



December 26, 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 the FHLBanks (RIN 2590-AA39)

Dear Mr. Pollard:

On behalf of the Independent Community Banks of North Dakota (ICBND), I am writing to express concerns about the notice of proposed rulemaking regarding membership eligibility in Federal Home Loan Bank (FHLBanks) put forward by the Federal Housing Finance Agency (FHFA). The proposed rule includes significant and unnecessary changes to long-standing membership rules for the FHLBank system. The proposed changes are inconsistent with Congressional intent and the Federal Home Loan Bank Act (FHLBank Act). For these reasons, the ICBND opposes this proposed rule.

The proposed regulation on FHLB membership creates many concerns for ICBND bank members who believe the rule establishes a problematic precedent. Community banks should be free to manage their balance sheets in light of what's best for their bank and its community, not the demands of a regulator. Not to mention, the proposed regulation conflicts with concerns from financial regulators that financial institutions reduce holdings of long-term fixed rate mortgages and sell them in the secondary market.

It is also crucial to point out that more than 25 years ago, Congress made it clear that community financial institutions (CFIs) such as ICBND bank members 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.

Broadly speaking, the FHLB Des Moines serves as a critical source of liquidity for financial institutions in Iowa, Minnesota, Missouri, North and South Dakota. They have proven to be a reliable and competitive source of liquidity for all financing needs in all economic environments. This rule, if adopted, would remove the certainty that the FHLB Des Moines can be counted on to be a reliable source of liquidity in all market conditions.

The on-going mortgage asset test requirements will artificially distort balance sheet management practices, decreasing the flexibility of community banks to manage their balance sheets in response to changing market conditions.

Your agency's proposed rules could fundamentally change how, or even whether, independent community banks in North Dakota could remain eligible for FHLB membership. This is enormously disturbing. Confidence, trust and reliability comprise the bedrock upon which long-time FHLB membership is built. ICBND members need to know that the FHLB Des Moines can provide funding on a moment's notice as it did in the recent financial crisis.

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.

Without access to the FHLBank, the credit available to communities in North Dakota will be unnecessarily impacted. We believe this proposed rule is a solution in search of a problem. Because the proposed rule outlines no safety and soundness concerns-and because there is no legitimate public policy goal of the proposed rule-ICBND strongly recommends that you withdraw the proposed rule. Thanks for taking our comments into consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry D. Haugen", with a stylized flourish at the end.

Barry D. Haugen
President
Independent Community Banks of North Dakota