



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:

Thank you for the opportunity to comment on the Federal Housing Finance Agency's ("FHFA") notice of proposed rulemaking regarding regulations governing Federal Home Loan Bank ("FHLBank") membership. I am an independent director of the Federal Home Loan Bank of Boston and Director of the Boston University Center for Finance, Law & Policy. My comments here do not necessarily reflect those of the Bank or the Center.

The FHLBank business model has been an unqualified success for more than 80 years and must stay strong and stable so that our financial recovery can be sustained. During the 2008-09 financial crisis the Federal Home Loan Banks were pivotal in providing credit to institutions of all sizes during a time of serious credit constriction. Rather than restrict this outstanding business model as the proposal would do, the model ought to be *expanded*.

In a recent article¹, my colleague and I recommended that job creation be made part of the System's core mission. To accomplish this we urged: 1) that membership be expanded to include such classes of firms as asset based lenders and purchase order financiers; 2) that collateral requirements be liberalized to include loans that result in the creation or preservation of jobs; and 3) that adjustments be made in the Affordable Housing Program to enhance job-creating activities by member banks. We cited the Federal Home Loan Bank of Pittsburgh's *Banking on Business* product as a good start toward broadening the System's business model.

The FHFA has the authority to make job creation and preservation a co-equal goal with housing. It can accomplish this by amending its regulations, specifically those dealing with community lending, to include commercial lending that promotes job creation and job preservation. While recent unemployment data may seem encouraging (5.6%) the real rate of unemployment at 11% is troubling as is the absence of meaningful wage growth. The System and its constituent Banks have the potential to address this persistent issue.

As many others have observed, the proposal at hand will surely cause mischief and will achieve no overriding public purpose. It will result in:

- Asset allocation
- Reduced reliability of FHLB funding
- Lower growth opportunities for the FHLBanks, and
- Negative impacts on the Affordable Housing Program

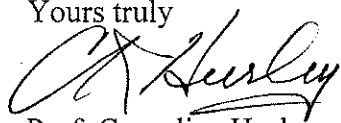
Most importantly, the membership restriction proposals are directionally inappropriate.

I urge that the proposal be withdrawn and that, in its place, the FHFA exercise its convening authority to gather the best ideas from industry, government and academe on ways to expand the FHLB model to enhance economic activity more generally and job creation in particular.

¹ Cornelius Hurley and Rebecca Gallup, *The Federal Home Loan Bank System: a Vehicle for Job Creation and Job Retention*, 30 Review of Banking and Financial Law 609 (2010); <http://www.bu.edu/rbfl/files/2013/09/FederalHomeLoanBankSystem.pdf>

Thank you once more for the opportunity to comment on the proposals.

Yours truly



Prof. Cornelius Hurley