



**UNION NATIONAL BANK
AND TRUST COMPANY**

P.O. BOX 220

BARBOURVILLE, KENTUCKY 40906-0220

May 5, 2006

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

Re: Comment – Federal Housing Finance Board’s proposed
Excess Capital Stock/Retained Earnings Rule

Dear Sirs:

We agree with our Kentucky representatives of the FHLBank of Cincinnati’s objection to the above proposed rule. The FHLBank of Cincinnati is a well-capitalized, conservatively managed, low profile institution that will be negatively affected by this proposal in the following ways:

- Puts the Cincinnati FHLBank’s AAA rating with Stable Outlook credit position at risk
- Deteriorates the value of FHLBank membership
 - Reduces the availability and time of product offerings
 - Increases the cost of doing business with the FHLBank
 - Creates a tax-event on excess stock redeemed by the FHLBank
 - Eliminates tax-deferrals on future dividends
- Reduces members participation in the Housing Programs of the FHLBank

Please carefully consider the negative components of invoking the proposed rule.

Thank you,

Jerry W. Carey
President

cc: Peoples Bank
Proctor Caudill, Jr.
Chairman/President/CEO

Peoples Exchange Bank
Charles Beach, Jr.
Chairman