Credit Union ASSOCIATION New York

March 24, 2011

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Financial Agency – Fourth Floor
1700 G Street, NW
Washington, DC 20552

Re: RIN 2590-AA39

Dear Mr. Pollard:

On behalf of the Credit Union Association of New York I would like to take this opportunity to comment on the Federal Housing Finance Agency's Advanced Notice of Proposed Rulemaking (ANPR) seeking comments on proposals to tighten ongoing membership requirements for Federal Home Loan banks.

There is no need for additional regulation of the type being considered at this time. Credit unions that utilize the New York Home Loan Bank do so to maximize their ability to provide mortgages to the broadest range of members possible. Promulgation of regulations that make mortgage lending more onerous will do little to increase the Home Loan bank system's safety and soundness or further its obligation to assist in providing liquidity in the housing market; to the contrary these proposed regulations could result in making it more difficult to provide mortgages.

Credit Unions and Home Loan banks have similar missions. Both were created by Congress in the depths of the Depression to address a need for financial institutions to make credit available, particularly for individuals s of modest means (See public law 105-1-219 section 2 August 7, 2008 congressional findings). Today, Credit Unions are given specific authority to make mortgage loans pursuant to 12USC 1757(5)(A) and more than 45 credit unions in New York State utilize the services of the Federal Home Loan Bank of New York. I am concerned that many of the proposals you are considering in this ANPR are, at best, unnecessary and, at worst, counterproductive to the core mission that both credit unions and home loan bank systems share -- encouraging the availably of credit for lending purposes.

Since 1989 certain types of financial institutions, including most credit unions, have had to have at least 10% of their assets in mortgage loans to be eligible for home loan bank membership. The ANPR suggests that this requirement should be assessed on an ongoing basis potentially stripping institutions of membership. This suggestion is a solution in search of a problem. Absent evidence that there are financial institutions of significant number gaining bank membership only to forgo making mortgages after being accepted into the home loan system, this proposal is unnecessary. Furthermore, while the vast majority of financial institutions, including credit unions, would be able to comply with whatever assessment would ultimately be developed under such regulations, compliance with this regulation would increase costs at a time when financial institutions already have to deal with a host of additional regulations ranging from increased disclosures for closed end loans to the registration of mortgage loan originators. Given the paucity of evidence that the 10% rule is being abused and the existing regulatory burden, any proposal in this area is unnecessary and counterproductive at this time.

The agency is also considering augmenting its regulations to more stringently define what members must do to demonstrate that they are making long term loans. With respect to credit unions, this requirement would be completely redundant. Specifically 12USC 1757(5)(A) requires that credit unions making mortgage loans provide residential mortgage loans secured by a first lien on a one-to four-family residential mortgage. As a result, existing statute already assures that credit unions making mortgage loans are providing long-term loans.

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Finally, the Agency is considering greater oversight of lending policy by mandating and evaluating more extensive lending policies. Credit Unions specifically and financial institutions generally are already subject to more the adequate lending oversight. Lenders now have to provide more detailed disclosures when making Good Faith Estimates and demonstrate the reasonableness of underwriting policies. In addition, boards of institutions with $1 billion or more in assets have to have policies that demonstrate that executives are incentivized to engage in long term financial growth. While many of these restrictions may have been justified given the Great Recession, now is simply not the time to impose additional regulations on lending requirements, at least before we assess the efficacy of the regulations already in place to address the concerns that this ANPR is considering.

Thank you very much for considering my views.

Sincerely,

William Mellin
President/CEO
Credit Union Association of New York