



2323 Ring Road, P.O. Box 5006, Elizabethtown, KY 42702-5006

Phone (270) 765-2131

Fax (270) 765-2135

May 10, 2006

Federal Housing Finance Board  
1625 Eye Street NW  
Washington, D.C. 20006

Attention: Public Comments  
Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements  
for FHLBanks  
RIN Number 3069-AB30  
Docket Number 2006-03

To Whom It May Concern:

This letter is written in opposition of the proposed rule Excess Stock Restrictions and Retained Earnings Requirements for Federal Home Loan Banks. We believe this proposed rule will be harmful to our bank as a member of the FHLB of Cincinnati and will be harmful to the FHLB of Cincinnati.

The FHLBank of Cincinnati is a well capitalized, conservatively managed, low risk profile institution that will be negatively affected by the 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 our FHLBank membership in the following ways:
  - Reduces the availability and timing of product offerings, including same-day funding, due to 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 Neighbor and American Dream Homeownership Challenge due to declining profits and retained earnings shortfall.

Federal Housing Finance Board  
May 10, 2006  
Page 02

This proposed rule would result in a reduction in the value of our membership in the FHLBank of Cincinnati. In addition, it will raise our cost of doing business with the FHLBank of Cincinnati.

Sincerely,

A handwritten signature in cursive script that reads "Anne Moran". The signature is written in black ink and is positioned below the word "Sincerely,".

ANNE MORAN  
E.V.P./C.R.O.