



NORTH DAKOTA
BANKERS
ASSOCIATION

November 17, 2014

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, D.C. 20024

Via Email: www.fhfa.gov/open-for-comment-or-input

Re: Notice of Proposed Rulemaking and Request for Comments – Members of FHLBs (RIN 2590-AA39)

Dear Mr. Pollard:

The North Dakota Bankers Association (“NDBA”) is a statewide trade association for banks operating throughout North Dakota. By far, the majority of our member banks qualify under any definition as community banks and most are also small banks. It is on their behalf and for their protection that NDBA objects to the proposed change in FHLB membership rules.

NDBA member banks work hard to provide the full range of modern banking services to North Dakotans. To do that, our banks must have access to the full range of tools that are critical to the operation of a safe, sound and profitable institution in today’s complex banking environment. FHLB liquidity services have become one of those critical bank management tools for banks in North Dakota.

Frankly, we do not understand why FHFA is proposing to change FHLB membership requirements in a way that appears to be designed to reduce community bank membership in FHLB and complicate funds management for them. The proposal seems to be an effort to restrict all FHLB activity to housing. We find that to be a potentially imprudent restriction on FHLB institutions given the recent experience with the collapse of that economic sector and also unwarranted as a matter of public policy. Congress has long been aware of the importance of FHLB services to community banks and has sanctioned community banks’ use of FHLB funding services for purposes beyond provision of housing loans. North Dakota’s FHLB member banks do use funding from FHLB to provide mortgage loans AND also to meet other customer credit needs for commercial and agriculture loans and to manage interest rate risk.

The adoption of the proposed rules will have both current and long-term adverse effects on our community banks. Initially, the effect will be to downgrade FHLB as a stable source of liquidity, thereby reducing usefulness to community banks as they manage their funding needs and interest rate risk.

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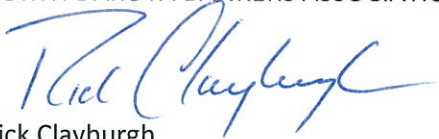
Then, over time, the application of specific mortgage investment requirements to community banks is likely to render many of those banks ineligible for FHLB membership. We cannot see how that benefits FHFA, FHLB institutions or the public, as it reduces the scope of FHLB institutions' services to the public and reduces flexibility and the ability of community banks to serve their communities and customers with mortgage, business and agriculture loans. That predictable and predicted result will cause actual harm to North Dakota banks, customers and communities.

Current membership requirements for community banks have well-served our community banks and the FHLB institutions. Continued, permanent access to FHLB services remains important and should not be disrupted in the absence of very clear and strong evidence that it will not harm community banks and FHLB institutions themselves. That evidence appears to be totally absent and surely is not sufficient to support the proposed changes to the membership requirements. Accordingly, NDBA strongly objects to the adoption of the proposed changes and urges the Agency to withdraw them from consideration.

NDBA appreciates this opportunity to comment on the proposed membership rules.

Sincerely yours,

NORTH DAKOTA BANKERS ASSOCIATION



Rick Clayburgh
President and CEO