



January 9, 2015

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

Dear Sir or Madam:

This letter is written on behalf of First Federal Savings Bank of Rochester, Indiana in reference to the Federal Housing Finance Agency's (the Agency) 12 CFR Part 1263 Notice of Proposed Rulemaking (NPR) to the Members of Federal Home Loan Banks dated September 12, 2014.

First Federal Savings Bank (the Bank) is a subsidiary of American Midwest Financial Corporation located in Rochester, Indiana. It has approximately \$360MM in assets and its primary business operations focus on mortgage lending and the subsequent sale of loans on the secondary market. The Federal Home Loan Bank of Indianapolis (FHLBI) is one of two primary investors that the Bank sells to on the secondary market. The NPR referenced above has the potential to negatively impact the daily business operations of First Federal Savings Bank. Following are the Bank's comments on the NPR.

With respect to new ongoing membership tests, the Bank feels that they are arbitrary and unnecessary. They fail to recognize the various ways membership supports housing finance, in particular, loan sales into the secondary market. If the volume of loans purchased by FHLBI is reduced, it leaves community banks such as ours in a position to either find other investors or maintain more loans on our balance sheets, neither of which are options that are in our best interest. Inadvertently, this rule would cause a substantial change to be made to many community bank's business models.

The attempt of this NPR to define what constitutes an "insurance company" is undesirable because of the potentially negative precedent set of defining a business model, a definition which could eliminate existing members and be altered in the future to the detriment of other business models and members. Instead, we are in favor of leaving the authority of defining who can be members of the Federal Home Loan Banks with Congress as it always has been, not with regulators. Further, the states' authority to define what qualifies as an "insurance company" should remain intact. Redefining what constitutes an "insurance company" would terminate several existing FHLBI members as well as reduce FHLBI's profitability, member dividends and availability of AHP funds. The result would be a negative impact on the communities where we operate and would be contrary to the spirit of community banks' missions.

The request for guidance for evaluating the financial condition of insurance companies is also unnecessary. The Federal Home Loan Banks have long implemented strong and appropriate underwriting standards particular to the types of members that they serve. This requirement has the potential to establish a precedent of adding metrics for membership approval and lending to all types of members. The FHLBs should retain the authority and responsibility to underwrite insurance company applicants as they see fit.

Finally, the proposal changes the “principle place of business” used to determine FHLB district membership. To avoid reduced membership stability, which in turn could negatively impact FHLB profitability, dividends and AHP grant funding, the state of domicile should remain the default for determining membership. Any decision to the contrary undermines the integrity of the FHLB system, and it diminishes safety and soundness as well as increases credit underwriting risk.

In conclusion, the proposed rules not only threaten the ability of community banks to operate as intended, which is to service local communities, but ultimately threaten the communities themselves. The circumvention of Congressional input, the inadvertent decrease in AHP funds and potential to limit lending capacities of community banks are all things that will be felt throughout the communities in which we do business. Perhaps the most unfortunate thing is that this will be done under the guise of protecting the end consumer from a system that has operated as a safe, sound and integral part of our economic and banking system for years.

We appreciate the opportunity to comment and are hopeful that our concerns will be heard and acted upon appropriately.

Sincerely,

A handwritten signature in black ink that reads "Amanda Morris-Feldman". The signature is written in a cursive, flowing style.

Amanda Morris-Feldman, CPA

Vice President, Treasurer and Chief Financial Officer