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May 16, 2007

Dear Member of Congress

On behalf of the Federal Home Loan Bank of Des Moines, our member community banks, and the rural communities they serve, I am writing to express our concern over unintended consequences that could arise from the implementation of the Farm Credit Council proposals to rewrite the Farm Credit Act. These proposals have become known as the Horizons Project.

The Federal Home Loan Bank of Des Moines, with assets of \$43 billion, is a wholesale cooperative bank that provides low-cost short and long-term funding and community lending to more than 1,200 commercial banks, savings institutions, credit unions and insurance companies headquartered in Iowa, Minnesota, Missouri, South Dakota and North Dakota.

As you may know, the operating environment for small community banks is a very challenging one. As such, the FHLBank of Des Moines works to see that they have a ready supply of affordable funds to put to use for farming, small business, housing, and economic development credit.

As a government sponsored enterprise (GSE), the Federal Home Loan Bank of Des Moines partners with our community bank members as they provide a broad range of services to their communities. These community banks are often the lifeblood of a community, providing the credit necessary for a broad range of essential credit and other products.

As a Government Sponsored Enterprise, we see the unique value of our partnership with our member institutions. FHLBanks do not compete with community banks since the Congress empowered us to support, not supplant, these institutions.

The wisdom of the Congress in ensuring that we support the primary markets is an important lesson to keep in mind when considering the Horizons Project, which represents an expansion into corporate and mortgage lending in ways that represent almost impossible competition for community bankers who live and work in the communities they serve.

The Farm Credit System (FCS) is a direct retail lending GSE chartered by Congress to provide credit to farmers, ranchers, farmer-owned businesses, and rural home owners. As a GSE, the FCS operates with powers and benefits to further specific policy goals. Any expansion of this charter that could damage a critical segment of rural economic health should only be undertaken following

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extensive review and after considering the concerns of all affected parties. Acting on the Horizons Project within the framework of the larger Farm Bill may not allow adequate consideration to be given to what could be unintended consequences that would damage rural communities in the long run.

The Federal Home Loan Bank of Des Moines stands as a partner to our member institutions as they support farmers, ranchers, and local communities. We assist our members as they finance economic development, new business opportunities, and community development projects. The Horizons Project would displace a great deal of private sector activity and could destabilize rural economies.

This dramatic overhaul of the Farm Credit Act should not be part of the Farm Bill. We would hope that as the committee moves forward in considering this proposal, that our concerns be taken into consideration and that the critical role that community banks play in rural communities be recognized and nurtured. We would also offer to work with the Congress to see how Federal Home Loan Banks, partnering with our member institutions, might be able to do even more to help meet the needs of farmers, ranchers, and rural communities.

Thank you for your consideration of our views.

Sincerely,

Michael L. Wilson
Senior Vice President
Chief Business Officer

Congressional Members

The following individuals were sent a letter outlining FHLB Des Moines' position on the proposals by the Farm Credit Council to rewrite the Farm Credit Act.

House

- Collin Peterson, Chairman (D-MN)
- Leonard Bowell (D-IA)
- Stephanie Herseth Sandlin (D-SD)
- Timothy Walz (D-MN)
- Earl Pomeroy (D-ND)
- Sam Graves (R-MO)
- Steve King (R-IA)

Senate

- Tom Harkin, Chairman (D-IA)
- Kent Conrad (D-ND)
- Amy Klobuchar (D-MN)
- Norm Coleman (R-MN)
- John Thune (R-SD)
- Charles Grassley (R-IA)