



N C B A N K E R S

NORTH CAROLINA BANKERS ASSOCIATION

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May 4, 2006

DELIVERED VIA E-MAIL

Hon. Ronald A. Rosenfeld
Chairman
Federal Housing Finance Board
1625 Eye Street NW
Washington, DC 20006
comments@fhfb.gov

Re: Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks, 71 Fed. Reg. 50, 13306 (March 15, 2006)

Dear Chairman Rosenfeld:

In March, the Federal Housing Finance Board issued a proposed rule that would change the capital structure of the Federal Home Loan Banks by imposing limits on the amount of excess stock that a Federal Home Loan Bank can have outstanding and by prescribing a minimum retained earnings threshold. Since the issuance of the proposed rule, a number of the member institutions of the North Carolina Bankers Association have contacted me to express their concerns. They recognize that dividend payments by the Federal Home Loan Banks would be substantially reduced under the proposal. For many community banks, those dividends account for a significant percentage of their earnings.

Based upon my review of the proposal and feedback received, I urge you and the other members of the Board to withdraw or substantially amend the proposed rule. If the Board believes that a capital restructuring plan is necessary, then please consider more flexible approaches that minimize the disruptive effect upon member institutions of the Federal Home Loan Banks.

Please contact me if you have any questions.

Sincerely,

Thad Woodard
President & CEO

cc: Raymond R. Christman
K. Reid Pollard
Frederick Willetts, III