UNITED BANK
OF MICHIGAN

July 3, 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-AB3O
Docket No. 2006-03
71 FR13306 (March 1.5.2006)

Dear Members of the Board:

United Bank of Michigan is a stockholder and member of the Federal Home Loan Bank of Indiana (FHLBI). As a representative of United Bank, I was deeply concerned with the provisions of the board's proposed rule as referenced above and would like to express my opposition to the proposal as presented. While in agreement with the intention of the rules, namely to promote the safety and soundness of the FHLB's, the highly restrictive covenants of the proposal will, in my opinion, do more harm than good to the FHLB's, its bank members and to the members' customers - those who are the ultimate beneficiaries of the valued programs provided by the FHLB's.

The generic "one-size-fits-all" Retained Earnings Requirement of the proposal in particular appears to be punitive to the FHLB's with a lower risk profile. This stands in contrast to the more sensible risk-based capital rules applied by other regulators in determining acceptable capital levels. The FHLB's, since the passage of the Gramm-Leach-Bliley Act in 1999, have spent considerable time and resources in developing sound Capital Plans. These plans treat stock and retained earnings equally with respect to potential losses. The proposal would only serve to decrease the economic value of the stock in an attempt to address the highly unlikely risk of future capital impairment.

It is my feeling that weakening the FHLBI through restrictive capital and dividend standards and the mandated Excess Stock Restriction will have a detrimental impact on United Bank's ability to secure much needed funding through the bank advance program. A further negative impact will be felt through the reduced earnings available from the presently acceptable and permitted payment of reasonable dividends on our investment in the FHLBI. These member benefits are critical to our liquidity needs and our ability to service our customers and their own borrowing needs for housing and other purposes. Surely, the prospect of a weakened membership is an aspect of the proposed rules that

900 East Paris Avenue, S.E. ▪ Grand Rapids, Michigan 49546 ▪ TEL: 616.559.7000 ▪ FAX: 616.559.4630

cannot be dismissed. United Bank is a community bank operating in an already economically challenged state. We would surely suffer from any further diminishment of our ability to provide a financial lifeline to our creditworthy customers in need.

The FHLBI has provided United Bank with proforma data on the effect of the proposed rules on their capital structure and their ability to pay dividends and operate effectively as a GSE. It is apparent to me from this data along with our own analysis of the proposal that the rules need to be significantly reworked, particularly with regard to the retained earnings formula and the permitted transition provisions of the proposed rules. As an alternative, I would also suggest that the board consider the reissue of an Advanced Notice of Proposed Rulemaking to allow for expanded discussion of this most worthy undertaking.

Thank you for giving consideration to my comments.

Sincerely,

Mark T. Wild

Mark T. Wild
Executive Vice President
And Chief Financial Officer

cc: Diane Bissell
Michigan Bankers Association