

June 22, 2020

VIA ELECTRONIC SUBMISSION ON WWW.FHFA.GOV

Mr. Andre D. Galeano, Deputy Director
Federal Housing Finance Agency
Division of Federal Home Loan Bank Regulation
400 7th Street, NW, 7th Floor
Washington, DC 20219



RE: Request for Input (February 2020)

Dear Deputy Director Galeano:

The Ohio Bankers League ¹(OBL) appreciates the opportunity provide comment on the Federal Housing Finance Agency (“FHFA”) request for input (“RFI”) related to Federal Home Loan Bank (“FHLBank”) membership. Since 1932 Ohio’s banks of all sizes have relied on the FHLBank system to provide safe, collateralized advances to help their short-term liquidity needs. Any changes to membership or members’ ability to fully utilize the system should be made with the goal continued safety and soundness of the FHLBank system. It is with that mission in mind we submit the following comments on FHFA RFI.²

General Membership Eligibility:

The FHFA correctly states in their RFI that the determination for membership eligibility resides solely with Congress. We caution FHFA not to circumvent Congressional statute by authorizing expanded membership to any entity that is not already authorized under statute.

The Federal Home Loan Bank System is a cooperative with joint and several liability. Therefore, a paramount duty of FHFA is to ensure the safety and soundness of the System in order to protect eligible existing members’ capital investment in, and ability to access the System. As a general rule, a basic requirement that members be subject to prudential regulation reduces

¹ The Ohio Bankers League [“OBL”] is a non-profit trade association that represents the interests of Ohio’s commercial banks, savings banks, savings associations as well as their holding companies and affiliated organizations. The Ohio Bankers League has over 170 members which represents the overwhelming majority of all FDIC insured depository institutions doing business in this state. OBL membership represents the full spectrum of FDIC insured depository institutions from small mutual savings associations owned by their depositors, community banks that are the quintessential locally-owned and operated businesses, up to large regional and multistate holding companies that have several bank and non-bank affiliates and conduct business from coast to coast. Ohio depository institutions directly employ more than 70,000 people in Ohio. We are the only trade association in Ohio that represents all segments of FDIC insured depository institutions.

² FHFA RFI on FHLB Membership:

<https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/RFI-on-FHLBank-Membership.pdf>

credit risk within the System and protects the FHLBanks' ability to access global capital markets. We believe it would be a mistake to allow entities without similar regulatory oversight and examination as provided by the OCC, FDIC, Federal Reserve and state banking regulators to put our members' capital investments at risk by expanding membership in the system.

Conduits

Entities that are not otherwise eligible for membership in the System as defined by Congress, should not be able to access the FHLBank System through a conduit relationship with an eligible member. While we recognize there are many stakeholders with a mission of increasing the availability and access to affordable housing, their access to the System is inconsistent with the efficient safe and sound operations of the cooperative System. Their lack of capital and regulatory safeguards poses a significant risk to the System and is the reason Congress has not expanded membership eligibility to these entities.

Use of the System

Any eligible member (as determined by Congress) that meets the safety and soundness and mission adherence requirements described above should be able to access the System in line with the policies and procedures required by each FHLB and the FHFA. Federal Home Loan Banks already have the ability to assess an individual member's risk. The FHFA should not impose additional restrictions on any member or class of members not based upon actual risk presented. Instead, the FHFA should continue to permit the development of sound, risk-based collateral policies by each Federal Home Loan Bank that protect that Bank and its members based upon the risk profile of the borrowing member. These member access standards could include overcollateralization, actual delivery of collateral and ongoing monitoring including access to the borrowing member's exam reports.

Conclusion

The Ohio banking industry is a stronger, safe place for Ohioans to deposit and borrow from their local banks because of the Federal Home Loan Bank System. The importance of the FHLB as a source of liquidity and other services to OBL's members cannot be overstated.

For the better part of the last century the Federal Home Loan Banks have met those needs in a safe, sound and efficient manner. Congress has, over that time, amended the Federal Home Loan Act to expand eligibility for membership in the System, and has changed the regulator of the System. Any significant policy or structural changes to the FHLB System remain under the authority of Congress. We urge FHFA in any decision regarding the System to be guided by the twin objectives of ensuring that the System remains safe and sound so as to be able to provide liquidity for housing finance through the full range of housing and business cycles; and ensuring that all members have an appropriate nexus to the housing finance and community development mission of the FHLBs.

We appreciate this opportunity to comment. If you have questions or wish to discuss these matters in more detail, please contact the undersigned.

Respectfully Submitted;



Jeffrey D. Quayle

Senior Vice President and General Counsel



Evan Kleymeyer

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