

February 15, 2011

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency – Fourth Floor
1700 G Street NW
Washington, DC 20552



Dear Mr. Pollard:

Thank you for the opportunity to submit comments on the advance notice of proposed rulemaking (“ANPR”) in which the Federal Housing Finance Agency (“FHFA”) has expressed its desire to review the nexus between Federal Home Loan Bank (“FHLBank”) membership requirements and the FHLBanks’ housing finance and community development mission as established by Congress. As the President and CEO of the New Jersey Bankers Association, which counts many of its members among the members of the Federal Home Loan Bank of New York, I am submitting this comment on the ANPR.

After a review of the legislative history and the Congressional commentary surrounding membership in a Federal Home Loan Bank, the only conclusion that can be drawn is that the determination of who can become members and how they become members is a Congressional prerogative. Our membership believes that this regulation is premature in light of the forthcoming debates on GSEs and lacks statutory authority.

That said, the Federal Home Loan Banks play a vital role in the nation’s housing finance system by helping institutions compete in an increasingly competitive marketplace. It is broadly viewed that the FHLBanks served both their mission and their members during the global credit crisis, and continue to do so today. In the early days of the crisis, as other sources of liquidity disappeared, the FHLBanks significantly increased lending to their members. For example, from March 2007 to March 2009, Federal Home Loan Bank of New York advances to its New Jersey members increased by 83 percent, or \$16.5 billion, to \$36.2 billion. These advances now stand at \$33 billion in New Jersey, reflecting the Federal Home Loan Bank System’s ability to expand and contract based on member need.

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Third Vice Chairman
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Robbinsville, NJ

John E. McWeeney, Jr.
President/CEO
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Cranford, NJ

Each FHLBank is a productive and successful cooperative, one that works because of its broad range of member institutions. This diverse membership allows FHLBank advances to reach all corners of the housing market. Many of the regulatory changes under consideration in the ANPR would make it more difficult for financial institutions, particularly insurance companies, to obtain and maintain access to the liquidity available through FHLBank advances. Any requirements which would restrict or preclude members would devalue membership for existing FHLBank members and discourage potential members from joining, ultimately inhibiting the ability of FHLBanks to serve the housing and community development needs of their districts.

In addition, at a time when most policymakers are looking for ways to jumpstart economic activity by encouraging banks and other financial institutions to increase their lending to small businesses and other job-creating activities, the changes being considered threaten to dramatically limit access to the low-cost funding provided by the FHLBanks.

The Federal Home Loan Banks have continued to work despite significant difficulties in the economy. The support from these institutions has helped other organizations weather the financial storm, as well. Each FHLBank functions well because of its broad membership. By all accounts, including the Administration's February 11 report to Congress on reforming the housing finance market, the Federal Home Loan Banks have worked well. In any recovery efforts, we need to build on what works. Therefore, the FHLBanks' membership must remain intact. As a result, I respectfully request that the ANPR be withdrawn from consideration at this time.

Sincerely,



John E. McWeeney, Jr.
President/CEO

JEM:cg

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