



October 14, 2014

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

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

Dear Mr. Pollard:

I am writing to express my concern about the notice of proposed rulemaking regarding membership eligibility in the Federal Home Loan Banks (FHLBanks) that the Federal Housing Finance Agency (FHFA) recently issued. The proposed rule includes significant and unnecessary changes to long-standing membership rules for the FHLBank system. The proposed changes are also inconsistent with Congressional intent and the Federal Home Loan Bank Act (FHLBank Act). For these reasons Citizens Bank and Trust Company, Ardmore, Oklahoma objects to these proposed rules changes.

While my institution would meet the requirements of the proposed rule today, I feel the rule sets a very bad precedent. Additionally, who's to say that at some point in the future, due to a changing economic landscape or other factors beyond our control, our institution would fail the test? Further, we do not support the adverse impact the proposed rule would have on other financial institutions in our region. Nor do we support the notion of financial institutions managing their balance sheets to the demands of a regulation. We're also cognizant that the rule could result in fewer members of FHLBank Topeka. This could lead to a smaller FHLBank with fewer assets, reduced profits, lower retained earnings, a decreased market value of equity and capital stock, and fewer dollars available for the Affordable Housing Program.

It is also critical to point out that beginning more than 25 years ago, Congress made it clear that community financial institutions (CFIs) such as mine may use FHLBank advances for purposes other than residential housing finance. It remains the intent of Congress today that CFIs may also utilize FHLBank liquidity for commercial real estate, small business, agricultural real estate and agricultural operating loans. This fact alone highlights how FHFA's proposed rule for CFIs runs counter to existing federal statute.

Equally troubling is another component of FHFA's proposed rule that would require non-CFIs to hold 10% of their assets in residential mortgage loans on their balance sheet on an ongoing basis. The proposed rule could have the unintended consequence of forcing somewhat larger CFIs to forego expansion or merger plans for the sole purpose of not running afoul of FHFA's arbitrary asset test. Some CFIs could actually reduce the services they offer their communities to avoid potentially losing their membership in the FHLBank system. Thus, the proposed rule could unnecessarily restrict financial institution access to liquidity, letters of credit, mortgage purchase programs, affordable housing programs and community investment products – some of the very activities FHFA, and Congress, wish to enhance.

Access to FHLBank advances is important to CFIs like mine in our region. FHLBank Topeka and the 11 other FHLBanks are operating well within the authorities granted them by Congress. The membership requirements being contemplated by FHFA would change long-standing requirements that have worked well, and the proposed rule would ignore the collateral expansions approved by Congress over time. Because the proposed rule outlines no safety and soundness concerns – and because there is no legitimate public policy goal of the proposed rule – Citizens Bank and Trust Company, Ardmore, Oklahoma strongly recommends you rescind the proposed rule.

Thank you for taking these comments into consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Bridger Cox".

G. Bridger Cox
Chairman and President