

January 8, 2015

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

Re: Notice of Proposed Rulemaking; Request for Comments – Members of the Federal Home Loan Banks (RIN2590-AA39)

Dear Mr. Pollard:

We are submitting this comment to express our concerns about the Federal Housing Finance Agency's ("FHFA") notice of proposed rulemaking and request for comments on "Members of the Federal Home Loan Banks" published on September 12, 2014. For the reasons described below, we respectfully request the withdrawal of this proposal.

As a shareholder and customer, we greatly value our membership in the Federal Home Loan Bank of Chicago and view it as a key partner in our success. MTL Insurance Company has been in business since 1904 and has been a committed provider of financial security products such as traditional dividend paying whole life insurance since inception. MTL Insurance Company became a member of the Federal Home Loan Bank of Chicago in 2001. Accessibility to cost effective funds through membership in the bank has given the Company, and hence the policyholders, greater security and enhanced the Company's overall risk management process. This has become even more valuable as we have seen and experienced periods of extreme volatility in the fixed income market over that time period. While MTL has never had to request an advance for liquidity reasons, the Company has tested that line with advances in amounts of less than 1% of our asset base over the years.

Accessibility to funds at competitive rates particularly in periods where fixed income securities are being incorrectly valued by the market provides tremendous flexibility to the Company and enhances our risk management framework.

The proposed rule would impose, for the first time ever, on-going requirements for our company to meet as a condition of remaining a member of the FHLB of Chicago. For insurance companies, the proposal would require us to hold at least 1 percent of our total assets in long term home mortgage loans (meaning home mortgage loans with a term to maturity of five (5) years or greater), however it also considers increasing the requirement to 2 percent or 5 percent. Failure to meet the requirement would result in the eventual termination of our membership in the FHLB of Chicago.

This part of the proposal provides practical limitations and conflicting goals. MTL has a responsibility to manage its investment portfolio with the primary goal of meeting its short and long-term obligations to its policyholders. MTL does not originate individual residential mortgage loans as part of its investment program; however, it has always viewed Agency mortgage backed securities as a key part of the Company's investment portfolio for quality and liquidity purposes. Non-agency mortgage backed securities have also been a part of the portfolio at varying levels over time as well.

While maintaining the appropriate level of book yield to support its products is one of the Company's main goals, the Company still needs to retain flexibility in determining if those investments are priced appropriately for their associated risk at any given time. This can lead to times where it may not be advantageous to hold these securities at as high a level as they would be held at other times.

In addition, for non-Agency residential mortgage backed securities, collateral performance can deteriorate for various reasons since acquisition, and the Company needs to retain the ability to sell those securities if need be for risk mitigation purposes.

Therefore, if a static limit is established that remains fixed regardless of current market conditions and pricing, this would impose a hardship on the Company and potentially its ability to maintain its ongoing membership with the Federal Home Loan Bank of Chicago.

In conclusion, we view the FHLB of Chicago as a critical partner and a key back up source of liquidity and look forward to our continued membership without constraints that could impose conflicting goals for our organization.

We appreciate the consideration of our views.

Sincerely,

Margaret M. Culkeen
Vice President, Investment Operations
MTL Insurance Company

cc: The American Council of Life Insurers (ACLI)