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January 12, 2015

**Submitted through the eRulemaking Portal: [www.regulations.gov](http://www.regulations.gov)**

The Honorable Melvin L. Watt  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20024

*Attention:* Comments/RIN 2590-AA39

RE: Notice of Proposed Rulemaking and Request for Comments (RIN 2590-AA39)

Dear Director Watt:

The Mississippi Bankers Association appreciates the opportunity to comment on the Notice of Proposed Rule Making on Members of the Federal Home Loan Bank ( RIN 2590-AA39) (the “NPR”) issued by the Federal Housing Finance Agency (“FHFA”). Mississippi is home to 82 members of the Federal Home Loan Bank (“FHLB”). In Mississippi, FHLB membership includes nearly all of the banks in the state – and these banks are almost all members of the Mississippi Bankers Association.

The FHLB provides an important source of liquidity in Mississippi, and we have vested interest in ensuring a strong and robust FHLB system. This being the case, we fully support FHFA’s efforts to ensure that the FHLB system exist and operation in a safe and sound manner consistent with the Federal Home Loan Bank Act. However, we do have a number of concerns about the NPR and its potential impact on FHLB member banks.

First, we see the proposed requirement that FHLB members maintain at least 1% of its assets in long-term home mortgage loans and at least 10% of its assets in residential mortgage loans as problematic. Under the current process, members must pledge residential mortgage loans or other assets as collateral for each advance. The existing collateral-based approach is a simple, efficient, and effective way for tying a member’s aggregate FHLB long-term advances to that members’ support of housing finance in our state.

The NPR provides no evidence that current FHLB members have only minimal mortgage assets. In fact, the earlier advance notice of proposed rulemaking also found that only a few members would not be in compliance with the proposed 10% requirement. At best, the concerns identified by the NPR appear to us to be more theoretical than actual. When the proposed 10% mortgage threshold requirement is paired with the many new residential mortgage regulations that have come about through enactment of the Dodd-Frank Act, we believe that the combined compliance

burden will severely hamper smaller community banks' ability to serve their communities. As such, we suggest that the FHFA abandon the new mortgage threshold requirements.

As local economies throughout our state and nation continue to rebound from the recent financial crisis, we urge the FHFA to look to expand rather than restrict membership in eligibility in the FHLB system. As you know, Congress has acted twice in the past few decades to expand membership eligibility – first in the late 1980's and then again in 2008. Clearly Congressional intent has been to thoughtfully expand FHLB membership, and we encourage the FHFA to consider the mixed message that the NPR sends to our industry and the uncertainty that this mixed messaging creates.

We hope that you will earnestly consider these comments, and we thank you again for the opportunity to provide these thoughts and to express our members' concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'McKinley W. Deaver', with a long horizontal flourish extending to the right.

McKinley W. Deaver  
President

Mississippi Bankers Association