



May 12, 2006

Federal Housing Finance Board  
1625 Eye Street NW  
Washington, D.C. 20006  
ATTN: Public Comments

RE: Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks

Federal Housing Finance Board Directors:

I am writing to express my concerns and opposition to your proposed rule that would reduce excess stock, increase the level of retained earnings for the FHLBanks, and prohibit the payment of stock dividends. Located in Newport, Kentucky, my \$230 million bank is a member of the Cincinnati FHLBank, serving residents in Northern Kentucky communities. We rely on the FHLBank for ready access to liquidity which, to my understanding, is the primary housing finance mission of the home loans banks. It appears that with the excess stock restrictions and prohibition on payment of stock dividends, the FHLBank's liquidity position will shrink and I will have to carry more liquidity on my books. I expect this will constrain my balance sheet, increase the price of doing business with the FHLBank, and be viewed unfavorably by my regulator who is keenly aware of the value of this liquidity source.

I am further opposed to the harsh restriction placed on our dividends while the FHLBank increases its retained earnings. As the Cincinnati FHLBank is triple-A rated and exceeds its regulatory capital requirements; this punishment levied against Cincinnati members seems unwarranted and unfair. I fail to see how the build up of retained earnings at the same time capital stock is being called in can increase the safety and soundness of this institution. Voluntary membership in the FHLBank has been beneficial to the stability and growth of our institution and to the customers and neighborhoods we serve. Please keep this important source of funding access available to community institutions like mine. Do not place this constricting regulation on our healthy FHLBank.

Sincerely,

David R. Van Horn  
President & CEO

cc: Congressman Geoff Davis  
U.S. Senator Jim Bunning  
U.S. Senator Mitch McConnell

