



January 9, 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:

We appreciate the opportunity to comment on the Federal Housing Finance Agency's proposed rule RIN 2590-AA39 Members of the Federal Home Loan Banks. As the largest community financial institution headquartered in Virginia and FHLBank member, Union Bankshares Corporation agrees that FHLBanks should remain focused on the housing portion of their mission, but the proposed rule directly conflicts with permissible uses of FHLBank advances as defined by Congress.

Congress has broadened access to FHLBank funding and liquidity by expanding both membership eligibility and the ways in which member institutions can use advances. Since 1999, Union Bankshares Corporation has been able to use long-term FHLBank advances for residential housing finance, small business loans, and small farm and small agri-business purposes. While we recognize the importance of a healthy housing finance system and the FHLBanks' statutory obligation to support housing finance, a commitment to housing finance is but one part of the modern mission given to the FHLBanks by Congress. The proposed rule amends current law rather than establishing safety and soundness regulations to support the statute. Changes that narrow the FHLBanks' mission should come from Congress first.

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 on which we depend. Ongoing compliance with membership requirements of the proposed rule would impose additional regulatory burdens on FHLBank members and add uncertainty to FHLBank membership. 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.



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Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
Page Two

The proposed 10 percent residential mortgage loans test, while not applying to CFIs, is still potentially problematic for CFIs. This test requires all depository institution members with assets of more than \$1.1 billion to comply with the requirement that at least 10 percent of total assets be in “residential mortgage loans” on an ongoing basis. Members found to be out of compliance would be given one year to return to compliance. If the member remains out of compliance for two consecutive years, membership would be terminated.

To remain a strong financial institution that is able to serve our customers, we must continually adapt and adjust our business and asset-liability strategies. The proposed rule would limit our flexibility to manage our balance sheet in response to changing market conditions. Instead of operating in a way that is responsive to our customers and community, we could find ourselves managing to regulations in a way that could weaken our financial condition.

Under the current membership structure established by Congress, the Federal Home Loan Banks 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 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 CFI’s ability to serve their customers, result in the termination of FHLBank membership for some members 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. Thank you for the opportunity to submit a comment.

Sincerely,



John C. Neal
President