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 Tim Daugherty, President of Bellevue State Bank. Our institution provides lending across all of our community with a focus on residential real estate, commercial and agricultural loans. Our bank has a little over $90 million in assets with over $70 million loans on our books. We have also sold $36 million in loans to the Federal Home Loan Bank that we service. This has been very popular with our customers and would not be possible without the Federal Home Loan Bank. I am also proud to note that we do not have a single delinquency for the loans we service.

The proposed regulation on FHLB membership creates many concerns for our bank. While my bank would easily meet the requirements of the proposed rule today, I feel that the rule establishes a problematic precedent. The majority of our customers desire a fixed rate mortgage and due to interest rate risk concerns we would not be able to serve our customer base. We also do not have enough excess liquidity to keep these loans in-house.

It is also crucial to point out that more than 25 years ago, Congress made it clear that community financial institutions (CFIs) such as my bank may use advances for purposes other than residential housing finance. It remains the intent of Congress today that CFIs may utilize FHLBank liquidity for commercial real estate, small business, agricultural real estate and agricultural operating loans. This fact alone highlights how this proposed rule runs counter to existing federal statute. We have experienced a large increase in non-maturity deposits. If interest rates increase, we may see a substantial percentage of those deposits leave the bank. Our contingency plan starts with the Federal Home Loan Bank.

Because the proposals would harm FHLBank members and hurt housing, credit and economic growth, we ask that the FHFA withdraw the new membership rules contained in its September 12, 2014 Notice of Proposed Rulemaking and work with FHLB members to preserve the FHLBs as a reliable partner of its members that benefits local lending institutions, communities, housing, homeownership and the nation’s economy.

Sincerely,

Timothy P. Daugherty

President

Bellevue State Bank