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DAVID A. DIAMOND
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Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency - Fourth Floor
1700 G Street, NW
Washington, DC 20552

RE: Advance Notice of Proposed Rulemaking;
Request for Comments – Members of the Federal Home Loan Banks

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. On behalf of Mutual of Omaha, I respectfully submit the following.

From our perspective, the questions posed in the ANPR are troubling:

- They suggest that the FHFA is considering requiring FHLBank members to “maintain a demonstrable involvement in residential mortgage lending and otherwise comply with the statutory requirements for membership” on a continuing basis.
- They suggest that FHFA is considering reversing Congressional intent as set forth in 12 U.S.C. § 1424(a)(2)(A) of the Bank Act by subjecting insurance companies to the requirement that they hold at least ten percent of their total assets in residential mortgage loans, a requirement that applies only to insured depository institutions.
- If the residential mortgage loan requirement is not applied to insurance companies, the questions suggest that the FHFA is considering establishing a required level of mortgage-related assets that may be deemed to constitute a sufficient commitment to housing finance for FHLBank membership.
- Finally, the questions suggest that objective and quantifiable standards could be established for the requirements that each member “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 suggested changes to FHLBank membership requirements could significantly restrict insurance company membership in and use of the FHLBank System and wipe away decades of established policy and Congressional intent, which has been clear and unequivocal: insurance companies have been statutorily allowed membership in the FHLBanks since the FHLBank Act was enacted in 1932. At no time since then, despite numerous opportunities to review and amend the Bank Act, has Congress decided to do anything but appropriately accommodate insurance company membership, with good reason.

More than 200 insurance companies are members of the FHLBanks. Insurance companies are a significant and valuable part of the FHLBank System, representing ten percent of outstanding combined advances and eight percent of FHLBank capital stock as of September 30, 2010. We rely on FHLBank products for contingent liquidity planning, to manage high-impact liquidity events, and to reduce risk through enhanced asset liability management.

Insurance companies play a significant role in the U.S. housing market and in driving economic development in communities across the country. We hold agency debt and agency mortgage-backed debt on our balance sheets. We also invest in Section 42 Affordable Housing Projects, which are an important resource for creating affordable housing in the United States. The instability these proposed restrictions could infuse into the System seems directly counter to the goals we are all working to achieve.

We don't see evidence of any compelling reason for imposing new membership rules or any information showing that there is a problem with the rules currently. It seems that our pledging of eligible collateral in order to borrow is appropriate for sustaining our membership and good standing with the FHLBank System. This ANPR only opens the door to potentially damaging the important role insurance companies have played in supporting housing finance and community and economic development since the Bank Act was enacted.

Imposing high minimum limits on insurance company membership at the FHLBanks could have significant adverse liquidity impacts not only on insurance companies, but on the other non-insurance company members of the FHLBank system as well. The FHFA should consider waiting for express Congressional guidance, especially at this time when Congress and the Administration are undertaking a top to bottom review of the housing finance system in the United States, including a review of the important role served by the FHLBanks as a provider of liquidity. Also, as the economy is slowly recovering from its worst downturn in recent memory, introducing new insurance company limits could introduce a systemic risk for the FHLBanks by potentially removing sources of liquidity from the marketplace, hindering economic growth and job creation, and removing valuable diversification from housing finance activity. We would contend that the strong solvency positions of the insurance companies helped diversify the FHLBanks during the economic crisis.

We appreciate this proposal being made available for public comment: this is an important issue that needs a great deal of scrutiny. Accordingly, we urge that the FHFA withdraw the ANPR. We appreciate the opportunity to comment and would note that as a member of the American Bankers Association and the American Council of Life Insurers, we also support the comments made by those groups.

Very truly yours,

A handwritten signature in black ink, appearing to read "David A. Diamond". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David A. Diamond
Executive Vice President
Chief Financial Officer & Treasurer

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