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May 4, 2006

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

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

The Peoples Bank submits the following as our comment on the proposed revisions to the Capital Regulations (12 CFR Parts 900, 917, 925, 930, 931 and 934) promulgated by the Federal Housing Finance Board and published in the Federal Register on March 15, 2006.

As a member of the Federal Home Loan Bank of Cincinnati the Peoples Bank would like to thank the Finance Board for the opportunity to comment.

We believe the proposed rule in fact:

- causes a deterioration in the current strong financial position of the Cincinnati Bank, which is more than likely to result in the Bank losing its AAA rating with Stable Outlook;
- appears to violate many of the provisions of the Gramm-Leach-Bliley Act;
- triggers unnecessary taxes on member banks;
- results in sharply reduced levels of mission-related activities;
- causes serious damage to a large number of small members and threatens the viability of the community banking system;
- reduces the profitability of FHLB and, as a result, the amount of their mandatory Affordable Housing contributions;
- reduces the ability to fund the FHLBs voluntary affordable housing initiatives - \$17 million over the next two years which provides assistance to those affected by hurricanes in 2005;
- encourages the FHLB Banks to take on increased risk, given the proposed "one size fits all" retained earnings formula; and
- effectively dismantles the provisions of the FHLBs Finance Board-approved Capital Plan that has been beneficial to member banks.

Respectfully, the Peoples Bank strongly calls for the Finance Board to withdraw the proposed regulatory rule.

Once again I'd like to thank you for the opportunity to comment on the proposed regulatory rule "Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks".

Sincerely,

A handwritten signature in black ink, appearing to read "James Hay", written over a white background.

James Hay  
President/CEO

cc: Senator Mitch McConnell  
Senator Jim Bunning  
Congressman Geoff Davis