



June 23, 2020

Mr. Andre D. Galeano
Deputy Director
Federal Housing Finance Agency
Division of Federal Home Loan Bank Regulation
400 7th Street, SW
7th Floor
Washington, DC 20219
Via e-submission on WWW.FHFA.GOV

Re: RFI on Federal Home Loan Bank (FHLB) membership

Dear Deputy Director Galeano:

The Pennsylvania Bankers Association (PA Bankers) representing approximately 125 institutions operating in the Commonwealth of Pennsylvania appreciates the opportunity to offer comments on the Federal Housing Finance Agency's (FHFA) [request for input](#) (RFI) on Federal Home Loan Bank (FHLB) membership.

Membership eligibility on a consistent basis

As described, this RFI is part of a holistic review of FHLBank membership that seeks public input on FHFA's existing regulation on FHLB membership. The RFI recognizes that membership eligibility should ensure that the FHLBank System, consistent with statutory requirements, remains safe and sound, provides liquidity for housing finance through the housing and business cycle and supports the FHLBanks' housing finance and community development mission.

- PA Bankers respectfully urges FHFA not to expand FHLB membership to entities not authorized by statute. To do otherwise would ignore Congressional intent.

Financial Condition Requirements

The Federal Home Loan Bank System is an interdependent cooperative. A member's access to FHLB financing affects other members and the stability of the System. Safety and soundness are thus key membership criteria.

FHFA previously decided to deny all captive insurance companies FHLB membership. We suggest that this decision and the way it was made should be reconsidered.

- Rather than barring all captive insurance companies, we recommend that FHFA should instead analyze each captive insurer's potential to impair the safety and soundness of the Federal Home Loan Bank System by considering its parent company's level of prudential regulation and supervision. A captive insurer owned by a regulated, supervised depository institution presents a lower safety and soundness risk potential than another captive insurer owned by an entity not subject to bank capital and regulatory standards.

Less-supervised members and affiliates

PA Bankers believes that there indeed are risks posed by FHLB members which are not subject to prudential safety and soundness regulation equivalent to that of banks given the significant capital and risk standards banks face.

- We thus recommend that FHFA establish clear, consistent, and risk-based access standards for all eligible members that account for differences in prudential regulation among them - including less stringently regulated credit unions and non-depository community development financial institutions. FHFA should also encourage each FHLB to develop risk-based collateral policies based upon the risk profile of borrowing members and share reports of examination with each of the other FHLBs.

Public Policy Mission Adherence

We believe that there are sufficient rules in place to ensure adherence to the System's mission including the availability of eligible collateral.

- We do not believe that an on-going mission adherence test nor additional regulation imposed to ensure that FHLB members' activities have sufficient nexus to the FHLBanks' public policy mission. We further do not support entities who are not eligible for membership under the statute's having access to the System via a conduit relationship with a member.

We appreciate the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "J. Duncan Campbell III". The signature is written in a cursive, flowing style.

J. Duncan Campbell, III
President and CEO

