



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:

On behalf of the Nebraska Credit Union League, our seventy-two credit unions, and their 425,000 credit union members, I am writing to comment on the advance notice of proposed rulemaking (ANPR) in which the agency has expressed its desire to review current Federal Home Loan Bank (FHLBank) membership requirements. Many of Nebraska's credit unions are members of the Federal Home Loan Bank (FHLB) which provides them with liquidity to increase mortgage credit into their respective communities. We believe that the ANPR could lead to credit unions moving away from membership in the FHLB.

The questions posed in the ANPR are concerning. They suggest that the FHFA is considering requiring FHLBank members, including credit unions, to "maintain a demonstrable involvement in residential mortgage lending and otherwise comply with the statutory requirements for membership." Credit unions could be required to hold at least 10% of their assets in mortgages on a continuing basis, rather than only when they join the FHLB. Also, objective and quantifiable standards could require that each credit union "makes long-term home mortgage loans" and has 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 many financial institutions 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 changes will also discourage potential members from joining, 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 members at a time when they are already subject to many new regulatory requirements.

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

Requiring members to meet ongoing mortgage 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 valuations decline, rapidly members could not be assured of maintaining at least 10% of their

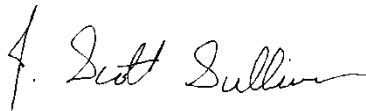
assets in mortgages. As a result, the FHLBanks would be viewed by both existing members and potential members as a far less reliable funding partner.

The ANPR 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 the current membership rules. The ANPR also failed to cite a benefit it hoped 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, particularly at a time when Congress and the Administration are beginning to examine the future of housing finance. When Congress has examined the FHLBanks in the past, the result has been to expand, rather than contract, the role of 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,

A handwritten signature in black ink that reads "J. Scott Sullivan". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. Scott Sullivan
President/CEO