1st National Bank

May 18, 2006

P.O. Box 290
501 Main St.
Scott City, KS 67871

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

Attn: Public Comments

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

Gentlemen,

Before I comment on the above mentioned subject, I want to again voice by displeasure with the SEC registration of the FHLBs. As a shareholder, I believe that the additional benefits (and I seriously doubt that there are any additional benefits) are considerably outweighed by the costs. The vast amounts spent could have been put to much better use by: low income home ownership assistance, economic development within the districts, increased retained earnings, or dividends. Instead, the funds were spent to help with the CPA economic assistance program. I am now even further convinced that the FHFB has no (zero, nada) concern for the FHLB shareholders with the proposed subject rule. Centralized, one size fits all planning didn't work in the Soviet Union and it doesn't work well anywhere else. The FHLBs require oversight but not FHFB micromanagement.

Now, on to my current objections:

1. Stock Dividends. Stock dividends provide this bank, a FHLB shareholder, with a tax advantaged stream of income. Income tax is deferred until the stock is sold. Surely you can see that this is of benefit to small bank shareholders such as ourselves. Since the amount of excess stock is limited, what is the basis to prohibit stock dividends? Just because it is a benefit to the shareholder doesn't make it taboo.

2. REM Linkage to Quarterly Dividends. Again, since shareholders like predictable quarterly dividends the FHFB must think that something is amiss. Income for all businesses doesn't always track nicely from quarter to quarter. One quarter high, one quarter low, but on an annual basis it evens out. Income and expense items don't neatly arrange themselves by quarter ends. This mismatch frequently lowers the income of one quarter while increasing the income of the next quarter. The larger question is whether or not the dividends are sustainable versus earnings and whether or not the operations of the FHLB are impaired by unreasonable dividends. This is a bona fide oversight function of

the FHFB, but not on a quarter to quarter basis.

What I really object to most of all is the increasing diktat from the FHFB politburo. Certainly, shareholders expect guidance to be set, but lately this guidance more closely resembles micromanagement to the detriment of the FHLBs and their shareholders. I have much more confidence in twelve FHLBs coming up with unique solutions that best meet the needs of their customers/shareholders/investors while still following the spirit and intent of FHFB directives, regulations, and guidelines. Incorporating best management practices, in my opinion, is best served on a district level. What works well in New York may not be a good idea in Topeka. Conversely, what works well in New York may very well be incorporated in the operations of the other districts if it is a better idea.

Thank you for the opportunity to express (vent) my concerns.

Sincerely yours,

Skip Numrich

Skip Numrich, President