

**Main**  
B A N K

201 North Broadway • P. O. Box 87 • Greensburg, IN 47240-0087

July 13, 2006

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

Attn: Public Comments

Re: Federal Housing Finance Board: Proposed Rules: Excess Stock Restrictions and Retained Earnings Requirements for Federal Home Loan Banks

Board Members:

In response to the proposed regulations we would like to raise the following concerns:

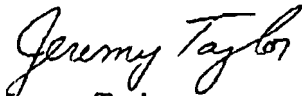
1. **Excess Stock Limitations:** Although we recognize the possibility that FHLBanks may engage in additional arbitrage due to excess stock which may limit the stock's liquidity, we think this risk is limited. Our holding of FHLBank Stock is part of our strategic funding plan as it shows our commitment to having those advance lines available to us. Although stock can be purchased on an as needed basis for advances, we feel that a constant variance in our stock holdings due to fluctuations in our funding needs would be an unnecessary burden. Excess stock in relation to Board Resolution limitations would better limit the impact of this proposal and, additionally, put the onus on Member Boards to oversee the approved FHLBank stock holdings both as investment and part of a strategic funding plan.
2. **Minimum Retained Earnings:** This proposal seems to unfairly penalize any FHLBank that manages their risk position more successfully than other FHLBanks. Although a base limitation may simplify enforcement it overlooks that individual Bank districts have differing needs and levels of risk. If our FHLBank can provide consistent returns while maintaining a lower risk profile they should not be restricted in terms of maintaining unneeded capital. As with our organization, we adjust our capital holdings based on levels of risk we strategically decide to take. We would expect that

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capital levels would be based on the amount of risk each FHLBank is assuming.

We certainly appreciate the Board's efforts towards the oversight of the FHLBank system and their desire to keep it financially safe and sound. However we feel that in your desire to achieve this goal you may have overlooked some of the impacts of your proposals. We hope that you will consider these issues as you make your final determination.

Sincerely,



Jeremy Taylor  
Asset Liability and Investment Manager  
MainSource Financial Group  
MainSource Bank  
MainSource Bank - Illinois  
MainSource Bank - Crawfordsville  
MainSource Bank - Hobart  
MainSource Bank - Ohio