ZFC
ZAIS FINANCIAL CORP.

January 12, 2015

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street S.W., Eighth Floor
Washington, DC 20024

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

Dear Mr. Pollard:

We are writing this letter in response to the Federal Housing Finance Agency ("FHFA") proposed rule on Federal Home Loan Bank ("FHLB") membership requirements. We appreciate the opportunity to submit the comments that follow.

We believe ZAIS Financial Corp. ("ZFC") represents a prime example of the allocation of private capital into the residential mortgage market which slowed to a standstill during the recent financial crisis and is suggested by many as a key component of a healthy residential mortgage industry. ZFC operates as a publicly traded Real Estate Investment Trust with assets primarily composed of residential mortgage related investments. As of September 30, 2014 ZFC provided the capital to fund a residential mortgage loan portfolio with an unpaid principal balance of $482.3 million. In October of 2014, ZFC completed the acquisition of GMFS, LLC, a Baton Rouge, LA based mortgage company primarily engaged in the business of originating and servicing residential mortgage loans.

We are deeply concerned that the proposed rule changes will have adverse consequences for consumers, through the "crowding out" of private capital from the residential mortgage market. We believe efforts to restrict FHLB membership will eliminate an important source of financing for mortgage originators and investors, such as ZFC. These restrictions are proposed at a time when the securitization market for non-agency mortgages, those not sold into Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association programs (collectively, "Government Related Programs"), struggles to re-establish itself as a consistent and reliable source of financing for mortgage originators and investors. FHLB financing through entities such as captive insurance companies plays, and can continue to serve, an important role in the expansion of mortgage credit outside the Government Related Programs. A contraction in available financing sources at this critical juncture will likely not just slow the re-emergence of mortgage availability for consumers, but will also likely result

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in a contraction of programs that are in existence today. As a result, the goal of mortgage credit expansion would likely only be met through further growth and expansion of the Government Related Programs. This is a development that likely places the taxpayer in the ultimate position of absorbing losses, as was the case during the recent financial crisis.

In summary, we believe the proposed rule would have the effect of stifling growth of the private residential mortgage market. This appears in direct contradiction of the stated goal of reducing the footprint of the Government Related Programs. We urge you to reconsider the implementation of a rule that would likely have these results.

Thank you for your consideration.

Sincerely,

Michael F. Szymanski

Michael F. Szymanski, President
ZAIS Financial Corp.