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Assistant Vice President

MSB
Mediapolis Savings Bank

Member Federal Deposit Insurance Corporation

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Vice President & Systems Administrator
Daniel A. Wirt
Assistant Vice President
Lori J. Young
Assistant Cashier
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Trust Officer
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OFFICE OF GENERAL COUNSEL

November 6, 2014

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

Dear Mr. Pollard:

The Federal Housing Finance Agency (FHFA) has requested comments on its proposed rule regarding the membership requirements of the Federal Home Loan Banks (FHLB). On behalf of Mediapolis Savings Bank (MSB), a $130 million dollar community bank located in Mediapolis, Iowa I am submitting a comment on the proposed rule.

MSB is a member of the Federal Home Bank of Des Moines and utilizes programs such as loan advances, pledged collateral to help manage liquidity and selling mortgages to the Mortgage Partnership Finance Extra. As a shareholder, we appreciate the reliable dividends they have provided.

MSB serves its community by offering long term fixed rate home mortgage loans. The ability to do so is supported by investors such as FHLB that allow us to sell the loans. The proposed asset test would not allow banks to count sold loans. These ongoing asset tests fail to recognize the many ways members support housing finance, including sold loans into the secondary market and community investment using the FHLB affordable housing and community investment programs. Asset tests are arbitrary, hinder sound balance sheet management and disadvantage community lenders that sell mortgage production. Ongoing tests are unnecessary as the FHLB collateral policies are self-reinforcing and create incentives for supporting mortgage finance and community and economic development.

Anything that takes away from the FHLB's ability to maintain its membership base negatively impacts profitability, income and member dividends and the availability of AHP funds. It is also crucial to point out that more than 25 years ago, Congress made it clear those community financial institutions (CFI's) such as my bank may use advances for purposes other than residential housing finance. It remains the intent of Congress today that CFI's 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. The FHLB has demonstrated a strong credit underwriting in evaluating the unique member insurance segments and should retain the authority and responsibility to underwrite insurance company applicants to ensure it can in turn lend to institutions like ours in a safe and sound manner.

The FHLB has been a financially strong model that has been able to provide community banks like ours a secondary market source to allow us to offer fixed rate mortgage loans to our community to support the housing needs of the entire community. Because the proposal 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 and work with the FHLB members to preserve the FHLBanks as a reliable partner that benefits local lending institutions, communities, housing, homeownership and the nation's economy. The membership requirements being contemplated by the FHFA would change long-standing requirements that have worked well. MSB strongly recommends you rescind the proposed rule.

Thank you for taking our comments in to consideration.

Sincerely,

Jeffrey L. Burgus
President & CEO
Mediapolis Savings Bank