



GEORGIA BANKERS ASSOCIATION
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November 5, 2014

Mr. 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 Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

We appreciate the opportunity to comment on the Federal Housing Finance Agency's (FHFA) proposed rule regarding Membership of the Federal Home Loan Banks (FHLBanks). The Georgia Bankers Association is privileged to have virtually every bank in Georgia as a member; therefore, we represent a large number of members of the Federal Home Loan Bank of Atlanta (FHLB of Atlanta), which is 193 members strong in Georgia. While we appreciate your desire to ensure the FHLBanks remain focused on the housing portion of their mission, our membership believes the proposed rule will actually inhibit the FHLBanks' ability to execute their mission and ultimately will reduce liquidity, tighten credit, and restrict the flow of funds for housing and economic development.

Under the current membership structure established by Congress, the Federal Home Loan Banks have proven to be a safe and sound business model that reliably supplies liquidity, through all market cycles, to a broad range of cooperative members for a variety of uses. Even during the nation's recent financial crisis, when disruptions to the capital markets made funding from other sources unavailable, the FHLBanks were a critical source of liquidity for our members. The FHLBank of Atlanta has reliably supported the Southeast region for more than 80 years and we are not aware of any credit loss or safety and soundness issues the FHLBanks have experienced associated with doing business with FHLBank of Atlanta members.

FHLBank of Atlanta members serve the housing needs of their communities in a variety of ways. Some hold assets on their balance sheets that reflect a role in the residential housing market; others originate home mortgages and sell them into the secondary market; others have a greater focus on community and economic development lending; and some play a key role in small business lending. All of these activities help create the economic foundation for housing opportunity. These various roles that the FHLBank of Atlanta members play in local economies strengthen the FHLBank system and should be embraced.

During the past 25 years, Congress has broadened access to FHLBank funding and liquidity by expanding membership eligibility. While Congress has stipulated that most members must meet certain asset-related eligibility requirements to join an FHLBank, Congress has never sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe the proposed rule amends current law rather than establishes safety and soundness regulations to support the statute and FHLBank mission. We also believe that any changes to the statutorily-established FHLBank membership, in particular changes that would narrow the FHLBanks' mission as the proposed rule appears to do, should come from Congress.

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50 Hurt Plaza, Suite 1050 | Atlanta, GA 30303 | Ph 404.522.1501 | Fx 404.522.9848 | www.gabankers.com

Ongoing compliance with membership requirements of the proposed rule would impose additional regulatory burdens on FHLBank of Atlanta members and add uncertainty to FHLBank membership. For strong financial institutions to be able to serve their customers, they must continually adapt and adjust their business and asset-liability strategies. The proposed rule would severely limit their flexibility to manage their balance sheets in response to changing market conditions. Their goal is to serve their customers and communities, and unnecessary compliance costs make this more difficult.

In addition, FHLBank members are currently subject to ongoing requirements that demonstrate a commitment to housing finance. When a member bank borrows an advance, it must provide eligible collateral to secure the advance. Nearly all eligible types of collateral, which are determined by Congress, are related to housing. In addition, current members must certify their active support of housing for first-time homebuyers to the FHFA every two years through the Community Support Statement.

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 they serve. Of particular concern is the effect on the Affordable Housing Program (AHP), the largest single, private source of funding for low- to moderate-income housing in the country. Each FHLBank sets aside 10 percent of net earnings annually into the AHP. From 1990, when AHP funds were first awarded, to 2013, the FHLBanks have awarded nearly \$4.5 billion in AHP funds to build or preserve affordable housing for more than 724,000 households. The adverse impact the proposed rule would have on the FHLBanks' ability to grow or even maintain advance levels would directly lead to reduced funding for affordable housing initiatives.

The FHLBank of Atlanta and the reliable access to liquidity it provides has been important to our mutual membership. Furthermore, FHLBank of Atlanta's reliable funding to all of its members in the district has had a positive effect on the recovery of local housing markets and local economies.

The proposed rule would result in a fundamental change to an FHLBank system that has and continues to work well. It will constrain the FHLBanks' ability to serve their members and the communities these members serve, terminate memberships or increase the costs on current members in good standing, and ultimately reduce the funding and value of the Affordable Housing Program.

For these reasons, we request that the proposed rule be withdrawn and that the FHFA instead engage in discussions with all stakeholders that may be impacted by this wide-ranging proposal. Congress should be asked to consider any proposed changes to membership requirements. Thank you for the opportunity to submit a comment.

Sincerely,



Joe Brannen
President & CEO