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December 15, 2014

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

Re: Notice of Rulemaking & Request for Comments – FHLB Members (RIN 2590- AA39)

Dear Mr. Pollard,

I am a member of the Federal Home Loan Bank of Des Moines (FHLB Des Moines) Advisory Council. I am also President of Greater Minnesota Housing Fund, a Certified Community Development Finance Institution (CDFI) and non-profit organization dedicated to creating affordable housing in greater Minnesota, it is important that we describe the impact of the proposed rulemaking on our organization and our state. We advance affordable housing in Minnesota by directly funding affordable housing projects and providing technical support to local communities to link housing development with multiple financial resources. We also conduct research and development to identify innovative ways of increasing affordable housing production. The proposed regulation on FHLB membership creates many concerns for our organization, as FHLB is an important source of liquidity.

**The proposed regulation would harm CDFI membership,
homeownership and housing production**

Greater Minnesota Housing Fund recently completed the process to become the first Minnesota CDFI member of FHLB Des Moines. FHFA's proposed rules could fundamentally change how or even whether a CDFI such as Greater Minnesota Housing Fund could remain a member of a FHLB Des Moines, which is very troubling given the priority of Congress to enable certified CDFI's to join FHLB banks. Becoming a FHLB Des Moines member is part of a strategic plan enabling us to expand our capacity to serve the affordable housing needs of low income Minnesota residents and meet our mission and the mission of the FHLB Des Moines. As we work to finance affordable housing, it is critical that we remain a member of the FHLB Des Moines and that we are able to access FHLB financing to continue to be a key funding source for community development and affordable housing.

By requiring us to hold long term assets at a fixed interest rate on our balance sheet, we would be unable to maximize Net Interest Margin while finding our customers the best possible solutions to their long term goals. We would be unable to meet the 1% test and subsequently would be punished by having our FHLB membership terminated, without the ability to seek immediate reinstatement of our FHLB membership.

The FHLB Des Moines has shared the comment letter of East Dubuque Savings Bank which clearly states the case of a lender in a market place that may not always be in the housing market but does make small business and consumer loans. Small business lending just by itself is critical to community prosperity. Why eliminate such a community lender due to not having enough housing loans? Communities depend on a broad set of financing options. Under the proposal, small banks under \$1.01 billion in assets (CFI) would, for the first time, be subject to a quantifiable and on-going requirement for membership under the "makes" long-term home mortgage loans test. The proposal would require every CFI member to hold on its balance sheet a specified amount (1%, and possibly up to 5%) of these mortgage assets as a condition for continued membership, in spite of the fact that Congress has authorized and encouraged the FHLBanks to make advances to CFIs to support funding for expanded activities in other asset categories involving small businesses, small farms, small agribusinesses, and

community development activities. Because the current rule proposals would harm FHLB Bank 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 national economy.

Why These Issues are Important to Minnesota

The FHLB Des Moines mission is to finance housing and community lending. I see no compelling rationale for creating on-going membership requirements with additional emphasis purely on housing. The systems works well for housing finance, community development finance and economic development as demonstrated in the Great Recession, and all essential to sustaining a vital economy. The FHLB Des Moines participates in the secondary market and lends advances on every term from 1 day to 20 years. They take a full menu of expanded collateral types to accommodate many kinds of community lending.

FHLB Des Moines members provide loans and services to the community not just to one element of the community. We all realize that housing is part of an economic infrastructure that must be balanced for any community to succeed. The importance of banks, credit unions, and community development financial institutions (CDFI) to my community are critical.

Smaller lending institutions have a direct path to the secondary market through FHLB Des Moines purchase programs. It is important that even the smallest lenders have access to the secondary market. The mortgage markets now more than ever are dependent on local institutions being able to sell the loans they originate. It does not seem to me that trying to manage holding loans to meet a specific test would be as productive as being able to create more housing loans through an active secondary market. Some CDFIs, banks and credit unions are not primarily mortgage lenders, especially the smaller banks and credit unions, which could put them at risk of either not becoming a FHLB Des Moines member or being severely penalized with the loss of membership.

Rule Change will Have Adverse Local Community Impacts

These new tests of membership introduce an uncertainty that has not previously existed in the FHLB system. A member may become ineligible at the exact time that they need the liquidity to provide loans to my community or meet a financial crisis. Smaller members do not have access to the global markets and would certainly, in a crisis, have the least access to sources of liquidity. In fact the loss of membership would also eliminate their ability to sell mortgage loans to the FHLB Des Moines.

The reality is that the impact is not in financing more housing but in creating uncertainty of liquidity, potentially eliminating members that sell mortgages rather than hold them, reducing the potential income of the FHLBanks which in turn could reduce the contribution to affordable housing by millions of dollars; it could cause some to not seek membership or be eliminated from membership all of which would have an impact my community.

Thank you for your consideration.

Sincerely,



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