

November 6, 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:

I am writing in my capacity as an independent director of the Federal Home Loan Bank of Topeka (FHLBank Topeka). Thank you for the opportunity to comment on the Federal Housing Finance Agency's (FHFA's) recently issued proposed rule impacting FHLBank membership.

I appreciate FHFA's goal of ensuring that the benefits of FHLBank membership are being used to further the statutory mission of the FHLBank system. However, I oppose the proposed rule because what FHFA is proposing conflicts with the Federal Home Loan Bank Act (FHLBank Act), and it could have a serious negative impact on the individuals, families, businesses and communities that FHLBank Topeka serves.

As it relates to the FHLBank Act, the proposed rule would first contravene Congressional intent by ignoring acts of Congress that have expanded the types of collateral certain members may pledge in support of advances. Second, the proposed rule conflicts with Congressional intent because the FHLBank Act has never required ongoing membership requirements, as would be mandated under FHFA's proposed rule. Third, by requiring the FHLBanks to continually monitor their members for compliance with the proposed rule – and by requiring the FHLBanks to terminate the memberships of institutions found to be out of compliance – FHFA would be putting the FHLBanks back into a quasi-regulatory role; this is a responsibility that Congress eliminated for the FHLBanks through legislation in 1989. Finally, FHFA's proposed rule would impermissibly exclude many insurance companies from FHLBank membership, including captive insurers.

Practically speaking, FHLBank Topeka has concluded that the proposed rule could have an adverse impact on as many as 107 of FHLBank Topeka's 791 member institutions. These financial institutions provide a variety of valuable products and services to a diverse customer base. I find no legitimate public policy or safety-and-soundness reason to deprive these local institutions of their membership in FHLBank Topeka. Lost access to FHLBank liquidity could prevent these banks, thrifts, credit unions and insurance companies from offering affordable credit, reliable investment products and other services to deserving individuals, families and businesses in our region. Additionally, because the proposed rule could result in fewer members of FHLBank Topeka, the proposal could lead to a smaller FHLBank with fewer assets, lower retained earnings, reduced profits, less capital stock, a decreased market value of equity, and fewer dollars available for the Affordable Housing Program (AHP).

One of the obvious possible results of the proposed rule is an FHLBank with fewer advances. A decrease in advances would likely result in decreased profitability. And as you know, profitability drives FHLBank Topeka's contribution to its AHP. FHLBank Topeka estimates that as much as \$510,000 of its annual contribution to AHP could be lost if FHFA's proposed rule were fully implemented. In FHLBank Topeka's district alone, this would translate into 68 fewer down-payment-assistance grants per year for moderate-income home buyers. Considered another way, FHFA's proposed rule could result in 92 fewer affordable rental units available annually for underserved individuals in our region. Programs such as Habitat for Humanity could see 127 fewer units subsidized per year as a direct result of the proposed rule. I do not believe this is the outcome FHFA seeks from its proposed rule. However, these could be the unfortunate results if the proposed rule takes effect.

Access to advances from FHLBank Topeka is critically important to a large number of financial institutions in our region. FHLBank Topeka and the 11 other FHLBanks are operating well within the authorities granted them by Congress. The membership requirements FHFA is contemplating would change long-standing rules that have worked well for decades. Additionally, the proposed rule would ignore the prudent collateral expansions approved by Congress over time. Because there is not a legitimate public policy goal or a safety-and-soundness concern - and because of the profound negative impacts the proposed rule would have on local communities - I respectfully request that FHFA withdraw the proposed rule. Thank you for taking my comments into consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Masinton".

Richard S. Masinton,
Independent Director
FHLBank Topeka