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June 22, 2006

Chairman Ronald A. Rosenfeld
Federal Housing Finance Board
Office of Chairman
1625 Eye Street Northwest 4th Floor
Washington, DC 20006

Dear Chairman Rosenfeld:

My name is Russell Carothers, Chairman, President, and CEO of The Citizens Bank of Winfield, Alabama and an elected Alabama director to the Atlanta Federal Home Loan Bank Board. I would like the privilege to comment on the FHLB Election Reform Plan and would appreciate the opportunity to be heard even though my comments may reach your office after the comment period. As a matter of explanation, I lost sight of the fact there was a different time line for this rule as opposed to the Capital Proposal.

I would like to begin my comment by stating that I strongly oppose the proposed rule and strongly support the present rule. My personal observation is the present rule has worked well for the member/owners as well as the FHLBank of Atlanta. It follows the democratic process. By changing this process, you are opening it to unintended consequences.

I do not believe that Federal Home Loan Banks should tell their members which nominees meet certain skills. They would in essence be telling them who they want elected. I believe the member/owner is eminently qualified to elect directors to represent them on these boards. How much of a role would management be playing in determining the skills needed and which nominees possess those skills? While the rule is intended to improve governance, it may have the opposite effect as FHLB directors would be able to influence elections improperly.

It is my opinion that the existing rule prohibiting FHLB management and staff from actively involving themselves in the nominating and selection process should be continued and strengthened so that management in no way can manipulate the board election process. This is very important in maintaining the integrity of the Board.

I also oppose eliminating the current rule prohibiting any FHFB director, officer, or employee from supporting the nomination or election of a particular individual as an elected director or any action to influence directors' votes. This language should be retained to reinforce the independence of the FHFB, now and in the future.

Most of our Alabama community banks see the proposal as “anti-small member” and an attempt to get more representatives of the largest members on the boards—members that otherwise would not have sufficient votes to be elected which is anti-democratic. There are other ways to ensure that the FHLBs have the leadership and expertise they need such as:

- hiring the right management and staff with needed skills
- use of consultants
- educational opportunities for board members
- appointing highly qualified public interest directors

These are some options that would not jeopardize the integrity of the board elections.

It is my understanding that there were only 15 comment letters received—six of which were from FHLBanks, two of those six from management, and the other four from chair and/or vice chairs. I would refer you to my comments above concerning management involvement. I would add that in some quarters it is seen as an opportunity to get out from under—from under what? the existing regulators, existing directors, examiners, etc. At least three of the other nine comment letters came from the banking associations. Looking at the makeup of two of those associations you find a membership mix that requires a more careful approach in their comments. Even so, it is plain that they also have concerns about the new rule. The other association represents community banks who stand to lose more by the change and they spoke eloquently against the rule. I would hope the low number of comments would not lead you to believe there is a lack of concern on the members/owners part. Rather, I can assure you that most members/owners rely on their association and elected representatives to represent them on issues such as these, while they spend their time operating their banks.

What would be wrong with leaving the existing structure alone which I believe is basically sound, dropping the finger pointing, accepting the need for improvement in every area and working together toward that goal. I/We respectfully request that the proposed rule be dropped and the old rule be retained.

Thank you for allowing me to comment on what I consider to be a critical matter.

Sincerely,

THE CITIZENS BANK OF WINFIELD

Russell Carothers
Chairman, President, & CEO