QUINCY MUTUAL
GROUP

December 22, 2014

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

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

Dear Mr. Pollard:

The Federal Housing Finance Agency has requested comments on a notice of proposed rulemaking in which the agency has proposed major changes to FHLBank membership eligibility requirements, including a new provision requiring them to be met on a continuous basis. On behalf of Quincy Mutual Fire Insurance Company, I am submitting this comment on the NPR.

From the perspective of insurance companies, the changes proposed in the NPR are troubling. First, under the NPR, FHLBank members would be required to comply with the statutory requirements for *becoming* a FHLBank member on an ongoing basis. Moreover, the NPR represents a reversal of a long- standing regulatory interpretation of the Federal Home Loan Bank Act by subjecting insurance companies to the requirement that they hold at least one percent of their assets in home mortgage loans in order to satisfy the requirement that an institution make long-term home mortgage loans. The proposed regulation suggests that the FHFA might raise this requirement as high as five percent in the future. Noncompliant members could be barred from further access or have their membership terminated.

The suggested changes to FHLBank membership requirements could significantly restrict insurance company membership in, and use of, the FHLBanks and fly in the face of decades of established policy and Congressional intent. The intent of Congress on insurance company membership in the FHLBanks has been clear and unequivocal – insurance companies have been statutorily allowed membership in the FHLBanks since the FHLBank Act was enacted in 1932. At no time since then, in spite of numerous other opportunities to review and amend the FHLBank Act has Congress decided to restrict insurance company membership.

Insurance companies are a significant and valuable part of the FHLBanks, with more than 290 members accounting for 14 percent of outstanding combined advances in 2013. Insurance companies rely on FHLBank advances for contingent liquidity planning, managing high impact liquidity events, and reducing risk through enhanced asset liability management. Insurance companies historically have played --and continue to play-- a significant role in the housing market and in driving economic development in communities across the United States. They hold substantial amounts of single and multifamily mortgages and agency debt supporting the mortgage market on their balance sheets. Insurance companies also invest in Low-Income-Housing Tax Credits, which are an important resource for creating affordable housing in the United States. In addition, insurance companies are active participants in the FHLBanks' Affordable Housing Program, one of the largest private sources of affordable housing grant funding in the United States, as well as the FHLBanks' Community Investment Program which offers below market rate advances to members for financing housing and economic development benefitting low-and moderate-income families.

The NPR does not present any compelling reason for imposing new membership requirements, and does not present any information showing that there is a problem with the current membership requirements, which have served the FHLBanks well for many years. Specifically, the NPR fails to cite the benefits the FHFA hopes to achieve by changing the membership requirements to require continuous compliance and impose other restrictions on insurance company membership. I note here that the FHFA has not disclosed any problem with the implementation of the existing membership requirements in its annual reports to Congress on the state of the FHLBanks.

Imposing ongoing limits on insurance company membership in the FHLBanks could force existing members out or cause them to significantly alter their business practices just to comply with the requirement. The result would be an adverse impact on liquidity not only of the FHLBanks insurance company members, but also on the non-insurance company members of the FHLBanks as well. Further, due to the different nature of their businesses insurance company balance sheets are very different than those of insured depository institutions. Thus it could be problematic for insurance companies to comply with an ongoing residential mortgage asset test.

In conclusion, the FHFA should not proceed down the path of fundamentally altering the FHLBanks without express Congressional guidance, especially at this time when Congress and the Administration are undertaking a top to bottom review of the housing finance system in the United States, including a review of the important role served by the FHLBanks as a provider of liquidity.

Accordingly, we urge that the FHFA withdraw the membership NPR.

Sincerely,

James Moran

James J. Moran, Jr.
Executive Vice President, Secretary
& General Counsel