

Bank of Canton

PO Box 217  
Canton, PA 17724  
570-673-5127

---

June 14, 2006

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

RE: Notice of Proposed Rule on Excess Stock and Retained Earning for the Federal Home Loan Banks

Dear Members of the Federal Housing Finance Board:

I am writing to share my comments and opinions regarding the Notice of Proposed Rule on Excess Stock and Retained Earnings for the FHLBank members.

As an \$80 million community bank, I have limited funding options for loan advances and rely on the FHLBank as my primary bank. The dividend income I presently receives amounts to almost \$39,500 annually. This represents almost 10% of my net income. Any reduction in the dividend amount would have a significant impact on my financials.

I believe it would be in the best interest of the industry to phase in the proposed dividend restrictions to minimize the shock to the all institutions utilizing the FHLBank for their loan advance needs. If the rule were changed to permit the FHLBank to pay out 80% of earnings or the Fed Funds rate, whichever is greater; or until the standard is met or a new capital plan is implemented that meets the intended goal of the proposal. Lowering the dividend on my stock could have a significant impact on my all-in cost of borrowing.

The proposed timing of dividend payments should be examined, as from a reporting standpoint; we would only receive three dividend payments in 2007, again reducing my net income for that year. Although this would only effect that year, it still should be amended in a way to allow our income level to remain consistent with prior years.

Lastly, the proposed rule should be amended to properly reflect the risk of each type of capital (mortgages vs. short term treasuries). That risk should them be reviewed in a comprehensive manner providing a longer timeframe to explore the consequences that the new capital requirements may have on the FHLBanks and the overall banking industry.

I want to thank you for the opportunity to present my views regarding the proposed rule.

Sincerely,

Kevin D. Rimmey  
President/CEO