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March 28, 2011

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
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 Amerisure Companies (Amerisure Mutual Insurance Company, Amerisure Insurance Company, and Amerisure Partners Insurance Company) appreciate the opportunity to submit comments on this ANPR regarding the membership requirements for members of the Federal Home Loan Banks (FHLBs) and the housing finance mission of the FHLBs.

Member insurance companies such as the Amerisure Companies are an important component of the FHLBanking system because we add value to the system by supporting the FHLBanks' housing finance mission by way of our participation in the mortgage-backed security (MBS) and agency debt markets. Conversely, the FHLBank system is very important to all of its members because it allows us access to liquidity at an exceptionally competitive cost of funds. Members do not place the system at risk due to the system's stringent over-collateralization standards. The relationship that exists between FHLBanks and their members is truly one of the few "win-win" situations that exists in the competitive environment in which we all do business. FHLBanks win because members help them support their housing finance mission, and members win because they are able to utilize the system's liquidity and competitive pricing.

As you know, the Federal Home Loan Banks were established in 1932 to support residential mortgage lending and among other financial institutions, insurance companies were offered the privilege of FHLBank membership. It was clearly neither Congress' desire nor intent to force insurance companies into becoming primary residential mortgage lenders as even then, nearly 80 years ago, Congress was astute enough to recognize many other methods exist by which FHLBank members support residential mortgage lending. Insurance companies have proven over time to play a vital role in supporting the goal of the FHLBank system by ensuring an efficient and well-functioning secondary mortgage market through purchases of MBS. Without insurance company participation the back end of the mortgage market would not be nearly as liquid and efficient as it is today. Higher prices would result from decreased liquidity, and with higher prices less lending would occur as the pool of potential mortgage borrowers who can afford these more expensive mortgages would shrink. In addition to their participation in the MBS market insurance companies have provided a market for the debt issuing needs of Fannie Mae, Freddie

Mac, Ginnie Mae, and the FHLBank system itself. Empirically, the Amerisure Companies have been active participants in these markets for many years.

Similar to many financial institutions insurance companies consider many factors when establishing their investment portfolio asset allocations. Some of these factors include, but are not limited to operational needs and constraints, asset/liability matching, and regulatory requirements. In fact, the State of Michigan devotes an entire section of its insurance code, Chapter 9, to the regulation of insurer investments. By requiring insurance companies to allocate a certain portion of their investment portfolios to mortgage-related assets on an ongoing basis, the FHFA would effectively be exerting regulatory authority over insurance companies' assets. The strong potential exists for such oversight to come into conflict with existing statues already in place to oversee insurance companies' assets. Further, the FHFA's oversight would be duplicative, excessive, unnecessary, and unduly complex for member institutions currently subject to existing state-level statutory regulations concerning their investments. Additional burdensome, costly, and conflicting regulation could serve to force insurance company members out of their FHLBank membership. Such an occurrence would be far from ideal for all concerned parties as members would lose the benefits associated with membership and their respective FHLBanks would lose members who support the system's housing finance mission.

It is frightening that current members such as insurance companies could be forced to allocate a certain percentage of their portfolios to mortgage-related assets in the amount which the FHFA deems necessary. Members are best positioned to determine the optimal mix of assets based on their operations, asset/liability matching, and regulatory requirements among other considerations. Member institutions must be allowed to set their asset allocations according to their ever-changing needs, especially in liquidity-challenged environments. In such environments the ten percent allocation requirement to mortgage-related assets detracts from members' ability to go to cash and/or short-term securities. Further, if members did violate the ten percent requirement their liquidity backstop, that is, their ability to access funding from the FHLBank system would itself be cut off, thus defeating the purpose of being able to access the FHLBank system in the first place. It is both over-reaching and counterproductive for the FHFA to require member institutions to maintain a regulatory-mandated asset allocation on an ongoing basis.

From the perspective of a member insurance company, the ANPR's discussion of establishing objective and quantifiable standards requiring members to "make long-term home mortgage loans" is exceptionally concerning. This language is especially troubling because it seems to be stated in such a way that it could force an insurance company such as ours into a line of business (mortgage lending) in which we have no expertise or desire to operate. Further, this language seems to force insurers into making a choice between becoming mortgage lenders which "make long-term home mortgage loans" or not entering the mortgage lending space and thereby forfeiting FHLBank membership. As demonstrated above, member insurance companies already play a vital role in supporting the FHLBank system's housing finance mission through their involvement in the MBS and agency debt markets; there is no need to force insurers to allocate capital to front-line residential mortgage lending in lieu of purchasing MBS and agency debt.

In review of the ANPR we did not encounter a single compelling reason for the imposition of new membership rules which would require potential or existing membership to "make long-term home mortgage loans". In addition, the ANPR is devoid of any compelling rationale for requiring continuous compliance with allocating portions of members' investment portfolios to mortgage-related assets. Such acts would result in the FHFA imposing restrictions on insurance company membership by forcing current and prospective member insurance companies into choosing between entering the front-line mortgage lending business or not, and dealing with the complexities associated with yet another regulator intervening to oversee invested assets. In fact, far from any compelling evidence in favor of imposing new rules, the ANPR does not even cite any examples of existing problems with the current set of rules.

On behalf of the Amerisure Companies we strongly urge you to consider the adverse impacts that could, and would likely result from restricting insurance company membership by way of imposing the new rules as outlined in the ANPR. Please also consider the fact that Congress established the FHLBank system with the goal of supporting residential mortgage lending, and insurance companies have been a part of that system, in its current form, from the very beginning in 1932. Finally, please consider the fact that insurance companies, by way of the management of their investment portfolios already play a vital role on the residential home lending market; a role that is in complete harmony with Congress' ultimate goal for the FHLBanking system of supporting the residential home lending market.

Should you desire a more detailed discussion of any of the issues raised in this letter please do not hesitate to contact me at (248) 426-7948 or dgraf@amerisure.com. Again, on behalf of the Amerisure Companies, thank you for the opportunity to comment on this ANPR.

Respectfully submitted,

Daniel J. Graf

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