



*League of Southeastern  
Credit Unions & Affiliates*

December 9, 2014

Alfred M. Pollard, General Counsel  
Federal Housing Finance Agency  
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. We appreciate the Agency's desire to ensure the FHLBanks remain focused on the housing portion of their mission. By way of background, the League of Southeastern Credit Unions & Affiliates (LSCU) is one of the nation's largest credit union advocacy organizations. LSCU currently represents more than 285 state and federally chartered credit unions, which serve more than 6 million members.

We applaud the efforts of the Federal Housing Finance Agency (FHFA) to improve the environment under which credit unions operate with regard to mortgage lending activities. However, after reviewing the proposal offered by FHFA, it is our belief that the proposed rule is more likely to restrict the FHL Banks' ability to execute their mission than improve their ability to achieve their goals. In addition, we believe the proposal will contribute to a reduction in liquidity, less available credit, and a limit on the availability of funds for housing and badly needed economic development.

The current membership structure, established by Congress, has served the Federal Home Loan Banks well and has provided a safe and sound business model that consistently supplies liquidity, through a variety of market cycles, to a wide range of members who in turn disburse funds for a variety of uses. One need look no further than our nation's most recent economic crisis, for evidence of FHLBank viability. When events created disruptions to the capital markets and funding from other sources were unavailable, the FHLBank was a vital source of liquidity for credit unions and other financial institutions across this country. Our FHLBank has reliably and consistently supported the Southeast region for more than 80 years without issues of credit loss or safety and soundness that have plagued other institutions in other regions over the same time period. In fact, we are not aware of an issue involving credit loss or safety and soundness the FHLBanks have experienced related to doing business with FHLBank members.

Our affiliate members are concerned that the proposed rule would result in a significant increase in FHLBank membership requirements for existing and potential members and place limits on the availability and reliability of liquidity on which credit unions depend. The adoption of the proposed rule is likely to result in increased difficulties for credit unions, large and small, to make credit available to the communities they serve, require termination of memberships of particular insurance companies, some of whom have been FHLBank members for decades, and discourage potential members from joining. These results are counterproductive to our affiliate members and not in keeping with past efforts to improve the health and viability of FHLBanks.

FHLBank members serve the housing needs of their communities in a variety of ways. Some hold assets on their balance sheets that reflect their role in their local residential housing market; other credit unions originate home mortgages to sell into the secondary market; still others may have an increasing focus on community and economic development lending; and still other play a critical role in originating small business loans where access is limited. All of these credit activities individually fill a local need and when combined they serve to create the economic foundation for housing opportunity in cities and small towns across the US. These various roles that FHLBank members play in local economies strengthen the FHLBank system and should be embraced and enhanced.

Since 1989 Congress has expanded access to FHLBank funding and liquidity by expanding its membership eligibility guidelines. In the beginning, Congress stipulated that most members meet specific asset-related eligibility requirements to join an FHLBank however, Congress has never sought to require continuous testing of these requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe the proposed rule seeks to amend current law rather than establish safety and soundness regulations in support of the statute and FHLBank mission. It is also our belief that any changes to the statutorily based FHLBank membership, specifically changes that would narrow the FHLBanks' stated mission as the proposed rule appears aimed at doing, should originate from Congress.

Since the onset of the most recent economic difficulties in 2009, state and federal agencies have generated thousands upon thousands of pages of regulatory changes and revisions. Credit union compliance with membership requirements of the proposed rule would impose even more regulatory burdens on FHLBank members and contribute to credit union uncertainty related to FHLBank membership. To remain strong and viable credit unions that are able to serve our members, we continue to adapt and adjust our business models and adjust our existing asset-liability strategies. The proposed rule in its present form would severely limit our flexibility to manage our balance sheet in response to ever changing market conditions. The goal of our member institutions is to serve the needs of our members and our communities, and unnecessary compliance costs make this more difficult than it needs to be. Unfortunately, in spite of operating in a manner that is responsive to our members needs, we could find ourselves spending an inordinate amount of time managing by regulation in a way that ultimately will weaken the financial condition of many of our affiliate credit unions.



A further review of the proposal indicates that if adopted, the rule would also reduce 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 served by our affiliates. Of particular concern to our members is the impact such a reduction would have on the Affordable Housing Program (AHP), the largest single, private source of funding for low- to moderate-income housing in the country. Currently, each FHLBank sets aside 10% 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. Its local economic impact on the communities served by credit unions in Alabama and Florida is incalculable.

Membership in FHLBank Atlanta and the reliable access to liquidity it provides has been very important to our credit union members. Furthermore, FHLBank Atlanta's consistent and reliable funding to its members in the district has had a positive effect on the ongoing recovery of local housing markets and economies throughout Alabama and Florida. The proposed rule, if adopted, would create a fundamental shift into an FHLBank system that has and continues to serve its members well. It will limit the FHLBanks' ability to serve their members and the communities these members serve, contribute to the termination of memberships or increase the costs on current members in good standing, and ultimately reduce the funding and value of the Affordable Housing Program.

For these reasons, we strongly urge you to consider withdrawing the proposal and instead engage in a series of public hearings, workshops, and industry roundtables aimed at gathering a wide range of opinions from diverse stakeholders, many of which will be directly impacted by the requirements of this proposal. Thank you for the opportunity to submit a comment.

Sincerely,



Scott Morris  
Director of Regulatory Advocacy