

January 5, 2015

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency - Fourth Floor
1700 G Street, NW
Washington, D.C. 20552

Re: Notice of Proposed Rulemaking and Request for Comments—Members of FHLB
(RIN 2590-AA39)

Dear Mr. Pollard:

I appreciate the opportunity to submit comments regarding the Notice of Proposed Rulemaking (NPR) on Federal Home Loan Bank (FHLB) membership.

Range Bank is an independent community bank dedicated to meeting the needs of the families, businesses and municipalities in Marquette, Dickinson, Houghton and Keweenaw Counties in Michigan's Upper Peninsula. As a member of the Federal Home Loan Bank of Indianapolis (FHLBI) since 1997, we are concerned the NPR may unnecessarily harm the FHLB System and the value of our membership.

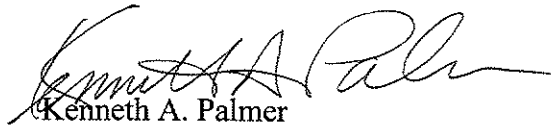
The FHLB's have provided liquidity and stabilization through the ups and downs in the banking industry. Policymakers have widely praised the member-owned FHLB System as a stabilizing force in financial markets. Since the FHLB System's ability to aid financial markets is directly related to the size and scope of its membership, the NPR's restrictive membership rules would increase the level of risk in the financial system. Community banks like ourselves rely on the FHLB's systems to provide borrowings to lend within our communities and help us to manage interest rate risk.

While the NPR suggests relatively few *members* would be impacted, the FHLB's analysis estimates the NPR would have eliminated \$230 billion to \$350 billion of membership *borrowing capacity* over the last five years. In 2008 and 2009 – while policymakers in Washington were debating ad hoc programs to address the financial crisis – FHLB was the “first responder” providing over \$1 trillion of liquidity to the markets through its members. Had the NPR been in effect, this would not have been possible.

Finally, the NPR would materially reduce the FHLB System's support of affordable housing. The FHLB's Affordable Housing Program (AHP) is the nation's largest private source of grant funding for affordable housing and is funded with 10% of the FHLB's net income. Since the NPR would eliminate a significant number of FHLB members and their current and future advances, it would directly reduce grant funding for affordable housing in the communities we serve.

In conclusion, the NPR's changes could damage the FHLB System's reputation for reliability, its ability to respond to a financial crisis, and funding of affordable housing grants. We are concerned these new membership rules could impact our future borrowings and liquidity sources in addition to our management of interest rate risk. As stated in the NPR, there is no evidence that a widespread problem exists with current bank membership. For this reason, I urge you to withdraw the proposed rule. If modifications to FHLB membership are needed, they should be made by Congress, where these important policy decisions have been historically made.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth A. Palmer". The signature is fluid and cursive, with the first name "Kenneth" being the most prominent.

Kenneth A. Palmer
Chairman, President and CEO
Range Bank, N.A.

KAP/gaj