

Coulee Bank

BANK WITH CONFIDENCE

November 14, 2014

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

Re: Notice of Proposed Rulemaking; Request for Comments – Members of the Federal Home Loan Banks

Dear Mr. Pollard:

On behalf of Coulee Bank of La Crosse WI, I am submitting my comments and concerns about the Federal Housing Finance Agency's ("FHFA") notice of proposed rulemaking on "Members of the Federal Home Loan Banks" published on September 12, 2014. The proposed rule concerns me because it would impose, for the first time ever, certain balance sheet requirements as a condition of remaining a member of the FHLB of Chicago. In addition, the proposal carries the potential ability to terminate the memberships of current FHLB members, without any showing of cause. I respectfully request the withdrawal of this proposal.

Coulee Bank has been a proud community bank since its establishment in 1961. I can give witness to the fact that Coulee Bank has supported the communities that it serves, through financial commitments, personal staff involvement with local nonprofits and through an array of mortgage and commercial lending products. Lending needs for the most part are funded through core deposits, however my experience has taught me that loan growth is not linear, and it is not uncommon that liquidity gaps arise from time to time. One reason that we pursued a partnership with the FHLB of Chicago was to allow access to a stable source of funding, to fuel growth and just as importantly support our liquidity needs. In order to prudently manage our bank, we rely on the FHLB of Chicago. Our primary regulators, the FDIC and Wisconsin Department of Financial Institutions, have increasingly emphasized liquidity planning in an effort to prevent another crisis from occurring. This proposal creates uncertainty in the role of the FHLB of Chicago in liquidity planning.

This Bank has been a member of the FHLB of Chicago for nearly 20 years. In fact, I remember putting the membership application together myself. We greatly value our membership in the FHLB of Chicago and view it as a key partner in our success. One practical consequence of this proposal, with the FHFA's ability to add further membership requirements, is that it paves the way and creates the potential for our membership to be cancelled. The potential of an involuntary cancellation of membership jeopardizes the credibility and reliability in the FHLB of Chicago that we have become accustomed. That risk alone causes me to rethink the practicality of remaining an FHLB member.

For a bank such as ours, access to FHLB of Chicago advances is critically important because the liquidity allows us to offer an array of loan products to our customers that we might not otherwise be able to offer. The FHLB of Chicago's products such as advances, letters of credit, the Mortgage Partnership Finance[®] Program, FHLB's down payment assistance grants, Community Investment

www.couleebank.net

1516 LOSEY BLVD. SO., P.O. BOX 845, LA CROSSE, WI 54602-0845 • PH 608-784-9550 • FAX 608-784-1069

590 THEATER ROAD, ONALASKA, WI 54650 • PH 608-783-6000 • FAX 608-783-6602

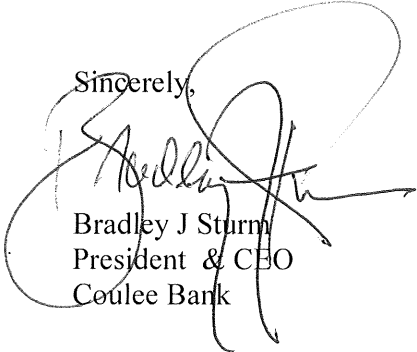
742 GRAND AVENUE, ST PAUL, MN 55105 • PH 651-698-8100 • FAX 651-259-1233

Cash Advances and Affordable Housing Program grants are tremendous resources that enable us to better serve our home buying and small business customers. If Coulee Bank were to voluntarily cancel its membership in the FHLB of Chicago, because of perceived threats from this proposal, no doubt our ability to meet the lending needs of our markets would suffer.

The proposal would require a portion of our balance sheet to be devoted to long-term home mortgage loans, at all times, as a condition of remaining an FHLB of Chicago member. This requirement is an undue burden. Our asset allocation potentially would become over-invested in housing related assets at the expense of small business lending and other commercial loans, consumer loans or other asset classes. This might also unduly expose us to the interest rate risk associated with holding long-term, fixed-rate mortgage loans. In addition, if the FHFA can require ongoing eligibility requirements for members, nothing would prevent it from increasing those thresholds, or imposing entirely new requirements, in the future.

This proposal does nothing to help strengthen the overall financial system. Nor does the proposal do anything to help repair the struggling housing markets or give relief to an industry already overburdened by regulation. In an era that desperately needs stability and certainty, all I see is the opposite through this proposal.

Please consider the notion that threatening access to the FHLB of Chicago threatens Coulee Bank, our customers and the community of La Crosse, WI. This proposal would undermine the reliability of the FHLB of Chicago, discourage membership, limit loan product offerings and shrink the FHLB of Chicago's affordable housing and community development activities. I strongly urge the immediate withdrawal of this proposal.

Sincerely,

Bradley J Sturm
President & CEO
Coulee Bank