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**From:** donotreply@fhfa.gov  
**Sent:** Friday, November 21, 2014 12:23 PM  
**To:** !FHFA REG-COMMENTS  
**Subject:** "Comment on a Rule" Submission

"Comment on a Rule" form was submitted by **Mark Fogt** from the Garrett State Bank on 11/21/2014 12:22:37 PM. The comment is listed below.

ComNovember 21, 2014 Alfred M. Pollard, General Counsel Attention: Comments/RIN 2590-AA39 Federal Housing Finance Agency - Fourth Floor 1700 G Street, NW Washington, D.C. 20552 Re: Notice of Proposed Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39) Dear Mr. Pollard: Thank you for the opportunity to comment on the FHFA’s Notice of Proposed Rulemaking – Members of Federal Home Loan Banks (“NPR”). After reviewing the NPR, Garrett State Bank is seriously concerned about the harmful effects of the NPR and respectfully requests that it be withdrawn. Garrett State Bank was founded in Garrett, Indiana in 1892. From our locations in Garrett and Fort Wayne, we serve the people and businesses of Northeast Indiana specializing in residential mortgage loans and small- to mid-sized family owned business loans. Our 21 years of membership in the Federal Home Loan Bank of Indianapolis (“FHLBI”) may be significantly less than our 122 years of existence, but we have been members long enough to understand the benefit of membership to our bank and the value of the Federal Home Loan Banks (“FHLBank(s)”) to the economy. If adopted, the proposals in the NPR will harm the quality of our membership, housing finance, and community development. Among the FHLBanks, FHLBI and its members may suffer the most from the FHFA’s proposals. FHLBI’s insurance company members, including captive insurers, are among its most active borrowers. Current and potential captive insurance company members will be lost, while others may take advantage of the new insurance company principal place of business test to shop for a new district. Also, other members, insurers and financial institutions, may be lost due to the proposed on-going compliance with a 1% (or higher) makes long-term residential mortgage loan test and a 10% residential mortgage test (the “1% Test”; the “10% Test”; and collectively, the “Tests”). Ultimately, we are concerned that the hit to the FHLBI membership base will hurt the flow of liquidity into our housing market and greatly reduce the amount of funds available for FHLBI’s Affordable Housing and Community Investment Programs. Garrett State Bank has always been committed to housing finance and to helping people in our community achieve their dreams of homeownership. If the 1% Test were in place today, our assets would satisfy it, but, as the FHFA provides in the NPR, we are not unique. Most of the FHLBanks’ members would satisfy the Tests. So, with advances secured by high quality housing-related assets and most members satisfying the Tests, the FHFA should not add to members’ regulatory burden and costs. We will incur expenses from analyzing and reporting our results, and restricting our balance sheet activity may lead to great opportunity costs as well. It is a shame that these costs will become part of our reality when they will be the result of solving a problem that does not exist. Considering that the Tests are costly and that they do not produce any added benefit to the FHLBank system, the FHFA should not implement the Tests or any other similar on-going asset-based compliance requirements. As an owner of FHLBI, Garrett State Bank would never be a proponent of granting membership to entities that do not support the FHLBank mission and/or add significant risk to the system, but captive insurance companies are not risky institutions. FHLBI’s captive insurers were organized under Michigan’s robust captive insurance laws and are subject to Michigan’s insurance regulator. They, like all of us, have to provide collateral of the highest quality to fully secure all advances. Captive insurers also proved their commitment to housing by passing the threshold housing asset requirements and continue their housing focus by providing housing-related assets as collateral for advances. Captive insurers are insurance companies, and insurance companies are eligible for FHLBank membership; therefore, captive insurance companies are eligible for FHLBank membership. It is troubling that the FHFA is attempting to ban eligible institutions from the FHLBanks without any evidence

supporting the need for such drastic action. Any such decision should be by an act of Congress. For the above reasons, Garrett State Bank, as a member of the Federal Home Loan Bank of Indianapolis respectfully requests that the NPR be withdrawn. Thank you kindly for your consideration. Sincerely, Mark S. Fogt Mark Fogt  
President Garrett State Bank

This submission can be accessed [here](#).