

Guaranty Bank

Since 1913

December 31, 2014

Alfred M. Pollard, Esq., General Counsel
Attention: Comments/RIN 2590-AA37
Federal Housing Finance Agency, Fourth Floor
400 Seventh Street, S.W.
Washington, DC 20024

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

Dear Mr. Pollard:



On behalf of Guaranty Bank in Springfield, Missouri, we are writing to express our concerns about the notice of proposed rulemaking. While we appreciate your apparent desire to provide for a strong Federal Home Loan Bank System that supports housing, we believe the rule undermines the goal of the proposal.

This proposed rule will diminish the value of FHLBank membership, reduce borrowing from FHLBanks and reduce the capacity of FHLBanks to assist members in serving the housing needs of their markets. This will include a negative impact on net income for the FHLBanks, which will, in turn, mean less money for affordable housing grants. Our FHLB of Des Moines, has made significant investments in our community, investing over \$2.5 million in Springfield and \$61 million in Missouri.

It seems this rule has the potential to restrict access to liquidity at the exact point in time when more, not less, liquidity is needed in a recovering market. While many depository institutions are flush with deposits at the current time, most observers believe that this may change when interest rates inevitably rise.

This rule would have a different impact in different market conditions. Before the FHFA takes additional steps on this proposal, it should analyze and publish a report on how such a test would have impacted the economy and financial institutions had it been in effect during the financial crisis.

Powerful and ongoing housing asset tests exist already. We are required to pledge collateral, and the majority of collateral types eligible to secure advances are housing assets. Additionally, under current rules, the total amount of advances having a maturity greater than five years cannot exceed the amount of residential housing assets on my institution's balance sheet. The

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proposed regulation almost seems to ignore the housing nexus that is already in place. These tests work and do not impose regulatory burdens or penalties.

Our regulator requires a reliable source of contingent liquidity. For us, this has always been the Federal Home Loan Bank. With this rule, we're concerned our regulator will not consider the FHLBanks reliable and may require another, more expensive, liquidity source.

Our asset size is near, but below the CFI cut-off of \$1.1 billion. If this rule is imposed, we will really have to consider the impact of balance sheet management or losing FHLBank membership if we plan to acquire other institutions or even to grow our balance sheet. I would hope this regulation would not be instituted and force us at some point to turn away small business loans in our community just as the economy appears to be gathering steam.

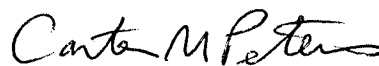
This proposed regulation addresses a problem that does not exist. There are no safety and soundness problems at FHLBanks raised by lending to members that may fall below either of these proposed ongoing asset test levels. However, the proposal would impose new regulatory-type burdens and expense on our institution, may put us at odds with our own regulator, and could restrict the flow of capital into the communities we serve.

Based on our belief that the proposals could harm FHLBank members and generally weaken a System that has worked well for more than 80 years, we ask that the FHFA withdraw the September 12, 2014 Notice of Proposed Rulemaking.

Sincerely,



Shaun A. Burke, President & CEO
Guaranty Bank
Springfield, Missouri



Carter M. Peters, EVP & CFO
Guaranty Bank
Springfield, Missouri