



Thumb National
Bank & Trust Co.
MEMBER FDIC

June 29, 2006

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

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. 2006-03
71 FR 13306 (March 15, 2006)

Dear Sir or Madame:

I am the Chairman and CEO of Thumb National Bank & Trust Co. of Pigeon, Michigan and I am currently the Chairman of the Board of Directors of the Federal Home Loan Bank of Indianapolis. In those two capacities I wish to comment on the above referenced Proposed Rule.

I believe that the greatest negative impact of this proposed rule will be on the smaller banks which rely on the home loan banks for funding. Smaller institutions lack the ability to tap Wall Street or other Capital Markets directly for funding of their vitally important role as the providers of financing for homes, small businesses, farmers and the customers that work and live on Main Street America.

I also have the following concerns regarding this Proposed Rule:

- The proposal imposes a dividend limitation of 50% of earnings in the event that an FHLBank has not met the proposed retained earnings requirement. This reduction is at the expense of our members' earnings and will increase the overall borrowing costs for the members. Alternatively, members may voluntarily withdraw from the FHLBank, thus creating more risk for the FHLBank and its remaining members. If the Finance Board decides to finalize this rule, the payout limitation on dividends should be significantly reduced to allow the FHLBanks more time to meet the retained earnings requirement.

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- The proposal will reduce FHLBank asset size, mortgage holdings and liquidity investments thereby reducing income and ultimately funds available to help low-income families obtain housing under the successful Affordable Housing Program. Although difficult to predict, it is estimated for the FHLBI that AHP grants to families will be reduced by over \$1 million per year.
- The proposal creates an unnecessarily higher retained earnings charge for having an FHLBank hold liquid assets, such as Treasury bills, agency securities, and cash. This is contrary to safety-soundness principles and the industry's need for immediate access to liquidity.
- The proposal needlessly places the FHLBanks with mortgage purchase programs at a disadvantage. These programs are mission consistent and have fostered housing finance in our district by giving our members a competitive secondary market alternative. The regulator should focus on ways to allow the FHLBanks to reduce and manage their mortgage purchase portfolios through securitization.

I strongly urge you to re-consider or withdraw this Proposed Rule. Thank you for allowing me the opportunity to comment. Should you have any questions, you may contact me at your convenience.

Very truly yours,

THUMB NATIONAL BANK & TRUST CO.



Paul Clabuesch
Chairman & CEO