



## OHIO HOUSING COUNCIL

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June 12, 2006

Federal Housing Finance Board  
1625 Eye St. NW  
Washington DC 20006

Attention: Public Comments

Federal Housing Finance Board Proposed Rule: Excess Stock Restrictions and  
Retained Earnings Requirements for the Federal Home Loan Banks  
RIN # 3069-AB30  
Docket Number 2006-03

The Ohio Housing Council is a statewide association of affordable housing professionals whose goal is to increase production and preservation of affordable housing in the state of Ohio. We encourage and support housing professional in all aspects of the affordable housing industry to increase their participation in public policy debates and steer proposed regulatory requirements that could have a significant impact on the affordable housing industry in Ohio. Many of our member organizations have developed affordable housing with the Cincinnati FHLBank's Affordable Housing Program (AHP). Without the grants and low interest loans from the AHP program, the project teams would not have been able to develop housing communities with rents affordable to the elderly and to the low-income and moderate-income working families of Ohio.

We are concerned that the proposed Federal Housing Finance Board Rule will impair the Cincinnati FHLBank's ability to achieve its affordable housing mission. We respectfully urge the Federal Housing Finance Board (FHFB) to withdraw the proposed rule for the reasons below.

The Cincinnati FHLBank has a strong commitment to affordable housing and viable communities throughout Ohio, Kentucky and Tennessee. The successful Affordable Housing Program, which has helped nearly 35,000 households in the Cincinnati District, is funded through a 10 percent set-aside of net earnings. This pool of funding will be reduced as profits are reduced. Given the uncertainty over future retained earnings requirements and mandatory capital reductions, the Cincinnati board of directors believed it prudent to temporarily suspend two voluntary housing programs, New Neighbors and the American Dream Homeownership Challenge. The New Neighbors fund for hurricane victims, and the American Dream Homeownership Challenge program for minority and special-needs homebuyers have been used successfully to help our communities. These voluntary programs account for approximately 15 percent of the FHLBank's retained earnings shortfall, due immediately, if the rule passes as written. If the Cincinnati Bank is forced to shrink capital to comply with the proposed rule,

resulting in declining profits, it will naturally follow that less funding will be available for these successful housing programs, and we are concerned that innovative affordable housing initiatives will be discouraged.

The Cincinnati Bank is a conservative, well managed institution that maintains the highest possible rating with both Moody's and Standard & Poor's. The FHLBank is well-capitalized, successfully operating under a capital plan the FHFH approved in 2002. The requirements will lead to less capital, less liquidity, higher taxes, reduced services, less flexibility, fewer choices, and a lower rating for the Cincinnati FHLBank.

For these reasons, as a stakeholder of the Cincinnati FHLBank, we respectfully request that you withdraw the Proposed Rule.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Gladman", with a horizontal line extending to the right.

Steven D. Gladman, IOM, CAE  
Executive Director