TEXAS TECH UNIVERSITY
Rawls College *of* Business™

Area of Finance

RECEIVED
DEC 10 2014
OFFICE OF GENERAL COUNSEL

December 2, 2014

Mr. Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, D.C. 20024

Re: Notice of Proposed Rulemaking and Request for Comments — Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

The Federal Housing Finance Agency has requested comments regarding its notice of proposed rulemaking (NRPM) associated with RIN 2590-AA39, addressing changes in the Federal Home Loan Banks' membership rules. As an interested party in the field of education, specifically finance and economics, I am submitting this comment on the NPRM accordingly.

I am opposed to the proposed rulemaking and see this as not only not needed, but likely to worsen the ability of Federal Home Loan Banks to supply liquidity to our financial system, as needed. We saw during the financial crisis that financial institutions across the United States, both large and small, reached out to the Federal Home Loan Banks to position their financial institutions to meet liquidity needs by their customers and communities. The FHLBanks proved to be the main providers of liquidity early in the financial crisis, as intended by Congress, some 80-years ago. In my view, this proposed rule would likely limit unnecessarily the number of financial institutions that could avail themselves of such liquidity in the future.

Additionally, my objections are further discussed in the following bullet points:

- The proposed membership rules are geared more toward asset manipulation than residential mortgage lending and meeting the needs of consumers and communities. Case in point, a $100 million bank, which funds a $1 million residential loan and keeps it on its books as a portfolio loan, would qualify to be an FHLB member. However, that same $100 million bank that annually processes $50 million in single-family residential mortgages, thus meeting the needs of its community, but which chooses to sell those on the secondary market would not qualify to continue its membership!

Box 42101 | Lubbock, Texas 79409-2101 | T 806.742.3196 | F 806.742.3197

- Additional un-needed regulations, such as these, create compliance difficulties at a time when many smaller banks nationwide struggle to remain in business because of the existing compliance burden, not to mention the many pages of "still to be written" regulations, detailed in the Dodd/Frank bill.
- This is the first proposed rule change regarding membership criteria that is restricting, rather than enhancing, membership opportunities for the FHLBanks and its members. As the economy continues to struggle six years post-meltdown, considering membership restrictions for financial institutions, and thereby depleting liquidity access, could have a severe negative impact on our economy at such a tenuous time.

Please accept this letter as my objection to the NPRM as written, and I hereby request the FHFA to withdraw the proposed rule changes based on the merits stated above. Thank you for your consideration.

Sincerely,

Scott E. Hein

Robert C. Brown Chair in Finance

Rawls College of Business

Texas Tech University

And Co-editor, Journal of Financial Research

Scott.hein@ttu.edu

TEXAS TECH UNIVERSITY