plan each year to pay out a certain amount of money. But due to the timing of our stockholder tax estimates, we must pay out 75% of the dividend in the first half of the year and all of it by the end of September. However, we don't pay anything out in the fourth quarter. So by having the flexibility of not having to tie our dividend to the current quarter's income, we accommodate our stockholder needs and achieve the long run capital retention goals of the Bank.

In conclusion, thank you for your time and attention.

Please contact me at 620-792-2411 if you have any questions in regard to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'W R Robbins', with a stylized flourish at the end.

W R Robbins
Chairman and Chief Executive Officer