



F E D E R A L
H O M E L O A N B A N K
D E S M O I N E S

PATRICK J. CONWAY
PRESIDENT

February 6, 2003

The Honorable John T. Korsmo
Chairman
Federal Housing Finance Board
1777 F Street, N.W.
Washington, D.C. 20006

Re: Ongoing Changes in the Financial Services Industry

Dear Chairman Korsmo:

On behalf of the FHLBank of Des Moines, I want to thank you for the opportunity to provide the Federal Housing Finance Board (Finance Board) with comments on how the FHLBank System should respond to issues arising from ongoing changes in the financial services industry.

As the Finance Board has recognized, the financial services industry has changed substantially over the course of the last seventy years since the creation of the FHLBank System in 1932. Most of the changes that have occurred since 1932 could not have been predicted at the time of the System's founding. It seems equally likely that we cannot predict today how the financial services industry will change over the next seventy years.

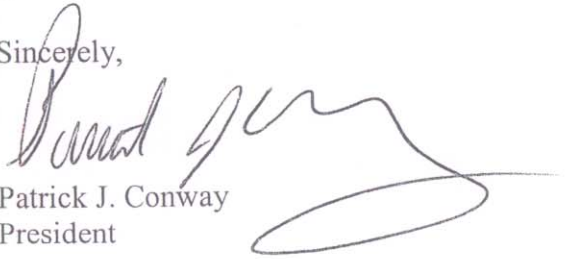
In our February 27, 2002, comment letter to the Finance Board, the FHLBank of Des Moines suggested that multi-district participations of advances, mortgage loans, and other products among FHLBanks would be a better business model than multi-district membership. This simple model, which has worked well for the banking industry throughout the seventy year existence of the FHLBank System, would allow the twelve FHLBanks to spread the risks and rewards of doing business with national and regional members across the FHLBank districts in which those members do business.

Participations are a simple, flexible, long-term solution that has stood the test of time. Participation also represent good public policy in that they would maintain the regional structure of the Home Loan Banks, stabilize the Home Loan Bank's balances sheets, preserve the regional Affordable Housing Programs, support the credit needs of members, diversify Home Loan Bank credit concentration, and preserve member's charter choices. Participations also allow the Home Loan Banks to manage the risks associated with collateral management, market access, and liquidity management better than multi-district membership.

The FHLBanks of New York and San Francisco recently submitted a paper to the Finance Board proposing a framework for addressing issues raised by multi-district participations among the FHLBanks. The FHLBank of Des Moines believes that their paper represents an excellent starting point for dialogue about the most effective way to address multi-district issues. While we believe that there may be a more effective way of ensuring capital adequacy than the New York and San Francisco paper proposes, we will save our technical comments for an appropriate working session to address their proposal.

The FHLBank of Des Moines Bank looks forward to continuing to participate with the Finance Board in the dialogue about the best way to address the consequences of the ongoing changes in the financial services industry. Please let me know if you have any questions or would like any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Conway", with a large, sweeping flourish extending to the right.

Patrick J. Conway
President