

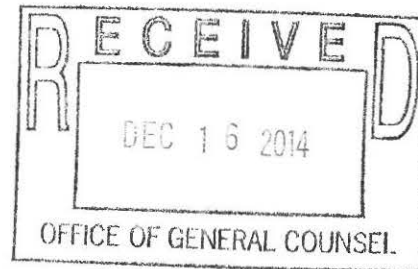


IDAHO BANKERS ASSOCIATION
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Dawn Justice
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December 8, 2014

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 FHLBanks (RIN 2590-AA39)

Dear Mr. Pollard:

On behalf of the Idaho Bankers Association, I thank you for the opportunity to comment on the Proposed Rulemaking in the matter of membership eligibility in the Federal Home Loan Bank (FHLBank) System.

The Idaho Bankers Association believes that the current FHLBank membership rules more-than-adequately address the role that the FHLBank System and its members play in providing essential liquidity and funding for housing finance and community investment to the communities they serve.

Indeed, we concur with the view expressed in the FHFA's Strategic Plan (as released for public input on August 15, 2014) that "the FHLBanks' core mission is to serve as a reliable source of liquidity for their member institutions in support of housing finance and community lending." The Housing and Economic Recovery Act of 2008 underscores the FHLBank Systems' role in providing liquidity in support of "affordable housing and community development."

Notwithstanding this view, our association of banks is concerned about the Proposed Rulemaking for a number of reasons. Our overriding concern has to do with ensuring that the FHLBanks remain highly reliable sources of liquidity to our member banks and their communities. Our members depend on this access to help manage their businesses and to support their lending to the households and businesses in their communities. If their access to FHLBank liquidity is further restricted by this Proposed Rulemaking, they would be put in the position of having to hold idle liquidity on their balance sheets that could otherwise be directed to lending that supports the formation of jobs, businesses, and housing. As such, the consequences of restricting liquidity availability would go well beyond the operations of the banks themselves to adversely impact the communities they serve.

As our member banks continually address the issue of interest-rate risk, they require maximum balance sheet flexibility. As an example, if a liability-sensitive bank needs to moderate its interest-rate risk during a period of rising rates, its best course of action could be to reduce its holdings of longer-term mortgage assets. Similarly, as economic conditions or their financial conditions change, many banks strategically alter their asset compositions — for such reasons as raising capital,

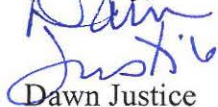
generating liquidity, and diversifying their portfolios. Their ability to manage their asset compositions also helps to ensure their safety and soundness. We believe that requiring banks to hold a certain percentage of mortgage assets on an ongoing basis reduces its flexibility to use its balance sheet to manage interest-rate risk or address changing economic or conditions. This, in turn, could have a negative impact on the bank's safety and soundness and community lending activities.

The Idaho Bankers Association is dedicated to enhancing the benefit of consumers and businesses that are served by our community banks, many of which are designated as Community Financial Institutions (CFIs). Congress has authorized and encouraged CFIs to use FHLBank advances to support their lending to small businesses, farms, and agri-business. To confine the scope of FHLBank membership eligibility to a rigid annual test based strictly on housing-related assets could be perceived as running contrary to Congressional intent. The situation could be further complicated for a bank that, via organic growth or merger, exceeded the CFI threshold and became subject to the broader test of a minimum 10% residential mortgage threshold. In the event the Proposed Rule is implemented, banks that are predominantly focused on commercial and industrial assets and commercial real estate (which in the past have been significant supporters of community investment programs and activities) may temporarily fall below the target as they grow their business.

Finally, our organization's members are already subject to ongoing home financing compliance testing in the form of random completion of a Community Support Statement, which among other things, requires them to certify support of the first-time homebuyer market in order to obtain eligibility for long-term advance financing.

We thank you for considering the withdrawal of the Proposed Rulemaking and for your review of our comments.

Sincerely,

A handwritten signature in blue ink that reads "Dawn Justice". The signature is written in a cursive style with a large initial "D" and "J".

Dawn Justice

President and CEO

Idaho Bankers Association