



Uniting Service and Technology

1460 Broad Street, Bloomfield, NJ 07003

January 5, 2015

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20552

Re: Notice of Proposed Rulemaking and Requests for Comments-Member of Federal Home Loan Bank (RIN 2590-AA39)

Dear Mr. Pollard:

We appreciate the opportunity to submit a comment on the Federal Housing Finance Agency's proposed rulemaking on the Federal Home Loan Bank membership requirements. This proposed rule as written includes significant and unnecessary changes to long-standing membership rules that are inconsistent with Congressional intent to provide a strong and reliable source of funds for local lenders to finance housing, jobs and economic growth.

XCEL Federal Credit Union is approximately 165 million in assets and provides financial services to approximately 18,000 members. We have been a member of the FHLB of New York since 2011 and are one of 340 members. We rely on the FHLB system as a source of funding for mortgages and as a source of ongoing liquidity. Collectively the members of the FHLB of New York have borrowed approximately 98 billion in advances as of September 30, 2014. This demonstrates how the FHLBs are a critical source of liquidity for all its members.

While our credit union would meet the requirements of the proposed rule today, staying in compliance with it by maintaining 10% of residential mortgage loans may be a high standard for us and adds an element of uncertainty. The proposed rule does not consider the fact that our regulator, the NCUA expresses concern with the credit union maintaining long term fixed rate mortgages on our balance sheet and prefers that we sell them into the secondary market. With that being said, we may not meet the requirements stipulated in the near future. Not to mention, that the credit union should be managing our balance sheet in the best interest of our members, not to ensure we have ample assets to meet the proposed membership requirements.

The FHLB of New York has been a key liquidity source for the credit union for years. Establishing a credit line and borrowing capacity through the FHLB of New York provides for the safe and sound management of our credit union. The FHLB's MPF Program supplies us with ongoing liquidity via

mortgage sales and allows us to price our long-term mortgages competitively while mitigating interest rate risk.

Another major concern of ours is the disparate treatment that credit unions would be exposed to compared to similar sized depository institutions. Community financial institutions would be exempt from the proposed requirement to hold 10% of assets in residential mortgage loans, which results in a much larger regulatory burden and unequal treatment for credit union members of the FHLBanks. Credit unions with less than \$1 billion in average total assets over the preceding three years should have the same exemptions as community banks.

The Membership of credit unions in the FHLBanks has grown over the years. The FHLBanks' cooperative structure depends on a diverse membership. At the end of second quarter of 2014, 19% of all credit unions were members of the FHLB and these credit unions represent 75.8% of the total credit union assets. The proposed changes will not only make certain members ineligible for membership, it will also discourage potential members from joining. Therefore, FHFA efforts to raise eligibility requirements would either slow or reverse the trend of credit unions joining and detract from the cooperative nature of the FHLBanks. This validates how crucial it is that eligibility requirements for membership are set appropriately.

We appreciate the FHFA's desire to ensure that the FHLBanks remain focused on the housing portion of their mission, but the proposed rule will actually inhibit their mission and ultimately restrict the flow of funds for housing and economic development/growth. Congress has not sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe that Congress should be establishing FHLB membership decisions and that the FHFA should be consulting and deferring to Congress as it has always done in the past.

In closing, I would like to emphasize how important access to the FHLB of New York is to our credit union. The proposed rule creates more problems than solutions and we request that the proposed rule be withdrawn. Thank you for your considerations of these comments.

Sincerely,



Linda McFadden
President/CEO
XCEL Federal Credit Union