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June 26, 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. 2006-03
71 FR 13306 (March 15, 2006)

Dear Sir or Madam:

As Chairman of a cooperative member owner of the Federal Home Loan Bank of Indianapolis (FHLBI), I urgently request the Federal Housing Finance Board (FHFB) to withdraw this proposal, and instead to issue an Advance Notice of Proposed Rulemaking. FHLBI is an important source of funding for our institution and for the businesses and consumers we serve. Upon analyzing the current proposal I have concluded that its potential negative impact on FHLBI, its member institutions, and their communities is significant, and that the intended benefits are unlikely to be realized. I believe that if adopted as currently proposed, this rule has a great potential to limit FHLBI's ability to adapt to future financial challenges and demands.

I am also concerned that the proposal's one-size-fits-all approach to retained earnings and excess stock does not comport with the risk-based capital regime established by Congress in 1999 in the Gramm-Leach-Bliley Act. Pursuant to that legislation and subsequent Finance Board rulemaking, the FHLBI spent considerable resources developing a capital plan, which was approved by the FHFB. The current proposal effectively negates the years of effort on the part of FHLBI and the FHFB in the development of this capital plan by treating all assets equally risky, ignoring conventional risk-based capital allocation practices.

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By requiring FHLBI to hold more retained earnings instead of continuing to pay cash dividends at the current rate of 4.75% on Class B-1 stock under the current capital plan, the proposed rule would meaningfully decrease the dividend income FHLBI member institutions currently earn and effectively increase the cost of FHLBI advances. Moreover, the proposed rule would eliminate stock dividends, which are tax-deferrable until redemption and currently permissible under the FHLBI capital plan.

Sincerely,



Thomas D. Washburn
Chairman

cc: The Honorable Dick Lugar
The Honorable Evan Bayh
The Honorable Pete Visclosky
The Honorable Chris Chocola
The Honorable Mark Souder
The Honorable Steve Buyer
The Honorable Dan Burton
The Honorable Mike Pence
The Honorable Julia Carson
The Honorable John Hostettler
The Honorable Mike Sodrel
The Honorable Mike Oxley
The Honorable Barney Frank
The Honorable Richard Shelby
The Honorable Paul Sarbanes
Mr. Joe Pigg, American Bankers Association

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