



## THE DELAWARE BANKERS ASSOCIATION

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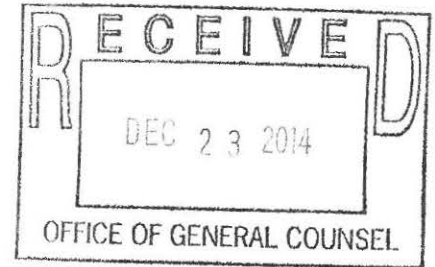
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December 16, 2014

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



### Re: Notice of Proposed Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

On behalf of the Delaware Bankers Association, I appreciate the opportunity to comment on the proposed rulemaking. Under the proposed regulation, for the first time, members would be subject to new ongoing mortgage asset tests to retain membership. There has never been a mortgage asset test for continued Federal Home Loan Bank (FHLBank) membership.

The Federal Housing Finance Agency's (Finance Agency) proposed regulation would impose severe changes in the terms of FHLBank membership by instituting two new ongoing membership asset tests. The proposed rule would also establish expulsion from membership as a consequence of failing to meet two new ongoing membership tests. These changes would apply to both prospective members and, more concerning, to institutions that have been members for years if not decades. Such sweeping changes to the terms of FHLBank membership would weaken the FHLBank system and should only be made by Congress through the adoption of legislation.

This regulation could have the unintended consequence of putting FHLBank members in a position of having conflicting regulatory directives from their own prudential regulator and the Finance Agency. This regulation also puts the FHLBank owned by Delaware bankers in a de facto regulatory role since monitoring compliance and enforcing sanctions with respect to this new regulation imposed on Delaware bankers would fall to the FHLBank.

Alfred M. Pollard, Esq., General Counsel  
Attention: Comments/RIN 2590-AA39  
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While there has never been an ongoing asset test for FHLBank membership, powerful and ongoing housing asset tests exist already. Existing statute and regulations governing FHLBank lending ensure that FHLBank members will have mortgage assets if they hope to borrow from their FHLBank. Additionally, under current rules, the total amount of advances having a maturity greater than five years cannot exceed the amount of residential housing assets on my institution's balance sheet.

Finally, the matter of expelling all captive insurance companies seems an overly broad approach that will diminish the FHLBank system by eliminating members that support housing finance and diversify the membership, which benefits all existing FHLBank members.

To sum up, the proposed regulation will create new operating challenges for FHLBanks, harm members and the communities they serve, and weaken a System that has worked well for more than 80 years. I therefore respectfully request that the FHFA withdraw the September 12, 2014 Notice of Proposed Rulemaking.

Sincerely,



David G. Bakerian  
President & CEO