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:

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). For these reasons Southpointe Credit Union vehemently opposes this proposed rule.

 I am Brian Eyestone, President of Southpointe Credit Union. Our institution provides lending across all of our community with a focus on residential mortgages. We are a smaller financial institution with just over $25 million in assets and eight employees. Due to our size, we cannot hold a large dollar amount of first mortgage loans. Our partnership with the FHLB Des Moines allows us to offer our members, as well as our potential members, first mortgage loans at very competitive rates. The proposed rulemaking could potentially impact our eligibility to remain a member of the FHLB Des Moines. This is turn would reduce our ability to meet the needs of our members.

**Body of Letter (Main Points) Pick and choose what you want to use**

The proposed regulation on FHLB membership creates many concerns for our credit union. While my credit union would meet the proposed rule requirements of the proposed rule today, I feel that the rule establishes a problematic precedent. There remains a distinct chance that at some point in the future, due to prudent management of interest rate risk, economic or regulatory changes, our institution could fail the test. Our credit union should be free to manage our balance sheets in light of what’s best for us, not the demands of a regulator. Not to mention, the proposed regulation conflicts with concerns from financial regulators that financial institutions reduce holdings of long-term fixed rate mortgages and sell them in the secondary market.

Southpointe Credit Union is particularly sensitive to the fact that credit unions are treated unequally in comparison to similarly sized banks because of a provision in the Federal Home Loan Bank Act which exempts community financial institutions (CFIs) from the 10% test. Clearly, federally insured credit unions stand on equal footing with banks in this regard. While we will continue to advocate for Congress to amend the Federal Home Loan Bank Act to ensure credit unions are given parity with the privileges CFIs enjoy, we believe FHFA’s proposed rule perpetuates this lack of parity.

Broadly speaking, the FHLB Des Moines serves as a critical source of liquidity for credit unions 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.

The on-going mortgage asset test requirements will artificially distort balance sheet management practices, decreasing the flexibility of community banks, credit unions and insurance companies to manage their balance sheets in response to changing market conditions.

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.

Access to advances is critically important to our credit union because FHLBank liquidity allows us to offer competitive rates to our members that we might not otherwise be able to offer. **This is our main liquidity source in times of need**. Additionally, having a credit line and borrowing capacity with FHLB Des Moines promotes the safe and sound management of our institution.

­­­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 FHLBanks are a logical place to create these new models. As a credit union we need the FHLB as a trusted partner to help us develop these new markets. Why would you eliminate opportunities rather than work with us to develop new systems of finance?

**Ending paragraphs- Choose which one to use**

Because the proposals would harm FHLBank members and hurt housing, credit and economic growth, we ask that the FHFA withdraw the new membership rules contained in its September 12, 2014 Notice of Proposed Rulemaking and work with FHLB members to preserve the FHLBs as a reliable partner of its members that benefits local lending institutions, communities, housing, homeownership and the nation’s economy.

Without access to our FHLBank, the credit available to communities in our region will be unnecessarily impacted. We believe this proposed rule is a solution in search of a problem. Because the proposed rule outlines no safety and soundness concerns-and because there is no legitimate public policy goal of the proposed rule- Southpointe Credit Union strongly recommends that you withdraw the proposed rule. Thanks for taking our comments into consideration.

Sincerely,

Brian Eyestone, CCUE

President

Southpointe Credit Union