



BATTLE CREEK STATE BANK

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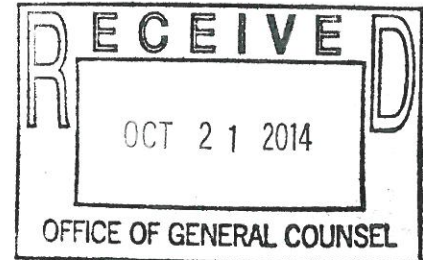
ROGER L. BRESTEL
President

TERRY W. SMITH
Vice President

MITZI BREDEHOFT
Cashier

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 deep concerns about the notice of proposed rulemaking regarding membership eligibility in Federal Home Loan Banks (FHLBanks) that was recently issued by the Federal Housing Finance Agency (FHFA). The proposed rule includes significant changes to long-standing membership rules for the FHLBank system.

The proposed rule would have a direct adverse impact on our institution's ability to access FHLBank liquidity and other financial products that are needed to serve our community. Our analysis indicates that within the last six years, Battle Creek State Bank probably would not have met the ongoing requirement of the proposed rule of having between 1%-5% of its assets in long-term home mortgage loans on its balance sheet on an ongoing basis.

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 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 statutes.

Battle Creek State Bank is a community bank located in Battle Creek, Nebraska with 27 million in total assets. We have been a member of FHLBank Topeka for many years. Battle Creek State Bank is a vital source of loans for our community. We offer a variety of loan types including mortgage real estate, commercial real estate, small business, agricultural real estate and agricultural operating loans. As permitted under the FHLBank Act, we use these loans as collateral to support access to advances from FHLBank Topeka.

Access to advances is critically important to our institution because FHLBank liquidity allows us to offer an array of loan products to our customers that we might not otherwise be able to offer. Access to FHLBank advances also helps support farming and seasonal borrowing needs in Battle Creek, NE. In addition, having a credit line and borrowing capacity with FHLBank Topeka is integral to appropriate contingent liquidity management, which is required by our regulators. Uncertainty regarding our future FHLBank membership and our ability to access liquidity in times of crisis, even if we have sufficient eligible collateral to support our advances, is concerning.

The FHLB in Topeka is our main source of liquidity when loan demand becomes greater than our deposits. We have in the past borrowed from FHLB to be able to offer longer term financing on home and other loan products.

The FHLBanks serve as a critical source of liquidity for CFIs like mine. I urge FHFA to withdraw its proposed rule because it would put membership in jeopardy for institutions like ours – and because the proposed rule is inconsistent with the FHLBank Act and Congressional intent, which has reflected a desire to expand both the membership base of, and eligible collateral accepted by, the FHLBanks. The FHLBanks are operating safely and soundly and within the authorities granted by Congress. The membership requirements being considered would change requirements that have worked well, and they would ignore the collateral expansions that have occurred over time.

Without access to FHLBank Topeka, the credit available to our bank and the families of Battle Creek, NE will be severely impacted. In light of the broader effects of this deeply flawed proposed rule on local communities, we ask you to withdraw the proposed rule immediately.

Sincerely,



Roger L Brestel, President
Battle Creek State Bank
P.O. Box 308
Battle Creek, NE 68715