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January 12, 2015

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

RE: Don Cohenour - Notice of Proposed Rulemaking, Membership Eligibility in Federal Home
Loan Banks (RIN 2590-AA39)

Dear Director Watt:

We are writing to express our concerns with the Notice of Proposed Rulemaking regarding membership eligibility in Federal Home Loan Banks (FHLBs).

As it is currently written, we have no choice but to oppose this proposal, and believe that Congress, not the FHFA, should define the terms for membership in the FHLBs.

Membership in the FHLBs is a critical liquidity tool for credit unions. FHLBs have proven to be reliable and competitive when compared to other liquidity sources available in the marketplace. Credit unions generally have more limited sources of liquidity when compared to commercial banks, making FHLB membership even more critical to our industry.

By limiting access to FHLB advances and mortgage purchase programs, we feel this regulation could hinder growth of the credit union system. We feel that the mortgage asset tests created within this proposal are arbitrary and could cause harm not only to financial institutions, but also to potential home buyers. Ultimately, the regulation could make the FHLBs a less-reliable source of liquidity for credit unions and all financial institutions.

Credit unions are currently subject to regulations from both federal and state regulators. The NCUA's new risk based capital rule will no doubt require increased capital for increased concentration in specific asset classes, including home mortgages. On the other hand, the FHFA proposal encourages concentration in home mortgages. These two regulations in combination will likely result in an increase in the required capital levels for this credit unions and many others. In some cases, these expanded capital requirements could make it necessary for credit unions to cease their mortgage operation thus reducing the borrowing choices available to consumers.

We will also find it necessary to more closely monitor the amount of home mortgage assets on our books and make lending decisions based on these concentration levels. This inflexibility could significantly reduce our ability to manage our balance sheet in response to market conditions. For obvious reasons, we would object to any proposal that negatively impacts our ability to manage our own balance sheet.

Further, we believe that this proposal unintentionally discriminates against credit unions when compared to the treatment of similarly-sized commercial banks. The proposal requires all credit unions to maintain 10 percent of assets in residential mortgage loans to qualify for ongoing membership, while exempting community financial institutions. We ask that credit unions be considered community financial institutions for the purposes of maintaining FHLB membership.

DuPage Credit Union believes that, while it was no doubt created with the best of intentions, this proposed rule is fundamentally flawed and unsound. The ultimate impact, if enacted as proposed, would be to reduce home mortgage credit availability, something we certainly are all working to avoid.

We thank you for your time and appreciate the opportunity to share our concerns with the Federal Housing Finance Agency.

Sincerely,
Diane Shelton
President