ASSOCIATION of VERMONT CREDIT UNIONS

October 30, 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:

As President of the Association of Vermont Credit Unions and a member of the Board of Directors of TRICORP Federal Credit Union, I'm writing on behalf of both organizations regarding proposed rulemaking on Federal Home Loan Bank membership requirements. The Association represents federal and state chartered credit unions in Vermont, while TRICORP is a corporate credit union serving 130 credit unions and affiliated entities throughout New England.

Changes to FHLB membership requirements, as proposed, not only affect credit unions who are FHLB members, but has a broader impact across all credit unions as it applies to a corporate credit union like TRICORP. As proposed, the change to FHLB membership requirements could cause TRICORP to lose its membership in The Federal Home Loan Bank of Boston. In turn, such a development would affect all the member credit unions in TRICORP by negatively impacting its ability to meet credit union liquidity needs, especially as it relates to mortgage lending. TRICORP provides a stable overnight funding source for member credit unions that affords them a readily available source of liquidity to fund lending activity. Liquidity in credit unions has seasonal inflows and outflows. For TRICORP the ability to utilize the FHLB allows it to maintain a stable balance sheet through seasonal liquidity fluctuations.

Tricorp's primary function is to provide overnight funding, net payment settlement and correspondent financial services to its member credit unions. Most of its funding stems from overnight deposits by member credit unions, which they in turn use to fund their payment activities.

Credit unions in the Northeast have been heavily involved in real estate lending for many years. Vermont credit unions have 52.5% of their loan portfolios in 1st mortgage loans with another 14.4% in home equity lines of credit. Real estate prevalence is similar in Maine 50% / 12.4%, and New Hampshire at 34.9% / 9%. With credit unions utilizing funds invested in TRICORP to meet such loan demand, TRICORP experiences much volatility in its balance sheet. By utilizing overnight advances from the FHLB it is able to fund credit union real estate lending and other payment activity while maintaining a stable balance sheet. This strategy enables

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TRICORP to aid credit unions in meeting their funding needs while also affording TRICORP a stable funding source during times of volatile liquidity.

The Federal Home Loan Bank Act sets forth requirements for membership in the FHLB. Congress has acted in the past to said requirements to expand membership and eligible collateral. To date Congress has not sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance, and nor should the Agency take it upon itself to do so.

As proposed, ongoing compliance with the 10% residential mortgage loan requirement would impose additional regulatory burdens on natural person and corporate credit unions and eliminate many from membership. Currently, credit unions are subject to the 10% RML requirement only when they initially apply for membership.

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 FHLB. 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. As such, the Agency should continue to defer to Congress to determine the FHLB role in a future housing finance model.

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

Sincerely,

Joseph G. Bergeron
President