



March 28, 2011

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 has requested comments on an ANPR in which the agency has expressed its desire to review current Federal Home Loan Bank membership requirements. On behalf of the Kansas Credit Union Association and Kansas credit unions, I am submitting this comment.

Under the proposal, FHLB member institutions could be required to hold at least 10% of their assets in mortgages on a continuing basis, rather than only when they join. Also, objective and quantifiable standards could require 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.

These changes could, in effect, limit the ability of credit unions to join or continue to use the FHLB services including its function as a liquidity source. A significant number of Kansas credit unions have relied on Kansas Corporate Credit Union for liquidity. However, the corporate system is under duress and many credit unions throughout the country are researching additional and/or alternative sources of liquidity, which includes the FHLB. New regulations require credit unions to seek more than one source. Limiting this accessibility could create negative unintended consequences.

The proposal could create constraints on the ability of credit unions to manage their operations through varying market and economic cycles. Credit unions should not be forced to make decisions they otherwise wouldn't make just to maintain their membership in the FHLB. While we certainly support the idea of providing housing finance, this must be balanced with fiduciary responsibility and regulatory oversight. Just last week the NCUA issued proposed regulations created by their concern over the amount of mortgages being held by credit unions. Your proposal and the NCUA regulations obviously send a mixed message.

For these reasons, we feel the ANPR should be withdrawn or, at the least, delayed until broader issues such as the future of the secondary market options are addressed. Thank you for the opportunity to comment.

Sincerely,

Marla S. Marsh, President/CEO
Kansas Credit Union Association