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July 5, 2006

Federal Housing Finance Board
1625 Eye St.
Washington, DC 20006

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

As the Chief Financial Officer of a six-bank holding company, I am commenting on behalf of our company on the proposed revisions to the Capital Regulations promulgated by the Federal Housing Finance Board and published in the Federal Register on March 15, 2006.

All six of the commercial banks within Firstbank Corporation are members of the Federal Home Loan Bank of Indianapolis (FHLBI), relying on the FHLBI for a variety of advance and mortgage related products. The dividends we receive from the FHLBI are also an important part of the earnings streams of our banks, and I believe we are the sixth largest member of the FHLBI when measured by the amount of dividends received annually from the FHLBI.

The Home Loan Bank system and access to funding through Home Loan Bank advances help our company meet our mission of community banking and help to provide valuable support to the customers and communities we serve through increased availability of funds for housing.

We believe that the proposed rule diminishes the value of membership in the Federal Home Loan Bank, will cause serious damage to smaller members such as our six member banks, and request that the proposed rule be withdrawn.

Home Loan Banks obtain capital from their members. From the point of view of a member making an equity investment in a Home Loan Bank, return on investment through dividend yield is very important. The investment value of Home Loan Bank stock is derived almost entirely from the dividends it pays, since various rules and restrictions limit or eliminate the potential for increases in value of Home Loan Bank stock due to price appreciation. The proposed revisions to the Capital Regulations to reduce dividends may raise questions as to whether members will be required to record




impairment in the value of their investments in Home Loan Bank stock. Furthermore, Home Loan Bank rules require that capital be provided by members in proportion to advance funding used. If the dividend on Home Loan Bank stock is not sufficient to make it an attractive equity investment, the required investment must be viewed as an additional cost of using advance funding, thereby reducing the attractiveness of using advance funding and defeating the purpose of the Home Loan Bank system.

Establishing an unnecessarily high retained earnings requirement will deny current holders access to the earnings being generated by their stock investment. The value of those earnings will be transferred to future owners of FHLBank shares, diminishing the value of membership in the FHLBank system to current members.

Our company urges the Finance Board to withdraw the proposed rule given that the FHLBank system has sufficient and adequate regulation, that GLBA clearly addresses the issues of corporate governance and adequate capital at the individual FHLBank level, that the rule in its present form will diminish the value of membership, and that it will negatively impact the housing mission of the System.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Samuel G. Stone".

Samuel G. Stone
Executive Vice President & Chief Financial Officer