



COMMUNITY National Bank

July 5, 2006

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

Gentlemen:

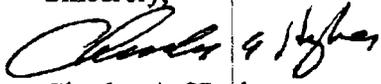
I am writing this letter to ask you to withdraw your proposal for a proposed capital rule that was introduced by your Board earlier this year. We are members of the Federal Home Loan Bank of Cincinnati and I really don't see the need for this proposal in view of the strong capital position of the Cincinnati Bank. The impact of this proposal will be detrimental to smaller banks like ours. We are a \$100,000,000 national bank located in an East Tennessee community of approximately 45,000 people. As with other rules that are being formulated by the various regulatory agencies this rule would also cause harm to a small community banks that don't fit the one size fits all mentality of our regulators. It appears that this would have a greater impact on small - to medium-sized members who typically rely more heavily on advances and who own more stock relative to their total assets. If the regulation is adopted in its current form, the negative impact on the cost of borrowing from the Cincinnati Bank and on our dividend rate will not be borne proportionately across all members. In addition, if we are forced to hold less liquidity, community banks may need to hold more liquidity of their own given their limited sources of external funding. The Bank may also have to curtail its availability of funding on any given day and reconsider its policy of warehousing funds raised at attractive rates through global bond sales.

I also feel that by reducing the FHLBanks' Profitability the Proposal is likely to reduce the amount of affordable housing contributions. If there profitability is reduced their contributions to this program will be reduced.

My biggest concern is that your agency just like other agencies of our government just doesn't understand that over 80% of the banks in our country are community banks in small towns all across the USA. We do not look like nor are we like the Bank of Americas' and the Wachovia's' of our country. Every bank should not be treated just the same because they are not the same. We still know our customers unlike the big conglomerates and by putting this new rule into effect you are not realizing the impact that will be felt by community banks all across the country.

I urge you to withdraw your proposal.

Sincerely,



Charles A. Hughes
President

Cc: Senator Lamar Alexander
Senator Bill Frist
Representative Bill Jenkins