

January 12, 2015

Alfred M. Pollard, Esq., General Counsel
Attention: Comments/RIN 2590-AA37
Federal Housing Finance Agency, Fourth Floor
400 Seventh Street, S.W.
Washington, DC 20024

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

Dear Mr. Pollard:

On behalf of RiverSource Life Insurance Company, a Minnesota-domiciled life insurance company (RiverSource), we are writing with respect to the notice of proposed rulemaking referenced above (“NPR”). We appreciate the opportunity to present our comments. RiverSource is a member of the Federal Home Loan Bank (“FHLB”) of Des Moines and considers its membership an important source of contingent liquidity. We are concerned that the NPR could result in unnecessary restrictions and uncertainty, not only for RiverSource, but also for other members of the FHLB system. In fact, we believe the proposed rule could undermine the FHFA’s stated goal of promoting a strong FHLB system that supports housing and the broader U.S. financial system.

The NPR proposes to create additional quantitative membership eligibility requirements to measure whether FHLB members are adequately supporting the U.S. housing market, namely that all members hold at least one percent of their assets in “home mortgage loans” and that certain classes of members hold at least 10 percent of their assets in “residential mortgage loans”.¹ Further, the NPR proposes to fundamentally alter the long-standing practices and prior requirements placed on members of FHLBs by requiring each member to comply on an ongoing basis, rather than on a one-time basis as at present with the membership eligibility requirements, including the new requirements just described. The NPR notes that this proposal for ongoing compliance is needed because an applicant could cease making home mortgage loans once it became a member of the FHLB system.² The FHFA has provided no data indicating that this hypothetical issue has created any actual systemic issues, but merely asserts the possibility of an issue as grounds for a new and more restrictive regulatory scheme.

¹ NPR, at 54851. We note that the 10 percent residential mortgage loan requirement does not apply to RiverSource, but reference it as one of the new quantitative eligibility requirements applicable to certain other members.

² *Id.* at 54848; but *see also id.* at 54853 (noting that the “FHFA has found no evidence that this problem is widespread”).

FHLB members are already subject to an ongoing requirement to support housing finance and liquidity every time they take an advance. Whenever RiverSource or any other FHLB member seeks an advance from its applicable FHLB, it must provide “eligible collateral” related to housing.³ Eligible collateral is determined by statute, reflecting a mechanism put in place by Congress to ensure that advances are appropriate for the FHLB system’s goals. This existing and, in our view, sufficient requirement serves as a self-enforcing mechanism that ensures adherence to the FHLB system’s housing finance and liquidity mission. The ramifications of members’ potentially falling out of compliance with a redundant ongoing requirement are significant if the non-compliance leads to a termination of membership. The uncertainty this creates for the FHLB membership could have detrimental effects on how FHLB liquidity support is viewed by the various regulators of the membership as well as by rating agencies.

The importance of the FHLB system to economic stability is indicated by a staff report issued by the Federal Reserve Bank of New York in November 2008. This report stated that “The FHLB System took the early lead, and it was not until March 2008 that the Federal Reserve became the largest government-sponsored liquidity facility in terms of crisis-related lending to the financial system. Hence, we view the FHLB system as the lender of next to last resort.”⁴ The FHLB’s status as a “lender of next to last resort”, which in our view remains unaltered, is a key element that RiverSource’s regulators and rating agencies look to when assessing the soundness of our liquidity position and that of our peers. Creating uncertainty regarding FHLB members’ ability to maintain membership and their ongoing access to funding, especially during economic crisis, could only serve to hamper the FHLB system’s housing finance and liquidity mission at a time when it may be most needed.

Of particular concern to RiverSource, the NPR creates far-reaching implications for insurance company members of the FHLB system, yet does not fully explore the scope or effect of the FHFA’s proposals on this class of membership. The NPR proposes to define the term “insurance company”, but the proposed definition adds uncertainty rather than clarity, *e.g.*, the NPR does not discuss how the FHLB system should determine an insurance company’s “primary business” or provide any guide to implementing its proposed definition. Further, the proposed definition may eliminate from membership “traditional” insurance companies that also reinsure for affiliated or non-affiliated insurance companies. Although RiverSource fully supports the elimination of abuses from the FHLB system, we feel the proposed definition is not an efficient method for eliminating potential abuse and, moreover, could have unintended negative consequences for insurance company members. We feel that eliminating member abuse of the FHLB system should reside with the FHFA’s oversight and examination functions for all member institutions, and not be premised on an unclear definition of insurance companies.

³ 12 C.F.R. § 1430(a)(3).

⁴ Federal Reserve Bank of New York, Staff Report no. 357, November 2008, p. 4.

It is our belief that the NPR, if enacted as proposed, could harm not only RiverSource, but also other FHLB members and generally weaken a system that has worked well for more than 80 years. We therefore respectfully ask that the FHFA withdraw the September 12, 2014 Notice of Proposed Rulemaking.

Respectfully,

RiverSource Life Insurance Company
73 Ameriprise Financial Center
Minneapolis, MN 55474

By:



Name: David H. Weiser

Title: General Counsel and Asst. Secretary