



January 7, 2015

VIA EMAIL TO [REGCOMMENTS@FHFA.GOV](mailto:REGCOMMENTS@FHFA.GOV)

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

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

Dear Mr. Pollard:

The Virginia Association of Community Banks appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA) notice of proposed rulemaking and request for comments on "Members of the Federal Home Loan Banks" published on September 12, 2014. The proposed rule reviews current statutory and regulatory provisions governing Federal Home Loan Bank (FHLBank) membership, proposes regulatory changes to the eligibility requirements for membership, and invites comments on all aspects of the rule.

*Our association represents more than 80% of the community banks located across the Commonwealth of Virginia. We consider the FHLBank Atlanta as one of our strongest partners in providing education and expertise for our members, and our members are outspoken in their support of and appreciation for FHLBank Atlanta.*

**We are concerned about the potential negative impacts of the proposed rule and respectfully request that the FHFA withdraw it.** If the FHFA believes changes are still needed, we would encourage the FHFA to conduct a series of public hearings to determine the best way to achieve them. More importantly, since the proposed rule appears to conflict with past Congressional actions regarding FHLBank membership and access to liquidity, we believe the FHFA should consult with Congress to ensure that any proposed changes are consistent with Congressional intent.

Community banks in Virginia rely on their FHLBank Atlanta memberships to provide a reliable source of competitively priced liquidity that helps them fund residential mortgages, small business loans, and other investments in housing and economic development. This access to liquidity allows community banks to compete more effectively against larger regional and national banks for depositors and loan business in their local markets. For some community banks in Virginia, the proposed rule's ongoing mortgage asset tests call into question the stability of FHLBank membership and access to liquidity on which these institutions depend.

Without FHLBank memberships and consistent, reliable access to liquidity, community banks' competitive positions are weakened and their ability to serve the credit needs of their local markets is diminished.

Ongoing compliance with membership requirements of the proposed rule would also impose additional regulatory burdens on FHLBank members. FHLBank members already must comply with a number of requirements that ensure their use of FHLBank funding is consistent with the FHLBank System's housing and community lending mission. Chief among these requirements is the mission-centric collateral used to secure borrowings from an FHLBank.

The proposed rule would shrink the amount of private capital flowing from the global markets through the FHLBanks and their members to the U.S. mortgage market and the communities we serve. Of particular concern is the effect on the Affordable Housing Program (AHP), the largest single, private source of funding for low- to moderate-income housing in the country. Each FHLBank sets aside 10 percent of net earnings annually into the AHP. These funds are used by members and their community partners to build or preserve affordable housing and to provide funds to support homeownership for low- to moderate-income families.

From the AHP's inception in 1990 through 2014, Virginia members of FHLBank Atlanta have used more than \$33.8 million in AHP funds to assist 5,000 families with down payments, closing costs, and rehabilitation costs. Virginia members also have been awarded \$60 million in AHP funds to help create or improve more than 10,000 units of affordable housing in local communities. In addition to providing much needed housing and stimulating nearly \$1 billion in local real estate development, access to AHP funds via membership in FHLBank Atlanta helps community banks in Virginia build relationships with retail customers, realtors, local developers, and many others. Loss of this access, or any reduction in membership or FHLBank advance levels that would reduce funding for affordable housing initiatives, would negatively impact Virginia banks and the communities they serve.

We are also concerned that the proposed rule sets the precedent of a regulator effectively amending current law. The proposed rule does not recognize the actions of Congress over the last 25 years to expand FHLBank membership, mission, and members' access to liquidity. The rule, without Congressional action or approval, effectively amends those statutory provisions, reversing and shrinking FHLBank membership, mission, and access to liquidity. This sets a precedent that could pave the way for additional limitations in the future, including more restrictive asset tests for members or further changes to the definition of an FHLBank member.

Again, we request that the proposed rule be withdrawn and that the FHFA instead engage in a series of public hearings to solicit a variety of viewpoints and alternatives to the rule from diverse stakeholders that may be impacted by this wide-ranging proposal.

We greatly appreciate your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Yeakel", written over a faint, stylized logo or watermark.

Steven C. Yeakel, CAE  
President & CEO