



ORGANIZED 1900

*Shepherdsville, KY 40165*

WILLIAM L. DAWSON  
PRESIDENT

May 2, 2006

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

Dear Sirs:

We take this opportunity to comment on your proposed regulation concerning the Federal Home Loan Bank of Cinematic. We feel that the proposed rule violates the spirit of if not the provisions of Gramm-Leach-Bliley Act. The rule imposes a tax burden on member Banks on earned dividends that is detrimental to member Banks. The short term curtailment of dividends further blemishes the membership benefits of the Home Loan Bank. The Bank has served as a primary source of funding for Mortgages in our trade area. The dividend treatment could cause us to reconsider our options for the future. It definitely devalues the effect of redemption of excess stock while creating a windfall of Federal taxes and diminishes a small Bank's choices in terms of liquidity.

The overall mission of the Bank to create as many Housing and Development units as possible is also put in jeopardy as the creation of the pool of retained earnings causes the suspension of such programs as Affordable Housing and American Dream Homeownership. The capital Plan already in place serves the members well and has been beneficial to all members.

We sincerely hope the well intentioned changes will be rethought and reshaped so that badly needed programs and members do not suffer as a result of this proposed change.

Sincerely yours,

*William L. Dawson*  
President