

GEOFF DAVIS
4TH DISTRICT, KENTUCKY

ASSISTANT MAJORITY WHIP

WASHINGTON, DC OFFICE:
1541 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-3485
FAX: (202) 225-0003

Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON STRATEGIC FORCES
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COMMUNITY OPPORTUNITY
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

July 11, 2006

VIA FACSIMILE: (202) 408-2580

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

ATTN: Public Comments
Federal Housing Finance Board Proposed Rule: Excess Stock Restrictions and
Retained Earnings Requirements for the Federal Home Land Banks
RIN Number 3069-AB30
Docket Number 2006-03

To Whom It May Concern:

I am writing to express my concern over the impact of the proposed capital rule on the Federal Home Loan Bank of Cincinnati (the Cincinnati Bank). The Federal Housing Finance Board's (the Board) proposed rule would require the twelve Federal Home Loan Banks throughout the nation to increase their retained earnings while reducing excess stock and limiting dividends.

The Cincinnati Bank is a well capitalized, highly successful bank with a triple-A rating. In the Fourth District of Kentucky, there are forty-two member institutions of the Cincinnati Bank whom will be dramatically impacted by the proposed rule.

In addition to the reduction in profits and increase in cost to member institutions, the proposed rule will have a negative affect on the Cincinnati Bank's ability to continue with the Affordable Housing Program (AHP). Thus far, \$11 million in AHP funds have been awarded to projects in the Fourth District.

Retained earnings are extremely important, but a "one size fits all" formula, as prescribed by the rule, appears inconsistent with risk-based methodologies currently adopted by other industry regulators. Also of concern is the possible violation of Gramm-Leach-Bliley which clearly established 5-year permanent stock and allowed individual FHLBank Boards to set policies regarding dividend payments.

ASHLAND OFFICE
1406 GREENUP AVENUE
SUITE 236
ASHLAND, KY 41101
PHONE: (606) 324-9998
FAX: (606) 325-8866

FORT MITCHELL OFFICE:
277 BUTTERMILK PIKE
FORT MITCHELL, KY 41017
PHONE: (858) 426-0080
FAX: (858) 426-0081

LA GRANGE OFFICE:
108 W. JEFFERSON STREET
LAGRANGE, KY 40031
PHONE: (602) 222-2233
FAX: (502) 222-4060

WILLIAMSTOWN OFFICE:
CITY BUILDING, SUITE 145
400 N. MAIN STREET
WILLIAMSTOWN, KY 41097
PHONE: (859) 824-3320
FAX: (859) 824-3340

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I have communicated my concerns with the proposed rule to both Chairman Mike Oxley and Ranking Member Barney Frank, and look forward to the opportunity to further explore this issue in the Financial Services Committee this year.

I strongly urge you to reexamine the proposed rule. While the goal of the Board's proposed rule is certainly admirable, I have concerns the rule may go too far and have a detrimental affect on the future success of the Cincinnati Bank and the important role the Bank serves in the Fourth District of Kentucky.

Sincerely,

A handwritten signature in black ink, appearing to read "Geoff Davis", written in a cursive style.

Geoff Davis
Member of Congress

GD/lo