RIVERS
FEDERAL CREDIT UNION

December 15, 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 Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

I appreciate this opportunity to comment on the FHFA's recent Notice of Proposed Rulemaking (NPR) regarding the membership rules of the Federal Home Loan Banks, and I appreciate your consideration of my and the many other comment letters requesting the withdrawal of the NPR.

3Rivers Federal Credit Union was founded in 1935. We are a community-based credit union with over 68,000 members serving northeastern Indiana with 18 locations and over $750M in assets. Since 1998, our membership in the Federal Home Loan Bank of Indianapolis (FHLBI) has been vital to our business strategy. We are an active user of FHLB advances and we have recently been increasing our mortgage sales into the FHLBI's Mortgage Purchase Program (MPP). Our membership in the FHLBI is a critical tool for managing our balance sheet, and therefore a strong and stable bank with a diverse membership base is very important to us. The NPR as it is currently written is detrimental to the FHLB system as whole, and will threaten the earnings growth and capital base of our FHLB.

The 1% and 10% balance sheet tests are not needed. 3Rivers will easily pass these tests currently, but I am not comfortable with a Federal regulator having the ability to "move the goalposts" at any time when it comes to balance sheet composition. It is impossible to predict what our balance sheet will look like in the future. At 3Rivers, we prefer to allocate assets based on market conditions and what's in the best interest of our members—not in order to maintain our FHLB membership. We complied with the "makes" test as written in 1998 when we applied for membership. Is it possible that rules like this one are the reason the NCUA shut the FHLBs out of their liquidity rule in 2012? One has to wonder.

Additionally, the FHLBI's collateral policies are self-reinforcing when it comes to supporting the mortgage market, making ongoing asset tests unnecessary. You can't borrow from an FHLB without pledging mortgage related assets. These collateral policies make it very hard to abuse the system.

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As an MPP participant, we would get no credit under the asset tests for selling mortgages that we originate during the year to the FHLBI—or any other GSE for that matter. We sell on a servicing retained basis, so we continue to support the housing market in our area by servicing the loans we sell. According to the NPR, if we originate a mortgage and sell it prior to year end, that loan doesn't count when it comes to the asset tests. We view originating and servicing mortgages as a critical way to support the housing market in the communities we serve, which is also the core mission of the FHLB.

The proposal to redefine an insurance company for the purposes of FHLB membership is also bad policy. Captive insurance companies are duly organized, capitalized, and regulated in their respective states. Insurance company regulation, to include what actually defines one, is an issue better left to state insurance commissioners. Insurance companies, without restriction, have been eligible for membership in the FHLB system since 1932. Barring captive insurers sets another dangerous precedent, and causes us to wonder what type of institution the FHFA could seek to "define" in the future. It seems possible that a bank or credit union with a loan/deposit or loan/share ratio that the FHFA deems too low could be "redefined." The active participation of insurance companies within the system also provide stability to the system as a whole and strengthens the FHLBanks capacity to serve us, its members.

Ultimately, this NPR will harm to the FHLBanks, their members, their communities, and housing finance. FHLB membership is a congressional issue. Every time Congress has stepped in over the last 82 years, it has been to expand the field of membership. Now a federal regulator is attempting to contract it. This seems to be outside the authority of a federal regulator, and an issue better left to Congress. In addition to losing captive insurers, FHLBI will lose members who fail the new compliance tests or find them too costly. A smaller FHLBI, and for that matter a smaller FHLB system nation-wide, means less profits, smaller dividends, and fewer dollars for the Affordable Housing Programs. Membership eligibility in the FHLBs is a Congressional issue, and we respectfully request that the NPR be withdrawn.

Sincerely,

Don Cates
President and CEO
3Rivers Federal Credit Union