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 FHLBs (RIN 2590–AA39)

December 23, 2014

Dear Mr. Pollard:

The Nebraska Credit Union League (League) is the non-profit trade association that represents the interests of Nebraska credit unions and their members. On behalf of the League, I appreciate the opportunity to submit a comment letter regarding the Federal Housing Finance Agency's (FHFA) proposed rulemaking on the Federal Home Loan Bank (FHLB) membership requirements. The FHLB is a critical source of liquidity for credit unions within the state with 17 Nebraska credit unions that are currently members of the FHLB Topeka. The League believes this proposal is not needed given the current structure and strength of the FHLB system and that the proposal will place an undue burden on credit unions and the Nebraska communities they serve. The League requests that the provisions of the proposal that require credit unions to continually monitor and maintain 10 percent of their assets in residential mortgage loans be removed from any final regulations.

The existing structure of the FHLB system is sufficient to ensure its mission is sustainable. Changing the regulatory restrictions surrounding membership is inconsistent with Congress' intent to ensure an opportunity for small, medium and large financial institutions to access the secondary market. It is also inconsistent with measures other federal agencies are taking to regulate the credit union industry. Currently, credit unions are facing increased scrutiny concerning their interest rate risk and concentration levels in specific areas such as lending. Enacting this proposal makes it significantly more challenging for credit unions to comply with other regulations and guidance. The FHLB system is designed to provide financial institutions with meaningful access to a liquidity source. The proposal is not necessary given the current safeguards in place and the strength of the FHLB Topeka as well as the other regulations credit unions must follow. It will also limit the number of credit unions that can utilize FHLB services and reduce the benefits they derive from the FHLB system.

This proposal places an undue burden on credit unions in order to maintain membership with the FHLB system. Credit union management teams need the flexibility to react to changing market conditions and design a system that reflects the specific needs of their community. Requiring credit unions to consistently maintain a high concentration of residential mortgage loans, a requirement that banks under $1.108 billion do not have to follow, will unfairly hamper a credit unions service to its members. Given the concentration risks and management restrictions to respond to market trends, this proposal may reduce the number of credit unions that are able to retain or apply for membership with the FHLB Topeka. Reducing Nebraska credit unions access to liquidity will jeopardize a credit union's ability to properly serve its members and limit the available credit to communities in Nebraska, especially in the rural and low-income areas that need it most.

The League urges the FHFA to reconsider this proposal. An increased regulatory burden to monitor and maintain high concentration levels of residential mortgage loans will harm communities in Nebraska. In times of economic recovery access to liquidity is vital to best serve consumers in the state. Nebraska credit unions have had a strong relationship with the FHLB system and hope that is able to continue in the future.

Sincerely,

J. Scott Sullivan

J. Scott Sullivan
President/CEO
Nebraska Credit Union League