



*Community Bankers
Association of Georgia*

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March 28, 2011

Mr. 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. I appreciate the opportunity to comment on the ANPR on behalf of the Community Bankers Association of Georgia (CBA), which represents the state's community banks.

The proposed regulations would require FHLBank member institutions hold at least 10% of their assets in mortgages on a continuing basis, not just at initial application. Also, the proposal suggests objective and quantifiable standards could be established for the requirements that each member "makes long-term home mortgage loans" and must have a "home financing policy." Noncompliant members could be barred from further access or have their membership terminated.

The percentage of a community bank's mortgage assets may fluctuate based on economic factors beyond the bank's control and totally unrelated to the bank's continuing commitment to housing finance in its community, as Congress intended. FHLBank funding is used by members to provide traditional residential mortgage finance, as well as to support community development and affordable housing activities in their communities. Requiring continuous compliance with membership requirements would add an element of uncertainty to a member community bank's ability to maintain access to FHLBank liquidity and funding products and impose unnecessary additional regulatory burdens on FHLBank membership. This uncertainty of a reliable source of liquidity is particularly disturbing, since this liquidity source would be subject to loss even during periods of financial stress. As a result, the FHLBanks would be viewed by both existing members and potential members as a far less reliable funding partner.

It is counterproductive to implement a continuous review of system membership at a point when the focus should be on encouraging an economic recovery through small business and mortgage lending. It is clearly not an appropriate time to create a potential barrier to the liquidity resources of the Federal Home Loan Bank of Atlanta. Furthermore, 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 and the key value of the System for community banks which is having access to a reliable source of liquidity. In addition, the proposed changes would 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.

The ANPR does not present any compelling reason for imposing new membership rules, nor does it present any information showing there is a problem with the current membership rules, which have served the FHLBanks well for many decades. The ANPR failed to cite benefits it hoped to achieve by changing the membership rules to require continuous compliance. The FHFA's annual report to Congress on the state of the FHLBanks did not note any problems with the implementation of these rules.

Without some compelling rationale supported by definitive data demonstrating a need for a continuous mortgage asset test, we strongly suggest the ANPR be withdrawn. Again, we thank you for the opportunity to express our views on this proposal.

Sincerely,

A handwritten signature in cursive script that reads "Carolyn Brown".

Carolyn Brown
President & Chief Executive Officer

"Promoting The Preservation And Continued Development of Community Banking In Georgia"