



First National Bank & Trust

Member FDIC

November 20, 2014

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

Re: Notice of Proposed Rulemaking (NPR); Request for Comments – Members of Federal
Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

I am writing to you as the President and CEO of The First National Bank & Trust Co. of Iron Mountain, Michigan. Thank you for this opportunity to comment on the Notice of Proposed Rulemaking.

We are a commercial bank with just over \$300 million in assets and \$579 million of total assets under management located in the Upper Peninsula of Michigan. Our offices serve the Iron Mountain, Kingsford, Menominee, Iron River, and Marquette communities. We have been a member of the Federal Home Loan Bank of Indianapolis (FHLBI) since 1994 and over the past twenty years have leveraged numerous product offerings that have made a difference in our ability to serve the needs of our communities, as well as help us manage interest rate risk. We are concerned, however, that the value of our partnership with the FHLBI will be undermined by the changes currently outlined in the NPR.

First and foremost, we are concerned that the proposed changes will reduce the availability of Affordable Housing Program funding and Set-Aside money by eliminating or discouraging membership and negatively impacting the earnings of the FHLBI. This is a particularly important point for us as we have been leaders in the Upper Peninsula in using the FHLBI's Set-Aside grant programs to help low-income households with needed home improvements and first time home-buyer assistance. Since 2007, we have been proud to disburse over \$440,000 in first-time buyer assistance through the FHLBI Home-Ownership Program and over \$1.9 million in home improvement funds through the Neighborhood-Improvement Program. These are not revenue generating programs for the bank; we are willing to commit the time and talent of our lending officers to these programs because we are community bankers and we support the communities in which we serve. Both of these programs serve a need in our communities. More than half of the almost 300 families who have received grants from us through these programs have been at 55% of AMI or less. With the help of the FHLBI's Set-Aside grant programs, we have been able to make a difference in people's lives.



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We are also concerned that these changes will introduce new monitoring and compliance costs at a time when community banks are already struggling with the increased cost of regulation. They will set a bad precedent by introducing uncertainty into the future conditions of membership regarding control of our balance sheets. Once we begin subjecting banks to ongoing tests, there can be no assurance that those tests will not change over time. In addition, by eliminating captive insurers, the proposal removes diversity from the membership and could be particularly damaging to the earnings of the FHLBI. With all due respect, we believe it is up to our Michigan regulators to decide how an insurance company in the state of Michigan is defined.

The Federal Home Loan Bank system is a system that works. We understand it, trust it, and use it. While the proposals in the NPR may be well-intentioned, they will cause harm by reducing Affordable Housing Program and Set-Aside funds, adding uncertainty and unknown costs into the system, potentially shifting regulatory goalposts into the conditions of membership, and decreasing diversity in membership. We are also strongly opposed to banning eligible institutions, like captive insurance companies, from membership.

For these reasons we ask that the NPR be withdrawn.

Thank you for your consideration.

Sincerely,

THE FIRST NATIONAL BANK & TRUST CO. OF IRON MOUNTAIN

David G. Kashian
President & CEO