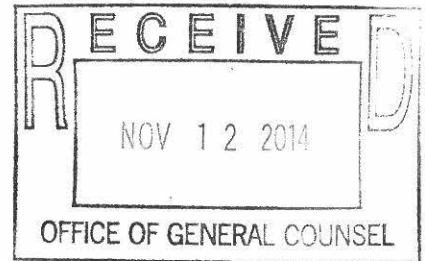




LINCOLN SAVINGS BANK

LSB FINANCIAL



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 contacting you to express my concerns about the notice of the proposed rulemaking regarding membership eligibility in Federal Home Loan Bank (FHLBanks) put forward by the Federal Housing Finance Agency (FHFA). The proposed rule includes significant and unnecessary changes to long-standing membership rules for the FHLBank system. The proposed changes are inconsistent with Congressional intent and the Federal Home Loan Bank Act (FHLBank Act). For these reasons, Lincoln Savings Bank wholly opposes this proposed rule.

My name is Michael Schick and I am the Des Moines Market Leader for Lincoln Savings Bank. Our institution provides lending across all of our community for all their credit and lending needs. Lincoln Savings Bank was founded in Berlin, Iowa in 1902. Since our founding, our bank has grown to have over \$730MM in assets, over 220 employees, and service Central and Northeast Iowa in 22 locations from small rural area communities to large city populations. We rely on the Federal Home Loan Bank for both a funding source for our mortgage loans and also a servicing channel for our secondary market loans. If this proposed rule passes it would greatly impact the products and services that we provide to our customers in the communities that we serve.

The proposed regulation on FHLB membership creates many concerns for our bank. While my bank would meet the proposed rule requirements, I feel that the rule establishes a problematic precedent. There remains a distinct chance that at some point in the future, due to prudent management of interest rate risk, economic or regulatory changes, our institution could fail the test. Our bank should be free to manage our balance sheets in light of what is best for us, not the demands of a regulator. Not to mention, the proposed regulations 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 should also be noted that over 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 clearly highlights how this proposed rule runs counter to existing federal statute.

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In truth, The FHLB Des Moines serves as a critical source of liquidity for financial institutions not only in Iowa, but as well as Minnesota, Missouri, North and South Dakota. They have time and time again proven to be a reliable and competitive source of liquidity for all of our financial needs in all aspects of the economic environments. If the proposed rule is adopted, it would remove the certainty that the FHLB Des Moines can be counted on to remain a reliable source of liquidity.

Your agency's propose rules could forever change how, or even whether, we or any depository financial institution could remain a member of a FHLB Des Moines. This is incredibly disturbing. Confidence, trust, and reliability form the foundation upon which our long-time FHLB membership is built. We need to be fully assured that the FHLB Des Moines can provide funding on a moment's notice as it did in the recent financial crisis.

Access to FHLBank advances is important to CFIs like mine that serve a variety of communities across Iowa. FHLB Des Moines and the 11 other FHLBanks are operating well within the authorities granted them by Congress. The membership requirements being considered by FHFA would ignore the collateral expansions approved by Congress over time. Lincoln Savings Bank strongly recommends that you withdraw the proposed rule. Thank you for taking our comments into consideration

Sincerely,



Michael Schick
Des Moines Market Leader
Lincoln Savings Bank