March 28, 2011

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

Attention: Comments/RIN 2590-AA39

Dear Mr. Pollard:

The Ohio Bankers League ["OBL"] appreciates the opportunity to submit comments on the proposal to revise the membership requirements for the Federal Home Loan Bank System. For the reasons outlined in more detail below, we do not see any problems with the current process for qualifying members. The proposal on the other hand negatively impacts funding for all FHLB members and undermines the stability of the current system, all without creating any real public benefit. The OBL urges the Federal Housing Finance Agency to withdraw the rule.

The Ohio Bankers League is a non-profit trade association that represents the interests of Ohio's commercial banks, savings banks, savings associations and their holding companies. The OBL has over 200 members that include the full spectrum of the financial services industry, from small savings associations that are organized under mutual ownership or locally owned and operated community banks to large multistate holding companies that have several affiliates and do business internationally. Throughout our history we have been the only voice for all FDIC-insured depositories in Ohio. This remains true today. Virtually all of our OBL members are shareholders of the Cincinnati Federal Home Loan Bank and rely on the Cincinnati FHLB as a stable source of funding. As a result, the OBL has a great interest in any FHFA proposal that impacts the qualifications for membership in the Cincinnati Federal Home Loan Bank.

Existing Membership Standards and Regulations are Working Well

At the outset, we have to comment that the Ohio Bankers League is not aware of any shortcomings in the membership structure or any problems that lead us to believe an overhaul is necessary at this time. Nor does the ANPR identify any problems the proposed remedy is needed to solve. In our opinion the current system of presumptive continuing compliance seems to work well, and we would recommend no changes.

This Proposal is Contrary with Consistent Congressional Intent to Broaden Membership and Mission of Federal Home Loan Banks

The Federal Home Loan Bank System was created in 1932 to support residential lending. Since that time, Congress has consistently and without exception expanded opportunities for membership. For example, in 1989 membership was expanded to include commercial banks and in 2008 community development financial institutions were permitted to become FHLB members. At the same time, the mission of the federal home loan banks has been gradually expanded. For example, in 1999 Community Financial Institutions were allowed to pledge small business, agribusiness and agricultural loans as collateral for advances.

In fact, throughout the history of the Federal Home Loan Bank System, we could not identify one time when Congress decided to tighten qualifications for membership or narrow the mission of the federal home loan banks. Yet that is the clear intent and the practical result of the ANPR. The Ohio Bankers League agrees that from time to time fundamental policy questions such as membership and mission need to be considered, but we believe that Congress would be the better forum for these discussions.

If Adopted in its Current Form, the ANPR will Lead to Increased Compliance Burdens at a Time When Many Banks and Thrifts Cannot Afford the Additional Costs

If the membership requirements change so the 10% residential mortgage test must be met continuously, that will increase reporting, monitoring and compliance burdens for participating banks. Those costs will fall most heavily on community banks. Increased costs that do not help banks and thrifts serve the local community will never be well received, but this would be the worst possible time to impose additional costs and burdens. All banks are right now in the midst of implementing all of the changes required by Dodd-Frank and this process will continue for the next several years. The new Dodd-Frank regulations impose significant costs on all banks and adversely impacting revenue, so the FHFA should not impose these additional compliance requirements lightly. If those additional burdens and costs are truly necessary, the FHFA should tie them carefully to some public benefit the ANPR can clearly identify and promote.

The ANPR will lead to Fluctuating FHLB Membership, Undermining the Stability and Mission of the Federal Home Loan Banks

If a continuous mortgage standard is added to membership requirements, it will inevitably lead to members being disqualified from time to time. That undermines the mission of the Federal Home Loan Banks in several respects. First, if current members could be disqualified for occasionally falling below the long term mortgage requirement, banks and thrifts will view the Federal Home Loan Bank as a less reliable funding source. This unreliability will lead banks and thrifts to look less favorably on any FHLB membership. Second, if a stream of members are continually exiting and rejoining the FHLB system, the capitalization of each FHLB will become less stable as banks are required to redeem or repurchase stock. This volatility will adversely affect safety and soundness of Federal Home Loan Banks. Planning and balance sheet management will become more difficult and the cost of capital will likely go up. Finally, other bank and thrift members will be adversely impacted as the FHL Banks become less efficient.

The Ohio Bankers League appreciates the FHFA publishing this proposal as an Advance Notice so it can be given the appropriate scrutiny before any further action is taken. Given the adverse impact of the proposed membership changes, we respectfully request that the Federal Housing Finance Agency withdraw the ANPR, and refrain from taking any further action on this issue.

Sincerely;

Jeffrey D Quayle
Senior Vice President & General Counsel