

December 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 proposed rule RIN 2590-AA39 Members of the Federal Home Loan Banks. As a prospective member of an FHLBank, we appreciate your intent to ensure that FHLBanks remain focused on the housing portion of their mission. We believe, however, that the proposed rule will actually inhibit the FHLBanks' ability to pursue their mission and will actually 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 numerous U.S. financial institutions. We appreciate that the Atlanta FHLBank 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 members.

We are concerned that the proposed rule would significantly increase FHLBank membership requirements for us as a prospective member which in turn could reduce the availability and reliability of liquidity, which is important for our future growth and our support of the residential housing market. The proposed rule would terminate membership of certain insurance companies like ours, some of whom have been FHLBank members for more than 20 years, and would discourage potential members like us from joining.

FHLBank 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 may have a greater focus on community and economic development lending; and some may play a key role in small business lending. Companies like ours provide insurance protection for residents and also for a wide array of contactors who build homes. All of these activities help create the economic foundation for housing

opportunity. We believe that the various roles FHLBank members play in local economies strengthen the FHLBank system and should be embraced.

Over 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 establishing 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.

Ongoing compliance with membership requirements of the proposed rule would impose additional regulatory burdens on FHLBank members and add uncertainty to FHLBank membership. To remain a strong financial institution that is able to serve our customers, we continually adapt and adjust our business and asset-liability strategies. The proposed rule would eliminate limit future flexibility we seek to manage our balance sheet in response to changing market conditions. Our goal is to serve our customers and communities, and unnecessary compliance costs make this more difficult. FHLBank members are currently subject to ongoing requirements that demonstrate commitment to housing finance. When a member 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 we serve. Of particular concern should be 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.

Membership in FHLBank Atlanta is important to us and the reliable access to liquidity it provides would certainly be helpful to us in the future. Furthermore, FHLBank 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 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 for 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 a series of public hearings, workshops, and roundtables to solicit a variety of viewpoints from diverse stakeholders that may be impacted by this wide-ranging proposal. Thank you for the opportunity to submit a comment.

Sincerely,

A handwritten signature in black ink that reads "W. Neal Menefee". The signature is written in a cursive style with a large, stylized "W" and "M".

W. Neal Menefee
President & CEO