

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:

The Federal Housing Finance Agency (FHFA) has requested comments on an advance notice of proposed rulemaking (ANPR) in which the agency has expressed its desire to review current Federal Home Loan Bank (FHLBank) membership requirements. On behalf of the New Jersey Credit Union League and its 146 credit union members I appreciate the opportunity to submit this comment on the ANPR.

The questions posed in the ANPR are concerning. 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% of their assets in mortgages on a continuing basis, rather than only when they join. This would make FHLB membership prohibitive for some credit unions that need an additional liquidity source, and could hinder their flexibility in adjusting to market changes. Also, objective and quantifiable standards could be established for the requirements that each member “makes long-term home mortgage loans” and have 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 credit unions to obtain and maintain access to the liquidity available through FHLBank advances. Stricter requirements will call into question the ability of FHLBank members to borrow under all future economic scenarios. This will destabilize a key premise of the FHLBank System, the reliability of accessing liquidity. The changes will also discourage potential members from joining, ultimately inhibiting the ability of FHLBanks to serve the housing and community development needs of their districts. These suggested changes are likely to prove particularly burdensome to small and medium sized members, at a time when these members are already subject to many other new regulatory requirements.

During a difficult time when policymakers should be looking for ways to jump start economic activity by encouraging banks and other financial institutions to increase their lending to small businesses and other job creating activities, the proposed changes threaten to limit access to the low-cost funding provided by the FHLBanks.

For these reasons, the membership ANPR should be withdrawn. Once again, thank you for the opportunity to submit this comment on the ANPR.

Sincerely,

Nicola L. Foggie

Nicola L. Foggie, CUCE
Director of Compliance
New Jersey Credit Union League