January 7, 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 are submitting this comment 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. For the reasons described below, we respectfully request the withdrawal of this proposal.

Our institution is a community bank located in Fisher, IL with just over $100 million in total assets. We have been a member of the FHLB of Chicago for over 15 years. I like to think we are the heartbeat of this community and the main source of lending providing loan products for residential r/e, commercial r/e, small business, agricultural r/e and operating loans. As permitted by FHLB Act, we use these loans as collateral when we have a need to borrow from the FHLB, which is frequent.

As a shareholder and customer, we greatly value our membership in the FHLB of Chicago and view it as a key partner to help us better serve our customers and our community. For a smaller bank such as ours, access to FHLB of Chicago advances is critically important because the liquidity allows us to offer an array of loan products to our customers that we might not otherwise be able to offer.

The proposed rule concerns us because it would impose, for the first time ever, on-going requirements for our bank to meet as a condition of remaining a member of the FHLB of Chicago. For community financial institutions (“CFIs”), such as our bank, the proposal would require us to hold 1 percent to 5 percent of our total assets in long-term home mortgage loans. Failure to maintain this level would result eventually in the termination of our membership in the FHLB of Chicago.

While this requirement may not appear to the FHFA to be onerous, the practical consequences would be very severe and disruptive. To begin with, our ability to rely on the liquidity provided by the FHLB of Chicago, particularly in times of economic distress, would be seriously undermined if the FHFA is allowed to establish requirements we must meet simply to remain an FHLB of Chicago member. This has never been the case in the 82-year history of the FHLBs. Membership in the FHLBs has been steadily expanded by Congress over the years, never contracted. With the imposition of such a requirement, we could never be assured that when the next financial crisis occurs we will have continued access to FHLB of Chicago liquidity.

Even if we meet the proposed threshold today, we would need to manage our balance sheet with the proposed requirements in mind going forward. Future decisions regarding our asset allocation would need to bear them in mind. Our asset allocation potentially would become over-invested in housing related assets at the expense of small business lending and other commercial loans, consumer loans or other asset classes. In effect, a portion of our balance sheet would be dictated by the FHFA.

I could go on ad nauseam but I am sure you have received numerous correspondences that outline the consequences of the proposed rule far more eloquently than I could. The bottom line to me is how does this proposed rule assist potential homeowners, members of our community, in achieving their goals and dreams of home ownership? What I see is the potential, that if we are unable to comply with the requirements and forced out of the FHLB family, of eliminating our ability to make home ownership a reality for many of our clients.

In conclusion, we view the FHLB of Chicago as a critical partner for our bank. Its reliability as a liquidity source must be preserved. Threatening access to the FHLB of Chicago threatens our bank, our customers and the community of Fisher and the other communities we serve. This proposal would undermine the reliability of the FHLB of Chicago, discourage membership, inhibit our growth, politicize FHLB membership, limit access to the secondary market and shrink the FHLB of Chicago’s affordable housing and community development activities. It will do nothing to help the effort of other banking regulators to strengthen the overall financial system or repair the struggling housing markets. Despite these real and damaging effects, there appear to be no specific benefits that would be achieved by this proposal. The costs clearly outweigh the benefits. For these reasons, we strongly urge the immediate withdrawal of this proposal.

We appreciate the consideration of our views.

​ Sincerely,

Michael W. Estes

President

The Fisher National Bank

cc: OCC

cc: Community Bankers Association of IL

cc: Independent Community Bankers of America