

January 6, 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 Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

Sharonview Federal Credit Union is a \$1.1 billion credit union serving over 67,000 members, primarily in the Carolinas and New Jersey. We have partnered with the Federal Home Loan Bank of Atlanta (FHLBA) for over 15 years with \$210 million in loans currently outstanding with them. They have played a key role in helping us manage the interest rate risk derived from our large concentration in real estate loans – currently 65% of all loans outstanding.

As a credit union member of an FHLBank, we appreciate your desire to ensure the FHLBanks remain focused on the housing portion of their mission. However, we believe the proposed rule does not appropriately recognize the many actions of Congress that have expanded the FHLBanks' membership and mission, as well as access to FHLBank liquidity. As drafted the proposed rule will actually inhibit the FHLBanks' ability to execute their mission. Furthermore, by imposing ongoing asset-based tests on our institution to maintain FHLBank membership, the proposed rule will limit our ability to serve the credit needs of our members and community.

We are concerned that the proposed rule would significantly increase FHLBank membership requirements for existing and prospective members and reduce the availability and reliability of liquidity and interest rate risk mitigation on which we depend. The proposed rule would make it more difficult for credit unions of all sizes to deliver important credit to their communities and would discourage potential members from joining.

FHLBank members serve the housing needs of their communities in a variety of ways. Some hold assets on their balance sheets that reflect a role in the residential housing market; others originate home mortgages and sell them into the secondary market; others may have a greater focus on community and economic development lending; and some may play a key role in small business lending. All of these activities help create the economic foundation for housing opportunity. These various roles that FHLBank members play in local economies strengthen the FHLBank system and should be embraced.

Ongoing compliance with membership requirements of the proposed rule would impose additional regulatory burdens on FHLBank members and add uncertainty to FHLBank membership. We believe the proposed rule will place a particularly onerous burden on smaller credit unions. As currently proposed the rule requires credit unions of all sizes to maintain 10 percent of assets in residential mortgage loans on an ongoing basis. In contrast, banks that qualify for community financial institution (CFI) status are exempt

from this requirement. 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.

While we are requesting withdrawal of the proposed rule, if the FHFA determines to move forward with the proposed rule, we request at a minimum that the asset-based exemption to the 10 percent residential mortgage test for CFIs also be applied to credit unions. Smaller credit unions and CFIs deliver similar financial services to their communities and use FHLBank advances in similar manners.

To remain a strong credit union that is able to serve our members, we must be able to manage our balance sheets and liquidity to respond to changing market conditions and demand from our members. Our goal is to serve our members and communities, and unnecessary compliance costs make this more difficult. Instead of operating in a way that is responsive to our members and community, we could find ourselves managing to regulations in a way that could weaken our financial condition. FHLBank members are currently subject to ongoing requirements that demonstrate commitment to housing finance. When a 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, the FHLBanks 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. Our membership in FHLBank Atlanta and the reliable access to liquidity it provides has helped us better serve our members and our community. FHLBank liquidity has also supported the recovery of local housing markets and economies throughout the Southeast.

The proposed rule would fundamentally change a vital part of the U.S. housing finance system that has and continues to perform well. It will restrict credit unions' ability to serve their members, result in the termination of membership for some credit unions in good standing, and ultimately reduce housing and economic development credit available to families, small businesses, and communities.

For these reasons, we request that the proposed rule be withdrawn and that the FHFA instead engage in a series of public hearings, workshops, and roundtables to solicit a variety of viewpoints from diverse stakeholders that may be impacted by this wide-ranging proposal. Thank you for the opportunity to submit a comment.

Sincerely,



Steven O. Smith, CPA, PFS, CFP
Chief Financial Officer