Fishback
Financial
Corporation

December 11, 2014

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, 8th Floor
Washington, D.C. 20024

Submitted electronically via www.regulations.gov

Dear Mr. Pollard,

This comment letter is submitted on behalf of Fishback Financial Corporation (FFC), a privately-held financial holding company headquartered in Brookings, SD. We began as a check-cashing station in 1880 and have grown to include four (4) First Bank & Trust charters and 16 locations in Eastern South Dakota and Southwestern Minnesota. Our assets total just over $1.9 billion.

Each of our charters is a member of the Federal Home Loan Bank (FHLB) of Des Moines and is, therefore, directly impacted by the Federal Housing Finance Agency (FHFA) proposal regarding membership in the FHLB. To that end, we submit the following:

- **The FHFA's proposal restricts our ability to manage the risks inherent in operating a depository institution and to appropriately serve the needs of our customers.**

Like many institutions, our charters diversify their assets based on carefully derived risk management strategies, the needs of their customers, and growth opportunities in their areas. To do this, we offer a variety of products and services and occasionally emphasize one asset category over another if the market conditions dictate we must do so in order to maintain a healthy balance sheet.

If adopted, the FHFA proposal will require our charters to devalue these risk- and market-based considerations in favor of an entirely unrelated factor, their ability to maintain a certain percentage of assets in first-lien home mortgage loans. As such, the proposal is over-reaching and places lenders in the untenable position of emphasizing a particular asset category even when market conditions and customer need indicates doing so will put the institution at risk.

FHLB membership serves as a valuable source of liquidity in times of need. However, our membership is less valuable to us and it does not truly support the needs of our customers if meeting the FHFA's proposed membership requirements places our charters at risk.

- **The proposed threshold for members with assets at or over $1.1 billion is unreasonable and does not allow institutions sufficient time to meet the requirement.**

As indicated above, our charters implement carefully derived risk management strategies and diversify our products and services based on market conditions and customer need. One such

PO BOX 5057 BROOKINGS, SD 57006 605.696.2200 800.843.1552 WWW.FISHBACKFINANCIAL.COM

strategy is to keep few of the residential mortgage loans we originate in-house. This is particularly true for our larger charters, which face greater competition and must, therefore, have access to more opportunities for growth in other asset categories. The FHFA's proposal creates an undue burden on these charters as each must closely monitor and be prepared to respond quickly when unexpected growth pushes one closer to that $1.1 billion threshold.

Once that threshold is reached, our larger charters will be forced to put more of their assets in one basket regardless of the financial risk and potential losses resulting from its inability to build and compete in other areas. Worse still, the charter would have just one (1) year to move from the 1% threshold to the 10% upon reaching $1.1 billion in assets.

As we have at least one charter nearing that asset level, we are keenly aware of and gravely concerned about the multitude of risks we would face should we be required to originate or repurchase nearly $100,000,000 in residential mortgage loans in such a short period of time. Ironically, to meet that requirement, we would typically turn to the FHLB as a primary source of liquidity. Yet our membership in that very organization would be at risk simply because we had no other way to meet the required asset threshold.

* * *

In conclusion, the FHLB's core mission is to serve as a reliable source of liquidity for their member institutions in support of housing finance and community lending. For the reasons stated above, the FHFA's proposal is counterintuitive, if not destructive, of that mission.

Community banks must have the opportunity to hold their assets based on their own risk management strategies and, more importantly, their ability to read and respond to the economic health and market conditions of the communities they serve. Forcing them to do otherwise, puts institutions like ours at risk and severely restricts our ability to provide access to credit should we fail to meet unreasonable and unnecessary FHLB membership requirements. Therefore, we would request that the FHFA withdraw its proposal in its entirety.

Sincerely,

Jerry J Beers

Jerry Beers
Investment/Funding Manager
Fishback Financial Corporation