



June 30, 2006

Federal Housing Finance Board  
1625 Eye Street, NW  
Washington, DC 20006  
Attn: Public Comments

Re: Federal Housing Finance Board Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirement for the Federal Home Loan Banks.  
RIN Number 3069-AB30, Docket No. 2 006-03, 71 FR 13306 (March 15, 2006)

Dear Sir or Madam:

As Baybank is a member/owner of the Federal Home Loan Bank of Indianapolis, we urgently request that the Federal Housing Finance Board withdraw this proposal and instead issue an Advance Notice of Proposed Rulemaking.

The FHLBI is an important source of funding for Baybank and ultimately for the businesses and consumers that we serve and it is our belief that the proposal could have significant negative impact on the FHLBI. We believe that if adopted as currently proposed, this rule has a great potential to fundamentally alter the direction and makeup of the System for many years to come, and limit the System's ability to adapt to future financial challenges and demands.

We also are concerned that the proposal's one-size fits all approach to retained earnings and excess stock does not comport with the capital regime established by Congress in 1999 in the Gramm-Leach-Bliley Act. Pursuant to that legislation and subsequent Finance Board rulemaking, the twelve Banks spent considerable resources developing capital plans, which were approved by the Board. The current proposal negates the years of effort of both the Banks and the Board in the development of these capital plans.

We believe an Advance Notice of Proposed Rulemaking would foster a better dialogue about the issues raised by the proposal among the Board, the Banks, their member institutions and interested members of the public, and lessen the possibility of causing irreparable harm to a system that is so critical to the liquidity needs of our banking system.

Thank you for your review of my correspondence.

Sincerely,

Donald P. St. Germaine  
President