



Peoples State Bank of Munising

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October 10, 2014

Alfred M. Pollard, General Counsel,
Attention: Comments/RIN 2590-AA39,
Federal Housing Finance Agency, 400
Seventh Street SW., Eighth Floor,
Washington, DC 20024

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

Dear Mr. Pollard,

I am writing to you as a Loan Officer for The Peoples State Bank of Munising. The Peoples State Bank of Munising is a \$100 million + asset commercial bank chartered in 1910 to provide full service banking to the people of Alger County, Michigan and the surrounding areas. We have been a member of the Federal Home Loan Bank of Indianapolis since 1997 and actively use FHLBI services, including advances and Affordable Housing set-aside grants. As such we are very concerned about the impact of the Notice of Proposed Rulemaking on the value of our membership and in turn our ability to serve our community.

Alger County is demographically a relatively older county in Michigan (23% of the population 65 or older in 2013) which means a lot of our families are living on fixed incomes. Almost 15% of the members of our community live under the poverty line. The FHLBI Affordable Housing Program's Set-Aside Grants allow us to make a real difference in serving this population. We are participants in the Neighborhood Impact Program, which provides grants of up to \$10,000 to people to make energy-efficient repairs and improvements, such as roofing, windows, doors, siding, hot water heaters, and furnaces. As you can imagine, with our Michigan winters, it is a huge boon for an elderly person living on a fixed income, or a family subsisting on a low income, to be able to simultaneously lower their energy costs and increase the warmth and comfort of their home, as well as improve the value and aesthetics of the home. On a more personal level, the positive impact on the quality of life for these individuals and families is immeasurable. I cannot stress enough how much programs such as this enhance and improve the mental state of lower income and elderly individuals and families.

So far we've distributed \$39,000 through this program, and we have identified and are working with grant recipients to whom we could potentially distribute another \$60,000-\$100,000. My experience working with my community is that the Upper Peninsula needs more, not less, Affordable Housing outreach through the FHLBI.



However, the changes proposed by the NPR, as we understand them, would have a detrimental impact on both the membership and earnings of the FHLB system, including the FHLB of which we are a member, FHLB Indianapolis. This is particularly true of the changes related to captive insurance membership, which also target a membership class that has brought jobs and income to the state of Michigan. Lower FHLBI earnings would reduce the availability of AHP funds for programs like the Neighborhood Improvement Program.

While the costs to the NPR are clear to us, the benefits are not. The 1% and 10% rules do not seem to be necessary to enforce participation in the FHLB mission, as the FHLBs already require mission-related collateral in order to borrow. At the same time, the rules proposed fail to capture the many other ways members live out the FHLB mission—for example, through participation in AHP. Targeting captive insurers for exclusion usurps the right of our Michigan regulators to define an Insurance company and stifles local attempts to attract new business and grow our economy. Meanwhile, reducing membership does not strengthen the FHLB or expand its footprint in our communities. What is the benefit?

For these reasons we respectfully request that the NPR be removed from consideration.

Thank you for considering these comments.

Sincerely,

Kirsten J. Rinne

Loan Officer and Human Resources
Peoples State Bank of Munising