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December 1, 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:

I appreciate this opportunity to comment on the FHFA's recent Notice of Proposed Rulemaking (NPR) regarding the membership rules of the Federal Home Loan Banks, and I appreciate your consideration of my and the many other comment letters requesting the withdrawal of the NPR. Michigan First Credit Union was founded in 1926 and has grown to over \$700M in assets. Since 2006, our membership in the Federal Home Loan Bank of Indianapolis (FHLBI) has been a critical tool in our funding strategy.

While Michigan First would pass the proposed 1% and 10% tests easily, we still believe these ongoing balance sheet tests are unnecessary. That is because Michigan First, like most of our fellow FHLBI members, is already focused on housing. Current collateral policies in place at FHLBI already require a member to pledge mortgage related assets in order to borrow. With these collateral policies ensuring that members have housing related assets to pledge as collateral, we fail to see the need for the ongoing balance sheet tests.

Again, while I believe Michigan First is safe at the current levels, I am concerned about smaller credit unions and the potential for their asset composition to change rapidly, particularly in a falling rate environment. A smaller credit union, or community bank, could see rapid mortgage prepayments. If they are unable to compete in a tough local mortgage market, then those funds might have to be redeployed in the auto loan portfolio—which could put their FHLB membership in jeopardy. Credit union managers should allocate assets based on market conditions and the best interests of their members; they should not be forced to allocate assets in order to maintain their FHLB membership.

Ultimately, the NPR has the potential to cause real harm to the FHLBanks, their members, their communities, and housing finance. FHLBI will potentially lose members who fail the new compliance tests or find them too costly. A smaller FHLBI, and for that matter a smaller FHLB system nation-wide, means less funds available for dividends to members, and fewer dollars for the various Affordable Housing Programs. We would prefer the FHFA focus on the safety and soundness of the FHLBs, and leave membership eligibility issues to Congress.

Sincerely,

A handwritten signature in black ink that reads "Eric Schornhorst".

Eric Schornhorst
Vice President of Finance
Michigan First Credit Union
Lathrup Village, MI