



March 14, 2011

Nebraska Independent Community Bankers

Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA39  
Federal Housing Finance Agency – Fourth Floor  
1700 G Street, NW  
Washington DC 20552

RE: Advance Notice of Proposed Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

The Federal Housing Finance Agency (FHFA) has requested comments on an advance notice of proposed rulemaking (ANPR) in which the agency has expressed its desire to review current Federal Home Loan Bank (FHLBank) membership requirements. On behalf of Nebraska Independent Community Bankers, I am submitting this comment on the ANPR.

The questions posed in the ANPR are concerning. They suggest that the FHFA is considering requiring FHLBank members to “maintain a demonstrable involvement in residential mortgage lending and otherwise comply with the statutory requirements for membership.” FHLBank member institutions could be required to hold at least 10% of their assets in mortgages on a continuing basis, rather than only when they join. Also, objective and quantifiable standards could require that each member “makes long-term home mortgage loans” and has a “home financing policy.” Noncompliant members could be barred from further access or have their membership terminated.

The regulatory changes under consideration would make it more difficult for many financial institutions to obtain and maintain access to FHLBank liquidity. Stricter requirements will call into question the ability of members to borrow under all future economic scenarios. The changes will also discourage potential members from joining, inhibiting the ability of FHLBanks to serve the housing and community development needs of their districts. The suggested changes would prove burdensome to small and medium sized members at a time when they are already subject to many new regulatory requirements.

While policymakers should be looking for ways to jump start economic activity by encouraging financial institutions to increase lending to small businesses and other job creators, the proposed changes could limit access to the low-cost funding provided by the FHLBanks. Indeed, the ANPR is an example of the mixed messages that Washington, DC is sending to community banks.

Requiring members to meet ongoing mortgage requirements would add an element of uncertainty to FHLBank membership. Members could never be sure of their ability to meet these tests and, therefore, maintain access to FHLBank liquidity, particularly in times of financial stress. For example, in periods when mortgage valuations decline, rapidly members could not be assured of maintaining at least 10% of their assets in mortgages. As a result, the FHLBanks would be viewed by both existing members and potential members as a far less reliable funding partner.

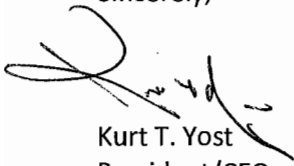
The ANPR does not present any compelling reason for imposing new membership rules, and it does not present any information showing that there is a problem with the current membership rules. The ANPR

also failed to cite a benefit it hoped to achieve by changing the rules. And the FHFA's annual report to Congress on the state of the FHLBanks didn't note any problems with the implementation of these rules.

Any changes to the FHLBanks' membership or mission – especially changes that would restrict membership eligibility or narrow the FHLBanks' mission – should come first from Congress, particularly at a time when Congress and the Administration are beginning to examine the future of housing finance. When Congress has examined the FHLBanks in the past, the result has been to expand, rather than contract, the role of the FHLBanks.

For these reasons, membership ANPR should be withdrawn. Once again, thank you for the opportunity to submit this comment on the ANPR.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kurt T. Yost', written over a light blue horizontal line.

Kurt T. Yost  
President/CEO