



First Home Bank

Serving your community since 1911

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

Re: Notice of Proposed Rulemaking and Request for Comments- Members of the FHLBanks
(RIN 2590-AA39)

Dear Mr. Pollard:

First Home Bank provides general commercial and consumer lending in all eight of our communities. We are a \$200 million community bank serving one metropolitan market and 7 more rural markets of less than 7,500 population each. Nearly 50% of our current portfolio or \$57 million are in 1 to 4 family residential loans. We rely on FHLB funding to offset Interest Rate Risk, smooth out short term cash flow issues and provide excess liquidity in our markets.

I am writing to express my concerns about the notice of proposed rulemaking regarding membership eligibility in Federal Home Loan Bank (FHLBanks) put forward by the Federal Housing Finance Agency (FHFA). The proposed rule includes significant and unnecessary changes to long-standing membership rules for the FHLBank system. The proposed changes are inconsistent with Congressional intent and the Federal Home Loan Bank Act (FHLBank Act). Because this rule change would reduce FHLB membership, reduce funding availability and increase our funding costs with FHLB First Home Bank management and Board of Directors opposes this proposed rule.

The proposed regulation on FHLB membership creates many concerns for our bank. While my bank will meet the proposed rule requirements today and into the future, I feel that the rule establishes a problematic precedent. Reducing the base of eligible members reduces funds availability and increases the cost of those funds. Broadly speaking, the FHLB Des Moines serves as a critical source of liquidity for financial institutions in Iowa, Minnesota, Missouri, North and South Dakota. They have proven to be a reliable and competitive source of liquidity for all of our financing needs in all economic environments. This rule, if adopted, would remove the certainty that the FHLB Des Moines can be counted on to be a reliable source of liquidity in all market conditions. Our bank should be free to manage our balance sheets in light of what's best for us, not the demands of a regulator.

It is also crucial to point out that more than 25 years ago, Congress made it clear that community financial institutions (CFIs) such as my bank may use advances for purposes other than residential housing finance. It remains the intent of Congress today that CFIs may utilize FHLBank liquidity for commercial real estate, small business, agricultural real

estate and agricultural operating loans. This fact alone highlights how this proposed rule runs counter to existing federal statute. Our two primary regulators, FDIC and Missouri Division of Finance find great comfort in the liquidity access that FHLB provides to First Home Bank.

The on-going mortgage asset test requirements can artificially distort balance sheet management practices, decreasing the flexibility of some community banks, credit unions and insurance companies to manage their balance sheets in response to changing market conditions. This would be especially true in the smaller community markets which we serve.

Your agency's proposed rules could fundamentally change how, or even whether, a depository financial institution such as ours could remain a member of a FHLB Des Moines. This is enormously disturbing. Confidence trust and reliability comprise the bedrock upon which our long-time FHLB membership is built. We need to know that the FHLB Des Moines can provide funding on a moment's notice as it did in the recent financial crisis.

It also seems incredibly disingenuous to eliminate captive insurance companies from FHLB membership at a time when housing finance is at risk with only a small private secondary market and Fannie and Freddie in conservatorship. This is the time to encourage the development of additional markets for both single and multifamily mortgages. Financial institutions are being discouraged from holding mortgages meaning that we need to see the development of new outlets. The FHLBs are a logical place to create these new models. Why would you eliminate opportunities rather than work with us to develop new systems of finance?

Access to FHLBank advances is important to CFIs like mine in our region. FHLB Des Moines and the 11 other FHLBs are operating well within the authorities granted them by Congress. The membership requirements being contemplated by FHFA would change long-standing requirements that have worked well, and the proposed rule would ignore the collateral expansions approved by Congress over time. First Home Bank strongly recommends you rescind the proposed rule. Thanks for taking our comments into consideration.

Sincerely,



R. Bradley Weaver
Chairman, President and CEO