



OKLAHOMA BANKERS ASSOCIATION

We make bankers better!

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March 22, 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 Agency 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 commercial banking industry in Oklahoma and the Board of Directors of the Oklahoma Bankers Association, I submit the following comments on the proposal.

It appears the proposal would require 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% of their assets in mortgages on a ***continuing basis***, not just when they join.

In addition, 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 even have their membership terminated. Such changes will make it more difficult for many of our member banks 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 proposed changes will likely discourage banks from joining the FHLB system, thus 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 community banks in Oklahoma and elsewhere, particularly in the wake of attempting to deal with new regulatory requirements coming their way courtesy of the Dodd-Frank act.

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While policymakers should be looking for ways to jump start economic activity by encouraging banks and other financial institutions to increase lending to small businesses, for example, the proposed changes could limit access to the low-cost funding provided by the FHLBanks. Indeed, the proposal is an example of the mixed messages that Washington, DC is sending to the nation's community banks.

Requiring members to meet ongoing, long-term mortgage lending 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 values decline rapidly – like now – 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 proposal 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 existing membership rules. The proposal also fails to cite any benefit it hopes to achieve by changing the rules, and the FHFA's annual report to Congress on the state of the FHLBanks didn't note any problems with the implementation of these rules.

Any changes to the FHLBanks' membership or mission – especially changes that would restrict membership eligibility or narrow the FHLBanks' mission – should come first from Congress. This is particularly true now just when Congress and the Administration are beginning to examine the future of housing finance. When Congress has examined the role of the FHLBanks in the past, the result has been to expand, rather than contract, that role.

For these reasons, and on behalf of our Board of Directors and our membership, we ask that the advanced notice of proposed rulemaking be withdrawn.

Sincerely,

A handwritten signature in blue ink, appearing to read "Alfred M. Pollard".

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