From: Wade Nash <wnash@mobankers.com>
Sent: Monday, March 28, 2011 3:25 PM
To: !FHFA REG-COMMENTS
Cc: Max Cook; Wade Nash
Subject: RIN 2590-AA39

Max Cook
President & CEO
Missouri Bankers Association
207 East Capitol
Jefferson City, Mo 65101

March 28, 2011
Alfred M Pollard, Esq
General Counsel
Federal Housing Finance Agency – Fourth Floor
1700 G Street, N.W.
Washington, D.C. 20552

RE RIN 2590-AA39

Dear Mr. Pollard:
The Missouri Bankers Association (MBA) is a state bank trade association representing about 360 commercial banks and savings and loan associations in Missouri. The MBA appreciates the opportunity to comment on the Notice of Proposed Rulemaking published in the December 27, 2010 *Federal Register*, requesting comments on regulations promulgated to limit membership in the Federal Home Loan Bank System.

The MBA, which represents virtually all the community banks in Missouri, is very fearful that the proposed new restrictions will add yet another regulation that impacts banks by restricting membership in the Federal Home Loan Bank System and thereby restricting the liquidity available for the banks' communities. For this reason the MBA opposes the implementation of this regulation since it will reduce choices for funding in the mortgage market for banks and savings and loan associations in Missouri and nationally.

The public/ private partnership that the Federal Home Loan Bank System and Fannie Mae and Freddie Mac provide, is a terribly important source of funding and liquidity for the mortgage market. With challenges and uncertainty about Fannie Mae and Freddie Mac, the liquidity mortgage lending function for our members who are also members of the Federal Home Loan Bank System may suffer additional harm with the proposed regulation. Without the liquidity provided by the Home Loan Banks, many mortgage loans could not have been made, capital will be stressed to a greater degree than it has over the past three years and earnings will suffer more.

The Federal Housing Finance Agency's (FHFA) proposal would tighten membership requirements by: 1) converting the current requirement that a system member bank or savings and loan association have at least 10% of its portfolio in residential mortgage loans at the time of application for membership into an ongoing mandate; 2) it would require that members have a continuing commitment to make long-term mortgage loans rather than simply demonstrate they make long-term mortgages on their most recent financial statement at the time of application; 3) and require that system members subject to CRA maintain a satisfactory or better CRA rating in order to maintain their membership.

MBA is concerned with and opposed to the FHFA's proposal for an ongoing System membership. Despite much comment to the contrary, the great recession of 2008 may not have run its course and the home mortgage market is still in considerable flux. Regulations that could potentially limit System members liquidity would work against financial recovery. Recent figures suggest home sales that drive the mortgage market have not returned to pre 2008 levels and there is no consistent upward momentum. To the extent the FHFA's proposal would be successful, it would squeeze the liquidity for member banks, and restrict their ability to finance homes. It is hard to be positive about this proposal since many commercial banks want the flexibility to find the best opportunities for loans whether in mortgages, consumer personal property, commercial loans, or a mix of public/private lending. Tying the banks to these new requirements may in the short term or long term or both tie the banks' hands by tying up its portfolio.

For banks to participate in the FHLB System, they must pledge eligible collateral. This requirement means that the bank members will maintain a need to utilize housing finance, so they will have the required collateral in their portfolios to pledge. If member banks don't follow through on their commitment to mortgage lending as required by the FHLB System, they will at some point not have enough collateral to obtain further advances. The past membership requirement have met the demands of the banking system for many years. If the proposed 10% asset test along with tracking such assets were added, the paperwork and even uncertainty as to membership would impact the FHLB System, the member banks access to the liquidity fund, and ultimately the ability to increase mortgage lending.

In summary, the MBA believes this is a bad regulation that will detract from the System, its members and potentially the entire economy. We asked the the FHFA not to push forward with this rulemaking.

The MBA appreciates this opportunity to comment on this letter; should you want to contact the CEO of the Association, feel free to telephone or email Max Cook at 573-636-8151 or cmcook@mobankers.com.

Sincerely,

(signed)

Max Cook