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ICBA NewsWatch Today

Daily e-News Bulletin for ICBA Members

December 26, 2006

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New FHLBank Retained Earnings Rule Adopted

Federal Housing Finance Board [adopted a proposal](#) on Friday that permits each Federal Home Loan Bank to build retained earnings based on its individual situation, rather than on a one-size-fits-all approach the agency had previously considered. Finance Board Chairman Ronald Rosenfeld said the agency would also review and modernize existing FHLBank capital rules in light of any final international Basel capital accords.

In addition to passing the retained earnings rule, the Finance Board permitted FHLBanks to pay dividends out of real earnings, whenever realized; and to issue excess stock up to 1 percent of assets.

The newly adopted retained earnings rules, for which ICBA had long advocated, will help FHLBanks remain a safe, sound and stable source of funding for community banks to rely on for business, commercial and residential loans. Each FHLBank should hold some level of retained earnings to enhance safety and soundness, but the level should not be arbitrarily set across the FHLBank system, ICBA told the board.

During the agency's board meeting after the new rule was adopted, Rosenfeld thanked ICBA President and CEO Cam Fine among others for helping the Finance Board reach the right decision. [Read ICBA Release](#).

25 FHLBank Directors Reappointed

The Federal Housing Finance Board last Friday reappointed

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For in-depth coverage of

[25 current public interest directors](#) who are completing three-year terms on the boards of the 12 Federal Home Loan Banks. Each reappointed director will serve an additional year on the FHLBank board he or she is serving, starting Jan. 1.

Finance Board Chairman Ronald Rosenfeld also directed the agency's staff to develop new procedures for appointing future public interest directors. Nearly 60 FHLBank director seats are vacant on top of the new reappointments.

To fill gaps on FHLBank boards, members of Congress have pressured the Finance Board to make more director appointments. However, agency officials had sought to postpone appointments as lawmakers negotiated over GSE reform legislation that would create a new federal regulator for the FHLBanks and Fannie Mae and Freddie Mac.

President Signs Postal Rate-Cap Legislation

President Bush, as expected, signed into law legislation that prevents the U.S. Postal Service from raising postage rates higher than the cost of inflation for the next 10 years. The legislation, H.R. 6407, ties future postal rate increases to the Consumer Price Index and gives the USPS greater flexibility in adjusting rates for different postal services in the face of private competition. In addition to giving the USPS greater freedom in adjusting postal worker rules and duties, the law gives an oversight commission greater authority to audit and investigate the efficiency of the service's operations.

HUD Eager to Work with Frank on GSE Reform

HUD Secretary Alphonso Jackson said incoming House Financial Services Committee Chairman Rep. Barney Frank (D-Mass.) has demonstrated a willingness to work with HUD in crafting legislation to reform housing government-sponsored enterprises (GSEs). "Congressman Frank really understands that we are going to have to have some legislation," Jackson told two reporters after Friday's Federal Housing Finance Board meeting. "And he is willing to work with us, and we are willing to work with him to get legislation to make sure that we have safety and soundness with the GSEs."

Thoughts on Crisis Planning—for the Home

Community bankers have always carefully developed disaster contingency plans for their institutions and sometimes even for their customers. But it's easy for busy bankers to overlook making preparations for their own

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households. Banking consultant Cathy Ghiglieri and her sister Carol Ghiglieri Winchester [penned an article](#) that offers tips and ideas from various sources that could help community bankers, and their customers, be better prepared for possible personal crises, both big and small. It has ideas and reminders on safeguarding important personal documents, securing an emergency food supply and mapping out a family evacuation plan.

■ ICBA Convention

Techworld Sells Out in Record Time

The 185 company exhibit spaces available in the upcoming [Techworld](#) in March sold out in fewer than 40 days, the shortest period ever for the tradeshow. The largest exposition for community bankers, Techworld takes place during the [ICBA National Convention](#) on March 4-8 in Honolulu. More than 150 companies will be tout their newest products and services.



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