



Pennyroyal Center

June 21, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006

Attention: Public Comments

Excess Stock Restrictions and Retained Earnings Requirements for
The Federal Home Loan Banks
#3069-AB30

I am writing to express my concern over the impact of the proposed capital rule on the FHLB of Cincinnati and its ability to support its housing mission. I represent the Pennyroyal Center, a nonprofit organization providing housing services to individuals with disabilities ranging from chronic mental illness to substance abuse and also mental retardation. My organization has partnered with the Federal Home Loan Bank to provide approximately 35 units of housing to women recovering from addiction at our Trilogy Center for Women. We have received a grant of \$500,000 to assist us in reaching this goal as a part of the "Recovery Kentucky" program.

FHLB funding is often the critical first level of funding to our projects. It helps to leverage other sources of public and private funding, and brings together the necessary partners and leaders for effective development. As the highly successful Affordable Housing Program is based on a 10 percent set aside of annual net profits, we all have a stake in the success of and profitability of the FHLB.

The FHLB has demonstrated its commitment to affordable housing over and above its mandated Affordable Housing Program. The proposed regulation would seem likely to shrink the size of the FHLB, reduce its profitability, increase cost to members..all to no apparent benefit.

Why penalize the FHLB member lenders, housing lenders, housing partners and our "at risk" clients? With fewer state and federal dollars available for targeted affordable housing, I strongly urge you to reconsider this restrictive regulation that will result in lower FHLB profits and, by extension, fewer residents gaining access to decent housing.

Sincerely,

William J. Kerley, M.S., CADC
Housing Director