



SECOND NATIONAL BANK

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July 3, 2006

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

Attention: Public Comments,
Proposed Rule: Excess Stock Restrictions
Retained Earnings Requirements for Federal Home Loan Banks

Ladies and Gentlemen:

We are a \$390 million community bank in West Central Ohio, an affiliate of a holding company made up of twelve community banks, are members of the Federal Home Loan Bank of Cincinnati and active users of the advance mechanisms available through that organization. As such I would like to express our grave concern and firm opposition to the proposed revisions to the capital regulations by the Federal Housing Finance Board.

Our concern centers on the negative impact that this proposed revision will have on the value and benefit to members such as our bank. There are a number of negative repercussions outlined in a recent letter your agency from the Board of Directors of the Cincinnati FHLB. Some of these are unique to the Cincinnati Bank and some are national in nature.

Because the Cincinnati Bank uses a cooperative form of capital to help support its activities, there are unique implications to them that are somewhat different than other FHLB's. This results in some unintended consequences and adjustments to capital and retained earnings that clearly are at odds with their previously approved capital plan. That is the primary reason that the "one size fits all" nature of the proposed rule creates disturbing potential consequences to membership use of FHLB activities. It does seem somewhat interesting that the Federal Housing Finance Board is proposing a broad based rule when other agencies such as the OCC have moved to more risk based capital standards that consider each organization's structure.

Additionally, the Cincinnati Bank has paid stock dividends to its member banks. The new rules would result in the elimination of this method of payment, potentially triggering tax consequences for its members.

We would urge you to reexamine the proposed revisions and withdraw them from consideration.

Thank you for providing the opportunity for comment on the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Marv Stammen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Marv Stammen
President

cc. David Hehman, President
Federal Home Loan Bank of Cincinnati