

233 South 13th Street, Suite 700
Lincoln, Nebraska 68508
Phone: (402) 474-1555
Fax: (402) 474-2946
www.nebankers.org



March 21, 2011

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

Re: Advance Notice of Proposed Rulemaking and Request for Comments – Members of
Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

The Federal Housing Finance Agency (FHFA) has requested comments on an Advance Notice of Proposed Rulemaking in which the agency has expressed its desire to review current Federal Home Loan Bank (FHLBank) membership requirements. On behalf of the Nebraska Bankers Association, I am submitting this comment letter on the proposed rule. The NBA is a trade association which represents 223 of 225 banks and 12 of the 13 savings and loan associations in the state of Nebraska.

The questions posed in the proposed rule are of concern. They suggest that the FHFA is considering requiring FHLBank members to “maintain a demonstrable involvement in residential mortgage lending and otherwise comply with the statutory requirements for membership.” FHLBank member institutions could be required to hold at least 10 percent of their assets in mortgages on a continuing basis, rather than only when they join. Also, objective and quantifiable standards could require that each member “makes long-term home mortgage loans” and has a “home financing policy.” Noncompliant members could be barred from further access or have their membership terminated.

The regulatory changes under consideration would make it more difficult for many financial institutions to obtain and maintain access to FHLBank liquidity. Stricter requirements will call into question the ability of members to borrow under all future economic scenarios. The changes will also discourage potential members from joining, inhibiting the ability of FHLBanks to serve the housing and community development needs of their districts. The suggested changes would prove burdensome to small and medium sized members at a time when they are already subject to many new regulatory requirements.

At a time when we are struggling to revitalize economic activity through increased lending to small businesses and other job creators, the proposed changes would be counter-productive by limiting access to the low-cost funding provided by the FHLBanks.

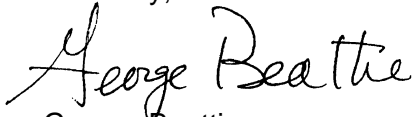
Requiring members to meet ongoing mortgage requirements would add an element of uncertainty to FHLBank membership. Members could never be sure of their ability to meet these tests and, therefore, maintain access to FHLBank liquidity, particularly in times of financial stress. For example, in periods when mortgage valuations decline rapidly, members could not be assured of maintaining at least 10 percent of their assets in mortgages. As a result, the FHLBanks would be viewed by both existing members and potential members as a far less reliable funding partner.

The proposed rule does not present any compelling reason for imposing new membership rules, and it does not present any information showing that there is a problem with the current membership rules. The proposed rule also failed to cite a benefit it hoped to achieve by changing the rules.

Congress is beginning a process that thoroughly examines the future of housing finance. If any changes to the FHLBanks' membership or mission are warranted, particularly if such changes are to restrict membership eligibility or narrow the FHLBanks' mission, such changes should be directed by Congress. Historically, congressional examination of the FHLBanks has resulted in expansion, rather than contraction, of the role that the FHLBanks play in the housing finance market.

For these reasons, we would respectfully request that the proposed rule be withdrawn. Thank you as always, for taking our comments into consideration.

Sincerely,

A handwritten signature in cursive script that reads "George Beattie".

George Beattie
NBA President & CEO
george.beattie@nebankers.org

/tjm