

Federal Home Loan Bank of Des Moines

February 23, 2001

Ms. Elaine Baker
Executive Secretary
Federal Housing Finance Board
1777 F. Street, N.W.
Washington, D.C. 20006

Re: Petition for Case-By-Case Determination

Dear Ms. Baker:

The Federal Home Loan Bank of Des Moines has reviewed the notice of the petition from the Dallas Bank for Finance Board approval of an application for membership in the Dallas Bank by Washington Mutual Bank, FA, currently a member of the San Francisco Bank, upon completion of the merger of Hank United, currently a member of the Dallas Bank, into Washington Mutual. The Des Moines Bank agrees with the statement made by the Finance Board in the notice that the petition raises numerous fundamental legal, political, and policy issues of first impression that are critical to the long-term structure and function of the Bank System. The Finance Board identified issues involving financial institutions' industry consolidation and the structure and capital of the Bank System. The petition also raises issues regarding competitive advantages for large versus small members and impact on consumers with borrowings tied to the 11th District Monthly Average Weighted Cost of Funds Index.

The issues raised by the petition need to be addressed by all of the stakeholders in the Bank System, including boards of directors, shareholders, bond holders, and consumers, since the resolution will impact the continued viability of the Bank System in the 21st century. The process of obtaining the input of those stakeholders and analyzing the impact of potential resolutions on the Bank System will take time. It is quite possible, in fact, highly probable, that the resolution of the issues raised by this petition may take a year or more and may ultimately require Congressional action to amend the Federal Home Loan Bank Act.

If the Finance Board determines that it is necessary to act on the petition filed by the Dallas Bank prior to completing this type of detailed input and analysis, the Board of Directors of the Des Moines Bank asks the Finance Board to make any such action effective only until such time as a comprehensive resolution to these issues can be identified, at which time such comprehensive resolution would govern the appropriate Federal Home Loan Bank districts) for membership by Washington Mutual and all other similarly situated institutions. This approach would be consistent with the requirement in the Federal Home Loan Bank Act that all similarly situated members be treated fairly and impartially and without discrimination.

If you have any questions concerning this letter, please call me at (515) 281-1021.

Sincerely,

Patrick J. Conway
President and CEO