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January 8, 2015

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

Re: 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 relating to Federal Home Loan Bank membership requirements. We appreciate the opportunity to submit this comment on the Proposed Rule.

Our company, Bankers Life and Casualty Company, an Illinois domestic life insurance company (“Bankers Life”) is a member of the Federal Home Loan Bank – Chicago (“FHLB-C”). We believe that our membership in the FHLB-C has been mutually beneficial.

We are concerned that the changes contemplated by the Proposed Rule would significantly increase requirements for existing and prospective FHLB members. The Proposed Rule would not only make certain members ineligible for membership, it would discourage potential members from joining. The net effect would be to inhibit the FHLBs’ ability to serve the liquidity and housing and community development needs of their districts.

The provisions contained in the Proposed Rule are troubling for several specific reasons. The Proposed Rule seeks to establish ongoing requirements an insurance company must meet as a condition of remaining a FHLB member. The Proposed Rule would require an insurer to continually hold at least 1 percent of their total assets in long term home mortgage loans (home mortgage loans with a term to maturity of five (5) years or greater). We believe creation of an asset test is unnecessary in light of existing FHLB safeguards. Further, if implemented, the asset test would significantly compromise a member’s ability to rely on their FHLB to provide needed liquidity. We also have concerns with the Proposed Rule’s attempt to redefine the term “insurance company” in relation to FHLB membership, and requiring FHLB members to submit audited financial statements as part of underwriting requested advances.

*Bankers Life and Casualty Company, Chicago, IL  
Colonial Penn Life Insurance Company, Philadelphia, PA*

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The Proposed Rule also seeks input on the appropriate metrics for assessing an insurance company applicant's financial condition. Currently, each regional FHLB has strong credit underwriting and expertise in evaluating the unique nature and financial condition of not only its insurance company members, but its entire regional membership. We do not believe that injecting requirements into this analysis, such as the proposal to require insurers to submit audited financial statements, that for some insurers are not required by their state regulator, brings additional value to the current FHLB underwriting processes. We feel that each FHLB should retain the authority to utilize an underwriting framework that reflects its regional membership, and ensures the FHLB is lending to member institutions in a safe and sound manner.

In addition, the Federal Home Loan Bank Act includes requirements to become a member of an FHLB. In the past, Congress has taken action to amend the Act in ways that have expanded membership and expanded eligible collateral. Congress has not sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe that it is Congress' purview to do so, not the Federal Housing Finance Agency's.

For these reasons, we request that the Proposed Rule be withdrawn. Thank you for the opportunity to submit a comment.

Sincerely,

Eric R. Johnson  
Executive Vice President