

# nebraska state bank & trust company

P.O. BOX 688 • BROKEN BOW, NE 68822

November 4, 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:

Thank you for the opportunity to comment on the *Proposed Rulemaking for Members of FHLBanks*. As the Chief Financial Officer and President of a \$195 million dollar community bank, we are writing to express our deep concerns and opposition to the proposed rulemaking regarding membership eligibility for FHLBanks.

Based upon the three year averages, our institution currently sits at 9.20% for the 10% mortgage loan requirement. Per the proposed guidance, we would then not be able to be a member at FHLB Topeka. We use FHLB Topeka for securities safekeeping, letters of credit purchases for public funds pledging, and actively use a line of credit through securities pledged and loans pledged from Qualifying Collateral Discount (QCD) analysis.

As an agricultural bank we have significant concentrations in both agricultural real estate and agricultural operating loans. Due to these concentrations, our percentage of residential mortgage loans to total assets can appear low. We, however, service the majority of our county with a market share percentage at nearly 50%. The requirement to have a 10% mortgage loan requirement would further hinder our ability to service our community as we will continually be trying to maintain the 10% requirement by either keeping our asset numbers down or searching for home loans which either don't originally qualify or are out of our area.

After the substantial regulatory changes with mortgage loans, our Board and management team made the decision to support the community and continue to offer in-house residential loans. We book both in-house residential loans and sell long-term fixed rate residential loans to the secondary market. Requiring a 10% mortgage loan requirement disregards the service we provide to our customers on secondary market loans which would not be included in the percentages calculated.

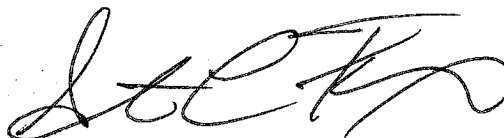
Finally, we use the FHLB Topeka line of credit to service our cyclical funding needs. By pledging excess securities to the FHLB Topeka, we have a sound funding source during those times. If we don't qualify with the 10% residential loan requirement, our funding source would severely be impacted. As a result, this could impact our ability to service customers with new loan requests if the funding is not available and further decrease our income due to higher funding costs as a result of regulatory burden.

We would highly encourage you to vote no on the proposed rulemaking regarding membership eligibility with FHLBanks and enforce the law as the Federal Home Loan Bank Act intended. Please feel free to contact us if you would like to discuss this further.

Sincerely,



Kristy R. Bartak  
Chief Financial Officer



Stuart L. Fox  
President