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# HOME SAVINGS BANK

*Your Financial Security Starts At Home*

May 8, 2006

Federal Housing Finance Board  
1625 Eye Street, 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**  
**FIN Number 3069-AB30**  
**Docket Number 2006-03**

The Board of Directors ("the Board") of Home Savings Bank, fsb of Ludlow, Kentucky submits the following as our formal comments 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 ("the Finance Board") and published in the Federal Register on March 15, 2006.

The FHLB of Cincinnati is a well-capitalized, conservatively managed, low-risk profile institution that will be negatively affected by the "one size fits all" formulas in the proposed rule. Below, you will find a summary of the impact of the proposed rule and some of its unintended consequences.

- Puts the Cincinnati FHLBank's AAA rating with Stable Outlook credit position at risk, due to the FHLBank's need to lower liquidity, lower capital levels and lower profitability to meet regulatory mandates.
- Deteriorates the value of FHLBank membership in the following ways:
  - Reduces the availability and timing of product offerings, including same-day funding due to the FHLBank's lower liquidity position;
  - Increases the cost of doing business with the FHLBank; both accessing advances and selling mortgages, due to the reduction and eventual elimination of the cooperative capital feature in the FHLBank's Capital Plan;
  - Creates a tax-event on excess stock redeemed by the FHLBank to meet regulatory requirement; and

- Eliminates tax-deferrals on future dividends by prohibiting the FHLBank from paying stock dividends.

Reduces members' participation in the Affordable Housing Program and voluntary housing programs New Neighbors and American Dream Homeownership Challenge due to declining profits and retained earnings shortfall.

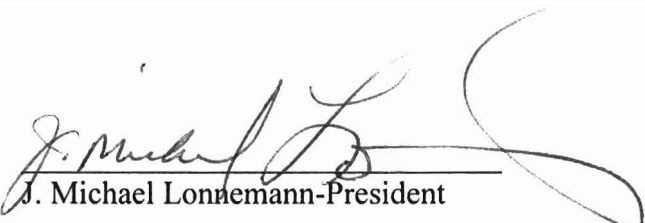
We believe that passage of the proposed rule would result in a reduction in the value of our membership in the FHLBank of Cincinnati. The proposed rule does not take into account the individual risk-profiles of the 12 FHLBanks, which we view as a disadvantage to our Cincinnati District.

Sincerely,  
Home Savings Bank,fsb  
Board of Directors



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Dale Dickman-Chairman



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J. Michael Lonnemann-President



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Robert J. Paul-Director



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W. Edward Martin-Director



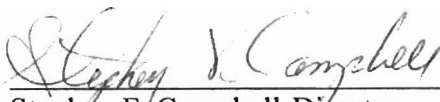
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Gene Weber-Director



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Randall E. Ransom-Director



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Stephen F. Campbell-Director



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Thomas J. Cochran-Secretary

cc:Senator Mitch McConnell  
Senator Jim Bunning  
Geoff Davis, House Representative