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January 10, 2015

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

RE: Notice of Proposed Rulemaking (NPR) and Request for comments - Members of the Federal Home Loan Banks (RIN 2590-AA39).

Dear Mr. Pollard;

I am writing to comment on the Federal Housing Finance Agency's (FHFA) proposed rulemaking on "Members of the Federal Home Loan Banks".

I have served on the Federal Home Loan Bank of Des Moines (FHLB Des Moines) board of directors as a member director since 2012. I am also Senior Vice President and Chief Financial Officer of Fidelity Bank, a \$425 million commercial bank in Minnesota. We focus on serving small business and we have a niche in the mortgage warehouse market. The Federal Home Loan Bank of Des Moines is an essential part of our business model, specifically with regard to being a reliable source of liquidity in all business cycles.

The Federal Home Loan Bank System started out providing liquidity to savings institutions and insurance companies for the purpose of providing liquidity for housing in 1932. Since that time, Congressional and regulatory changes have expanded membership to all federally insured institutions and expanded the categories of eligible collateral. Today, as the FHFA noted in the FHFA Strategic Plan: Fiscal Years 2015-2019, the Federal Home Loan Bank's "core mission is to serve as a reliable source of liquidity for their member institutions in support of housing finance and community lending".

The NPR will make access to the Federal Home Loan Bank liquidity far less certain. Ongoing tests will result in member banks being uncertain of their future ability to meet the test in all market conditions and maintain their membership and borrowing ability, especially in times of financial stress. Uncertainty over the ability to borrow will harm the member bank's safety and soundness standing with their prudential regulator. Member banks will also face reduced flexibility in balance sheet management as they strive to ensure they hold the required mortgage assets on their books. These problems would be exacerbated for banks approaching the Community Financial Institution (CFI) asset cap.

Uncertainty over continued membership eligibility also harms the entire Federal Home Loan Bank System. As members fall out of eligibility, their stock in the FHLB must be redeemed, destabilizing the capital of the individual Banks, and because the System is a joint and several one, of the entire FHLB System. While this may seem relatively inconsequential on an individual bank basis, taken as a whole, the entire System will be viewed by the prudential regulators and the capital markets as less stable and reliable.

The changes proposed are not needed because the collateral required to borrow is a natural governor. Currently, a member may only borrow from a FHLB if it has eligible collateral to pledge. This method is very efficient and effective. No additional monitoring or change is needed. The proposed ongoing asset tracking would add regulatory burden and cost for all parties.

The importance of the Federal Home Loan Bank as a source of liquidity and other services cannot be overstated. I urge the FHFA to withdraw the new membership rules as it will be very detrimental to the Federal Home Loan Bank's core mission of serving as a reliable source of liquidity for their member institutions in support of housing finance and community lending.

Sincerely,



Teresa J. Keegan

Senior Vice President/Chief Financial Officer