



Michigan Bankers Association

507 S. Grand Ave.
Lansing, MI 48933
www.mibankers.com

517-485-3600
Fax 517-485-3672

October 9, 2014

Alfred M. Pollard, General Counsel
Attn: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20024

Dear Mr. Pollard:

The Federal Housing Finance Agency has requested comments on its proposed rule regarding the membership requirements of the Federal Home Loan Banks (FHLBanks). On behalf of the members of the Michigan Bankers Association (MBA), we are submitting comment on the proposed rule. In short, the MBA is concerned that the rule unrevised will adversely impact the FHLBanks' ability to advance its congressionally-mandated mission of providing capital to support housing markets.

The proposed rule will fundamentally change the requirements placed on the membership eligibility of the FHLBanks by requiring "each member to comply on an ongoing basis, rather than on a one-time basis" as at present. This requirement will hinder sound balance sheet management and disadvantage seasonal community lenders and mortgage banks that sell production.

Furthermore the MBA believes, respectfully, that the proper authority for determining asset tests is the Congress, not the Federal Housing Finance Agency, or at very least, the member's primary regulator. History shows that asset tests have not been favored by Congress. In a past debate during the Gramm-Leach-Bliley Act of 1999, the 30 percent system-wide advances limit to non-Qualified Thrift Lenders members was eliminated. By this action Congress ensured that all FHLBank members had equal rights to funding and full participation in the system. A robust exchange of ideas in the Congress might provide an updated direction for housing and mortgage in the new micro-prudential era of access to housing.

Additionally, the proposed rule excludes captive insurance companies from the definition of an insurance company for the purposes of FHLBank membership eligibility, with existing captive insurance company members permitted to remain members for five years. It is important to remember that insurance companies have been eligible for FHLBank membership since the system's inception in 1932. Since that time, these requirements only applied at the time of membership application.

It is our belief that captive insurance companies should continue to be eligible for FHLBank membership, having met all current mission, safety and soundness regulations for more than twenty years.

Like all members, captives must meet the legal criteria for membership, including charter location, nexus to housing finance, and a review of creditworthiness. While small in number, captive members are active borrowers that are engaged in mission-oriented activities and they help to diversify the membership composition of the FHLBanks. While only a small percentage of the capital of the FHLBank system, these entities provide a valuable source of investment capital and also provide a market for predictable, safe and sound investment choices provided by the FHLBank. Their activities supplement private capital toward greater investment housing and community development activities. The MBA finds no fault in this activity and find it in concurrence with the FHLBank role and mission.

For the reasons discussed in this letter, we respectfully request that the Federal Housing Finance Agency delay the proposed rule prior to adoption. In the area of membership the MBA requests these concerns should be fully debated and robustly challenged via the Congress in statutory changes to the Federal Home Loan Bank Act.

Very Sincerely Yours,

John T. Llewellyn
Vice President – Government Relations