OREGON BANKERS ASSOCIATION

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Sent Via Electronic Delivery: RegComments@fhfa.gov & via www.regulations.gov

Alfred Pollard, General Counsel
Attn: Comments/RIN 2590-AA39
Federal Housing Finance Authority
400 Seventh Street, SW, Eight Floor
Washington, D.C. 20024

RE: Notice of Proposed Rulemaking -- Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

On behalf of the Oregon Bankers Association (OBA) and its membership of Oregon's state and national banks, we appreciate the opportunity to comment on the above-referenced Notice of Proposed Rulemaking ("Proposal"). We have a number of concerns and would strongly urge the Federal Housing Finance Authority ("FHFA") to withdraw the Proposal.

OBA's concerns with the Proposal -- shared by our fellow bankers associations at the state and national level -- include, but are not limited to, the following issues:

- Current membership eligibility rules already address the role that the Federal Home Loan Banks ("FHLB") and their members provide in housing finance, community investments, and liquidity to the communities they serve. The FHLBs' core mission is to act as a reliable source of liquidity in support of community lending and housing finance. 25 Oregon-based banks are presently members of the FHLB system. The Proposal, if adopted, could adversely impact the roles those Oregon-based institutions play in their communities.

- If reliability of liquidity from the FHLBs is further restricted with additional requirements, banks could be induced to hold idle liquidity that could otherwise be directed toward the formation of new jobs, businesses, and housing in Oregon. This idle liquidity would otherwise be applied to credit extended to communities throughout Oregon.

- Through legislation in recent years, Congress has enabled, in particular, Community Financial Institutions to use FHLB advances in support of funding small businesses, farms, and agri-business. To confine the scope of membership eligibility to a rigid annual test based strictly on housing-related assets is contrary to congressional intent.

- The proposed ongoing asset tracking adds unnecessary regulatory burden to the FHLBs. These additional costs will be passed on to the FHLBs' members who will, undoubtedly, pass these added costs on to bank customers.

- As member banks continually address the issue of interest rate risk, maximum balance sheet flexibility is necessary. As an example, during a period of rising rates, if a liability-sensitive bank needs to moderate interest rate risk, the best course could be one of reducing longer-term mortgage assets. The Proposal could reduce flexibility in the use of the balance sheet to address interest rate risk. Restricting asset-liability management options could conceivably have a negative impact on the safety and soundness of banks. Similarly, depending upon credit or market conditions, many banks have historically needed to strategically alter their asset composition. Banks may need flexibility to adjust the composition of their assets for such reasons as: raising capital, generating liquidity, diversifying portfolios, and safety-and-soundness reasons. Required annual calibration of mortgage or residential assets could run contrary to funding housing or community development in line with changes in market or demand within the communities Oregon banks serve.

Conclusion

The Proposal, if adopted, would likely have a negative impact on liquidity and the services provided by the FHLBs. At this time, there has not been a sufficient need demonstrated for the proposed change. In light of the above, we urge the FHFA to withdraw the Proposal.

Thank you for the opportunity to comment on the guidance. If you have any questions, please feel free to contact me.

Very best regards,

Linda W. Navarro
President & CEO
Oregon Bankers Association &
Independent Community Banks of Oregon