BRIDGING THE GAP

The Affordable Housing Trust for Columbus and Franklin County

July 6, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, D.C. 20006

Attention: Public Comments
Excess Stock Restrictions and Retained Earnings
Requirements for the Federal Home Loan Banks

The Affordable Housing Trust for Columbus and Franklin County ("The Housing Trust") is a non-profit mezzanine lender for developers of affordable housing in central Ohio. It is a one of only three multi-jurisdictional housing trusts in the United States funded with local tax dollars. Since its formation in 2001, The Housing Trust has financed the creation of more than 1,400 affordable housing units in Columbus and Franklin County. In addition to my work at the Housing Trust, I also serve on the boards of directors of two community financial institutions in central Ohio -- both of which are members of the Federal Home Loan Bank of Cincinnati.

Mindful of the communities and residents served by The Housing Trust and by these local financial institutions, I am writing to register my strong opposition to the proposed regulation referenced above.

The proposed FHFB regulation seeks to: (1) compel compliance with an arbitrary capital requirement; (2) limit the form of an attractive and proven dividend instrument; and (3) treat all FHLB's identically. The Cincinnati Bank proves to be an excellent example of how the proposed regulation would have serious consequences for the Bank, its members and the communities they serve.

The Cincinnati Bank is the best capitalized in the FHLB system, and it has completed its registration with the Securities and Exchange Commission. As a result of its strong financial condition and efficient operations, the Cincinnati Bank is triple-A rated by both Moody's and Standard and Poor's. The marketplace – the ultimate arbiter of risk-- has determined that the Bank's bondholders are quite safe. This brings the proposed regulation into significant question. Either the

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marketplace has it wrong, or one could infer that the unstated goal of the regulation is to consolidate and shrink the system. A centralized housing finance system run inside the Beltway may give pause to members of Congress who, rightfully, spend time thinking about their local communities.

Further on the subject of communities is the impact of the proposed regulation on the creation of affordable housing. "Affordable housing" has moved far beyond the 1970's image of public housing projects. Today it is focused on housing that can be purchased or rented by working families, seniors and people with disabilities. Our parents, our kids, our co-workers, police and firefighters, teachers, retail workers: these are the folks we are working to house. And this is the housing that the regulation may well harm. Since the resources for affordable housing are tied to an FHLB's profitability, can the Finance Board assure our communities that such funding won't be decreased as a result of compliance with the proposed regulation?

I would urge you to consider a complete withdrawal of the proposed regulation because it is overly broad with consequences adverse to member institutions, the communities they serve and the affordable housing needs of our citizens.

Very truly yours,

Mark K. Milligan
President

cc: Representative Deborah Pryce
Representative Patrick Tiberi
Representative David Hobson
Representative Michael Oxley