



---

*John W. DuBose, III*  
*Executive Vice President, CFO*

17900 N. Laurel Park Drive  
Livonia, Michigan 48152  
Phone: 734-779-2604  
Fax: 734-805-6284  
[jdubose@aaalife.com](mailto:jdubose@aaalife.com)

November 24, 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 FHLB (RIN 2590-AA39)

Dear Mr. Pollard:

I appreciate the opportunity to submit comments regarding the Notice of Proposed Rulemaking (NPR) on Federal Home Loan Bank (FHLB) membership.

Congress has retained the authority to determine the scope and nature of eligibility for FHLB membership. Since the System's founding in 1932, Congress has reviewed FHLB membership and access on multiple occasions. In every case, Congress has elected to expand membership and/or increase access to FHLB System funding. I believe the NPR violates the clear intent of Congress by restricting FHLB membership and access.

Since the founding of the FHLB System, insurance companies, regardless of type, have been permitted to seek FHLB membership. The NPR arbitrarily redefines the term "insurance company" to mean "a company whose primary business is the underwriting of insurance for nonaffiliated persons or entities." In addition to usurping State authority to determine what qualifies as an "insurance company," the NPR's novel definition sets a dangerous precedent by disenfranchising FHLB members in good standing, some of which have been members for over 20 years. This narrowing of insurance company membership eligibility rules calls into question the FHLB System's reliability and violates the clear intent of Congress.

There are a wide variety of ways to support the FHLBs housing mission. For insurance companies, these may include originating residential housing loans, investing in housing assets, supporting affordable housing initiatives, and underwriting insurance policies for homeowners and contractors. By imposing a new test requiring all members to hold 1% (or more) of assets in first-lien residential mortgage assets on an ongoing basis, the NPR erroneously elevates the holding of mortgage assets above all other methods of supporting the FHLB's mission. Based on the analysis of the FHFA, the FHLBs, and others, this rule would have a disparate impact on insurers and could eliminate nearly

half of current members. This aspect of the NPR clearly is in violation of Congress' historic intent to expand FHLB membership and funding access.

The NPR also requests input regarding benchmarks and metrics for evaluating insurance company financial condition. Since the insurance sector is comprised of a variety of sub-sectors and is very diverse, simple generalizations are difficult to make. In addition, state receivership laws differ, as does FHLB expertise in underwriting the various insurance sectors. For these reasons, underwriting benchmarks and metrics should respect the significant differences across various insurance company business models, as well as state regulations, and FHLB expertise in underwriting and managing insurance credit risk.

The NPR creates a new definition for "principal place of business," that is more complex when applied to insurance company business models, and would create uncertainty and potentially destabilize existing member relationships. By declaring the long-standing precedent that domicile is the default position for determining insurance company membership "insufficient," the NPR would cause each FHLB work with a larger number of insurance domiciles rather than focusing and specializing on those within their footprint. Given that the FHFA has publicly recognized the importance of the FHLB/regulatory interface in prudent insurance lending, the NPR's dispersion of domiciles would introduce increased credit risk to the System.

Finally, since the NPR's proposals would reduce the number of FHLB members it would, by extension, reduce the System's ability to provide liquidity during periods of financial distress. Since the FHLB System demonstrated its ability to stabilize financial markets during the 2007-2009 financial crises, this should be of great concern to policymakers.

While the costs of implementing the NPR are tangible and obvious, the benefits of the proposed rule are not. For these reasons, I urge you to withdraw the proposed rule and begin a dialogue with Congress, where these important policy decisions should be made. Thank you for the opportunity to submit a comment.

Sincerely,

A handwritten signature in blue ink, appearing to read "John W. DuBose, III", with a long horizontal flourish extending to the right.

John W. DuBose, III  
Executive Vice President, CFO