



STATE SAVINGS BANK

“HOMETOWN INDEPENDENT BANKING SINCE 1917!”

October 9, 2014

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

Re: Notice of Proposed Rulemaking and Request for Comments—Members of FHLB (RIN 2590-AA39)

Dear Mr. Pollard:

I appreciate the opportunity to submit comments regarding the Notice of Proposed Rulemaking (NPR) on Federal Home Loan Bank (FHLB) membership.

As you know, the FHLB System has an 82 year history providing funding for housing and community and economic development in places like Michigan’s Upper Peninsula where my organization operates. The System is also the largest private source of grant funding for affordable housing in the nation and is fully-capitalized by financial institutions like mine and receives no taxpayer support. The FHLB System works and is a great example of a successful public/private partnership.

The State Savings Bank has been a member of the Federal Home Loan Bank of Indianapolis (FHLBI) since 1996. Our relationship with the FHLBI has grown to include advances and selling mortgage loans to the Mortgage Purchase Program (MPP). As a customer, we greatly appreciate the FHLBI’s reliability for advances and mortgage loan sales. As a shareholder, we also appreciate the reliable dividends they have provided.

Reliability is the key factor in our FHLB relationship. When liquidity is tight and we need to finance loans in our community, the FHLBI has been there to provide same-day funding if needed. With the mess at Fannie and Freddie and their lack of responsiveness to community banks, it is helpful to know that the MPP will purchase our excess mortgage loan production and provide responsive customer service. Finally, as an organization that has made an investment, we need to know that we will be provided with an acceptable rate of return for the risks we are taking.

By changing long-standing membership rules in the middle of the game, the NPR calls into question the FHLB System’s reliability. By eliminating members in good standing and imperiling the memberships of many others, the NPR sets a horrible precedent and calls in to question the FHLB System’s reliability. The question that comes to mind is, “Why?”

The elimination of members would reduce the FHLBI’s advances, income, dividends, funding for affordable housing, and their ability to purchase mortgages from my organization. Once again, the question that comes to mind is, “Why?”

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While FHLB System is healthy and thriving in its mission, the NPR suggests it is very sick and needs radical surgery. Since I believe that the NPR's remedies would be harmful to the FHLB's reputation for reliability and its ability to serve the needs of my organization and community, I urge you to withdraw the proposed rule. Thank you for the opportunity to submit a comment.

Sincerely,



Mark Larche
President & CEO, State Savings Bank of Manistique