



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

Sent electronically at:  
Re: Notice of Proposed Rulemaking and Request for Comments – Members of FHLBs  
(RIN 2590-AA39)

January 10, 2015

Dear Mr. Pollard:

On behalf of Ascentra Credit Union, I appreciate the opportunity to comment on the Federal Housing Finance Agency's (FHFA's) proposal regarding membership in the Federal Home Loan Banks (FHLBanks). Ascentra Credit Union appreciates the need of the FHFA to ensure a stable FHLBank system. However, we are concerned about the impact the increased regulatory restrictions contained in this proposal will have on credit unions and their members. Specifically, we are concerned about the requirement to consistently maintain the concentration of residential mortgage loans required at the time of application, the disparate treatment between banks and credit unions, and the conflict this proposal creates with other regulatory requirements imposed on credit unions.

Requiring all credit union members of a FHLB to maintain ten percent of their total assets in residential mortgage loans throughout the life of their membership will make it more difficult for credit unions to participate in the FHLB system. This proposal will restrict a credit union's flexibility in determining the safest and most beneficial level of assets in residential mortgage loans. For some credit unions this will require them to keep an artificially high concentration of residential mortgage loans in relation to their balance sheet, products and services, and community needs just to maintain their membership with the FHLB Des Moines.

This requirement will also discourage others from joining the FHLB, especially those credit unions that have a smaller asset size. Maintaining that asset threshold consistently will restrict the credit unions flexibility in adapting to new market trends while maintaining sound practices concerning interest rate risk and concentration risk. Credit unions rely on the FHLB system as a source of liquidity to meet the lending needs of their communities. However, credit unions of all asset sizes have based management practices and their strategic plan to grow and serve their communities on a system that



allows management to adjust their assets in residential mortgage loans based on their individual institution.

Ascentra Credit Union is also troubled by the significant difference in regulatory restrictions this proposal imposes on credit unions under \$1.108 billion in assets as compared to financial institutions of the same asset size insured by the Federal Deposit Insurance Corporation (FDIC). The National Credit Union Administration (NCUA) insures all credit unions and provides the same value in safety and soundness to credit unions as the FDIC does to banks. Restricting the flexibility of credit unions, which have a proven record of serving the needs of their community, not only weakens the FHLB system but hurts the communities that benefit from the FHLB services through its member financial institutions.

During this changing regulatory and economic environment credit unions have faced new rules regarding interest rate risk and a proposed rule concerning risk based capital that heavily focuses on concentration risk. This proposal not only inhibits credit unions that provide critical financial services to local communities but makes it even more difficult for a credit union to comply with regulatory restrictions concerning concentration risk. Requiring credit unions to consistently monitor their asset threshold of residential mortgages in relation to their concentration limitations of all aspects of their balance sheet will increase the amount of resource that must be devoted to complying with conflicting regulations instead of focusing those resources on serving their members.

Ascentra Credit Union respectfully requests that the provisions requiring credit unions to maintain ten percent in assets in residential mortgage loans be removed from the proposal. We also request that membership requirements for banks and credit unions be applied equally. Credit unions have had a great partnership with the FHLB and have a proven history of utilizing that partnership to serve the financial needs of their communities. We strongly encourage the FHFA to reconsider its proposal based on the impact it will have on credit unions and the communities we serve.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Dale Owen".

R. Dale Owen  
CEO/President  
Ascentra Credit Union