November 17, 2014

Alfred M. Pollard, General Counsel

Attention: Comments/RIN 2590–AA39

Federal Housing Finance Agency

400 Seventh Street SW

Washington, D.C. 20024

Re: Notice of Proposed Rulemaking and Request for Comments – Members of FHLBanks (RIN 2590–AA39)

Dear Mr. Pollard:

All 12 members of the Federal Home Loan Bank of Topeka’s (FHLBank Topeka) Affordable Housing Advisory Council (AHAC) appreciate the opportunity to comment on the Federal Housing Finance Agency’s (FHFA) proposed rule regarding membership eligibility in the Federal Home Loan Banks (FHLBanks).

There are several ways in which the proposed rule goes beyond interpreting and implementing the language and intent of the Federal Home Loan Bank Act (the FHLBank Act). First, the legislation runs counter to the Gramm-Leach-Bliley Act and the Housing and Economic Recovery Act, both of which expanded the types of collateral Community Financial Institutions (CFIs) can pledge in support of advances. These classes of collateral, while fully permissible under law, are not housing finance-related. Because FHFA’s proposed rule only counts housing finance-related assets in its calculation of permissible collateral, CFIs that pledge permissible CFI-related collateral could run afoul of the proposed rule. Second, the FHLBank Act has never required ongoing membership requirements, as would be mandated under FHFA’s proposed rule. As you know, the FHLBank Act was drafted to require a quantitative test *only* at the time of membership, and nothing in the legislative history of the FHLBank Act or its subsequent amendments supports an ongoing membership requirement. Finally, the FHLBank Act is clear that “any” insurance company may be eligible for FHLBank membership. By excluding captive insurance companies, which are classified as “insurance companies” under state law, from FHLBank membership, the proposed rule conflicts with the FHLBank Act as Congress drafted it in 1932.

There are also practical implications of FHFA’s proposed rule. Since 2008, in FHLBank Topeka’s region alone, 93 banks, 6 credit unions and 8 insurance companies would have failed FHFA’s proposed test at some point. Those institutions represent $1.54 billion in FHLBank advances. Of particular concern to FHLBank Topeka’s AHAC is the almost certain decrease in annualized FHLBank profitability that would occur under the proposed rule. The proposed rule would have the corresponding effect of decreasing FHLBank Topeka’s contribution to its Affordable Housing Program (AHP). FHFA’s proposed rule could reduce FHLBank Topeka’s annual profitability by as much as $5.1 million. This would lead to a decrease of $510,000 per year to the AHP.

A $510,000 annual hit to AHP would have a direct and quantifiably negative impact on low- and moderate-income households in the states of Colorado, Kansas, Nebraska and Oklahoma. According to our analysis, in our four-state region, $510,000 per year in lost funding for AHP would result in as many as 68 fewer down-payment-assistance grants for moderate-income home buyers. Or considered another way, FHFA’s proposed rule could result in 92 fewer affordable rental units available per year for underserved individuals and households in our region. These statistics represent real people and real families that would be adversely – and inappropriately – impacted by FHFA’s proposed rule.

A smaller membership base would also negatively impact FHLBank Topeka’s Community Development Program (CDP) and Community Housing Program (CHP). CDP provides wholesale loans priced below FHLBank’s regular market rates to help member institutions finance qualifying commercial loans, farm loans and community and economic development initiatives. CHP provides wholesale loans priced below FHLBank’s regular market rates to help member institutions finance qualifying owner-occupied and rental housing in their communities. We estimate that within the past year 17 members utilized $95 million in CHP funding, while 52 members utilized $88 million in CDP funding. If FHLBank Topeka were to lose as many as 107 of its 791 members due to FHFA’s proposed rule, funding for CHP and CDP would likely drop by a corresponding amount. Instead of helping the nation’s economy to further recover, FHFA’s proposed rule would have the unfortunate effect of making the situation worse. The proposed rule would increase the cost of credit to lower income families, small business owners, farmers and entrepreneurs in our region and across the country. The harmful impact of FHFA’s proposed rule on local communities can be avoided with the help of regulations that fully conform to the FHLBank Act as well as the clear intent of Congress.

As AHAC members, we’re proud of the work we do on behalf of deserving individuals and families in our region. We see no legitimate reason for FHFA to limit FHLBank membership, especially in light of the real-world impact it will have on low- to moderate-income individuals and families in FHLBank Topeka’s four states. For these reasons, FHLBank Topeka’s AHAC respectfully requests that FHFA withdraw its proposed rule from consideration. Thank you for considering these comments.

Sincerely,

Bill Major, Chairman Becky Christoffersen, Vice Chair

Andrew Bias Claudia Brierre

Dennis Lauver Jane Harrington

Michael Reis Michael Renken

Joe Rowan Dena Sherrill

Donald Smith Brent Williams