



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- 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 Peoples Bank opposes this proposed rule.

My name is Al Vermeer, CEO of Peoples Bank, a \$420 million community bank headquartered in Rock Valley, Iowa. Although our bank has an Agricultural focus, we have closed over \$100 million in mortgage loans in the last four years through our seven locations in NW Iowa and SW Minnesota. Over the years, our membership in the Federal Home Loan Bank of Des Moines (FHLBDM) has been instrumental to our success. FHLBDM has provided a much needed source of liquidity crucial to help us meet the cyclical credit needs of our primarily agricultural base. Our interest rate risk management has been enhanced via use of term advances. In addition, we have been able to award nearly \$100,000 in downpayment assistance to our borrowers through the FHLBDM's grant programs. Any proposed regulations, such as this one, that would jeopardize our membership in FHLBDM are major threats to our future success in serving our customers.

The proposed regulation on FHLB membership creates many concerns for our bank. While my 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.

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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.

Your agency's proposed rules could fundamentally change how, or even whether, a depository financial institution such as ours could remain a member of a FHLB Des Moines. This threat is a major concern to us. Confidence, trust and reliability are the basis upon which our long-time FHLB membership is built. We need to know that the FHLB Des Moines can provide funding on a moment's notice as it did in the recent financial crisis. Access to advances is critically important to our bank because FHLBank liquidity allows us to offer competitive rates to our members that we might not otherwise be able to offer. Often the Home Loan Bank is our main source of liquidity.

Access to FHLBank advances is important to Community Financial Institutions like mine in our region. FHLB Des Moines and the 11 other FHLBanks are operating well within the authorities granted them by Congress. The membership requirements being contemplated by FHFA would change long-standing requirements that have worked well, and the proposed rule would ignore the collateral expansions approved by Congress over time. Peoples Bank strongly recommends you rescind the proposed rule.

Thank you for taking our comments into consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Al Vermeer".

Al Vermeer, CEO