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January 5, 2014

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

RE: Proposed FHFA Rule re Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear General Counsel Pollard:

Fidelity Life Association, a Legal Reserve Life Insurance Company ("FLA"), appreciates the opportunity to comment on the proposed new Federal Home Loan Bank membership rule.¹ FLA is a member of the American Council of Life Insurers ("ACLI") as well as a member of the Federal Home Loan Bank ("FHLB"). FLA concurs with the comments set forth in the ACLI's letter dated December 5, 2014. Please accept these comments on behalf of FLA.

The Home Mortgage Loan Asset Test Proposal is not warranted

As noted, FLA is a current member of the FHLB and has enjoyed its membership for a number of years. In 2014, FLA considered a loan from the FHLB, but for a variety of reasons did not consummate the loan. We understand that the current rule provides only, "An applicant for membership must 'make' long – term home mortgage loans." There is no minimum amount that must be held on an ongoing basis and there is no ongoing requirement. The proposed rule would change this so that both applicants and members must hold 1%² of assets in home mortgage loans. While we approve FHLB's expansion of the definition of "home mortgage loans," we do not believe that this asset test is warranted.

Currently, any eligible institution must meet three requirements to become members, including that the applicant member make such home mortgage loans as, in the judgment of the Director of the Agency, are long-term loans.³ The current FHLB rules do not require any ongoing commitment or test.

The Agency is also protected by its mechanisms of requiring members to own capital stock of the Bank and to provide collateral in the form of mortgage related assets. FLA meets the asset tests as well as the higher thresholds; however, FLA is concerned the asset test will not only limit its flexibility in its portfolio composition, but also potentially collide with the investment guidelines and code it must comply with as an insurer regulated by its primary domicile, the State of Illinois Insurance Department. For the foregoing reasons, we oppose the proposed changes to the rule requiring an asset test.

¹ See 79 Fed. Reg. 54848 (September 12, 2014).

² There is discussion that this may actually be a higher threshold, such as 2%, 5% or 10%.

³ See 12 U.S.C. §1424(a)(1)(C).



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The Requirement of Audited Financials can be Burdensome

The FHLB also proposes changing the rule from requiring regulatory reports, as the rule currently reads, to also requiring audited financial statements. What is unclear from the rule is whether these audited financial statements are on a GAAP basis. If that is the case, some insurers do not undergo a GAAP audit and this requirement would add burden and costs to those insurers. In addition, as highly regulated entities, companies such as FLA undergo significant scrutiny, examination and review by their insurance department of their domiciles that should be sufficient for the FHLB. FLA opposes this proposed rule change.

Changes to the definition of “insurance company” need clarification

Currently, the rule does not define the term “insurance company.” The proposed rule would change that so the definition of “insurance company” means “a company whose primary business is the underwriting of insurance for nonaffiliated persons or entities.” While we do not believe FLA would be affected by the new definition, as an insurer with an affiliate agency, Efinancial, LLC, which produces the bulk of our business, we would suggest that the FHLB clarify that the definition is not intended to prohibit companies such as FLA from being a member going forward.

Conclusion

For the reasons stated above, we believe that an asset test is superfluous, unwarranted and should be removed from the rules, as should the audited financials requirement. We commend the FHLB for the work that has gone into the process of these proposed rule changes and appreciate an opportunity to provide comments.

Please contact the undersigned if you have any questions or require additional information.

Sincerely yours,

A handwritten signature in black ink that reads 'Daniel A. Cotter'.

Daniel A. Cotter