Allegacy
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AllegacyFCU.org

January 8, 2015

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

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

Dear Mr. Pollard,

Allegacy Federal Credit Union ("Allegacy") appreciates the opportunity to comment on the Federal Housing Finance Agency's ("FHFA") notice of proposed rulemaking RIN 2590-AA39 for "Members of the Federal Home Loan Banks" published on September 12, 2014.

Allegacy is a $1 billion federal credit union located in Winston-Salem, NC. We have been a member of the FHLBank Atlanta since 2002. During our more than fourteen year membership, we have borrowed approximately $140 million. Currently, our outstanding advances are approximately $60 million, and we have approximately 41 securities, with a face value of $192 million, being held in safekeeping. FHLBank Atlanta plays a crucial and irreplaceable role in Allegacy's strategic financial plan.

The proposed rule imposes new eligibility requirements for membership in the Federal Home Loan Banks ("FHLBanks"). The proposed eligibility requirements include two new asset-based tests for financial institutions to maintain: (1) at least one percent of its assets in first-lien home mortgage loans with maturities of five years or more, and (2) at least ten percent of its assets in a broader range of residential mortgage loans, including junior liens and mortgage backed securities. Ongoing compliance with the proposed asset-based membership requirements would impose additional regulatory compliance challenges on FHLBank members who are already overburdened by an unprecedented number of new and changing financial regulations.

Allegacy understands and supports the FHFA's desire to ensure the FHLBanks remain focused on their mission to support residential mortgage lending by providing member financial institutions with access to reliable, economical funding and technical assistance, as well as special affordable housing programs. At the same time, we believe that existing rules and regulations already effectively preserve the FHLBanks' mission. We contend that the proposed rule actually undermines the FHLBank System's ability to execute its mission.

For over 80 years, the FHLBank System has been an excellent and vital source of liquidity to member financial institutions. This is particularly true for financial institutions like credit unions that cannot go to the capital markets to access capital. The FHLBank System serves as our primary source of stable and reliable low cost funds and is our best long term borrowing option. Additionally, membership in the FHLBanks helps financial institutions to manage and mitigate their interest rate risk.

For Allegacy to remain a strong credit union that is able to effectively serve our members, we must be able to manage our balance sheet and liquidity to respond to changing market conditions and demand from our members. Our membership in the FLHBank will provide the ability to borrow under all future economic scenarios. During unstable economic times like the financial crisis of 2008, the FHLBanks still had the capacity to provide funds to a broad spectrum of financial institutions and mitigate the effects of the recession. They were critical in providing a continuous flow of funds to the struggling residential mortgage market.

Additionally, the proposed rule would create uncertainty in FHLBank membership and therefore weaken the FHLBank System. In changing economic times and due to unforeseen circumstances, a member's balance sheet may fall below the asset thresholds and the financial institution would no longer be eligible for membership. Depending on the economic event, this could affect a large number of members.

FHLBanks are cooperatives, and their low costs are passed on to member financial institutions, consumers, and communities. The same is true for credit unions, which are not-for-profit cooperatives. We both share the same cooperative spirit and mission to help our members make smart financial choices. The proposed rule would put a new constraint on strategic decisions for member financial institutions. A financial institution may have to make a decision contrary to its best interest in order to maintain FHLBank membership and continue to be able to access capital. From a public policy perspective, we would never want a financial institution to be excluded from borrowing and have nowhere else to go.

Allegacy believes that the proposed rule actually undermines the FHLBanks' abilities to execute their mission by reducing liquidity, tightening credit, and creating uncertainty in the FHLBank System. Therefore, we respectfully request that you withdraw the proposed rule. Thank you for the opportunity to submit a comment.

Sincerely,

Cathy J Pace

Cathy J. Pace
President & CEO