

January 5, 2015

The Honorable Mel Watt

Director

Federal Housing Finance Agency

400 7th Street, SW

Washington, DC 20024

Submitted via e-mail: [director@fhfa.gov](mailto:director@fhfa.gov)

Re: Proposed Rule RIN 2590-AA39 Members of Federal Home Loan Banks

Dear Director Watt:

On behalf of the Virginia Credit Union League, I wish to provide comments on the proposed referenced rule. As background, the Virginia Credit Union League is the state association providing regulatory and legislative advocacy support for the Commonwealth’s 160 member-owned financial cooperatives. More than 20% (34 credit unions) of our institutions are members of the Federal Home Loan Bank (FHLB). In most cases, these are the largest credit unions in the state which hold the majority of assets. However, the overwhelming majority are below $1 billion in assets. Our credit unions increasingly turn to the FHLB for balance sheet solutions including liquidity and interest-rate risk management. Last year, Virginia credit unions obtained $10 billion in advances from the FHLB of Atlanta.

The proposed rule imposes new and unnecessary regulatory burdens on FHLB members. We question the need for any change in FHLB membership for depository institutions at this time. Particularly problematic in the proposal is the mandate that the initial FHLB membership requirements be met continuously. In requiring a specified concentration in residential mortgages, the proposed regulation is counter to other regulations that govern the safety and soundness of credit unions through limiting concentration risk. The proposal would stand to limit the flexibility of credit unions to manage their balance sheets and respond to changing market conditions.

The Virginia Credit Union League also believes that the proposed regulation unfairly disadvantages credit unions in that *all* credit unions will have to meet the “10% test”. By statute, banks with assets below $1 billion are exempt from this requirement as Community Financial Institutions (CFIs). All credit unions should be treated as CFIs for purposes of *maintaining* FHLB membership, and therefore only have to meet the 1% test on an ongoing basis.

Sincerely,

Richard D. Pillow

Rick Pillow

President/CEO