1st MidAmerica Credit Union
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January 8, 2015

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

RE: Notice of Proposed Rulemaking: Request for Comments – Members of the Federal Home Loan Banks

Dear Mr. Pollard:

We have been a member of the Federal Home Loan Bank since 2005. We are very concerned about the impact the Federal Housing Finance Agency's (FHFA) notice of proposed rulemaking and request for comments on "Members of the Federal Home Loan Banks" published on September 12, 2014 would have on our institution. We would respectfully request the withdrawal of this proposal as concerns will be addressed forthcoming.

1st MidAmerica Credit Union is a $585,000,000 community financial institution serving 57,525 members in 22 counties. We serve members in southern/central Illinois along with operations in Jackson County, Missouri. We have long considered our mortgage products to be one of our primary offerings as we are committed to the financial wellbeing of our members. We started offering mortgages over twenty years ago and have retained the mortgage products on our books. As we increased in size and complexity, we added the services of FNMA. At this time, we sell some of our portfolio but retain the servicing for all sold loans. We are currently servicing approximately $143,000,000 in first mortgage loans sold to FNMA. In addition to mortgage lending, we serve our membership by offering many different loan products including commercial lending.

As a member of the FHLB, we place a high value on their products offered. We currently have an outstanding advance. We just started using the Downpayment Plus Program last year, and we use the Letters of Credit to attract additional funding. The products offered by the FHLB allow us to effectively compete with larger institutions. Since the financial crisis of 2008, our traditional lines of credit have been reduced by our other credit union partners. This is not the case with the FHLB. At no time during or after the crisis was our outstanding line of credit restricted.

The proposed rule is of great concern to us. If this rule becomes regulation, it could eliminate our ability to rely on the liquidity provided by the FHLB of Chicago. The proposal would require us to hold at least 10 percent of our total assets in residential mortgages at all times. We are currently at 12.26%. As this is above the proposed threshold, a simple flight to quality in the financial system would bring a surge in assets. As a result, we could possibly dip below the required 10% until we either reduced assets or regained our mortgage position by franticly building mortgage product portfolios. The proposal would also require us to devote a portion of our balance sheet to long term mortgages with originations of five years or greater. Failure to meet either of the proposed tests would result in the termination of our membership.

This proposal is a game changer. It will require our institution to change our business plan and could require us to take additional interest rate risk. We are constantly reminded by our regulator to manage interest rate risk, and we are cautioned about extending the duration of our loan portfolio explicitly by holding longer term mortgages. In addition, larger concentrations of long term mortgages would reduce our ability to lend in other areas as our loan to share ratio exceeds 100%. We pride ourselves in being a community lender and being able to assist our members in all their credit needs. This proposal would restrict how we currently address our members' needs.

The liquidity function provided by the FHLB of Chicago helps us to effectively manage our balance sheet. The interest rates offered by the FHLB are significantly better than other commercial offerings and enables us to continue to lend when consumer demand is high. We are currently in a high credit demand position, yet we are retaining a portion of our unused FHLB capital for emergency liquidity.

It is our position to maintain a solid percentage of our assets in residential mortgages as we pledge these mortgages to the FHLB for credit services. We will do what it takes to maintain membership with the FHLB of Chicago, but we feel the proposed changes would negatively impact our balance sheet and membership. Again, we would strongly request the removal of the proposal.

Sincerely

Robert L. Blacklock

Robert L. Blacklock
SVP/CFO