



November 20, 2014

Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA39  
Federal Housing Finance Agency  
400 Seventh Street, S.W.  
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 writing to express my concerns about the notice of 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 Ackley State Bank opposes this proposed rule.

I am Angela Luhning, Interim President of Ackley State Bank. Our institution provides lending across all of our communities with a focus on agriculture and real estate. Ackley State Bank has five locations in Iowa, totaling nearly \$150 million in assets, with approximately 45 employees.

The proposed regulation on FHLB membership creates many concerns for our bank. While our bank would meet the proposed rule requirements of the proposed rule today, I feel that the rule establishes a problematic precedent. There remains a distinct chance that at some point in the future, due 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's best for us, not the demands of a regulator. Not to mention the proposed regulation 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 is also crucial to point out that more than 25 years ago, Congress made it clear that community financial institutions (CFIs), such as our 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 alone highlights how this proposed rule runs counter to existing federal statute.

Broadly speaking, the FHLB Des Moines serves as a critical source of liquidity for financial institutions in Iowa, Minnesota, Missouri, North and South Dakota. They have proven to be a reliable and competitive source of liquidity for all of our financing needs in all economic environments. This rule, if adopted, would remove the certainty that the FHLB Des Moines can be counted on to be a reliable source of liquidity in all market conditions.

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The ongoing mortgage asset test requirements will artificially distort balance sheet management practices, decreasing the flexibility of community banks, credit unions and insurance companies to manage their balance sheets in response to changing market conditions.

Your agency's proposed rules could fundamentally change how, or even whether, a depository financial institution such as ours could remain a member of FHLB Des Moines. This is enormously disturbing. Confidence, trust and reliability comprise the bedrock upon which our long-time FHLB membership is built. We need to know that FHLB Des Moines can provide funding on a moment's notice, as it did in the recent financial crisis.

It also seems disingenuous to eliminate captive insurance companies from FHLB membership at a time when housing finance is at risk with only a small private secondary market and Fannie and Freddie in conservatorship. This is the time to encourage the development of additional markets for both single and multifamily mortgages. Financial institutions are being discouraged from holding mortgages, meaning that we need to see the development of new outlets. The FHLBanks are a logical place to create these new models. We need the FHLB as a trusted partner to help us develop these new markets. Why would you eliminate opportunities rather than work with us to develop new systems of finance?

Because the proposals would harm FHLBank members and hurt housing, credit and economic growth, we ask that the FHFA withdraw the new membership rules contained in its September 12, 2014, Notice of Proposed Rulemaking and work with FHLB members to preserve the FHLBs as a reliable partner of its members which benefits local lending institutions, communities, housing, homeownership and the nation's economy.

Sincerely,



Angela Luhring  
Interim President  
Ackley State Bank