

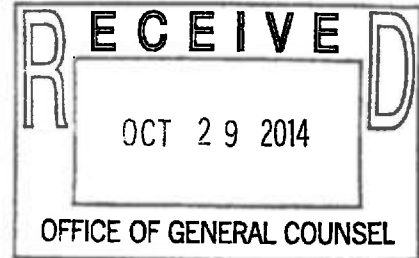


Security State Bank

Scott City, Kansas

David W. Summers
Sr. Vice President, Cashier &
Chief Financial Officer
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10/23/2014



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, Security State Bank 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.

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.

Friends You Can Count On... Security You Can Trust

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Security State Bank is a community bank located in Scott City, KS with 180 million in total assets. We have been a member of FHLBank Topeka for over 15 years. Security 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.

We're also very aware 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.

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 Scott City, KS. 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 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. Bottom line – if it's not broke, don't fix it.

Without access to FHLBank Topeka, the credit available to our bank and the families of Scott City, KS 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,



David W. Summers
Sr. Vice President, Chief Financial Officer & Cashier

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