Housing Assistance Council
HAC
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December 18, 2014

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

Dear Mr. Pollard:

The Housing Assistance Council (HAC) appreciates this opportunity to comment on the Federal Housing Finance Agency's Notice of Proposed Rulemaking (NPRM) with respect to Members of Federal Home Loan Banks, RIN 2590-AA39.

The Housing Assistance Council is a Community Development Financial Institution (CDFI) that has been helping local organizations build affordable homes in rural America since 1971. HAC emphasizes local solutions, empowerment of the poor, reduced dependence, and self-help housing strategies. HAC assists in the development of both single- and multifamily homes and promotes affordable housing efforts for low-income rural families, and has over 40 years of service to public, nonprofit, and private organizations throughout the rural United States.

HAC does not support the regulatory changes that are proposed for depository institutions and CDFIs. Because it lacks expertise regarding the operations of insurance and captive insurance companies, HAC expresses no opinion on the changes suggested for those entities.

Our opposition to the NPRM involves several factors:

1. **It is not clear why the changes have been proposed or are needed.**

In fact, in at least three places the NPRM indicates that there are few problems of the type the revisions seem intended to address.

First, the NPRM (page 54859) states that the vast majority of current members are in compliance with the proposed requirement to hold at least 1 percent of total assets in long-term home mortgage loans: among 2013 Federal Home Loan Bank members, fewer than 1 percent of commercial banks and savings associations and fewer than 2 percent of credit unions would have failed to meet that standard. If the entities that would not meet the test are large lenders that account for significant mortgage lending activity, further regulation may be appropriate, but the NPRM does not indicate that is the case.

Second, the NPRM (p. 54862) states that "most, if not all, of the Banks already have systems and procedures in place to obtain regular periodic certifications from members as to the amounts of their residential housing finance assets for purposes of complying with the 'proxy test' for obtaining long-term advances," which requires that the total long-term advances held by a member not exceed the total book value of residential housing finance assets held by that member. If one or more Banks are not able to apply the proxy test when members request advances, there might be a reason to test members' assets periodically, but the NPRM does not indicate that is the case.

Finally, the NPRM (p. 54853) asserts that "in recent years, there have been instances in which institutions having only minimal home mortgage loan assets and no plans to originate or purchase any significant amounts of such assets have been permitted to become Bank members," and immediately acknowledges that "FHFA has found no evidence that this problem is widespread." It does not explain how these institutions have damaged the Banks' abilities to meet their mission, whether a less burdensome solution is possible, or whether the "proxy test" was sufficient to limit their access to the benefits of Bank membership.

2. **We are very concerned that the changes will limit or halt the participation of Community Development Financial Institutions in the FHLB system.**

A growing number of CDFIs are joining the system or considering joining. Yet very few CDFIs hold home loan mortgages as part of their assets. CDFIs participate in affordable housing finance and development in many other important ways.

3. **Compliance with the changes proposed for depository institutions and CDFIs would impose burdens on the Federal Home Loan Banks and their members.**

In exchange for the uncertain benefits derived, the proposed regulation would introduce new uncertainty into FHLB membership. The regulation potentially may result in less stability at a time when the housing finance system needs more.

Thank you for this opportunity, and please feel free to contact me if there are any questions.

Sincerely,

Moises Loza
Executive Director