

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515



July 7, 2011

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, N.W.
4th Floor
Washington, DC 20552

Dear Mr. DeMarco:

The Federal Home Loan Bank (FHLB) System provides a stable funding mechanism for housing, job creation, and economic development. Members in the FHLB System benefit from, among other things, access to reliable low-cost credit products, discounted funding for affordable-housing, economic-development initiatives and attractive stock dividends.

I am writing because the Federal Housing Finance Agency's (FHFA) Advanced Notice of Proposed Rulemaking (ANPR) that was issued on December 27, 2010, RIN 2590-AA39, could substantially limit membership in the FHLB system, affecting existing members and many potential applicants. The ANPR presents several issues that could fundamentally change the way financial institutions do business, including an ongoing requirement that members maintain 10 percent of their total assets in residential mortgage loans. I urge you to be very cautious as you consider moving forward and hope that you will be mindful of the potential unintended consequences that any changes could have on our economy and this important source of funding for so many financial institutions.

Sincerely,

A handwritten signature in black ink, appearing to read "Spencer Bachus". The signature is stylized and written over the word "Sincerely,".

SPENCER BACHUS
Chairman