



October 16, 2014

Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA39  
Federal Housing Finance Agency - Fourth Floor  
1700 G Street, NW  
Washington, D.C. 20552

Re: Notice of Proposed Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

The Federal Housing Finance Agency has requested comments on a notice of proposed rulemaking on Federal Home Loan Bank membership requirements. We appreciate the opportunity to submit this comment on the Proposed Rule.

Our first reaction was to question what problem your Agency is trying to solve. We have a strong and viable financial institution base in New England as well as a strong Federal Home Loan Bank that has been supporting the region extremely successfully for more than 80 years. We are not aware of any credit loss or any safety and soundness issues that the Federal Home Loan Banks have experienced associated with doing business with FHLBank members.

We are concerned that the proposed changes would significantly increase FHLBank membership requirements for existing and prospective members, thereby reducing the availability and negatively affecting the reliability of liquidity on which we depend. Moreover, stricter requirements will call into question our ability to borrow under all future economic scenarios. The proposed changes will not only make certain members ineligible for membership, it would discourage potential members from joining. The net effect would be to inhibit the FHLBanks' ability to serve the liquidity and housing and community development needs of their districts.

For Tricorp Federal Credit Union (Tricorp), this proposed rule would inhibit our ability to fund our member credit union lending activity. Tricorp is a corporate credit union serving credit unions primarily in Maine, New Hampshire and Vermont with a few additional credit unions from Massachusetts and Rhode Island. Tricorp's primary function is to provide overnight funding, net payment settlement and correspondent financial services to its members. Just about all of our funding comes in the form of overnight deposits from our member credit unions that they use to fund their payment activities.

Credit unions in the Northeast are more heavily involved in real estate lending and have been for many years. Maine credit unions have over 50% of their loan portfolio in first mortgage loans and another 12.4% in HELOC and second mortgages as of June 30, 2014. New Hampshire have 34.9% in first mortgages and 9% HELOCs and second mortgages and Vermont credit unions have 52.5% and 14.4% respectively in the same categories. When credit unions need liquidity to fund their real estate lending activity, they use their funds in their Tricorp account first because they are liquid and can be withdrawn as needed. As a result, we do experience a lot of volatility in our balance sheet and by using overnight advances from the FHLB, we are able to fund credit union real estate lending and other payment activity while maintaining a stable balance sheet. This strategy allows us to help credit unions meet their funding needs while also giving Tricorp a stable funding source during times of volatile liquidity.

The most important function that Tricorp performs for its members is to help them fund their payment activity of which real estate lending is an important component. We do so by providing them with a place to park overnight funds and in doing so, credit unions earn a market rate of return and they do not have to tie up their funds in longer maturities that can have volatile pricing if the credit unions need to turn longer term investments into cash. It keeps them nimble in meeting ongoing liquidity needs and provides them with a stable place to maintain overnight funds. In short, Tricorp's use of overnight advances from the FHLB Boston allows it and its member credit unions to properly manage their balance sheets and stay properly positioned for their ongoing liquidity needs.

Many of Tricorp's members are smaller institutions as 47% of them have assets of less than \$50 million. For those credit unions FHLB membership may not be feasible and Tricorp is their primary financial correspondent. We are a very important partner for those credit unions in terms of providing settlement and managing their overnight liquidity. Our FHLB membership plays a very important role in allowing us to help these credit unions through the seasonal ups and downs of their liquidity and they are able to make mortgage loans and not worry that they will not have a liquidity source. In this way, Tricorp and the FHLB Boston are partnering to serve the liquidity needs of our smaller credit unions.

Tricorp has been in operation since 1976 and serves its member credit unions as an effective and efficient correspondent financial institution. Our main mission is to be a liquidity source and resource for our members and the FHLB Boston is a very important part of our mission. Without our access to the FHLB Boston, Tricorp will be hard pressed to find another funding source that is as useful as the FHLB Boston and to our knowledge there is no other option. Traditional bank sources are either unavailable or so cost prohibitive as to make them unusable. Tricorp's ability to meet the funding needs of its members is as good as it is today because we can manage the volatility of funding an overnight balance sheet with FHLB Boston advances which is in the best interest of the FHLB Boston, Tricorp and most importantly Tricorp's members who are providing real estate and mortgage lending to their consumer members.

Here in Maine, Tricorp is just one of more than 440 members of FHLB Boston. As of June 30, 2014, we have collectively borrowed more than \$30 billion in advances and own more than \$3 billion in capital stock. These numbers would certainly shrink with the loss of members that fail to meet the proposed membership requirements. The net effect would result in less economic activity in New England and a corresponding slowdown of FHLB Boston's members' ability to assist in the economic recovery.

The Federal Home Loan Bank Act includes requirements to become a member of an FHLBank. In the past, Congress has taken action to amend the Act in ways that have expanded membership and expanded eligible collateral. Congress has not sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe that it is Congress' purview to do so, not the Federal Housing Finance Agency's.

As proposed by the Agency, ongoing compliance with membership requirements would impose additional regulatory burdens on FHLBank members and add an element of uncertainty to FHLBank membership. We would be required to manage our balance sheet to make certain we have ample assets to meet the proposed membership requirements to ensure access to FHLBank funding products. As a result, if the Proposed Rule were adopted, the FHLBanks would be viewed by existing and potential members as a far less reliable funding partner. The Proposed Rule would also shrink the amount of private capital flowing from the global markets through the FHLBanks and their members to the U.S. mortgage market and the communities we serve. As an example, the Affordable Housing Program, the largest single, private source of funding for low- and moderate-income housing in the country, is funded by 10 percent of each FHLBank's net profits annually. FHLB Boston members have been awarded more than \$422 million in total subsidies and subsidized advances to create or preserve more than 25,000 affordable rental and ownership units in New England. Hundreds of member financial institutions and nonprofit sponsors have participated in expanding and rehabilitating housing stock throughout New England. Moreover, 245 members have been approved to participate in the FHLB Boston's Equity Builder Program and have made over \$25 million in grants to assist eligible first-time homebuyers with down-payment, closing-cost, homebuyer counseling, and rehabilitation assistance. However, the adverse impact the Proposed Rule would have on FHLB Boston's ability to grow and even maintain existing levels of advances, would directly lead to reduced funding of its programs targeted to affordable housing. As a result, FHLB Boston and the other FHLBanks will likely find it difficult to continue the positive trend of increased dollars flowing from the FHLBank system to support affordable housing if the Proposed Rule is adopted.

In the 113th Congress, the Senate Banking Committee and House Financial Services Committee have been engaged in legislative efforts to achieve comprehensive housing finance reform. As part of these efforts, they have had the opportunity to review the role and mission of the FHLBanks. Throughout these deliberations, there has been no consideration of restricting membership in the FHLBanks. To the contrary, discussions have revolved around potentially expanding the role of the FHLBanks and access to them in a reformed housing finance system. In the next Congress, housing finance reform is likely to be given a high priority.

Under these circumstances, the regulator should defer to Congress, as it always has, to determine the FHLBanks' role in a future housing finance model.

Finally, I wish to emphasize how important reliable access to FHLB Boston is to our financial institution. Credit unions in Maine, New Hampshire and Vermont play an important role in the financing of mortgages and Tricorp plays an important role in helping credit unions to properly position their balance sheets. The Proposed Rule would create uncertainty in our region and beyond and impede the slowly improving housing market and its positive effect on a continued economic recovery. If adopted, the Proposed Rule would seriously alter, and even harm, the strong and stable relationship with the FHLBanks that we and other member financial institutions have relied on for decades.

For these reasons, we request that the Proposed Rule be withdrawn. Thank you for the opportunity to submit a comment.

Sincerely,