Community Bank OF TRI-COUNTY

March 31, 2011

VIA E-MAIL TO REGCOMMENTS@FHFA.GOV
Alfred M. Pollard, Esq., General Counsel
Federal Housing Finance Agency, Fourth Floor
1700 G Street, N.W.
Washington, D.C. 20552

Attention: Comments/RIN 2590-AA37

Re: **Advance Notice of Proposed Rulemaking; Request for Comments – Members of the Federal Home Loan Banks**

Dear Mr. Pollard:

As a member of the Federal Home Loan Bank of Atlanta ("FHLBank Atlanta") since 1959, I am writing to provide my comments on the Federal Housing Finance Agency's ("FHFA") advance notice of proposed rulemaking and request for comments on "Members of the Federal Home Loan Banks", published on December 27, 2010 ("ANPR"). The ANPR reviews current statutory and regulatory provisions governing FHLBank membership, discusses possible regulatory changes to the membership requirements, and invites comments on the possible alternatives. I appreciate the FHFA's attention to this topic and welcome the FHFA's invitation to provide comments on all aspects of the ANPR.

Unfortunately, any proposed rule that restricts membership eligibility or narrows the FHLBanks' mission contradicts the historical tendency of Congress, particularly in recent decades, to statutorily broaden the field of FHLBank membership and the types of acceptable collateral for FHLBank funding. When the FHLBanks were first created, FHLBank membership consisted of thrifts and insurance companies. In 1989, Congress expanded membership to include commercial banks and credit unions. The Graham Leach Bliley Act (GBL Act) clearly articulated the need of the FHLBanks to address community economic development as part of their mission. And, in 2008, Congress authorized community development financial institutions to become members of the FHLBanks.

Also in 2008, Congress explicitly recognized the FHLBanks mission of providing liquidity to members without limiting that purpose to housing finance. The FHLBanks' ability to fulfill this statutory mandate was clearly demonstrated during the recent financial crisis, in which the FHLBanks provided liquidity to its members during the early stages of that crisis. We are concerned that imposing additional regulatory restrictions on membership beyond those currently in place may impair the FHLBanks' ability to fulfill this important statutory purpose in the future.

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The FHFA does not identify a benefit in the ANPR that it may hope to achieve by changing the membership rules to require continuous compliance with certain of the initial eligibility requirement, including that an institution have at least 10 percent of its total assets in residential mortgage loans. The FHFA's own initial research shows the vast majority (about 98%) of FHLBank members currently comply with the 10% requirement and another 1% have more than 9% of their assets in mortgages. Further, the FHFA's annual report to Congress on the state of the FHLBanks did not note any problems with the implementation of these rules.

The FHLBanks' housing finance nexus currently is supported by several existing regulatory requirements and limits. Collateral rules create a reinforcing cycle by generally requiring advances to be backed by housing-related assets, which provides incentives for members to use funding to create new mortgage assets that qualify as collateral for future advances. The Residential Housing Finance Asset (RHFA) test supports the FHLBanks' housing finance mission by limiting the amount of long-term advances members are able to take down to the amount of total residential housing long-term assets they currently hold. Finally, the Community Support Statement requires all members to periodically certify that they actively support the first-time home buyer market in order to access long-term advances and CICA funding.

By requiring members to meet ongoing requirements, the FHFA would be introducing an element of uncertainty and instability to FHLBank membership. Members could never be sure of their ability to meet these tests and therefore maintain their access to FHLBank liquidity and funding products, particularly in times of financial stress, such as the recent financial crisis. The FHLBanks would be viewed by both existing members and potential members as a far less reliable funding partner.

As the country works to generate economic growth, create jobs and recover from the financial crisis and housing downturn, the FHLBanks play an important 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 and sustainable residential mortgage finance as well as to support community development and affordable housing activities in their communities, thus helping their local economies recover.

We believe that the FHFA's focus should be on ways to allow the FHLBanks to expand their roles as liquidity providers and thereby support job creation and economic growth. This would include increasing FHLBank membership among eligible institutions and, where appropriate, use of advances among existing members. Tightening membership requirements and narrowing the eligibility for certain classes of institutions would be counterproductive to this effort.

We appreciate your consideration of these comments.

Sincerely,

Michael L. Middleton

Michael L. Middleton
Chief Executive Officer