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VIA ELECTRONIC TRANSMISSION

www.regulations.gov
RegComments@fhfa.gov

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

RE: Federal Housing Finance Agency Notice of Proposed Rulemaking (NPR) and Request for Comments re: Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear General Counsel Pollard:

On behalf of Mutual of Omaha, we appreciate the opportunity to provide comment in response to the Federal Housing Finance Agency (FHFA) notice of proposed rulemaking to revise its regulations governing Federal Home Loan Bank (FHLB) membership. As a mutual insurance company that is also a savings and loan holding company, we have numerous concerns about the manner in which the proposal would impact both the insurance and banking industries.

Upon initial review, we believe our insurance and bank operations would meet the requirements outlined in the proposed rule; however, we find no underlying need for such a proposal and believe its implementation would have a detrimental impact on the housing finance market, the consumer, and our industries as a whole.

DISCUSSION

Mutual of Omaha is a member of the American Council of Life Insurers (ACLI) and the Federal Home Loan Bank of Topeka, and we support the comments recently submitted by both of these entities, as well as those submitted by FHLB Chicago and FHLB New York. In particular, we support the call for withdrawal of the proposal and assertions that:

- Life insurance company membership should be encouraged;
- The home mortgage loan asset test is not warranted;
- The proposal undermines the reliability of the FHLB system, and creates uncertainty in the housing market; and
- The proposed rule with regard to membership location will likely not serve its intended purpose.

We reference the information provided in the ACLI and regional FHLB commentary in regard to the historical role and objective statistical impact of insurance companies in the FHLB system, and offer the following additional comments for your consideration.

Life Insurance Company Membership Should Be Encouraged

While they have always played an important role, insurance companies represent an area of growth for the FHLB system in recent years. To be eligible for FHLB membership, a company must be engaged in housing finance, which includes purchasing or originating long-term home mortgage loans or holding mortgage-backed securities.

FHLB membership is a primary and reliable source of liquidity because of the ready access to funding. A partnership with the FHLB is attractive to insurance companies because of ready access to low-cost, short- and long-term funding. One of the ways in which Mutual of Omaha has utilized its membership was to finance a portion of its property development with FHLB lending. This development helped to create stability and much needed revitalization in a previously under-utilized property. We were able to accomplish this during the economic crisis, in part, because of steady and reliable FHLB advances.

When members borrow from the FHLB, they are required to have sufficient collateral. For Mutual of Omaha, this typically takes the form of our Fannie, Freddie, and other similar mortgage investments. The insurance industry's assets and this type of borrowing, in turn, have provided significant support to housing finance and the FHLB system. Life insurance company membership does not detract from, but rather adds to, the safety and soundness of the FHLB system.

The Home Mortgage Loan Asset Test Is Not Warranted

We appreciate the mandate of the FHFA to ensure that the FHLBs operate in a sound manner consistent with their housing finance mission, but find little evidence is presented in the NPR to demonstrate the need for or benefit of implementing an on-going asset test. Rather, we believe applying such limitations will have a detrimental impact on the housing financial system.

We fully agree with the ACLI commentary that there is no basis for requiring any test for insurance company members based on any percentage of assets, and that the current methods assuring *Federal Home Loan Bank Act* compliance are sufficient and working well. However, should the FHFA move forward with developing an asset test, we believe it should be the lowest possible threshold, without the prospect of future increases. The list of assets that qualify as home mortgage loans or mortgage-backed securities for purposes of meeting any threshold test should be expanded as much as possible, and any grace period for getting back into compliance, should an entity fall out in a given year, should be ample.

The Proposal Undermines the Reliability of the Federal Home Loan Bank System and Creates Uncertainty in the Housing Market

The FHLB was created as a government sponsored enterprise to support mortgage lending and related community investment. Maintaining its partnerships with insurance companies is essential to that mission. If the FHLB were to set unnecessary requirements that

eliminated many existing insurance companies and excluded many others from membership in the future, the diminished funding would have a significant negative impact on affordable housing initiatives and consumers.

The Proposed Rule with Regard to Membership Location Will Likely Not Serve its Intended Purpose

The proposal includes a new paragraph that would address how the FHLBs are to determine the “principal place of business” for insurance companies which cannot satisfy the general requirements if an insurance company does not have an actual “home office”. Over the last five years, eight states, including Nebraska, have enacted FHLB and industry supported legislation intended to address FHFA concerns related to insurance company insolvency or receivership issues that involve “principal place of business” determinations. While it does not impact Mutual of Omaha, we were supportive of the Nebraska legislation. We concur with the ACLI that the FHFA proposal to locate an insurance company in the district of its principal place of business rather than its state of domicile might counteract on-going FHLB and industry efforts to address other FHFA concerns.

CONCLUSION

While FHLB advances are typically small relative to total general account liabilities for most insurance companies, FHLB membership provides an important source of liquidity in times of need and many regional FHLBs have expressed a desire to *expand*, not limit or decrease their insurance company membership. Given the significant role that both life insurers and the FHLBs play in the housing financial system, we believe it is important to foster this relationship. The current compliance methods show no signs of inadequacy that would warrant an on-going asset test, and any such proposal will serve only to harm the housing financial system and the consumer, contradicting the intent of the *Federal Home Loan Bank Act*.

For the foregoing reasons, Mutual of Omaha and Mutual of Omaha Bank respectfully request that the FHFA consider withdrawing its Notice of Proposed Rulemaking. Once again, we appreciate the opportunity to comment on this very important issue. Thank you for your consideration.

Respectfully submitted,



David A. Diamond
EVP, CFO & Treasurer
Mutual of Omaha