Building the "American Dream"
Builders Association
Of Metropolitan Pittsburgh
Celebrating 75 years

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

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

Mr. Pollard:

On behalf of the Builders Association of Metropolitan Pittsburgh, BAMP, I am writing to express the strong concern of our 600 member companies that this proposal will hurt home builders and their customers just as we begin to emerge from a major housing recession. Small banks are the community lenders to our home builders who rely on them to make many of the acquisition, development and construction loans so critical to our industry. In order to make these loans, these banks must be assured of access to funding, whether through deposits or loans from the FHLBank.

The importance of this issue is stated very well by our national organization, the National Association of Home Builders in outlining one of its key priorities. "Commercial banks and savings and loan institutions have traditionally provided the lion's share of housing production credit for the residential construction industry, which is known as acquisition, development and construction (AD&C) funding. But even as housing markets heat up across the country, financial and regulatory constraints are preventing these lenders from providing the amount of credit that would be typical given current economic conditions. This lack of credit is harming the housing recovery and preventing construction of new homes in markets that need and want them. A full-fledged housing and economic recovery will not take hold until we resolve this ongoing credit crunch. Restoring the flow of credit to home builders will not only help to put America back to work, it will provide badly needed tax revenues that local governments need to fund schools, police and firefighters; and strengthen the economic health of countless communities across the land."

Home construction and rehabilitation is critical to thriving local economies. The proposed regulation will create uncertainty for small banks about their continuing ability to remain FHLBank members and rely on funding from their FHLBank. FHLBank funding supports their AD&C loans and mortgage loans. If small banks are not able to count on the availability of FHLBank funding to support their AD&C and other loans in all business cycles, then, they are likely to reduce their lending to homebuilders. This, in turn will make it harder for our communities to have access to sufficient credit to grow and will impede home construction that is still fragile and only beginning to rebound. Fundamentally changing the FHLBank system that already works for small banks has the potential to hurt home building.

Since its founding in 1938, the members of the association have relied heavily on local banks for a source of capital to finance residential construction and development. As local community institutions, this lending source is truly a reinvestment in their communities. The ability for these institutions to participate as members of the FHLBank and to receive funding support is critical to their ability to lend to our members who are working to sustain the American Dream of homeownership. The failure of these local banks to gain access to FHLBank support will simply be one more nail in the coffin for small lending institutions and small custom builders who are finding it growingly difficult to compete with the larger financial institutions and publicly traded home building corporations as they capture a larger share of the residential construction market. The most recent regulatory changes in reaction to the latest housing crisis has cleared the path for the complete takeover of large lending institutions and building corporations to capture an overriding share of the home building and residential development market as these regulations have made it virtually impossible for smaller builders to compete under the new regulations and gain access to lending. The proposed rulemaking will only exasperate the current regulatory trend in support of large corporate institutions over small business home builders and community lending institutions, which has been the mainstay of the housing industry in the previous decades and the ingredients for the true positive impact that housing has generated in our economy.

The Builder Association of Metropolitan Pittsburgh is very familiar with the critical role in promoting housing finance fulfilled by the FHLBank Pittsburgh. As such, I strongly urge FHFA to withdraw RIN 2590-AA39. Please reconsider the negative effect this type of proposal could have on the housing industry and the communities served by existing and prospective FHLBank members.

Sincerely,

James M. Eichenlaub
Executive Director