

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:

I write on behalf of Sutherland Asset Management Corporation (“Sutherland”) in response to the Notice of Proposed Rulemaking (RIN 2590-AA39) (the “Proposal”), issued by the Federal Housing Finance Agency (“FHFA”) regarding revisions to regulations governing Federal Home Loan Bank (“FHLB”) membership.

Sutherland is a real estate finance company that acquires, originates, manages, services and finances primarily small balance commercial loans, including multi-family. Approximately 17% of Sutherland’s portfolio is multi-family, which represents the single largest collateral type within its portfolio. Because Sutherland has considerable residential mortgage exposure, there is no doubt that its goals are well-aligned with the statutory mission of the FHLB system.

Sutherland appreciates the opportunity to comment on the Proposal as its adoption has the potential to negatively affect Sutherland. Accordingly, and notwithstanding its continued support of the goals historically pursued by FHFA and FHLB, Sutherland requests withdrawal of the portion of the Proposal that sets forth a definition of “insurance company.”

In the Proposal, the FHFA defines “insurance company” as “a company whose primary business is the underwriting of insurance for nonaffiliated persons or entities.” If adopted, captive insurers would generally be precluded from becoming members of the FHLB.

A wholesale exclusion of captive insurers from membership is overly broad because it fails to consider the distinctions between captive insurance company members of the FHLB. The Proposal sweepingly classifies all captive insurers as detrimental to the FHLB without providing adequate support—empirical or otherwise—for such a position. In fact, many captive insurers further the FHFA’s objectives. Accordingly, we request that the FHFA reconsider the Proposal to the extent it excludes captive insurers from membership.

Finally, the proposed definition creates an arbitrary distinction between captive insurers and other insurance companies. Captives are insurance companies; they underwrite insurance risks and are generally licensed and regulated by the same laws and governing bodies as other, traditional insurance companies. As such, captive insurance companies should not be broadly relegated to non-FHLB member status simply on account of their formation as captives.

In light of the foregoing, we respectfully request that the FHFA withdraw from the Proposal the definition of “insurance company” and continue to permit captive insurance companies to become members of the FHLB.

Sincerely,



Jack Ross

President