NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

March 28, 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 the nexus between Federal Home Loan Bank (FHLBank) membership requirements and the FHLBanks' housing finance and community development mission as established by Congress. The proposed rulemaking reviews current membership requirements and discusses possible changes to membership eligibility. The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to provide comments on this ANPR.

NAMIC is the largest and most diverse national property/casualty insurance trade association in the United States. Its 1,400 member companies write all lines of property/casualty insurance business and include small, single-state, regional, and national carriers accounting for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. NAMIC has been advocating for a strong and vibrant insurance industry since its inception in 1895.

The FHFA is proposing to alter the eligibility standards for FHLBank membership by tightening the housing finance requirements. Members would be required to "maintain a demonstrable involvement in residential mortgage lending and otherwise comply with the statutory requirements for membership." In order to enforce this, the FHFA would require insurance companies who are members of the FHLBank to hold at least 10 percent of their total assets in residential mortgage loans, a requirement that by statute applies only to insured depository institutions. Based on 2009 data, the Council of Federal Home Loan Banks estimates that this would exclude over 70% of the current property/casualty insurance members of FHLBank. Property/casualty insurance companies' balance sheets are very different than those of insured depository institutions and because of these differences, should not be subjected to this type of measurement.

Insurance companies rely on FHLBank products for managing high-impact liquidity events and reducing risk through asset liability management. Additionally, insurance companies are integral to the FHLBank system, with over 200 FHLBank members. Not allowing certain insurers who currently participate in the system to remain would remove significant liquidity from the FHLBank System, making borrowing for other institutions – for example, those that directly offer residential mortgages – more expensive.

Such a decrease would also go against historical precedent. Insurance companies have been statutorily permitted to be members of the FHLBank system since the Federal Home Loan Bank Act was passed in 1932. Since that time, it has been the tendency of Congress to broaden the field of FHLBank membership and the types of acceptable collateral to qualify for membership. Congress has had several opportunities to revise and clarify the housing finance requirements if it believed that the intent of the program was not being followed, but it has left these provisions untouched.

FHLBank membership for mutual property casualty insurance companies seems especially appropriate and supportive of the mission of the FHLBank since mutual companies:

- are concentrated in personal lines product offerings (most importantly, homeowners insurance products), access to which makes home ownership (mortgages) possible.
- are substantially involved and naturally inclined toward residential and community development due to their local – “main street” – presence, and their preference and reliance on investment bond portfolios/holdings for financial strength.
- benefit more than stock companies from FHLBank membership since equity markets are not available to most mutual insurance companies as a source of capital.

Finally, we see no compelling reason to revise and tighten membership regulations at this time. The ANPR does not cite any specific abuses of membership that would suggest a review of eligibility requirements was in order. It is not clear what the ANPR is designed to accomplish, but it would most likely result in increased economic uncertainty which would impede the economic recovery.

For the above reasons, we respectfully urge the FHFA to withdraw the ANPR. Thank you in advance for your time and consideration.

Sincerely,

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