



# First National Bank of Crystal Falls

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December 29, 2014

Alfred M. Pollard, General Counsel,  
Attention: Comments/RIN 2590-AA39,  
Federal Housing Finance Agency, 400  
Seventh Street SW., Eighth Floor,  
Washington, DC 20024

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

Dear Mr. Pollard,

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

The First National Bank of Crystal Falls has been independently owned and operated since 1934. We are a small community bank located in the rural markets of Iron and Dickinson counties in Michigan's Upper Peninsula. Like many other small community banks in Indiana and Michigan, First National Bank of Crystal Falls values its FHLBI membership for its responsiveness, reliable funding and the Mortgage Purchase Program (MPP).

We believe the FHLBI's two state footprint keeps them close to their members and encourages them to be responsive to our needs. Since the FHLBI is one of the smaller FHLBs, every member counts. For this reason, the proposal to change long-standing membership rules and eliminate members will adversely impact the FHLBI, the value of our membership, and our ability to serve our community.

By eliminating members in good standing, the NPR would reduce the FHLBI's advance portfolio and income. Since we are a shareholder of the FHLBI, we would be negatively impacted by the reduction in dividend income and the availability of Affordable Housing Program grant funds for our community.

Also, since the FHLBI's ability to purchase MPP loans is directly tied to the size of their advance portfolio, the NPR would reduce their capacity to buy our mortgages and make them a less reliable mortgage outlet. Since the FHFA has the authority to keep MPP competitive with the

secondary market offerings of Fannie Mae and Freddie Mac, we are concerned that the NPR would place our Bank's product at a disadvantage.

Given that Fannie Mae and Freddie Mac are beginning their seventh year of conservatorship and the federal government is guaranteeing or insuring over 90% of new mortgages, policymakers should be concerned about attracting private capital to the mortgage market. In recognition of this, the FHFA's 2014 Strategic Plan lists "Reducing taxpayer risk through increasing the role of private capital in the mortgage market," as one of its three goals. We believe that the FHLB System can be a tool to help the FHFA accomplish this goal.

The FHLB System receives no taxpayer support and is a major source of private capital for the mortgage market. For this reason, the FHFA should be supportive of the FHLBs recruiting new members and increasing the amount of at-risk capital in the mortgage market. Unfortunately, the NPR is counterproductive and would clearly reduce private capital in the mortgage market by eliminating FHLB members and hindering the System's ability to attract new members.

Since the NPR would clearly reduce the amount of private capital in the mortgage market and would negatively impact the value of my FHLBI membership, we respectfully request that the NPR be removed from consideration.

Thank you for considering these comments.

Sincerely,



Billie Jo Waite, Vice President Loans

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