OHIO CREDIT
UNION LEAGUE

July 9, 2009

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Attention: Comments/RIN 2590-AA18
1700 G Street, NW, Fourth Floor
Washington, DC 20552

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Federal Housing Finance Agency Proposal

Dear Mr. Pollard:

The Ohio Credit Union League (OCUL) appreciates the opportunity to submit comments on the Federal Housing Finance Agency's (FHFA) proposal to amend its membership regulations to authorize qualified non-federally insured Community Development Financial Institutions (CDFIs) to become members of a Federal Home Loan Bank (FHLB). The comments reflected in this letter represent the recommendations of the Ohio Credit Union League, a credit union trade association representing the interests of Ohio's 407 federal and state-chartered credit unions and their 2.6 million members.

Introduction/Background

The FHLB Act was recently amended by Section 1206 of the Housing and Economic Recovery Act of 2008 (HERA), expanding FHLB membership to include non-federally insured CDFIs that are not federally-insured (previously membership was limited to a building and loan association, cooperative bank, homestead association, insurance company, savings bank, or federally-insured credit union). This inclusion is supported fully by the OCUL. Specifically, the FHFA requests comments regarding initial and on-going membership qualification standards as specified in the proposal for non federally-insured financial institutions/credit unions.

The proposed rule applies the same financial condition requirements to CDFI credit unions as are currently applied to state-chartered credit unions insured by the National Credit Union Administration (NCUA). The proposal cites concerns that reports prepared by state-chartered CDFI credit unions are not always substantially similar to reports submitted to the NCUA, and thus additional qualifying standards and documentation must be supplied to the FHLBs to ensure their stable financial condition.

OCUL Comments

The OCUL very much appreciates the expansion of eligible FHLB financial institutions to include CDFI non federally-insured institutions, including credit unions. State-chartered credit unions in Ohio are supervised by the Ohio Department of Financial Institutions (ODFI), responsible for the supervision and examination of Ohio's 113 federally and 64 privately-insured credit unions.

In drafting final regulations, we highly encourage the FHFA to establish the same qualifying criteria for both non federally-insured CDFI credit unions and federally-insured credit unions. This includes establishing performance standards that do not create a needless disparate impact. While we understand that the Federal Home Loan Banks may be less familiar with state examination ratings, any additional/tougher standards are unnecessary, as all Ohio state chartered credit unions are examined to the highest safety and soundness standards by the ODFI, regardless of their federal or private insurance coverage. To evidence this, we encourage the FHFA to consider the following points:

- American Share Insurance (ASI) - Ohio based – currently provides the non federal insurance to all privately-insured credit unions in the U.S. ASI must meet strict supervision standards established by the Ohio Department of Commerce, Division of Financial Institutions, who regulates all state-chartered financial institutions in Ohio. ASI is examined annually by ALL state credit union regulators from the states that permit primary non federal deposit insurance.
- ASI must provide a comprehensive financial report to the ODFI on a quarterly basis, as well as audited consolidated financial statements, independent auditing reports, actuarial reports, and an annual report to each state's regulators.
- The OCUL would fully support the FHFA considering FHLB membership be available to ALL privately-insured credit unions, as the same safety and soundness standards are employed by ASI, regardless whether they are CDFI designated or not.
- Section 1263.11 (b)(3)(iii) cites stricter standards for non-federally insured CDFIs as opposed to federally-insured credit unions, regarding who must meet additional performance trend criteria and who is exempt. The OCUL views this as disparate and unfair treatment for the reasons stated above. CDFIs should also be considered in compliance with the community support regulations by virtue of certification as a CDFI.

Because CDFIs may not all file quarterly earnings reports, the FHFA also requests comment on whether a CDFI applicant should be required to demonstrate the generation of positive income for at least two of the most recent three years, as opposed to four of the six most recent quarters for federally-insured institutions. The OCUL supports this proposed earnings measurement as a reasonable and fair alternative.

Finally, the FHFA specifically requests comments in the proposed rule that require a CDFI applicant's ratio of loan loss reserves to loans and leases of 90 or more days delinquent be at least 30 percent. Because CDFI-originated loans have historically lower delinquency rates, the OCUL supports this proposed lower loan-loss reserve ratio and believes this is an adequate cushion. This adequacy should be monitored (prudent, given the current housing market) and modified later only if deemed necessary and appropriate.

Thank you for your consideration of the Ohio Credit Union League comments. If you have questions, please contact me at 800-486-2917 ext. 232 at dshoup@ohiocul.org.

Sincerely,

David J. Shoup
Vice President, Regulatory Affairs