



*FEDERAL HOME LOAN BANK
OF CINCINNATI*

June 13, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006

Attention: Public Comments
Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home
Loan Banks

On behalf of the Federal Home Loan Bank of Cincinnati (FHLBank) Advisory Council, I am writing to express my deep concern regarding the Finance Board's proposed excess stock and retained earnings rule, and its potential effect on the Congressionally-mandated affordable housing mission of the FHLBanks.

I have been a member of the FHLBank of Cincinnati's Advisory Council since 1999, and I am currently chairman. In those eight years, I have seen the FHLBank allocate \$150 million toward affordable housing projects in the Fifth District, to help support development of nearly 18,000 units of decent and affordable housing – for the homeless, the disabled, the urban poor, the rural poor and the elderly – with a total development price tag north of \$1.4 billion. That is not a trivial contribution. FHLBank grants have been the lynchpin funding that helped many of those projects become reality, and its emphasis on projects benefiting Appalachia and those with special needs has been important.

The impact of the Finance Board's proposed rule, however, will be to shrink the FHLBank and raise its costs, which would translate to lower profits. That would mean fewer dollars would be available for the 10 percent earnings set-aside which funds the FHLBank's Affordable Housing Program. In a region with such great affordable housing needs, the diminution of such a trusted partner and an important funding source would be difficult for the affordable housing community to absorb.

In addition, the prospect of a substantial increase in retained earnings forced the FHLBank's Board of Directors to suspend two voluntary housing programs that brought meaningful benefit to communities in the Fifth District: the New Neighbors fund for hurricane victims and the American Dream Homeownership Challenge fund aiding minority first-time home buyers. I understand the unfortunate decision the Board was required to make, but more important, I am concerned that the cost and difficulty of complying with the proposed rules – if enacted – will discourage the FHLBanks from pursuing innovation in housing programs in the future.

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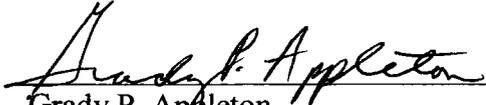
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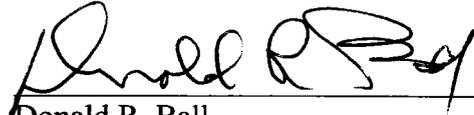
The Finance Board does not appear to have fully considered the impact of its proposal on the affordable housing mission of the Federal Home Loan Banks. To maintain this productive, mutually beneficial partnership between the FHLBank and the affordable housing community, I urge you to withdraw this rule.

Sincerely,

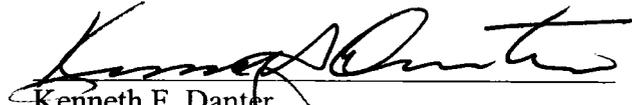
A handwritten signature in black ink, appearing to read "Cecil Dunn", with a long horizontal flourish extending to the right.

Cecil Dunn
Executive Director,
HOPE Center, Inc.
Lexington, Kentucky

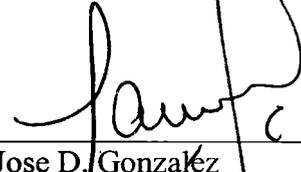

Grady P. Appleton


Donald R. Ball

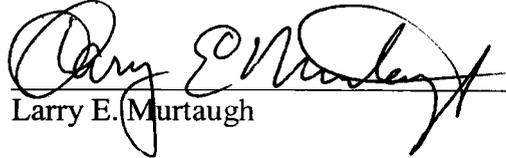

Timothy E. Bolding


Kenneth F. Danter

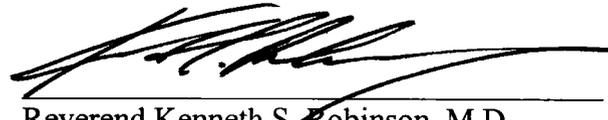

Stacey D. Epperson

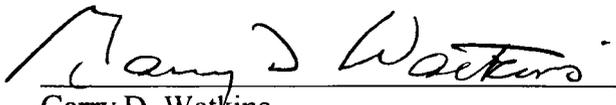

Jose D. Gonzalez


Mark K. Milligan


Larry E. Murtaugh

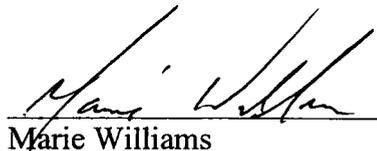

Jerry Rickett


Reverend Kenneth S. Robinson, M.D.


Garry D. Watkins


Susan E. Weaver


Larry R. West


Marie Williams