

January 9, 2015

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

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

via: www.fhfa.gov

Dear Mr. Pollard:

On behalf of the New Jersey Credit Union League (NJCUL), a trade association, representing the interests of nearly 70% of credit unions in the State of New Jersey with over \$8.6 billion in assets, NJCUL thanks the Federal Housing Finance Agency (FHFA) for the opportunity to comment on the proposed rulemaking and request for comments on the Federal Home Loan Bank membership requirements.

Federal Home Loan Bank (FHLB) membership's true value is its reliability. The FHLB of New York was a critical source of liquidity for many New Jersey credit unions during the recent financial crisis. As the economy continues to slowly recover, the FHLB of New York remains today, a key liquidity source for its credit union members. Through September 30, 2014, members of the FHLB of New York have relied on the FHLB system as a source of ongoing liquidity and source for mortgage funding, borrowing over \$98 billion in advances.

In imposing ongoing asset-based tests on New Jersey credit unions in order for them to maintain their FHLB of New York membership, the proposed rule will limit credit unions ability to serve the credit needs of its members and community. In particular, the proposed rule would make it more difficult for credit unions of all sizes to deliver important credit to their communities, and could discourage potential members from joining a Federal Home Loan Bank.

The proposed rule also does not consider the oversight of federal credit unions' and federally insured credit unions' regulator, the National Credit Union Administration (NCUA) and the agency's concerns it has expressed to credit unions for maintaining long term, fixed rate mortgages on their balance sheets. Ongoing compliance with membership requirements of the proposed rule would impose additional regulatory burdens on FHLB members and add an element of uncertainty to FHLB membership. NJCUL believes the proposed rule will place a

particularly onerous burden on smaller credit unions. As currently proposed, where the rule exempts community financial institutions (CFIs) from the proposed requirement to hold 10% of assets in residential mortgage loans, the proposed requirement in the rule results in a much larger regulatory burden and unequal treatment for credit union members of FHLBs. The cap on asset size for CFI status has increased significantly over the last 10 years, from \$587 million to \$1.108 billion in 2014. The proposed changes will not only make certain members ineligible for membership, but it will also discourage potential members from joining. FHFA's efforts to raise eligibility requirements will have the unintended affect of either slowing or reversing the trend of credit unions joining FHLBs.

As members of the FHLB NY, credit unions are already subject to ongoing requirements that demonstrate commitment to housing finance. When an FHLB of New York member borrows an advance, it must provide eligible collateral to secure the advance. Nearly all eligible types of collateral, which are determined by Congress, are related to housing. In addition, current members must certify their active support of housing for first-time homebuyers to the FHFA every two years through the Community Support Statement.

Under the membership structure established by Congress, FHLBs have proven to be a safe and sound business model that reliably supplies liquidity, through all market cycles, to a broad range of cooperative members for a variety of uses. The FHLB of New York membership grants New Jersey credit unions with reliable access to liquidity, which continues to help credit unions better serve their members and communities.

The proposed changes to the FHLB membership rules would represent a fundamental change to the FHLB system and we question the need for any change in FHLB membership for depository institutions at this time. NJCUL respectfully requests that the Federal Housing Finance Agency withdraws its proposal to implement new membership requirements for Federal Home Loan Banks, RIN 2590-AA39, or at minimum, consider adding parity for banks and credit unions in the rule. Thank you for the opportunity to comment on this proposed regulation.

If you should have any questions, please contact me at gmichlig@njcul.org or 1-800-792-8861, ext. 106.

Sincerely,



Greg Michlig
President/CEO