



November 7, 2014

Alfred M. Pollard, General Counsel
Attn: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20024

RE: Notice of Proposed Rulemaking and Request for Comments – Members of FHLBs (RIN 2590-AA39)

Dear Mr. Pollard:

The Federal Housing Finance Agency (FHFA) has requested comments on its proposed rule regarding the membership requirements of the Federal Home Loan Banks. On behalf of Two Rivers Bank & Trust, a \$670 million dollar community bank headquartered Southeast Iowa, I am submitting comments on the proposed rule.

Two Rivers Bank & Trust has been a member of the Federal Home Loan Bank of Des Moines since 1999. Our institution provides clients in the communities we serve with residential and commercial real estate loans, commercial loans agricultural loans and consumer loans. To assist our Bank in providing these products to our clients, we utilize many services from the Federal Home Loan Bank including advances, overnight funds purchased letters of credit, pledged collateral to assist in managing liquidity and sponsor a local organization in the Affordable Housing Program.

The proposed rule on Federal Home Loan Bank membership causes concern for our institution. While our Bank meets the proposed rule requirements today, this rule would establish a problematic precedent. We should be in a position to manage our own balance sheet without regulatory direction. Interest rate risk is already a difficult challenge given the current rate environment and economic conditions, adding more regulations could result in our Bank failing the asset test at a future date. The on-going mortgage asset test requirement will distort balance sheet management and decrease the flexibility of community banks to manage their balance sheets to changing market conditions.

More than 25 years ago, Congress was explicit stating the fact that community banks may use advances from the Federal Home Loan Bank for purposes other than residential housing finance. It remains the intent of Congress today that community banks should have the ability to use the Federal Home Loan

Banks for liquidity in providing commercial real estate, commercial loans, agriculture and agricultural real estate loans and agricultural operating loans. We value the trust and reliability we have the Federal Home Loan Bank of Des Moines want to know we can depend on the funding being available on short notice which they provided in most recent financial crisis.

The Federal Home Loan Bank of Des Moines serves as an important partner for reliable and competitive liquidity funding in all economic environments for Iowa and the surrounding states. The proposed rule by your agency could change how or if our Bank could remain a member of the Federal Home Loan Bank of Des Moines.

Liquidity continues to be a very hot topic during bank examinations. Without this funding source, many banks could see a serious problem with contingency funding options. This rule would be a solution in search of a problem. There are not safety and soundness concerns and because there is no legitimate public policy goal of the proposed rule, therefore Two Rivers Bank & Trust strongly urges that you rescind the proposed rule.

Thank you for taking our comments into consideration.

Sincerely,

A handwritten signature in cursive script that reads "John Schroeder".

John Schroeder
SVP & Cashier
Two Rivers Bank & Trust