

November 28, 2016

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

Re: Comments on Proposed Rule – FHLB Membership for Non-Federally-Insured Credit Unions;  
RIN 2590-AA85

Dear Mr. Pollard:

I am writing on behalf of the California and Nevada Credit Union Leagues (Leagues). This letter is in addition to and supplements my previous letter, dated November 25, 2016. As mentioned in that previous letter, the Leagues represent the interests of California and Nevada credit unions, including 12 state-chartered, privately-insured credit unions in California, with approximately \$4.1 billion in assets, and 7 state-chartered, privately-insured credit unions in Nevada, with approximately \$2.2 billion in assets.

The Leagues continue to support the Federal Housing Finance Agency's (FHFA) proposed rule regarding Federal Home Loan Bank (FHLB) membership for non-federally-insured credit unions (NFICUs) and we offer the following additional comments and recommendations.

### **Minimum Performance Standard**

A federally insured credit union with a composite rating of "1" on its most recent regulatory examination is deemed to be automatically in compliance with the "minimum performance standard" requirement. However, under current rules, any community development financial institution (CDFI), regardless of its examination rating, must satisfy certain performance trend criteria in order to meet the minimum performance standard. The FHFA, based on the FHLB's lack of experience with non-federally-insured credit unions, proposes to also require all NFICUs satisfy performance trend criteria as part of satisfying the "financial condition" eligibility requirement.

The Leagues strongly recommend the FHFA reconsider and place stronger reliance on state supervisory authorities and their abilities to regulate and examine their state-chartered, privately-insured credit unions. We recommend the same automatic compliance standard for federally insured credit unions also apply to NFICUs with a composite rating of "1."

If the FHFA chooses to move forward with their performance trend criteria requirement, we request, at a minimum, that it revisit the requirement in three years once FHFA has obtained more seasoned history with NFICUs.

### **Collateral Standards**

We have been informed that NFICUs may be subject to different collateral standards than those of state-chartered, federally insured credit unions, such as whether the FHLBs will require taking physical possession of collateral, or re-classifying and downgrading the collateral of existing federally insured members that become privately insured. The law passed by Congress made clear that the Home Loan Banks have the same priority and security interest in collateral for non-federally insured credit unions as they do for other depository institutions. The Leagues recommend the rule address and provide equal treatment for collateral.

## **Conclusion**

The Leagues thank the FHFA for issuing this proposed rule to implement the changes made by the Fixing America's Surface Transportation Act (FAST Act) and providing clarity for NFICUs seeking FHLB Membership.

We thank you for the opportunity to comment and for considering our views in this and our previous letter.

Sincerely,

Diana R. Dykstra  
President and CEO  
California and Nevada Credit Union Leagues