



January 12, 2015

Alfred M. Pollard, 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 and Request for Comments – Members of
Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

The Federal Housing Finance Agency (the “Agency”) has requested comments on a notice of proposed rulemaking on Federal Home Loan Bank (“FHLB”) membership requirements. We appreciate the opportunity to submit this comment on the proposed rule.

The Massachusetts Credit Union Share Insurance Corporation (“MSIC”) is the nation’s oldest deposit insurer for credit unions. MSIC was created by a special act of the Massachusetts Legislature in 1961 in order to provide consumers who are also members of Massachusetts based credit unions with full deposit insurance. Today, MSIC provides over \$750 million of excess deposit insurance to 85 member institutions operating in Massachusetts which hold \$18 billion in assets and serve 1.5 million consumers. These 85 MSIC member credit unions provide a significant amount of home mortgage lending within the Commonwealth as well as other personal and consumer loan products.

MSIC’s deposit insurance and its related activities help provide stability to the Massachusetts credit union industry and also ensure that consumers are fully protected in accordance with Massachusetts public policy. No consumer doing business with a MSIC insured credit union has ever lost any of their funds on deposit throughout the corporation’s 53 year history.

MSIC is a member of the Federal Home Loan Bank of Boston (“FHLB Boston”) which provides MSIC with essential liquidity to support its 85 credit union members in their activities to provide affordable home loan mortgage products to the consumers they serve.

We are concerned that the proposed changes would significantly increase FHLB membership requirements for existing and prospective members, thereby reducing the availability and negatively affecting the reliability of liquidity on which we depend. Moreover, stricter requirements will call into question our ability to borrow under all future economic scenarios. The proposed changes will not only make some FHLB members ineligible for membership, it would discourage potential members from joining. The net effect would be to inhibit the FHLBs' ability to serve the liquidity and housing and community development needs of their districts.

MSIC has been in operation since 1961 and serves its member credit unions as an effective and efficient deposit insurer. With a recent revision to MSIC's governing statute in 2012, MSIC now also is a liquidity source and resource for its members. The FHLB Boston is a very important part of the new mission. Without our access to the FHLB Boston, MSIC will find it difficult to obtain another funding source that is as useful as FHLB Boston; To our knowledge there is no other option. Traditional bank sources of liquidity are either unavailable or so cost prohibitive as to make them unusable. MSIC's ability to meet the funding needs of its members depends upon our ability to manage volatility in funding our balance sheet with FHLB Boston advances. This is in the best interest of the FHLB Boston, MSIC, and most importantly, MSIC's members, who are providing real estate and mortgage lending to their consumer members.

As proposed by the Agency, ongoing compliance with membership requirements would impose additional regulatory burdens on FHLB members and add an element of uncertainty to FHLB membership. We would be required to manage our balance sheet to make certain we have ample assets to meet the proposed membership requirements to ensure access to FHLB funding products. As a result, if the Proposed Rule were adopted, the FHLB system would be viewed by existing and potential members as a far less reliable funding partner.

The Proposed Rule would also likely cause a reduction in the amount of private capital flowing from the global markets through the FHLB and their members to the U.S. mortgage market and the communities we serve. As an example, the Affordable Housing Program, the largest single, private source of funding for low- and moderate-income housing in the country, is funded by 10 percent of each FHLB's net profits annually. FHLB Boston members have been awarded more than \$422 million in total subsidies and subsidized advances to create or preserve more than 25,000 affordable rental and ownership units in New England. Hundreds of member financial institutions and nonprofit sponsors have participated in expanding and rehabilitating housing stock throughout New England. Moreover, 245 members have been approved to participate in the FHLB Boston's Equity Builder Program and have made over \$25 million in grants to assist eligible first-time homebuyers with down-payment, closing-cost, homebuyer counseling, and rehabilitation assistance. However, the adverse impact the Proposed Rule would have on FHLB Boston's ability to grow and even maintain existing levels of advances, would directly lead to reduced funding of its programs targeted to

affordable housing. As a result, FHLB Boston and the other FHLBs will likely find it difficult to continue the positive trend of increased dollars flowing from the FHLB system to support affordable housing if the Proposed Rule is adopted.

In Congress, the Senate Banking Committee and House Financial Services Committee have been engaged in legislative efforts to achieve comprehensive housing finance reform. As part of these efforts, they have had the opportunity to review the role and mission of the FHLBs. To our knowledge, there has been no consideration of restricting membership in the FHLBs. To the contrary, discussions have revolved around potentially expanding the role of the FHLBs and access to them in a reformed housing finance system. In the next Congress, housing finance reform will likely be given a high priority.

Under these circumstances, the Agency should defer to Congress, as it always has, to determine the FHLB system's role in a future housing finance model.

We are also concerned about the disparate treatment credit unions would be subject to under the Proposed Rule's provisions compared with similar sized depository institutions. Specifically, community bankers would be exempt from the proposed requirement to hold 10 percent of assets in residential mortgage loans, resulting in a much larger regulatory burden and unequal playing field for credit union members.

The FHLB system's cooperative structure depends on a diverse membership. That membership has increased nationally, with 19 percent of all credit unions members of FHLBs compared with just over 11 percent in 2007. Efforts to raise eligibility requirements would only slow or reverse this trend and detract from the cooperative nature of the FHLBs.

Finally, I wish to emphasize how important reliable access to FHLB Boston is to our institution. Any element of uncertainty or further restrictions on member eligibility would have a negative impact on the stability and access to liquidity on which we depend. For these reasons, we request that the Proposed Rule be withdrawn.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael C. Hanson".

Michael C. Hanson
President & CEO
MSIC