

CRYSTAL LAKE BANK
& TRUST COMPANY, N A *

January 15, 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 (“FHLBs”)

Dear Mr. Pollard:

We are submitting our comments to express our concerns about 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 (“NPR”). We appreciate the opportunity to provide you our comments on the NPR. We believe the NPR supersedes congressional intent, impairs a bank’s ability for growth, dictates a bank’s asset allocation, and imposes another regulatory obligation without a corresponding benefit. For these reasons, we respectfully request the withdrawal of the NPR.

Crystal Lake Bank & Trust Company, N.A. is a community bank, a part of the Wintrust group of community bank that represents a vital source of financial services for our local community. Located in the Crystal Lake, IL area, we strive to serve our customers and support their needs, providing loan products for both residential and commercial real estate. We have been a member of FHLB of Chicago for 17 years. We greatly value our membership in the FHLB of Chicago and view it as a key partner in our success. For a bank such as ours, access to FHLB of Chicago is critically important because the liquidity allows us to offer an array of loan products to our community that we might not otherwise be able to offer. The FHLB of Chicago is a tremendous resource that enables us to better support our customers in their real estate and business needs within the community.

Though we would currently pass the on-going membership requirements outlined in the NPR, we are concerned about the severe practical consequences of its implementation on our bank, other FHLB members, and the FHLB itself. We believe that the NPR supersedes the intent of Congress in passing and amending the Federal Home Loan Act (“Act”). Membership in the FHLBs has been steadily expanded by Congress over the years, never contracted, and Congress has explicitly recognized the FHLBs’ mission of providing liquidity to members without limiting that purpose to housing finance. The result of implementing the NPR will be to limit both individual membership in the FHLBs and members’ ability to use FHLBs’ products towards ventures outside of residential real estate. This could result in smaller FHLBs with less ability to support their mission. If FHFA believes the Act requires changes with such far reaching implications, the imposition of those changes should be left to the legislative process by elected officials, and not the directive of an appointed office.

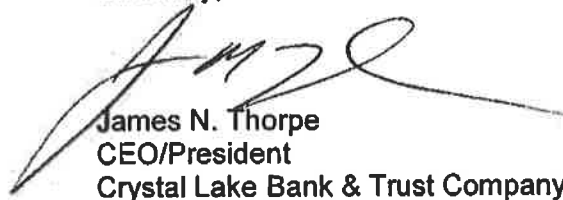
The NPR may also impair FHLB members' ability to grow their holdings. As a regulator, the FHFA undoubtedly understands the importance and necessity of asset growth for a bank. By requiring an on-going membership test, members' strategic growth initiatives may be stifled due to the impacts of an acquisition on the on-going FHLB membership tests. This could have the unintended consequence of forcing members to choose between expansion and merger plans, or maintaining their FHLB membership. The FHFA should support the reasonable growth of FHLB members and avoid penalizing them or threatening access to FHLB liquidity as a result of expansion.

Finally, the NPR will dictate how members manage their balance sheets, while imposing yet another regulatory burden without a clear benefit to economic stability. Even if members meet the proposed thresholds today, they would need to continuously manage their balance sheet with the proposed requirements in mind, limiting their choices of asset allocation. As a result, members' asset allocation could potentially become over-invested in housing related assets at the expense of small business lending, commercial loans, consumer loans or other asset classes. By seeking to establish a housing finance focus that all FHLB members must meet, the proposal does not appear to recognize the legitimate uses of FHLB funding beyond that limited purpose.

Banks are already laboring under an extensive regulatory regime. We welcome necessary regulation intended to stabilize and protect the financial system. It is not clear how the NPR is a means to that end. The FHLBs functioned effectively prior to, during, and after the financial crisis under the current membership rules. The NPR appears to be a solution in search of a problem, and not critical to the success of the FHLB mission.

Like all FHLB members, we view the FHLB of Chicago as a critical partner for our bank. Threatening our access to the FHLB of Chicago, and the access of the members of the FHLBs, threatens our bank, our customers and the community we serve. For the reasons detailed above, we respectfully request that the FHFA withdraw the NPR. Thank you for your consideration.

Sincerely,



James N. Thorpe
CEO/President
Crystal Lake Bank & Trust Company, N.A.