



Submitted electronically via www.fhfa.gov

June 23, 2020

Federal Housing Finance Agency
Division of Federal Home Loan Bank Regulation
400 7th Street SW, 7th Floor
Washington, D.C. 20219

Re: Request for Information on FHLBank Membership

To whom it may concern:

On behalf of Wisconsin's credit unions® and their 3.3 million members, the Wisconsin Credit Union League is pleased to offer its input on the Federal Housing Finance Association's (FHFA) Request for Information (RFI) on issues relating to Federal Home Loan Bank (FHLBank) membership. Many Wisconsin credit unions (not-for-profit financial cooperatives owned by the members they serve) are proud to be part of the FHLBank System, whose mission supports affordable lending for all.

The RFI asks a series of questions about the safety and soundness of current requirements for membership in the FHLBank System and potential future changes. The questions address topics ranging from general eligibility and affiliate issues, to more technical matters. Our comments will focus on the first two general questions:

FHFA seeks to develop requirements to address questions regarding membership eligibility on a consistent basis, guided by the twin objectives of ensuring that the System remains safe and sound and able to provide liquidity for housing finance through the housing and business cycle and ensuring that all members have an appropriate nexus to the housing finance and community development mission of the FHLBanks.

- a) In addition to the statutory requirements of the FHLBank Act, what are the most important general principles and factors FHFA should consider in achieving those objectives?
- b) Are there classes or types of institution not currently eligible for FHLBank membership under FHFA's current regulation whose eligibility would simultaneously further both of those objectives and, if so, how?

The answer to first question is straightforward: We agree with the FHLBanks' CEOs, who wrote jointly on April 22, that "Any expansion of membership should be done with the safety and soundness of the System as the paramount principle."

The Wisconsin Credit Union League

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The answer to the second question is more nuanced. Generally, FHLBank members should be well-regulated, to avoid introducing systemic risk into the FHLBanks. As our national counterpart, CUNA, wrote: “Allowing loosely regulated financial entities to become members of the FHLBanks could negatively affect the lending of community financial institutions such as credit unions.”

With that said, we respectfully urge the FHFA to consider opening FHLBank membership to Credit Union Service Organizations (CUSOs). CUSOs are formed and/or owned by one or more credit union to provide products or services that those credit unions might not offer independently. For example, mortgage origination, underwriting and servicing are common CUSO functions. CUSOs cannot now join the FHLBanks, but opening membership to them would benefit not only the CUSOs themselves, but the credit unions they serve, too.


It’s true that CUSOs are not independently examined by the National Credit Union Administration (NCUA), but the credit unions that form CUSOs are “subject to inspection and regulation” by state or federal regulator (as required for FHLBank membership). In addition, the NCUA engages with large CUSOs, periodically reviews their operations, and evaluates whatever risks CUSOs may pose to credit unions. CUSOs are also licensed at the state level for mortgage activity. Thus, CUSOs meet the “subject to inspection and regulation” prerequisite for FHLBank membership – at least indirectly. We firmly believe that accepting CUSOs for membership would pose no greater risk to the FHLBank System than credit unions themselves do.

Other non-depository financial service providers are not subject to the same degree of supervision as CUSOs. They would pose heightened risks to the FHLBanks. But CUSOs are unique among financial services providers, and the benefits of extending membership to them would not add undue risks to the FHLBank System.

We join CUNA in strongly encouraging the FHFA to allow CUSOs to be eligible for membership to FHLBanks, as this will help them help their member credit unions’ community lending activities. CUSO membership would further FHFA’s duty to ensure the operations and activities of FHLBanks, fostering liquidity and efficient, competitive, and resilient national housing finance markets.

We appreciate the FHFA’s willingness to consider our comments.

Sincerely,



Paul Guttormsson
Senior Vice President & General Counsel
The Wisconsin Credit Union League