



NORTH DAKOTA  
**BANKERS**  
ASSOCIATION



March 25, 2011

Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency  
1700 G Street, N.W.  
Washington, DC 20552

Attention: Comments/RIN 2590-AA39

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

Dear Mr. Pollard:

The North Dakota Bankers Association (“NDBA”) appreciates this opportunity to comment upon the advance notice of proposed rulemaking (“ANPR”) for qualification to Federal Home Loan Bank membership. Questions posed in the ANPR suggest changes are being considered that will increase member banks’ compliance burdens, limit the utility of the Federal Home Loan Banks (“FHLB”) as a source of liquidity for its members, and discourage membership to such a degree that the FHLB mission of supporting housing and community development may actually be impeded in the future. We submit that the ANPR is flawed to a degree that it should be withdrawn rather than revised and made the subject of a rulemaking proceeding.

Most of NDBA’s members are small banks. These banks are being crushed under a burden of regulation. If qualification for FHLB membership is subject to continuous evaluation, North Dakota banks will have to adopt mechanisms and procedures to constantly monitor their compliance with the membership requirements. This burden is likely to cause a general reassessment of the costs and benefits of FHLB membership and may cause some banks to drop their FHLB membership. We see a shrinking FHLB membership as also shrinking the ability of FHLB to fulfill the housing and development related missions assigned to it by Congress and do not see it as being within the purview and authority of the FHFA to act to achieve that end without direction from Congress.

NDBA member banks have come to rely upon FHLB liquidity and funding options. The ANPR suggests this reliance may be misplaced in the future. This, too, will particularly affect smaller banks’ decision-making about FHLB reliability as a funding partner and will make FHLB membership less desirable, thereby likely shrinking the membership base. Shrinking the membership base must be the point of the ANPR, but, again, we do not see that goal as being within the statutory authority of FHFA, nor beneficial for housing over the long term.

If the ANPR progresses to rulemaking, banks will have good reason to be confused about the message that is being sent. Should banks not count on FHLB to provide liquidity in the future? During the recent crisis, FHLB advances helped banks all over the country as they worked to avoid the debilitating consequences of liquidity problems. Provisions such as those suggested by the ANPR would have made things much worse for housing, for banks, and, ultimately, for the public at large.

We believe the rationale underlying the ANPR is neither well explained nor well founded and that it should be withdrawn from further consideration. If changes of the sort proposed are to be enacted, they should be enacted by Congress as part of its overall review and consideration of the U.S. housing finance system.

Thank you for your serious consideration of our viewpoint.

Sincerely yours,

NORTH DAKOTA BANKERS ASSOCIATION

A handwritten signature in blue ink, appearing to read "Rick Clayburgh". The signature is fluid and cursive, with a large initial "R" and "C".

Rick Clayburgh  
President and CEO