



January 12, 2015

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency – Fourth Floor
1700 G Street, NW
Washington, D.C. 20552

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

Dear Mr. Pollard:

We appreciate the opportunity to comment on the Federal Housing Finance Agency's proposed rule RIN 2590-AA39 Members of the Federal Home Loan Banks. As a credit union member of an FHLBank, we appreciate your desire to ensure the FHLBanks remain focused on the housing portion of their mission. However, we believe the proposed rule does not appropriately recognize the many actions of Congress that have expanded the FHLBanks' membership and mission, as well as access to FHLBank liquidity. As drafted the proposed rule will actually inhibit the FHLBanks' ability to execute their mission. Furthermore, by imposing ongoing asset-based tests on our institution to maintain FHLBank membership, the proposed rule will limit our ability to serve the credit needs of our members and community.

We are concerned that the proposed rule would significantly increase FHLBank membership requirements for existing and prospective members and reduce the availability and reliability of liquidity on which we depend. The proposed rule would make it more difficult for credit unions of all sizes to deliver important credit to their communities and would discourage potential members from joining.

Ongoing compliance with membership requirements of the proposed rule would impose additional regulatory burdens on FHLBank members and add uncertainty to FHLBank membership. We believe the proposed rule will place a particularly onerous burden on smaller credit unions. As currently proposed the rule requires credit unions of all sizes to maintain 10 percent of assets in residential mortgage loans on an ongoing basis. In contrast, banks that qualify for community financial institution (CFI) status are exempt from this requirement. The cap on asset size for CFI status has increased significantly over the last 10 years, from \$587 million to \$1.108 billion in 2014.

FHLBank members serve the housing needs of their communities in a variety of ways. At Premier we retain some of our real estate loans in our portfolio, however, we also sell loans into the secondary market. This is purely strategic in nature and the fact that we may have a small part of our portfolio in real estate is in no way an indication that we aren't serving the mortgage needs of our members and the community. FHLB provides us with a source of liquidity that we can depend on should the need arise.

As a Board Member of First Carolina Corporate Credit Union, I not only have concerns for natural person credit unions, but also the corporate credit unions. FCCCU provides a variety of services to credit unions in North and South Carolina. With the FHLB being their primary liquidity source, the uncertainty of being able to maintain an MBS portfolio to meet the 10% requirement would not only be burdensome, but could significantly alter their ability to provide liquidity to their member credit unions.

While we are requesting withdrawal of the proposed rule, if the FHFA determines to move forward with the proposed rule, we request at a minimum that the asset-based exemption to the 10 percent residential mortgage test for CFIs also be applied to credit unions. Smaller credit unions and CFIs deliver similar financial services to their communities and use FHLBank advances in similar manners.

To remain a strong credit union that is able to serve our members, we must be able to manage our balance sheets and liquidity to respond to changing market conditions and demand from our members. Our goal is to serve our members and communities, and unnecessary compliance costs make this more difficult. Instead of operating in a way that is responsive to our members and community, we could find ourselves managing to regulations in a way that could weaken our financial condition.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 expanded FHLBank membership to credit unions and commercial banks. Over the last 25 years, Congress has enacted other legislation to broaden access to FHLBank funding and liquidity. While Congress has stipulated that most members must meet certain asset-related eligibility requirements to join an FHLBank, Congress has never sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe the proposed rule amends current law rather than establishing safety and soundness regulations to support the statute and FHLBank mission. We also believe that any changes to the statutorily established FHLBank membership, in particular changes that would narrow the FHLBanks' mission as the proposed rule appears to do, should come from Congress first.

Under the membership structure established by Congress, the FHLBanks have proven to be a safe and sound business model that reliably supplies liquidity, through all market cycles, to a broad range of cooperative members for a variety of uses. Our membership in FHLBank Atlanta and the reliable access to liquidity it provides has helped us better serve our members and our community. FHLBank liquidity has also supported the recovery of local housing markets and economies throughout the Southeast.

The proposed rule would fundamentally change a vital part of the U.S. housing finance system that has and continues to perform well. It will restrict credit unions' ability to serve their members, result in the termination of membership for some credit unions in good standing, and ultimately reduce housing and economic development credit available to families, small businesses, and communities.

For these reasons, we request that the proposed rule be withdrawn and that the FHFA instead engage in a series of public hearings, workshops, and roundtables to solicit a variety of viewpoints from diverse stakeholders that may be impacted by this wide-ranging proposal. Thank you for the opportunity to submit a comment.

Sincerely,

A handwritten signature in blue ink that reads "Lori Thompson". The signature is written in a cursive, flowing style.

Lori Thompson
President/CEO
Premier Federal Credit Union
Lori.thompson@premierfcu.org