[](http://employees.cuone.org/)

December 18, 2014

Alfred M. Pollard, General Counsel

Attention: Comments/RIN2590-AA39

Federal Housing Finance Agency

400 Seventh Street SW

Eighth Floor

Washington, DC 20024

**RE: Comments on Proposed Amendments Regarding Members of Federal Home Loan Banks , RIN No. 2590-AA39**

Dear Mr. Pollard,

Thank you for the opportunity to comment on proposed amendments regarding Members of Home Loan Banks. I am writing to you today on behalf of Credit Union ONE to express our concern and opposition to the proposed requirements to hold 10% of assets in home mortgage loans on an ongoing basis for members of a Federal Home Loan Bank and the rule to maintain 1% of their assets in home mortgage loans. Credit Union ONE is a Michigan State Chartered Credit Union with 18 branches, over 116,000 members, and $893 million in assets.

As you are aware Federal Home Loan banks were created by Congress to be a strong and reliable source of funds for local lenders to finance housing, jobs, and economic growth. As such, many credit unions, including Credit Union ONE, are current members of a Federal Home Loan Bank. Credit Union ONE is currently a member of the Federal Home Loan Bank of Indianapolis. Membership allows us to take advantage of the many services the home loan bank offers, one of which is access to liquidity.

Specific and Fixed percentage requirements to maintain membership in a Federal Home Loan Bank was never included in any congressional action when creating the banks. If congress had intended percentages to exist they would have included them. It can be implied that Congress did not include specific requirements because they understood the intent of the banks and that lenders must have flexibility in order to balance manage in a safe and sound manner. Congress would have acted had they intended this to be the case.

As a community focused credit union, we provide our members with a diverse range of lending products and services. Our product lineup includes: purchase and refinance first mortgages, home equity and home equity line of credit loans, an innovative Debt Buster mortgage, new and used direct and indirect auto and recreational vehicle loans, as well as secured and unsecured personal loans. We are also part owner of Member First Mortgage, a Credit Union Service Organization (CUSO) that provides additional products and services to meet the needs of our members.

Currently, Credit Union ONE has outstanding secured loans with our Federal Home Loan Bank. In fact, since 2002, the credit union has borrowed from the bank on 10 different occasions. The loans included both short and long term loans needed to address liquidity and interest rate risk. Having access to these funds allows the credit union to effectively and properly manage its short and long term liquidity needs and to responsibly manage interest rate risk associated with long term loans, especially mortgage loans, which is an expectation of our regulators.

While the credit union would satisfy both the 10% and 1% requirements, implementing such a requirement would impact our strategic direction and threaten the safety and soundness of the credit union. Any increase in assets or decrease in mortgage loans will have an adverse impact on our percentages. Additionally, the asset requirements would harm our ability to manage interest rate and asset liability management in a sound and responsible way.

From a strategic point of view, mergers have the ability to significantly lower our percentage. Since 2005, we have participated in 4 mergers with the most recent one taking place in October of this year. The assets of potential merged credit unions have the ability to cause a significant decrease in the required percentages. As merger activity increases, this will only become more of an issue as assets will continue to spike.

Additionally, from an interest rate risk, ALM, and strategic direction viewpoint, the requirements would impact decisions we make to sell loans. Loans, both consumer, and real estate, can be sold for a variety of reasons including, to manage interest rate risk, increase revenue and decrease expenses, and to create much needed liquidity. When real estate loans are sold, our percentage will drop. This will force us to hold onto loans that go contrary to our risk appetite. Effectively, we will be managing to stay above arbitrary numbers, rather than managing in a safe, sound, and responsible way as required by our regulators. In fact, the NCUA issued a final rule in January of 2012 addressing interest rate risk as well as a letter to federally insured credit unions (12-CU-05) in May of 2012 further addressing this issue and their expectations. Having access to the Federal Home Loan Bank is imperative to meeting these expectations.

Since the FHFA is proposing changes to membership requirements in the Federal Home Loan Bank, you should look to allow Credit Union Service Organizations (CUSOs) to be eligible for membership. CUSOs play an important role in the credit union industry, especially for those institutions and members that depend on them to provide products and services. Mortgage CUSOs fulfill that role for many institutions, big and small, owners of the CUSO and non-owners of the CUSO. Making membership available to these entities so they can benefit from the products and services provided by the bank will only enhance the mission of the Bank- to provide finance for housing, jobs, and economic growth. If a CUSO is wholly owned by credit unions that are members of the FHLB the CUSO should be eligible for membership as well.

Finally, while the credit union does not agree with the proposed requirements it is still important to address what we believe must be included in the 1 and 10 percent if a rule is adopted. First, the 1% test must include other mortgage-backed investments. We have had up to 10 million of these on our books. The 10% test should include sold mortgages. Over the years we have sold over $500 million dollars in first mortgages. Counting these loans is crucial, especially from a liquidity and interest rate risk view.

For these reasons Credit Union ONE opposes the proposed rule requiring 10% of assets in home mortgage loans on an ongoing basis for members of a Federal Home Loan Bank and the rule to maintain 1% of their assets in home mortgage loans. As stated previously, the banks were created to provide a strong and reliable source of funds. By implementing a minimum requirement the agency makes void the purpose of the banks while reaching beyond the scope intended by Congress. Community financial institutions like Credit Union ONE strongly believe in enhancing the lives of their members. This is accomplished by meeting their financial needs throughout their lifetime. This can be done though sound, responsible, and safe management, not a required percentage. The ability to continue offering and developing valuable products and services to members and ensuring safety, soundness, growth, and stability hinges on access to the Federal Home Loan Bank as intended by Congress.

Sincerely,



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Credit Union ONE

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