



November 18, 2016

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA85
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20219

*Via FHFA website (www.fhfa.gov/open-for-comment-or-input),
email (RegComments@fhfa.gov), & overnight mail*

Re: Notice of Proposed Rulemaking and Request for Comment – RIN 2590-AA85
Membership for Non-Federally Insured Credit Unions

Dear Mr. Pollard:

The Federal Home Loan Bank of San Francisco (FHLBSF) has reviewed the notice of proposed rulemaking (Proposed Rule) published by the Federal Housing Finance Agency (FHFA) on September 28, 2016 (12 FR 66545), amending the FHFA's membership regulations to implement Section 82001 of the Fixing America's Surface Transportation Act, which amended Section 4(a) for the Federal Home Loan Bank Act. We appreciate this opportunity to comment on the Proposed Rule.

The Proposed Rule generally follows the guidance provided by the FHFA to the Federal Home Loan Banks (FHLBanks) in a letter dated April 12, 2016 (Guidance Letter). The FHLBSF appreciates the guidance provided in the Guidance Letter and carried forward in the Proposed Rule. The FHLBSF does have the following comments regarding an applicant's request to its state regulator for a determination that the applicant has met all requirements for Federal share insurance.

1. Proposed Section 1263.19(a)(2). This section provides that an applicant must make the request to its state regulator only after the applicant has received notice from its FHLBank that its application is "provisionally complete" under Section 1263.19(a)(1). The FHLBSF suggests that the rule be revised to allow the applicant to make the request to its state regulator as early as its initial submission of membership application materials to its FHLBank. The FHLBSF sees no practical reason why the applicant shouldn't approach its state regulator as early as possible in the application process. Since most FHLBanks will likely already have discussed the state regulator requirement with their applicants prior to the membership application process, it should be expected that an applicant will initiate contact with the state regulator as soon as possible to facilitate the membership approval process.

Based on its experience with NFICU applicants, the FHLBSF has found that applicants have initiated contact with, and voluntarily made the request to, their state regulators at the same time or shortly after the applicants have submitted their membership application materials. The Proposed Rule seems to discourage, possibly even prohibit, a NFICU applicant from beginning the process with its state regulator until it has received the notice from its FHLBank under Section 1263.19(a)(1), and the FHLBSF does not see any practical reason for this delay or that the delay adds any value to the application process.

2. Proposed Section 1263.19(a)(3). This section states that a FHLBank may deem an application to be complete upon obtaining from the applicant certain written statements from the applicant's state regulator or the applicant addressing the applicant's request to the state regulator regarding the applicant's eligibility for Federal share insurance. The FHLBSF requests that the rule be revised or clarified to allow a FHLBank to rely on communications the FHLBank has received directly from the relevant state regulator regarding the regulator's overall position with respect to responding to NFICU requests under Section 1263.199(a)(2). If the state regulator has taken the position that it will not respond to any NFICU requests and has communicated this position directly to the relevant FHLBank, the FHLBSF believes the FHLBanks should be able to rely on this communication and not have to wait for the six-month period to expire before it can complete processing a NFICU's membership application. The FHLBSF believes this change relieves the state regulator from unnecessary administrative burdens (as the state regulator does not have to address each individual NFICU request with the same response), as well as makes the NFICU membership application process more efficient and streamlined for both the FHLBank and the applicant (as long as the applicant has made the required request to the state regulator, the FHLBank and the applicant can rely immediately on the communication from the state regulator, knowing that no individual response from the state regulator is forthcoming, and therefore the FHLBank can proceed to complete the application process without having to wait for the expiration of the six-month period).

Thank you for considering our comments.

Sincerely,



Stephen Traynor
Senior Vice President, Member Financial
Services & Community Investment