



P.O. Box 948, 22023 Main Street  
Hyden, KY 41749  
(606) 672-2344 • MEMBER FDIC

May 10, 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  
Requirement for the Federal Home Loan Banks  
RIN Number #3069-AB30  
Docket Number 2006-03

On behalf of the Board of Directors of Hyden Citizens Bank, Inc., Hyden KY, it is with great concern that comment is made about the Federal Housing Finance Board's proposed Excess Capital Stock/Retained Earnings Rule.

While it is recognized the purpose of the rule is to assure Federal Home Loan Banks operate in financially safe and sound manner, focus on the mission of providing affordable housing, facilitate ongoing access to capital market financing and remain adequately capitalized, there is significant negative impact and unintended consequences:

- Places the Cincinnati FHLBank's AAA credit rating with stable outlook at risk due to lower liquidity, capital levels and profitability
- Reduces the availability and timing of product offerings, including same-day funding due to FHLBank's lower liquidity position. For community banks like ours the FHLBank is a key strategic funding source that is utilized for overnight short term



needs as well as special programs to fund affordable housing to an economic challenged market

Increase the cost of doing business with FHLBanks and thus reduces our profitability in our primary objective of serving our market place as a quality corporate citizen

- With the redemption of excess stock, create a tax event that is not planned for in the short or long term
- Eliminates an attractive investment opportunity by prohibiting the FHLBanks from paying a stock dividend
- Reduces the member's participation in the affordable Housing Program and voluntary programs such as New Neighbors and American Dream Homeownership.

The FHLBank of Cincinnati is a well capitalized, conservatively managed, low risk institution that is serving its region well. For community banks like Hyden Citizens Bank, it is a longtime partnership that is valued and has been successful in helping our profitability and more importantly serving an economically challenged area and helps bring affordable housing opportunity to our customers.

Please consider the impact of the enactment of the rule on the FHLBank system and consequently on the banks that utilized their services to make our communities a better place to live.

Respectfully Submitted,



W. F. Brashear II  
President & CEO