

December 8, 2014

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

Re: Notice of Proposed Rulemaking and Request for Comments Regarding Membership in the Various Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

I am the president and CEO of Dacotah Bank, a South Dakota-chartered bank located in Aberdeen, South Dakota with branches in Minnesota, North Dakota and South Dakota. Dacotah Bank has approximately \$2.1 billion of assets, employs nearly 550 people and provides agricultural, commercial, consumer and mortgage loans throughout the communities we serve in the three-state region.

I am writing to express our concern about the notice of proposed rulemaking regarding membership eligibility in the Federal Home Loan Bank system ("FHLB") published by the Federal Housing Finance Agency ("FHFA"). The proposed rule includes significant and unnecessary changes to long-standing membership rules for the FHLB. The proposed changes are inconsistent with Congressional intent and the Federal Home Loan Bank Act ("FHLB Act"). For these reasons Dacotah Bank opposes the proposed rule.

The proposed constraints on FHLB membership raise a number concerns for Dacotah Bank. While we would initially meet the requirements of the proposed rule, we are concerned that at some point prudent interest rate risk management or economic or regulatory changes could cause Dacotah Bank to fail the test. In addition, the proposed rule appears to conflict with concerns raised by financial regulators that banks are holding an excess of long-term fixed rate mortgages in house and are encouraging the use of the secondary market.

Dacotah Bank appreciates its relation with FHLB Des Moines and depends on a number of their products and services, including the MPF Program. Regarding secondary market loans originated by Dacotah Bank from January 1, 2014 through November 30, 2014, 51 percent were originated using the MPF Program. Dacotah Bank also partners with FHLB Des Moines on all three housing programs in the Strong Communities Fund, including \$1,325,000 in grants awarded through the 2014 Competitive Affordable Housing Program.



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FHLB Des Moines also plays an important role in helping Dacotah Bank manage liquidity and interest rate risk by serving as a key funding partner whether it be for seasonal liquidity needs or match funding for mitigating interest rate risk. FHLB of Des Moines has proven to be a reliable and competitive source of liquidity in a variety of economic environments and this rule, if adopted, could jeopardize that source of liquidity.

The mortgage asset test encourages changes in balance sheet management that could prove detrimental to Dacotah Bank and the entire banking industry. Furthermore, the proposed rule will fundamentally change how, or even whether, a bank could remain a member of FHLB. Prudent liquidity management requires more certainty in our FHLB membership status.

The proposed rule will only harm FHLB members and stifle the availability of credit for housing and economic development. Therefore, we respectfully ask that 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 banks in promoting homeownership and fostering local, state and national economies.

Sincerely,



Richard L. Westra
President and CEO