

Federation Bank

May 26, 2006

Chairman Ronald A. Rosenfeld
Federal Housing Finance Board
1625 Eye St., NW
Washington, DC 20006-4001

Dear Chairman Rosenfeld:

I wanted to personally thank you for coming to the ICBA Lending Committee meeting on Monday, May 22. I was sorry that we could not have a discussion about the proposed capital requirements, but I certainly understand your position.

I would like to urge you to consider lengthening the period for compliance to the new retained earnings requirements. I would ask that you consider a three to five year period. I believe this would avoid the possibility of reduced or suspended dividends in the near future.

It is hard to argue against building retained earnings, but another provision that has many in the system concerned is the possibility of the government confiscating those earnings if there is a crisis in the financial system as happened in the late 1980's. I know the Gramm-Leach-Bliley bill addressed this to an extent, but I think this should be restated to make sure we all understand that this can't happen again.

Finally, I am in the minority, but I feel that the FHLB system should get back to the basics. If they would just concentrate on advances and funding housing needs I think we all would be better off. All of these MPF and "housing related" assets seemed to have gotten the system into a lot of trouble and for the most part I don't think the system has the overall expertise to administer these programs. Large size and growth for the sake of growth should not be a goal of the system.

Again, thanks for attending the ICBA Lending Committee meeting.

Yours truly,



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