December 4, 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 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 credit union member of an FHLBank, we appreciate your desire to ensure the FHLBanks remain focused on the housing portion of their mission. While the FHLB is a “bank”, they operate like a credit union; as a member owned cooperative. All of their activities are not designed for profit, but rather to help its owners achieve their financial objectives in serving their consumer base. We believe the desired outcome of RIN 2590-AA39 may be counterproductive. Going forward with this rule will limit the exposure of non-qualifying financial institutions to consumer driven mortgage products; limit what has become a great onboarding tool for many financial institutions as they evolve into mortgage lending operations; lower the bank’s economies achieved by size and scale and increase risk by reducing diversification of the bank’s membership base.

Denying certain financial institutions the ability to be a member of the FHLB based on mortgage portfolio size will limit their exposure to many consumer mortgage friendly products. By design, the FHLB provides attractive incentives and programs that promote housing initiatives, not only for the general public, but also for challenged borrowers and community development. Arguably, they have done this for many years, without the ramifications suffered by other housing agencies that Congress has worked with to promote home ownership. Although our institution will have no problems fulfilling the proposed requirements, many others will have no choice but to terminate their memberships or never join and therefore be denied of exposure to the many beneficial programs that promote home ownership. That would leave them bereft to the FHLB’s First Time Homebuyer Program - an incredible program that provides a 4 to 1 match on a down payment for low income borrowers purchasing their first home; the Energy Efficiency and Weatherization Program that provides up to $12,000 for low income consumers wanting to make their homes more energy efficient; the Accessibility Rehabilitation Program that provides up to $12,000 to assist home owner consumers with disabilities, as well as several programs designed to assist veterans. Trust me, with the extensive paperwork and effort involved, financial institutions do not view the affordable housing programs as money making venues, but rather cooperative efforts between the FHLB and the financial institution to assist people in need. It is worth noting, that for every one million dollars in affordable housing provided, 158 jobs are created. Limiting access to certain financial institutions based on size will limit access to these programs and we will result in less home ownership.

By denying certain financial institutions access to FHLB based on mortgage portfolio size, you will eliminate what has been a pathway and onboarding tool for financial institutions as they develop their loan portfolios. We became a member of the FHLB in February 2003. Since that time, we have made over 100 million dollars in mortgage loans that we would not have otherwise made. Mortgage lending is a learned discipline and it is not something that all financial institutions should just start offering without a calculated and guided decision making process. Like other financial institutions, prior to adding these types of loans to our portfolio, we were originating the loans and selling them on the secondary market, however, we were still originating loans for our members. The FHLB is a great resource for not only mitigating risk, but also helping financial institutions to understand risk. Financial institutions are not in the business to avoid risk, but manage risk. Learning about risk is a process and not something that should be based on the percentage of a portfolio. Cutting off certain institutions access to the FHLB, would limit their access to a resource that will strategically help entry to the mortgage market, while understanding the risk and having the tools to manage the risk.

Limiting access to certain institutions will reduce the FHLB’s economies of scale and reduce their risk diversification. In addition to lines of credit and affordable housing programs, the bank also offers safekeeping, letters of credit and an opportunity to sell loans on the secondary market. As a cooperative, all of these services cost less as more financial institutions share the fixed costs of the program. By limiting access to certain financial institutions, that cost will increase for the remaining financial institutions. Ownership diversity has been an FHLB strength. That diversity has further mitigated risks geographically and across industries during our most recent adverse economic cycle.

In summary, we appreciate your consideration. We have been a long term member of the FHLB Atlanta and feel our mortgage activities have reached their current level because of the resources the bank provides. We are concerned this proposal will limit other financial institutions’ ability to expand and grow into the mortgage market – an opportunity of which we have taken full advantage. We believe the restrictive nature of the proposal will likely decrease the size and capabilities of the FHLB and increase risks and costs for the bank and its remaining owners.

For these reasons, we request the proposed rule be withdrawn. Thank you for the opportunity to submit a comment.

Sincerely,

Palmetto Citizens Federal Credit Union

Michael W. Beam, CFO