



# OLD MISSION BANK



November 24, 2014

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

Re: Notice of Proposed Rulemaking; Request for Comments – Members of Federal Home  
Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard,

We appreciate the opportunity to submit the following comments regarding the Notice of  
Proposed Rulemaking (NPR) on Federal Home Loan Bank membership requirements.

Old Mission Bank (OMB) has been a member of the Federal Home Loan Bank of Indianapolis (FHLBI) since 2001. At that time OMB was a new De novo bank having opened in February 2000. Our partnership with FHLBI was critical in providing our new organization with a source of low cost funding which enabled OMB to meet our market needs and fulfill our community bank mission. FHLBI has given OMB access to loan and grant programs targeted at first time home buyers so they could experience the joy of home ownership that they would otherwise not have. The FHLBI remains an important resource for both low cost funding and loan program availability not only for OMB but all community bank members who keep the economy alive through our consistent lending activities, as opposed to the large financial institutions abandoning markets as their business and risk model dictate.

We believe the FHLBI's two state footprint keeps them close to their members and encourages them to be responsive to our needs. Since the FHLBI is one of the smaller FHLBs, every member counts. For this reason, the proposal to change long-standing membership rules and eliminate members will adversely impact the FHLBI, the value of our membership, and our ability to serve our community.

By eliminating members in good standing, the NPR would reduce the FHLBI's advance portfolio and income. Since we are a shareholder of the FHLBI, we would be negatively impacted by the reduction in dividend income and the availability of Affordable Housing Program grant funds for our community.

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Also, since the FHLBI's ability to purchase MPP loans is directly tied to the size of their advance portfolio, the NPR would reduce their capacity to buy our mortgages and make them a less reliable mortgage outlet. Since the FHFA has the authority to keep MPP competitive with the secondary market offerings of Fannie Mae and Freddie Mac, we are concerned that the NPR would place our Bank's product at a disadvantage.

Given that Fannie Mae and Freddie Mac are beginning their seventh year of conservatorship and the federal government is guaranteeing or insuring over 90% of new mortgages, policymakers should be concerned about attracting private capital to the mortgage market. In recognition of this, the FHFA's 2014 Strategic Plan lists "Reducing taxpayer risk through increasing the role of private capital in the mortgage market," as one of its three goals. We believe that the FHLB System can be a tool to help the FHFA accomplish this goal.

The FHLB System receives no taxpayer support and is a major source of private capital for the mortgage market. For this reason, the FHFA should be supportive of the FHLBs recruiting new members and increasing the amount of at-risk capital in the mortgage market. Unfortunately, the NPR is counterproductive and would clearly reduce private capital in the mortgage market by eliminating FHLB members and hindering the System's ability to attract new members.

Since the NPR would clearly reduce the amount of private capital in the mortgage market and would negatively impact the value of my FHLBI membership, we respectfully request that the NPR be removed from consideration.

Thank you for considering these comments.

Sincerely,



Gary Sharp  
President  
Old Mission Bank