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Federal Housing Finance Agency
Division of Bank Regulation
400 7th Street S.W., 7th Floor
Washington, DC 20219

RE: Request for Input on the mission of the Federal Home Loan Bank System

Sirs:

As a small community bank located in Wyoming, with a very high concentration in mortgage lending, we find the reconsideration of the mission of the FHLB system to be of great concern. The statement within the introductory paragraph of the Request for Input dated May 16, 2023, stating that "...FHLBank membership has shifted away from institutions with a strong focus on mortgage lending..." could not, in the case of the Bank of Star Valley (Bank), be a greater misinterpretation of the truth and a misstatement of reality. While the banking sector has become more concentrated over the years, there remains many small community banks, such as the Bank of Star Valley, which are highly focused on serving their respective communities and providing affordable housing opportunities.

The Bank of Star Valley relies greatly on the FHLBank system for liquidity and services which enable the Bank to meet our housing loan demand in both residential real estate construction and lending. For the Bank, the current FHLB is critical to our success!


The FHLBank System, and its mission, was created by Congress, and Congress set within the 1932 legislation the current dual mission of the FHLBank System to provide liquidity and advance affordable housing. The proposals set forth by FHFA can dramatically impact both the Congressionally legally defined mission as well as the ability of the FHLBs to meet the needs of all members. The proposed incentive program will create unintended consequences for community banks with limited resources and non-complex balance sheet structures – such as the Bank of Star Valley. While the Bank is the leader in residential lending within our market, including residential construction and mortgage underwriting and efforts to create affordable housing, the Bank sells a majority of our 1-4 family residential mortgages into the secondary market, and as such, does not carry them on our balance sheet. If incentives are based only on collateral pledges, we would be at a huge disadvantage based upon our non-complex balance sheet structure.

A critical underlying principle of the U.S. regulatory system is that any changes to the FHLBank Systems mission should be determined by Congress, not the FHFA. Again, Congress defined the FHLBank System's legal mission within the initial 1932 legislation, and only Congress, not FHFA, should make any changes to the System's mission.

The FHLBank system, which was created in response to the Great Depression, with the Federal Home Loan Bank Act of 1932 has proven its great worth repeatedly in providing liquidity to the U.S. banking system. The FHLBank System has worked well under its current Congressional enacted dual mission for over 90 years, providing stability and liquidity within the banking sector and promoting affordable housing. As the wise saying goes: "If it isn't broken, don't try to fix it."

Finally, if the mission of the FHLBank mission needs modification, such action needs to be determined by Congress, not the FHFA! We fully stand against the FHFA redefining the mission of the FHLB System.

Respectfully



Rod R. Jensen
President / CEO



Brook Merrit
Exec. Vice President / CFO

cc: Honorable John Barrasso, U.S. Senator
Honorable Cynthia Lummis, U.S. Senator
Honorable Harriet Hageman, U.S. Representative