

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 the FHLBanks
(RIN 2590-AA39)

Dear Mr. Pollard:

I am President & CEO of Center National Bank in Litchfield, MN. My bank was chartered in 1897. We are a community bank with Total Assets of \$190 million and employ 40 people. Our institution provides all types of loans to meeting the credit needs of our community. Specifically, we have utilized the FHLB Des Moines to fund \$ 54 million in residential real estate loans that meet our community's housing needs. This entails underwriting, originating and servicing mortgages under the FHLB's Mortgage Partnership Finance Program.

The proposed rulemaking regarding membership eligibility in the Federal Home Loan Bank (FHLBank) system includes significant and unnecessary changes to the long-standing membership rules for the system. The proposed changes are inconsistent with Congressional intent and the Federal Home Loan Bank Act. For these reasons, Center National Bank vehemently opposes this proposed rule.

The proposed regulation on FHLB membership creates many concerns for our bank. While my bank would meet the proposed rule requirements of the proposed rule today, I feel that the rule establishes a problematic precedent. Our bank should be free to manage our balance sheets in light of what's best for us, not the demands of a regulator. In addition, the proposed regulation conflicts with concerns from financial regulators that financial institutions reduce holdings of long-term fixed rate mortgages and sell them in the secondary market.

It is also crucial to point out that more than 25 years ago, Congress made it clear that community financial institutions (CFIs) such as my bank may use 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 this proposed rule runs counter to existing federal statute.

Broadly speaking, the FHLB Des Moines serves as a critical source of liquidity for Center National Bank and other financial institutions in Iowa, Minnesota, Missouri, North and South Dakota. They have proven to be a reliable and competitive source of liquidity for all of our financing needs in all economic environments. This rule, if adopted, would remove the certainty that the FHLB Des Moines can be counted on to be a reliable source of liquidity in all market conditions.

The on-going mortgage asset test requirements will artificially distort balance sheet management practices and decrease the flexibility of community banks to manage their balance sheets in response to changing market conditions.

Your agency's proposed rules could fundamentally change how, or even whether, a depository financial institution such as ours could remain a member of a FHLB Des Moines. This is very disturbing. Confidence, trust and reliability comprise the bedrock upon which our long-time FHLB membership is built. We need to know that the FHLB Des Moines can provide funding on a moment's notice as it did in the recent financial crisis.

Access to advances is critically important to our bank because FHLBank liquidity allows us to offer competitive rates to our customers that we might not otherwise be able to offer. **This is our main liquidity source in times of need.** Additionally, having a credit line and borrowing capacity with FHLB Des Moines promotes the safe and sound management of Center National Bank.

Because the proposals would harm FHLBank members and hurt housing, credit and economic growth, we ask that the FHFA withdraw the new membership rules contained in its September 12, 2014 Notice of Proposed Rulemaking. We ask that the FHFA work with FHLB members to preserve the FHLBs as a reliable partner so that benefits continue for the local lending institutions, the communities, housing, homeownership and the nation's economy.

Access to FHLBank Des Moines is important to Center National Bank and other CFIs in our region. 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. Without access to our FHLBank, the credit available to communities in our region will be unnecessarily impacted.

Because the proposed rule limits our bank's access to dependable liquidity, restrains funding for our bank's long-term residential real estate loans, does not outline any safety and soundness concerns, and achieves no legitimate public policy goal, Center National Bank strongly recommends that you withdraw the proposed rule.

Thank you for taking our comments into consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Daeges". The signature is fluid and cursive, with the first and last names being more prominent.

David L. Daeges
President & CEO
Center National Bank
Litchfield, MN 55355