South Carolina
Bankers Association

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, DC 20552

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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. On behalf of the South Carolina Bankers Association, I appreciate the opportunity to submit these comments on the ANPR.

The questions posed in the ANPR concern us. 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." FHLBank member institutions could be required to hold at least 10 percent of their assets in mortgages on a continuing basis, rather than only when they join.

The Federal Home Loan Banks were established over 70 years ago to support residential mortgage lending. Eligibility for membership in the system has been expanded by statute over the years, however, the premise underlying the ANPR is flawed in that it would, by regulators, not statute, eliminate some institutions from membership in the system and curtail the mission and the activities of other members.

Additionally, the regulatory changes under consideration would make it more difficult for many financial institutions to obtain and maintain access to the liquidity available through FHLBank advances. 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, the reliability of accessing liquidity. The changes will also 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.

As the nation works to generate economic growth, create jobs and recover from the financial crisis and housing downturn, the FHLBanks continue to play a critical role as a source of liquidity and term funding for their member institutions. 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, helping their local economies to recover.

The ANPR contemplates replacing mechanisms now in place for determining membership eligibility and compliance with potentially unreasonable measures which will add regulatory burden and cost for members of the system.

All of this adds instability for the entire system and for these reasons, the membership ANPR should be withdrawn. We thank you for the opportunity to submit these comments on the ANPR.

Sincerely,

Lloyd I. Hendricks

Lloyd I. Hendricks
President & CEO

LIH/lwp