



January 8, 2015

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:

We appreciate the opportunity to express our concerns regarding the Federal Housing Finance Agency's proposed rule RIN 2590-AA39 Members of the Federal Home Loan Banks. 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.

Virginia Housing Development Authority (VHDA) is a self-supporting, not-for-profit organization created by the Commonwealth of Virginia in 1972, to help Virginians attain quality, affordable housing. VHDA provides mortgages, primarily for first-time homebuyers and developers of quality rental housing. VHDA works with lenders, developers, local governments, community service organizations and others to help put quality housing within the reach of every Virginian. Since our founding, VHDA has committed financing for more than 182,000 single family homes and 144,000 multifamily units.

As a state housing finance authority, we want our local financial institutions to remain strong and healthy for the long term, which FHLBank provided liquidity certainly supports. We support our local lenders' needs to be good asset and liability managers. Provisions of the proposed rule could severely limit the flexibility of these local lenders to manage their balance sheet in response to changing market conditions. For example, instead of operating in a way that is responsive to their customers and community, these institutions could find themselves managing to regulations in a way that could weaken their financial condition. The additional regulatory requirements of the proposed rule would prove particularly costly and burdensome to small- and medium-sized members. These costs would eventually be passed on to home builders and homebuyers. 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

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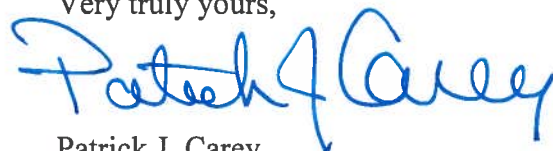
community lending mission. The most direct test of the FHLBanks' and their members' commitment to housing may be best judged by the collateral that supports members' borrowings, with nearly 97 percent of collateral consisting of housing-related assets.

The adverse impact the proposed rule would have on the FHLBanks' ability to grow or even maintain advance levels would directly lead to reduced funding for affordable housing initiatives. Of particular concern is the possible adverse effect on the FHLBanks' Affordable Housing Program (AHP). Under AHP, each FHLBank sets aside 10 percent of net earnings annually into the AHP. From 1990, when AHP funds were first awarded, to 2013, the FHLBanks have awarded nearly \$4.5 billion in AHP funds to build or preserve affordable housing for more than 724,000 households. 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.

I am 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

For the above reasons (and for the reasons stated in the separate comment letters on the proposed rule submitted by the American Bankers Association, Virginia Bankers Association, Virginia Credit Union League, Virginia Association of Community Banks and numerous other state bankers associations), we request that the proposed rule be withdrawn. Thank you for the opportunity to submit a comment.

Very truly yours,



Patrick J. Carey
Managing Director of Finance