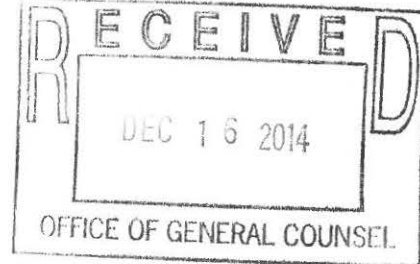




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December 8, 2014



Mr. 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 credit union member of an FHL Bank, we appreciate your desire to ensure the FHL Banks remain focused on the housing portion of their mission. However, we believe the proposed rule does not appropriately recognize the many actions of Congress that have expanded the FHL Banks’ membership and mission, as well as access to FHL Bank liquidity. As drafted, the proposed rule will actually inhibit the FHL Banks’ ability to execute their mission. Furthermore, by imposing ongoing asset-based tests on our institution to maintain FHL Bank membership, the proposed rule will limit our ability to serve the credit needs of our members and community.

We are concerned that the proposed rule would significantly increase FHL Bank 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 credit unions of all sizes to deliver important credit to their communities and would discourage potential members from joining.

FHL Bank 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 FHL Bank members play in local economies strengthen the FHL Bank system and should be embraced.

Ongoing compliance with membership requirements of the proposed rule would impose additional regulatory burdens on FHL Bank members and add uncertainty to FHL Bank membership. We believe the proposed rule will place a particularly onerous burden on smaller credit unions. As currently proposed, the rule requires credit unions of all sizes to maintain 10 percent of assets in residential

mortgage loans on an ongoing basis. In contrast, banks that qualify for community financial institution (CFI) status are exempt from this requirement. The cap on asset size for CFI status has increased significantly over the last 10 years, from \$587 million to \$1.108 billion in 2014.

While we are requesting withdrawal of the proposed rule, if the FHFA determines to move forward with the proposed rule, we request at a minimum that the asset-based exemption to the 10 percent residential mortgage test for CFIs also be applied to credit unions. Smaller credit unions and CFIs deliver similar financial services to their communities and use FHL Bank advances in similar manners.

To remain a strong credit union that is able to serve our members, we must be able to manage our balance sheets and liquidity to respond to changing market conditions and demand from our members. Our goal is to serve our members and communities, and unnecessary compliance costs make this more difficult. Instead of operating in a way that is responsive to our members and community, we could find ourselves managing to regulations in a way that could weaken our financial condition. FHL Bank 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 Financial Institutions Reform, Recovery and Enforcement Act of 1989 expanded FHL Bank membership to credit unions and commercial banks. Over the last 25 years, Congress has enacted other legislation to broaden access to FHL Bank funding and liquidity. While Congress has stipulated that most members must meet certain asset-related eligibility requirements to join an FHL Bank, 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 FHL Bank mission. We also believe that any changes to the statutorily established FHL Bank membership, in particular changes that would narrow the FHL Banks' mission as the proposed rule appears to do, should come from Congress first.

Under the membership structure established by Congress, the FHL 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. Our membership in FHL Bank Atlanta and the reliable access to liquidity it provides has helped us better serve our members and our community. FHL Bank liquidity has also supported the recovery of local housing markets and economies throughout the Southeast.

The proposed rule would fundamentally change a vital part of the U.S. housing finance system that has and continues to perform well. It will restrict credit unions' ability to serve their members, result in the termination of membership for some credit unions in good standing, and ultimately reduce housing and economic development credit available to families, small businesses, and communities.

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,

A handwritten signature in black ink, appearing to read "Paul Phillips". The signature is fluid and cursive, with a large initial "P" and "H".

Paul Phillips  
President/CEO