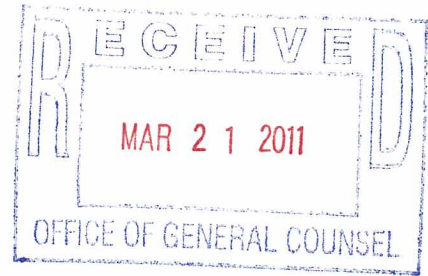




1010 WESTLOOP PLACE | 785-587-4000
MANHATTAN, KS 66502



March 15, 2011

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

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.

We concur that the FHFA should seek “to ensure (the regulations) remain consistent with the statutory provisions that require a nexus between Bank membership and the housing and community development mission of the Banks.” We agree that captive or shell insurance companies should be prohibited from FHLBank membership.

However, we are concerned that undue restrictions on the ability of FHLBanks to support housing finance across the remaining spectrum of financial service providers engaged in housing finance will have the unintended and adverse consequence of causing the FHLBank’s to be less competitive and less profitable. Any diminishment of the FHLBank’s critical role as an essential provider of liquidity to the banking system will have a significant and unfavorable impact on the provision and maintenance of liquidity for banks, especially community financial institutions.

Any changes to the FHLBanks’ mission or membership, especially changes that restrict membership eligibility or narrow the FHLBanks’ mission, must involve a comprehensive analysis of the impact of such changes on the banking system and, in turn, the ability of banks to support economic recovery.

When Congress has examined the FHLBanks in the past, the result has been to expand, rather than contract, the role of the FHLBanks. The FHFA should not proceed down a path toward fundamentally altering the FHLBank System without express Congressional guidance, especially at this time when Congress and the Administration are undertaking a review of the housing finance system in the United States, including a review of the role served by the FHLBanks as a provider of liquidity.

Alfred M. Pollard, General Counsel
March 15, 2011
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The regulatory changes the FHFA is considering would make it more difficult for financial institutions to access the liquidity available through FHLBank advances and will devalue membership for existing FHLBank members while discouraging potential members from joining, ultimately inhibiting the ability of the FHLBanks to serve the needs of their districts. These changes will be especially burdensome to small and medium sized members.

We strongly urge that no action be taken that will cause FHLBanks to be viewed by existing members and potential members as a less reliable funding partner. This would destabilize a key premise of the FHLBank System, the reliability of accessing liquidity. Accordingly, we urge that the FHFA withdraw the membership ANPR.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric W. Valaika". The signature is written in a cursive style with a large, sweeping initial "E".

Eric W. Valaika
Executive Vice President / COO
Kansas State Bank of Manhattan