



Norman G. Campbell  
President & CEO

December 12, 2014

Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA39  
Federal Housing Finance Agency - Fourth Floor  
1700 G Street, NW  
Washington, D.C. 20552

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

Dear Mr. Pollard:

Central State Bank has been serving the residents and businesses of Michigan's Benzie, Manistee, and Leelanau counties since 1913. With over a century of experience, we have seen it all and weathered many storms. With the benefit of years of hindsight, we are surprised that the FHFA is considering changes that will drastically alter and harm the Federal Home Loan Bank (FHLB) system. The Notice of Proposed Rulemaking (NPR) should be withdrawn.

Obviously, we are not in the captive insurance business, but the FHFA's unilateral elimination of a class of institutions that is otherwise eligible under the Federal Home Loan Bank Act sets a bad precedent; especially so, when no real-world evidence is given to justify such action. As a member of the Federal Home Loan Bank of Indianapolis (FHLBI), which includes captives as members, we are unaware of any credit risk or safety soundness concerns associated with captive insurance companies. The FHFA may have good intentions, but a change that effectively amends the Federal Home Loan Bank Act should happen by an act of our elected Congress, not solely by the Director of the FHFA.

Adopting the changes in the NPR will immediately contract the FHLBs' membership base, which is contrary to years of Congressional action to expand the potential base. By cutting captive insurance companies from membership and creating compliance tests that will chase other existing and potential members away, the FHFA will cause the FHLBs to lose advances and profits, which will adversely affect the flow of liquidity into the housing market and will have an immediate negative impact on the funds available for Central State Bank and other banks like ours to support the needs of our communities.

With our nation just beginning to recover from an economic crisis, now is not the time to restrict access to a stable source of liquidity and community funding. To protect the reliability of

the FHLB system and to ensure that the FHLBs meet their mission to support housing and community development and to provide liquidity to community financial institutions, we respectfully request that you withdraw the NPR.

Sincerely,

A handwritten signature in black ink, appearing to read "Norm Campbell". The signature is fluid and cursive, with the first name "Norm" and last name "Campbell" clearly distinguishable.

Norman Campbell  
President and CEO  
Central State Bank