



December 17, 2014

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW 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:

On behalf of the Federal Home Loan Bank of Cincinnati's Affordable Housing Advisory Council (Council), I am writing to express the Council's concerns with the FHFA's proposed rule on FHLBank membership. The proposed rule is both unnecessary and excessively harsh to members of a cooperative system with a long history of providing flexible, reliable funding and technical assistance to the affordable housing community.

The proposed requirement that all members meet one or two mortgage-to-assets ratio tests, on an ongoing basis, fails to recognize the many ways in which FHLBank members support housing finance. Members engage in pledging mission-assets to borrow advances, originating or selling mortgages into the secondary market, and investing in affordable housing and community development through the FHLBanks' congressionally established Affordable Housing Program (AHP) or other targeted community development programs.

The AHP remains one of the most important, enduring sources of funding available to the non-profit housing community. The FHLBank Cincinnati has awarded \$544 million toward creation of more than 70,000 units of affordable housing in Kentucky, Ohio and Tennessee. Additionally, the Cincinnati board of directors has voluntarily contributed over \$25 million from profits in response to community needs including natural disaster home reconstruction, foreclosure mitigation, emergency repair and accessibility rehab for special needs and elderly populations.

We need a variety of participants, not only to boost lending in the FHLBank and thereby increase the 10 percent annual set-aside, as well as profits for voluntary programs, but to open participation to small and large lenders alike, who serve varied, but equally important roles in affordable housing development. Some FHLBank members have established relationships and access to private capital and low-income housing tax credits, while others may have expertise in

specialized social services for residents. FHLBank members bring an important diversity to the complex funding networks of affordable housing development.

If FHLBank members fail to meet the asset ratio test, their membership is terminated. Membership termination is too harsh a penalty for non-compliance especially when collateral requirements are already in place to ensure secured lending and demonstrate a connection to housing finance. Moreover, this penalty does not appear to take into account the strength of the cooperative model, as established by Congress, which has served the FHLBank System -- and the nation -- so well for more than 80 years.

Congress has historically acted to expand FHLBank membership and its members' housing and investment activity. In 1989, under the Financial Institutions Reform, Recovery and Enforcement Act, Congress included commercial banks and credit unions as new members, and established the Affordable Housing Program. In 1999, Congress acted to expand eligible collateral for community financial institutions, and through the Housing and Economic Reform Act of 2008, community development financial institutions were granted permission to join the FHLBanks.

This rule appears to run counter to congressional intent with respect to the FHLBank System's role in housing finance without identifying a safety and soundness concern. The Council urges the FHFA to revise or withdraw the proposed rule to avoid unintended consequence of removing contributors and participants from the FHLBank cooperative, which reaches a wide network of public and private partners.

Sincerely,

A handwritten signature in cursive script that reads "Deborah W. Williams".

Deborah W. Williams
Advisory Council Chair
Executive Director
Housing Assistance aNd Development Services (HANDS), Inc.
Bowling Green, Kentucky