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DEC 16 2014
OFFICE OF GENERAL COUNSEL

December 8, 2014

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

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. As a member of an FHLBank, we appreciate your desire to ensure the FHLBanks remain focused on the housing portion of their mission. However, we believe the proposed rule will actually inhibit the FHLBanks' ability to execute their mission and ultimately will reduce liquidity, tighten credit, and restrict the flow of funds for housing and economic development.

Under the current membership structure established by Congress, the Federal Home Loan Banks have proven to be a safe and sound business model that reliably supplies liquidity, through all market cycles, to a broad range of cooperative members for a variety of uses. Even during the nation's recent financial crisis, when disruptions to the capital markets made funding from other sources unavailable, the FHLBanks were a critical source of liquidity for us and other U.S. financial institutions. Our FHLBank has reliably supported the Southeast region for more than 80 years and we are not aware of any credit loss or safety and soundness issues the FHLBanks have experienced associated with doing business with FHLBank members.

We are concerned that the proposed rule would significantly increase FHLBank membership requirements for existing and prospective members and reduce the availability and reliability of liquidity on which we depend. The proposed rule would make it more difficult for community financial institutions of all sizes to deliver important credit to their communities, would terminate membership of certain insurance companies, some of whom have been FHLBank members for more than 20 years, and would discourage potential members from joining.

FHLBank members serve the housing needs of their communities in a variety of ways. Some hold assets on their balance sheets that reflect a role in the residential housing market; others originate home mortgages and sell them into the secondary market; others may have a greater focus on community and economic development lending; and some may play a key role in small business lending. All of these activities help create the economic foundation for housing opportunity. These various roles that FHLBank members play in local economies strengthen the FHLBank system and should be embraced.

Over the past 25 years, Congress has broadened access to FHLBank funding and liquidity by expanding membership eligibility. While Congress has stipulated that most members must meet certain asset-related eligibility requirements to join an FHLBank, Congress has never sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe the proposed rule amends current law rather than establishing safety and soundness regulations to support the statute and FHLBank mission. We also believe that any changes to the statutorily established FHLBank membership, in particular changes that would narrow the FHLBanks' mission as the proposed rule appears to do, should come from Congress first.

Ongoing compliance with membership requirements of the proposed rule would impose additional regulatory burdens on FHLBank members and add uncertainty to FHLBank membership. To remain a strong financial institution that is able to serve our customers, we must continually adapt and adjust our business and asset-liability strategies. The proposed rule would severely limit our flexibility to manage our balance sheet in response to changing market conditions. Our goal is to serve our customers and communities, and unnecessary compliance costs make this more difficult. Instead of operating in a way that is responsive to our customers and community, we could find ourselves managing to regulations in a way that could weaken our financial condition. Furthermore, FHLBank members are currently subject to ongoing requirements that demonstrate commitment to housing finance. When a member borrows an advance, it must provide eligible collateral to secure the advance. Nearly all eligible types of collateral, which are determined by Congress, are related to housing. In addition, current members must certify their active support of housing for first-time homebuyers to the FHFA every two years through the Community Support Statement.

The proposed rule would also shrink 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 we serve. Of particular concern is the effect on the Affordable Housing Program (AHP), the largest single, private source of funding for low- to moderate-income housing in the country. Each FHLBank sets aside 10 percent 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.

Our membership in FHLBank Atlanta and the reliable access to liquidity it provides has been very important to our institution. Furthermore, FHLBank Atlanta's reliable funding to all of its members in the district has had a positive effect on the recovery of local housing markets and economies. The proposed rule would result in a fundamental change to an FHLBank system that has and continues to work well. It will constrain the FHLBanks' ability to serve their members and the communities these members serve, terminate 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 request that the proposed rule be withdrawn and that the FHFA instead engage in a series of public hearings, workshops, and roundtables to solicit a variety of viewpoints from diverse stakeholders that may be impacted by this wide-ranging proposal. Thank you for the opportunity to submit a comment.

Sincerely,

Jimmy Collins
Chief Executive Officer