



MISSOURI CREDIT UNION ASSOCIATION

December 16, 2014
(Due January 12, 2015)

The Honorable Melvin L. Watt
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

RE: Don Cohenour – Notice of Proposed Rulemaking, Membership Eligibility in Federal Home Loan Banks (RIN 2590-AA39)

Dear Director Watt:

On behalf of the 1.43 million credit union members, the Missouri Credit Union Association (MCUA) would like to take this opportunity to express our concerns with the Notice of Proposed Rulemaking regarding membership eligibility in Federal Home Loan Banks (FHLBs).

The MCUA opposes this proposal, and we believe that Congress--not the FHFA--should define the terms for membership in the FHLBs.

Membership in the FHLBs is a critical liquidity tool for credit unions. FHLBs are reliable and competitive. Credit unions generally have more limited sources of liquidity when compared to commercial banks. This regulation could hinder growth of the credit union system, as it makes continued access to FHLB advances and mortgage purchase programs contingent on arbitrary regulatory determinations related to mortgage asset tests. The regulation may make the Banks a less-reliable source of liquidity for credit unions.

Federally-insured credit unions are subject to regulations from the National Credit Union Administration. The NCUA's proposed risk based capital rule requires increased capital for increased concentration in specific asset classes, including home mortgages. The FHFA proposal encourages concentration in home mortgages. These two regulations in combination may work to require much higher capital levels in credit unions, perhaps too high for some to remain competitive. Credit unions will need to closely monitor the amount of home mortgage assets on their books, and their ability to manage their balance sheets in response to changing market conditions will likely be decreased. We object to any proposal that works to limit a credit union's freedom to manage its balance sheet.

Further, MCUA believes that credit unions are treated unequally by this proposal in comparison to similarly-sized commercial banks. We ask that credit unions be considered community financial institutions (CFIs) for purposes of maintaining FHLB membership. The proposal

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requires all credit unions to maintain 10 percent of assets in residential mortgage loans to qualify for ongoing membership. Initial FHLB membership requires all credit unions to have at least 10 percent of assets in residential mortgage loans. Aside from the obvious disparity of treatment, we also strenuously oppose imposition of ongoing mortgage asset tests.

MCUA believes that this proposal is fundamentally flawed and unsound. The ultimate impact, if enacted as proposed, will be to reduce home mortgage credit availability in the communities served by Missouri's credit unions.

We appreciate the opportunity to share our concerns with the Federal Housing Finance Agency. We will be happy to respond to any questions regarding these comments.

Sincerely,

A handwritten signature in cursive script that reads "Don Cohenour". The signature is written in black ink and is positioned above the printed name and title.

Don Cohenour
President