FIRST PLACE BANK®

July 5, 2006

Federal Housing Finance Board
1625 Eye Street NW
Washington, DC
Comments @ fhfb.gov

To Whom It May Concern:

Recently, I had an opportunity to review the proposed capital rule introduced by the Federal Housing Finance Board to effect the Federal Home Loan Bank systems. As a result I would like to contribute a few general conclusions from the First Place perspective. It is my understanding that this proposed rule has received unprecedented opposition from the industry, as it should. Consequently, I will keep my comments brief and summarized. However, I would welcome the opportunity to provide any detail and/or discussion on the topic at your convenience.

1. The approach being employed by the FHFB is fundamentally flawed. Clearly, the balance sheets, and, indeed, even the very operations of the respective banks are in my estimation distinctly different. The broad brush approach seems somewhat extreme and short-sighted. I encourage the Board to consider the unique risk profile of <u>each</u> bank.

2. Selfishly speaking, the detrimental impact to my organization is quite material. Early calculations suggest a 3 basis point reduction in our margin due to the estimated reduction in FHLB dividends alone. In addition, the negative consequences associated with the tax issue also appear to be material and complex. Sorting out the tax complexity will undoubtedly require the expertise of outside accountants further increasing the costs.

3. Impact to the FHLBs would be staggering. We are members of both the Cincinnati and Indianapolis banks. The Cincinnati bank is arguably one of the system's top performers. The bank has consistently demonstrated year after year to be a prudently operated intermediary. It appears that the proposed rule would seriously impair its ability to carry out its primary mission; providing liquidity to its members.

4. The 1% tax suggested in the proposed rules will likely force the FHLBs to reduce their liquidity. Due to this element the estimated returns on the FHLB stock, will be greatly diminished. Consequently, First Place will be compelled to seek alternative borrowing sources. I estimate that our borrowing costs could increase by 5-6 basis points as a result. As a substantial borrower, the financial consequences to First Place would be quite detrimental.

At the end of the day I foresee a self-fulfilling prophesy: If this rule is implemented as proposed I suspect that First Place will reduce stock held by the FHLB. Consequently, we'll seek advances from alternative sources. Receivables at the FHLB will decline. The bank will shrink and so too will its performance along with their credit rating.

In addition, if the system shrinks, so does the bank's ability and capacity to provide a host of effective programs that are primarily focused on housing in America. Result: Everyone loses.

I appreciate being heard on this subject and look forward to any further debate and discussion on the capital issue (assuming there is a capital issue at all.) I'm confident, that if we all put our heads together a better proposal will be derived. I greatly appreciate your attention on this matter and on my comments which are aimed entirely on achieving a solution that is both appropriate and properly sized to meet the challenge. If I may be of any service, please do not hesitate to contact myself or the Ohio Bankers League.

Sincerely,

Steven R. Lewis
Chief Executive Officer

cc: David Hehman, FHLB Cincinnati
Michael Van Buskirk, Ohio Bankers League
Congressman Tim Ryan
Governor Robert Taft
Congressman Ted Strickland
Congressman Steve LaTourette
Congressman Mike Oxley