

May 11, 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
RIN Number 3069-AB30
Docket Number 2006-03

I am writing this letter in opposition to your proposed rule regarding excess stock restrictions and retained earnings requirements for the Federal Home Loan Banks.

Our small \$90 million community bank has been a shareholder of the Cincinnati FHLBank since commercial banks were permitted to join the system. We have benefited tremendously from our membership and so have many of our bank customers. We have been able to offer products and services that would not have been possible without the assistance of the Cincinnati FHLB.

It is my understanding that by imposing the new excess stock restrictions and retained earning requirements on the FHLBs, you will most likely effect the AAA rating of the Cincinnati Bank, *reduce my dividends significantly, increase my funding costs and reduce my funding availability. The new rule will eliminate the tax-deferral on future dividends and cause a significant taxable event on our bank by recalling our excess stock. The new rule will effectively eliminate the cooperative capital feature of our Finance Board-approved Capital Plan, resulting in higher costs for mission asset activity.*

Due to your proposal the Cincinnati Bank has temporarily suspended two significant voluntary programs benefiting many, i.e., the New Neighbors Program (\$15 million for hurricane victims) and the American Dream Homeownership Challenge. Decreased profitability will reduce the amount of funds available for the mandated Affordable Housing Program. These results are counter to the Bank's housing mission.

The Cincinnati Bank has a AAA rating by Moody's and Standard and Poor's which indicates to me that my investment in the Bank is a good and safe investment. Please don't destroy it.

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Your proposed method of setting capital standards for each FHLBank is questionable, in that you are not risk weighting the balance sheets of each FHLBank but rather setting the same arbitrary capital requirement for all FHLBanks. I don't understand your methodology nor your reasoning since you previously had approved the Cincinnati Bank's Capital Plan in 2002.

I urge you to withdraw your proposal and regulate those FHLBanks that need to be regulated. The safe well managed AAA rated FHLBanks should not have to bear the burden of a few.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Proctor Caudill, Jr.", written in a cursive style.

B. Proctor Caudill, Jr.
Chairman, President and CEO

cc:

Senator Jim Bunning

Senator Mitch McConnell

Congressman Hal Rogers (KY-5)

Congressman Geoff Davis (KY-4)