



Andrew S. Levine  
Chief Legal Officer - General Counsel  
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January 12, 2015

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

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

Dear Mr. Pollard:

SL Green Realty Corp. (SL Green) appreciates the opportunity to respond to the Federal Housing Finance Agency's (FHFA) proposed changes to membership requirements of the Federal Home Loan Banks (FHLBs or the System). SL Green is a publicly held real estate investment trust (REIT) that for nearly a decade has maintained Belmont Insurance Company (Belmont), which is a wholly-owned taxable subsidiary, as a captive insurer. Belmont was in the process of applying for membership to the FHLB of Boston when the three-month moratorium on admitting captive insurers was instituted in July 2014. FHFA subsequently proposed its changes to membership requirements in September. Our comments will focus on the proposed change to the definition of "insurance company" to exclude captive insurers from being eligible for FHLB membership.

Insurance companies, including captive insurers, have been eligible for FHLB membership since the System was first created by Congress under the *Federal Home Loan Act of 1932*. Since that time, Congress has always maintained its direct authority to write and change FHLB membership requirements. In fact, Congress has exercised that authority through statute on numerous occasions. In each of these instances, whether it be the inclusion of commercial banks and credit unions through the *Financial Institutions Reform, Recovery and Enforcement Act of 1989*, or the more recent addition of community development financial institutions through the *House and Economic Recovery Act of 2008*, Congress has consistently legislated to expand the membership and mission of the System.

FHFA's proposal seemingly ignores this historical expansion of the System and the important role diverse institutions, including captive insurers, play in the housing finance market. In addition to running counter to legislative intent, the proposal encroaches on the jurisdiction of Congress by arbitrarily redefining what qualifies as an "insurance company" to exclude captive insurers. Not only does this set a troubling precedent by usurping congressional authority, but the proposal itself would institute bad public policy based on little merit. Although it is



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understandable that FHFA would want to take steps to ensure the safety and soundness of the System, instituting a blanket ban on captive insurers entirely disregards the diversity and complexities of the industry, the ability of FHLBs to recognize and mitigate concerns, and the value that captive insurers bring to the market.

The view that captive insurance companies lack oversight and inherently pose a greater risk to the System simply ignores regulatory realities. Like other insurance companies, captives are heavily regulated by their respective state insurance department – subject to licensing and reporting requirements, as well as capital and surplus requirements. Captive insurers, like all insurers, are frequently inspected and examined by their regulator. In Belmont’s case, the company is closely supervised by the New York State Department of Financial Services, which is fully supportive of its inclusion as a member of the FHLB. In addition to state regulatory requirements, captive insurers are also subject to the same FHLB membership, collateral, and credit rules as all other members. In fact, FHLBs impose tougher standards on the borrowing ability of insurance companies, including captive insurers, that exceed those imposed on other institutions. In part, this shows how FHLBs have consistently been capable of assessing, accounting for, and monitoring captive insurers, imposing necessary controls to account for any concerns to the System.

Lastly, captive insurance companies have long demonstrated a commitment to housing finance and furthering the mission of the FHLB. Many provide or invest in residential mortgage assets, generating much needed liquidity to housing markets that have struggled in recent years. While some have argued that captive insurers exist only to access the System, this is certainly not accurate in all cases. It is clear in Belmont’s application to the FHLB of Boston that it was not created with this intention in mind. The company has been successfully operating for over eight years and writes approximately seven lines of insurance coverage. We believe that Belmont’s activities align well with the mission of the System as a meaningful participant in the residential mortgage finance marketplace.

On behalf of SL Green and Belmont, thank you for the opportunity to submit these comments. We respectfully urge FHFA to withdraw its proposed change to the definition of “insurance company” to exclude captive insurers, or at a minimum, revise its proposal in a manner that respects the role of captives in the housing finance market and preserves their eligibility in the System.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alfred M. Pollard', is written over a light blue circular stamp.