



June 23, 2020

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:

CrossState Credit Union Association (CrossState) is a regional advocacy organization that represents credit unions located in the Commonwealth of Pennsylvania and the State of New Jersey. The Federal Housing Finance Agency (FHFA) issued a Request for Input (RFI) on the eligibility requirements for membership in a Federal Home Loan Bank (FHLBank). In particular, the RFI is “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 FHLBank.”¹ CrossState welcomes the opportunity to submit the following comments on behalf of its 73 credit union FHLBank members with \$53 billion in combined assets.

FHLBank Membership Eligibility

Credit unions are not-for-profit financial institutions that exist to serve their members. Like banks, credit unions accept deposits, make loans, and provide a wide array of other financial services. As member-owned cooperative institutions, credit unions provide a safe place to save and borrow at reasonable rates. Credit unions operate to promote the financial well-being of their members where profits made by credit unions are returned to members in the form of reduced fees, higher savings rates, and lower loan rates.

Credit unions are attracted to FHLBanks as they provide readily available liquidity, affordable housing, and community development opportunities. They also identify with FHLBanks’

¹ RFI, page 2.

cooperative structure and mission to serve members and strengthen communities, both of which complements the People Helping People philosophy of credit unions.

CrossState requests the FHFA take no regulatory action on eligibility of existing and permanent members so credit unions can retain and benefit from their current FHLBank membership. Although credit unions are smaller financial institutions, their participation strengthens the FHLBanks' cooperative structure and creates a cycle of financial mutual assistance for the well-being of their members. The loss of credit union FHLBank membership eligibility would adversely impact operations, the ability to serve members, meet community needs, and in some cases, maintain safety and soundness.

Limiting Liquidity to FHLBank Members

"The FHLBanks carry out their public policy function primarily by providing low-cost loans, known as advances to their members. These must be fully secured by one or more specific types of collateral, including residential mortgage loans and residential mortgage-backed securities."² The RFI questions if there should be restrictions on advances to a single member.

Credit unions appreciate the ability to obtain advances to meet their members' long-term home mortgage lending needs at a fair cost. In addition, credit unions rely on the FHLBank for liquidity needs, even more so during a time of crisis. The COVID-19 pandemic has created a challenging operating environment for credit unions to serve their members while protecting staff. Many credit unions are coping with an increase in deposits, decrease in lending, decline in net fee income, default of loans and forbearance of mortgages, and increase of costs associated with new COVID-19 protection measures. Access to liquidity will be necessary for some in effort to balance these financial stressors and long-term COVID-19 financial repercussions.

CrossState cautions against limiting liquidity to FHLBanks. The FHLBanks have a proven track record of effectively managing and providing liquidity in a safe and sound manner. Limiting liquidity will harm the FHLBanks, their members, and ultimately, the communities they serve.

New Entrants to the FHLBank

The RFI asks whether additional members should be considered for FHLBank membership. Congress has clearly mandated who is eligible for FHLBank membership. Congress expanded the list of eligible institutions for FHLBank membership in 1989, 2008, and 2015.³ CrossState believes Congress' authority to mandate who is eligible for FHLBank membership should not be circumvented. If a change of new entrants to the FHLBank is warranted, it should be done by Congress.

² RFI, page 3.

³ RFI, page 4.

The COVID-19 pandemic may create liquidity weakness for many institutions, which could make the FHLBank an attractive funding source. CrossState recommends the FHFA closely examine whether new entrants pose a significant risk to the FHLBanks. We also ask that new entrants be held to the same scrutiny and review, and adopt safety and soundness examination to which current FHLBank members are subject to through their respective governing regulatory bodies.

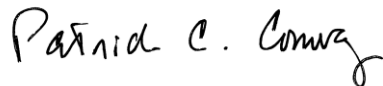
CrossState encourages the FHFA not to lose sight of the FHLBanks' mission of providing liquidity, promoting affordable housing, and community development. It is imperative that new entrants have a history or demonstrated connection to housing and/or community development to ensure they further the FHLBanks' goal, not jeopardize it.

CrossState Supports the FHLBanks

The FHLBanks have a methodical system that successfully meets the financial needs of their members, maintains safety and soundness, and achieves their social mission of supporting communities. CrossState commends the FHLBanks' efforts and the ability for credit union FHLBank members to contribute to various communities throughout the Commonwealth of Pennsylvania and State of New Jersey.

Thank you for the opportunity to submit our input.

With best regards,



Patrick C. Conway
President & CEO

cc: CrossState Board
Government Relations Committee
Regulatory Review Committee
State Credit Union Advisory Committee