January 7, 2015

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

Dear Mr. Pollard:

Thank you for the opportunity to provide comments on the proposed rulemaking regarding restricting membership to the Federal Home Loan Bank system. First Alliance Bank joins the Independent Community Bankers of America and the American Bankers Association in urging the Federal Housing Finance Agency to withdraw the proposed restrictions on Federal Home Loan Bank membership.

We believe that the current FHLB structure is working well for the agency and its members and is sufficient to protect the agency against loss while providing much needed liquidity to community banks. As a community bank with a local shareholder base, First Alliance Bank relies on the FHLB Cincinnati as a primary source of funds to offset long- and short-term funding needs. Restricting or eliminating access to this liquidity source will only weaken the soundness of the banking system without a corresponding reduction in FHLB system risk.

Traditionally, our nation's community banks are the backbone of local economies targeting and serving the specific needs of their communities, whatever those needs may be. Our balance sheets are small in comparison to regional and national institutions and the mix of our loan portfolios can vary with demand, economic cycles and the regulatory environment. Mandating that community banks hold specific assets to seek or retain FHLB membership could be counterintuitive to the mission of serving local communities. Additionally, since our balance sheets are relatively small, the payoff of a handful of loans could place a bank in a situation of non-compliance resulting in a loss of access to the FHLB system.

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The current FHLB structure requires qualifying collateral for all loans our bank receives from the FHLB. If we do not have qualifying collateral, we can remain a member, but cannot borrow. This structure seems to work well for our bank and the agency. If our bank were to fail, the agency would be protected by the collateral backing the borrowing. Having recently been through an audit of our collateral, I can assure you that the FHLB of Cincinnati is thorough and detailed in their procedures to verify acceptable and sound collateral to support our borrowings. It seems that the collateral measures in place currently accomplish the goal of limiting borrowing access and risk without the burden of additional regulation.

If the regulation, as proposed, seeks to limit access to the FHLB system to non-bank entities, we would encourage the FHFA to seek measures to accomplish this limited goal without impacting the access of all banks, but especially community banks, to the FHLB which provides a high quality and necessary source of liquidity to us all.

Thank you again for your time and attention to this matter.

Respectfully yours,

KaRe A. Walsh
EVP/CFO