American Family Insurance Group
6000 American Parkway
Madison, Wisconsin 53783-0001
Phone (608) 249-2111, Ext. 30373
Fax: (608) 245-8620
Email: pgunder@amfam.com

Building Location:
C Building/NHQ

AMERICAN FAMILY INSURANCE®

Peter C. Gunder, CFA
Senior Vice President, Chief Investment Officer

March 24, 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:

American Family Mutual Insurance Company is a regional multi-line insurer headquartered in Madison, Wisconsin. We currently do business in 19 states, with 2010 revenues of $6.3 billion, and over 7,500 employees. The following are American Family's comments on the above-captioned advance notice of proposed rulemaking (ANPR), in which the agency has expressed its desire to review current Federal Home Loan Bank (FHLB) membership requirements.

The suggested changes to FHLB membership appear designed to restrict insurance company participation in the FHLB system. We believe that the relationship between the FHLB and its insurer members is a mutually beneficial one which should be continued. Over 200 insurance companies are currently members of the FHLB system, accounting for 8 percent of the Federal Home Loan Bank's capital stock. The legislative intent of the Federal Home Loan Bank Act has been clearly understood since 1932, and we see no compelling reason for such a drastic administrative change at this time.

The proposed rule suggests that insurer members of the FHLB should be subject to a more rigid level of mortgage-related assets. Yet this proposal does not take into account the entirety of the critical role that the property casualty insurance industry already plays in the U.S. housing market. Not only do insurers hold substantial amounts of residential mortgage assets and agency debt supporting the housing markets, they also provide affordable property insurance to support banks' residential mortgage values. American Family and our insurance peers also invest significant capital in Low-Income Housing.

In addition, the investment portfolio of an insurance company is highly regulated by the various state insurance departments, whose job it is to help ensure that companies will remain solvent and be able to pay claims. Therefore, we lack the freedom to reconfigure our investment portfolio to meet new requirements from federal housing finance regulators. The net result will be to drive a significant number of insurers from the FHLB system.

In return for the critical role in Property and Casualty insurers play in these markets, entree to FHLB membership provides them access to liquidity at reasonable costs to help manage their financial and capital needs. As part of the process, the Federal Home Loan Bank benefits from very low cost capital, which it uses for housing, jobs and economic development initiatives.

An insurance company's primary business is not to make residential or commercial loans. As such, it would be difficult for us to meet the more stringent FHLB membership conditions described in the ANPR. Given the quid pro quo between the FHLB, insurance companies, and the community, the FHFA should continue to allow insurance companies to be members of the FHLB system under the current appropriate guidelines.

Our nation's economy, particularly our housing finance system, is still fragile. Many new Dodd-Frank regulations are still being developed, and Congress is planning a comprehensive review of the various Government Sponsored Enterprises (GSEs), including the Federal Home Loan Bank system. By pursuing this ANPR, we believe that the FHFA risks destroying the positive contributions of insurance companies at precisely the time when housing finance activity is in historic need of support from *as many sources* as possible.

The ANPR fails to present any information showing a problem with the current membership rules, nor does it cite the benefits the agency hopes to achieve by changing these rules to impose new restrictions on insurance companies.

Therefore, American Family Insurance opposes the proposed Advance Notice of Proposed Rulemaking (RIN 2590-AA39), and urges the FHFA not to proceed down this path of fundamentally altering the Federal Home Loan Bank system. We appreciate the opportunity to comment on this important matter.

Sincerely,

Peter C. Gunder

Peter C. Gunder, CFA
Senior Vice President,
Chief Investment Officer