



FARM BUREAU FINANCIAL SERVICES

Insurance • Investments

January 5, 2015

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

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

Dear General Counsel Pollard:

We appreciate the opportunity to comment on the notice of proposed rulemaking (“NPR”) regarding membership in the Federal Home Loan Bank System (“FHLB System”). Insurance companies serve as a solid source of capital and earnings for the FHLB System and provide diversity to its membership base. We have general concerns about the NPR, specifically that its ongoing asset test will discourage and even reduce insurance company membership in the FHLB System.

Farm Bureau Life Insurance Company (“FBLIC”) and Farm Bureau Property & Casualty Insurance Company (“FBPCIC”), both domiciled in Des Moines, Iowa, have been members of the Federal Home Loan Bank of Des Moines (“FHLB-DSM”) for over 20 years. Both companies hold residential mortgage-backed securities (“RMBS”) and multi-family commercial mortgage-backed securities (“CMBS”) and invest in low-income housing tax credits (“LIHTC”). FBLIC holds member and activity stock of FHLB-DSM and, through advances from FHLB-DSM, generates earnings for the greater FHLB System. Farm Bureau Property & Casualty Insurance Company, provides capital to the FHLB System through its holdings of FHLB-DSM membership stock.


As published in the Federal Register in September of 2014, the NPR intends to modify current statute to impose an ongoing asset test to qualify membership in the FHLB System. This change is unnecessary given existing membership and borrowing requirements. Besides passing the initial, one-time asset threshold test, prospective FHLB System members must purchase membership stock. Members that then seek FHLB System advances must acquire FHLB activity stock and provide eligible home mortgage collateral. These capital and collateral requirements already provide a mechanism to ensure that FHLB System members support FHLB System housing finance objectives.

An insurance company's liabilities and cash flow needs drive its asset allocation. Insurance companies will generally hold housing-related assets, including RMBS and CMBS, but not always in amounts that would satisfy all of the thresholds that the NPR contemplates for an ongoing asset test. The ongoing asset test would therefore impose an artificial and potentially imprudent asset allocation on insurance company members. The NPR further introduces a punitive response to failure of the ongoing asset test, i.e. removal of a member from the FHLB System. This introduces volatility into the capitalization and otherwise stable membership within the FHLB System, with negligible demonstrable benefit from the process.

The cumulative impact of the NPR's ongoing asset test alone is to reduce and discourage insurance company membership. In its response to the NPR, the Federal Home Loan Bank of Chicago demonstrates that the ongoing asset test would disproportionately impact insurance company members. The test would likely eliminate some current insurance company members, while the uncertainty created by the changes in the threshold would discourage others from seeking membership.

Insurance companies continue to offer strong partnership as members in the FHLB System. However, the NPR does not encourage that partnership. Rather, the NPR runs counter to Congressional action over the past 25 years that has supported broad membership in the FHLB System, promoted a strong capital and earnings base and acknowledged the importance of the FHLB System in the overall financial markets. We object to the NPR's ongoing asset test specifically, but note the objections to the entire NPR raised by other respondents, particularly the Council of FHL Banks, the Federal Home Loan Bank of Chicago and the Federal Home Loan Bank of New York. We respectfully request that the FHFA withdraw this NPR.

Sincerely,

A handwritten signature in black ink, appearing to read 'James P. Brannen', written in a cursive style.

James P. Brannen
Chief Executive Officer

/dm