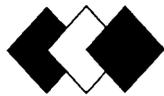


Firstbank



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June 29, 2006

Federal Housing Finance Board
1625 Eye St.
Washington, DC 20006

Attention: Public Comments
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

Gentlemen:

I am the president of a small northern Michigan bank that relies heavily on the Federal Home Loan Bank of Indianapolis (FHLBI) to fund our mortgage demand and help with general liquidity. As a result, my bank holds almost \$1,500,000 of FHLBI stock. Over the years we have grown to rely on the dividends as an important part of our earnings stream.

The proposed revision to the Capital Regulations that you have recently proposed and that we reference above would be just another regulatory blow to the smaller banks, such as mine, that have had to increasingly rely on FHLB advances. Larger banks certainly don't rely on FHLBI dividends and have multiple avenues of non-deposit funding available. The proposed dividend limitation of 50% of earnings will effectively increase borrowing costs to all members, result in reduced use of advances, shrinkage of the FHL Bank system leading to reduced income and a further reduction of dividends. That scenario of a never ending downward spiral has to be an unintended consequence of the proposed new rule, and I am hopeful you will reconsider the proposed revision.

Sincerely,

Dale Peters
President