March 28, 2011

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552

Regarding: Members of Federal Home Loan Banks, RIN 2590–AA39

Dear Mr. Pollard:

The Mortgage Bankers Association[1] (MBA) welcomes the opportunity to comment on the Advance Notice of Proposed Rulemaking[2] (ANPR) issued by the Federal Housing Finance Agency (FHFA) to review the statutory requirements governing Federal Home Loan Bank (FHLBank) membership and the regulatory provisions that implement those requirements. MBA is a strong supporter of the FHLBank System as an essential component of the nation's housing finance system. The financial health and the effective function of the FHLBanks are of vital interest to MBA and our members.

MBA endorses the FHFA's commitment to ensuring the entities under their purview conduct themselves in a safe and sound manner consistent with their congressionally mandated mission. However, we question the timing of the ANPR and FHFA's review of its existing FHLBank membership requirements. MBA notes that the comprehensive regulatory reform measures under way as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) are likely to spur a paradigm shift in the distribution channels, availability and affordability of housing finance credit. In particular, regulatory requirements for risk retention may well increase the need for more institutions to access FHLBank advance funding in order to support a greater degree of balance sheet financing. The FHFA should be aware of this potential market dynamic, and its impact on demand for FHLB services. Therefore, MBA believes the FHFA's evaluation of the FHLBanks' mission compliance would be more useful if it were conducted after the financial services industry has a firmer foundation and any Dodd-Frank Act-related market dynamics have been more carefully considered.

MBA also questions the merits of imposing an additional layer of ongoing regulatory burden on FHLBank members to perpetually monitor their compliance with various eligibility requirements. MBA notes that the Obama Administration's recently issued plan for reforming America's

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.
[2] 75 Fed. Reg. 247, 81145 – 81152, (Dec. 27, 2010).

housing finance market includes the administration's goal to attract private capital as the primary source of both mortgage credit and indemnification against losses. MBA is concerned that the goal of the ANPR conflicts with the administration's objectives because the ANPR's stricter requirements would make it more difficult for many financial institutions to obtain and maintain access to the liquidity available through FHLBank advances.

MBA believes a more productive approach to evaluating the mission compliance of the FHLBanks is to identify opportunities where the FHLBanks can do more, not less to provide liquidity for affordable housing finance. For example, today, nearly all segments of the mortgage lending industry, except independent mortgage bankers, are granted access to the FHLBank System. MBA believes that well-capitalized, independent mortgage companies should be granted access to the FHLBanks' advance and mortgage acquisition programs. Such access is consistent with the stated mission of the FHLBanks, which is to support the availability of residential mortgage credit through all economic environments. MBA appreciates the need for the members of the FHLBanks, which are advance counterparties, to be stable, well-capitalized companies, and we believe standards can be developed to achieve that purpose. MBA also requests the FHFA to consider whether the Dodd-Frank Act's enhanced supervisory framework for all financial institutions satisfies the regulatory oversight requirements of the FHLBank Act's eligibility criteria.[3]

MBA appreciates the opportunity to comment and request that you consider our concerns. Any questions about MBA's comments should be directed to Michael Carrier, Associate Vice President, Secondary and Capital Markets at (202) 557-2870 or mcarrier@mortgagebankers.org.

Sincerely,

John A. Courson

John A. Courson
President and Chief Executive Officer
Mortgage Bankers Association

[3] 12 U.S.C. 1424