Huntington

July 12, 2006

By e-mail to: comments@fhfb.gov

Federal Housing Finance Board
1625 Eye Street, NW
Washington, D.C. 20006
ATTN: Public Comments

Re: Docket No. 2006-03; RIN No. 3069-AB30
Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks
71 *Fed. Reg.* 13306 (March 15, 2006)

Dear Finance Board Members:

This letter is submitted on behalf of The Huntington National Bank[1] in response to the above referenced Proposed Rule (the "Proposed Rule") published by the Federal Housing Finance Board (the "Finance Board") with respect to excess stock, retained earnings and dividends of the Federal Home Loan Banks (the "FHLBs" and each a "FHLB"). We appreciate the opportunity to provide comments to the Finance Board with respect to this Proposed Rule.

Huntington became a member of the Federal Home Loan Bank of Cincinnati ("FHLBC") in late 2001, primarily to provide Huntington with (1) an additional source of liquidity at an attractive price, and (2) access to certain FHLBC affordable housing and other programs. We have serious concern that, should the Proposed Rule be adopted as written, the primary benefits to Huntington of membership in FHLBC will reduced.

Risk Based Approach to Capital Planning

Rather than adopting a risk-based approach to capital management that takes into account the individual and changing risk profiles of each of the FHLBs, the Proposed Rules are inflexible and have little to do with the risk profile of the individual FHLBs and the individual assets held

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[1] The Huntington National Bank ("Huntington") is a national bank and the principal subsidiary of Huntington Bancshares Incorporated, which is a $36 billion regional bank holding company headquartered in Columbus, Ohio. Along with its affiliated companies, Huntington has more than 140 years of serving the financial needs of its customers and provides innovative retail and commercial financial products and services through more than 380 regional banking offices in Indiana, Kentucky, Michigan, Ohio and West Virginia. Huntington also offers retail and commercial financial services online at huntington.com; through its technologically advanced, 24-hour telephone bank; and through its network of almost 1,000 ATMs. Selected financial service activities are also conducted in other states including: Dealer Sales offices in Arizona, Florida, Georgia, North Carolina, Pennsylvania, South Carolina and Tennessee; Private Financial and Capital Markets Group offices in Florida; and Mortgage Banking offices in Maryland and New Jersey. International banking services are made available through the headquarters office in Columbus and an office located in the Cayman Islands and an office located in Hong Kong.

by those FHLBs. Specifically, the Retained Earnings Minimum requirement of $50 million (plus 1% of non-advance assets) does not take into account the significant differences between FHLBs. The existing requirement for FHLB Boards to perform an annual risk assessment and plan for an appropriate level of retained earnings does attempt to accommodate those differences and should not be eliminated and replaced with a rigid substitute that seems entirely contrary to the deliberative, risk-based approach being pursued by all other federal regulators as part of the implementation of the Basel accords. Further, we are concerned about the specific impact the Proposed Rules would have on the FHLBC, as it would be required to build retained earnings quickly, causing it's balance sheet to shrink and liquidity to decline. These actions put the FHLBC at risk to a ratings decline and put Huntington at risk of a substantial increase in the cost of borrowing. FHLB borrowings may not remain attractive versus other capital market debt instruments. While Huntington, as part of its contingency funding and liquidity risk management has other methods of obtaining funds, many community banks may not have these options, increasing their borrowing costs and reducing overall profitability of the banking industry.

Eliminating stock dividends in favor of cash dividends will also reduce the return on the investment in FHLB shares, further reducing the benefit of FHLB membership.

While we support the proposal's safety and soundness objectives, for reasons mentioned earlier, we believe that these proposed changes will significantly reduce the capabilities of the FHLB as a source of funding for the banking industry. The consequences of increased borrowing costs and likely reduced funding for affordable housing programs can have long lasting implications to the banking industry and the communities that we support.

Thank you for the opportunity to provide these comments.

Very truly yours,

Beth A. Russell

Beth A. Russell
Executive Vice President