



October 31, 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 submitting this comment letter on behalf of Security Bank, a locally owned commercial bank located in Northeast Nebraska. Security Bank currently has \$183 million in assets. Our bank provides reliable and needed services to our customers and our communities.

I am writing to express my objections to the FHFA's proposed rule regarding membership eligibility in the Federal Home Loan Banks (FHLBanks) (RIN 2590-AA39), which the Federal Housing Finance Agency (FHFA) recently issued. The proposed rule includes significant, unnecessary, and highly damaging changes to long-standing membership rules for the FHLBank system that are inconsistent with the Federal Home Loan Bank Act and clear congressional intent.

Our bank originates approximately 100 fixed rate residential mortgage loans per year. These loans are sold to the Federal Home Loan Bank of Topeka, utilizing their Mortgage Partnership Financing (MPF) program. Our bank retains the servicing rights on these loans, allowing our customers to make their payments to our bank. We currently service approximately \$35 million of these types of loans. A long term-fixed rate loan is typically the most beneficial option for our customers. In the event that we are unable to get our customers qualified for a fixed rate/secondary market loan, we occasionally will make an in-house loan that has an adjustable rate. We currently have \$7.5 million in adjustable rate loans on our books, or 4% of our assets.

Although FHFA is proposing to use 1% of total assets as the standard for compliance with the "makes long-term home mortgage loans" requirement, it also believes that it could establish a higher percentage without either supplanting the "10%" requirement or unduly burdening a significant number of existing members. We understand that the agency will continue to consider whether to establish the standard at some higher percentage, such as 2%, or possibly as high as 5%, as part of this rulemaking.

Laurel
P.O. Box 278
Laurel, NE 68745
402.256.3247

Osmond
P.O. Box 398
Osmond, NE 68765
402.748.3321

Allen
P.O. Box 40
Allen, NE 68710
402.635.2424

Hartington
P.O. Box 137
Hartington, NE 68739
402.254.2455

Coleridge
P.O. Box 6
Coleridge, NE 68727
402.283.4251





Accordingly, Security Bank respectfully requests that the proposed rule be withdrawn or at a minimum limit this requirement to one percent of total assets. In the event that the standard was increased to 5% or more of total assets, our banks status as an FHLB member bank could be in jeopardy. In turn, this could jeopardize 100 or more of our customers the ability to obtain long-term, low-interest rate financing for periods of 15, 20 or 30 years. The potential impact of this rule could be devastating to the local economies in the communities we serve.

In addition to the utilization of the MPF program, our bank relies on FHLB for an added source of liquidity. The regulatory changes under consideration would make it more difficult for our institution to obtain or maintain access to FHLBank liquidity. Stricter requirements will call into question our ability to borrow under all future economic scenarios.

For these reasons, Security Bank requests that FHFA immediately withdraw this unnecessary and highly problematic proposed rule. Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Baller', is written over a faint circular watermark.

Brandon Baller
Chief Credit Officer
Security Bank

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