



The Waterford Commercial & Savings Bank

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June 30, 2006

Federal Housing Finance Board
1625 Eye St. NW
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 # 3069-AB30
Docket Number 2006-03

The Waterford Commercial and Savings Bank is a member of the Federal Home Loan Bank of Cincinnati.

The Waterford Bank opposes the proposed rule for the following reasons.

1. FHLB-Cinn would need to limit dividends while building retained earnings, reduce excess stock and pay dividends in cash rather than additional shares of stock.
2. FHLB-Cinn is a low risk profile institution that will be negatively affected by the “one size fits all” formula that has been proposed. The proposed rule does not take into account the FHLB-Cinn exclusive issuance of Class B stock as defined by Gramm-Leach-Bliley (GLB).
3. We believe the proposed rule will erode the value of membership in the FHLB-Cinn. It will:
 - a. Put the Bank’s triple-A rating at risk;
 - b. Reduce the availability and timing of product offerings to members;
 - c. Increase members’ cost of doing business;
 - d. Reduce dividends payable by 50% during the retained earnings period;
 - e. Create a tax event for members from the excess stock repurchase;
 - f. Eliminate tax deferrals on future dividends;
 - g. Reduce members’ participation in the Affordable Housing Program.
4. The proposed rule violates Gramm-Leach-Bliley by mandating a 60 day redemption period.
5. The FHLBank System already has sufficient regulation to address the Finance Board’s stated safety and soundness concerns, and Gramm-Leach-Bliley clearly addresses the issue of adequate capital at the FHLB-Cinn level.

The Waterford Commercial and Savings Bank is a small financial institution who depends upon the FHLB-Cinn for liquidity needs at a reasonable price. The proposed rule would require us to carry more liquidity, have less flexibility in accessing advances, such as same-day funding, have fewer dollars available for affordable housing programs, and lose the tax deferred benefit of stock dividends. If this rule goes forward, I feel the value of our membership in the FHLB-Cinn will be greatly reduced.

I respectfully ask that you withdraw the proposed regulation.

Sincerely,

A handwritten signature in cursive script that reads "Robert L. Teters".

Robert L Teters
Chief Executive Officer