

January 31, 2019

ATTN: Comments/ RIN 2590-AA82  
Mr. Alfred M. Pollard, General Counsel  
Federal Housing Finance Agency  
Constitution Center (OGC Eighth Floor)  
400 7th St., SW  
Washington, DC 20219

Re: FHFA Housing Goals; (RIN) 2590-AA82

Dear Mr. Pollard:

On behalf of the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA's) proposed Affordable Housing Goal regulations.

HCUA opposes the FHFA's proposed affordable housing goal regulations because they exclude credit unions from participating in the smaller member participation requirement. While we appreciate the Federal Housing Finance Agency's (FHFA's) recognition of the important role that small Federal Home Loan Bank (FHLB) members should play in the Acquired Member Asset program and the Agency's overall efforts to simplify and provide more flexibility on affordable housing goals, HCUA must oppose the FHFA's proposed FHLB Affordable Housing Goal regulations **because they specifically exclude credit unions from being eligible to participate in the newly created smaller member participation requirement**. As a result, thousands of credit unions—all members of the Federal Home Loan Banking System— would be ineligible to participate in at least fifty percent of all purchases under the Acquired Mortgage Asset Program.

As member-owned, not-for-profit financial cooperatives, credit unions have become an increasingly prominent provider of mortgage credit in the United States. The FHFA's proposal would prevent these credit unions from participating in the small member participation goal because they do not satisfy the statutory definition of a "community financial institution." Credit unions are FHLB members that play a vital role in the mortgage markets and they rely upon their FHLBs as partners in achieving the liquidity necessary to provide mortgage credit. However, they do not satisfy the proposal's definition of a community financial institution.

The proposed rule would define the small member participation housing goal by incorporating the definition of "community financial institution" in the Bank membership regulation, which includes institutions with total assets below the community financial institution threshold, currently \$1.173 billion. Under the proposal, the definition of "community financial institution" is to have the same meaning as the language found in 12 CFR § 1263.1, which states:

Community financial institution or CFI means an institution:

- (1) The deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. 1811et seq.); and
- (2) The total assets of which, as of the date of a particular transaction, are less than the CFI asset cap, with total assets being calculated as an average of total assets over three years, with such average being based on the institution's regulatory financial reports filed with its appropriate regulator for the most recent calendar quarter and the immediately preceding 11 calendar quarters. Consequently, because credit union deposits are insured by the National Credit Union Share Insurance Fund and not the Federal Deposit Insurance Act, credit unions are excluded from the proposed regulation's definition.

Prior to issuing a final rule, the FHFA should revise the smaller member participation goal, and specifically the goal's reliance on the definition of a "community financial institution," to ensure that purchase of credit union assets may be considered as part of the requirement.

In summary, it is imperative that the FHFA revise its proposal to ensure that credit unions are eligible to participate in the small member participation requirement.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

A handwritten signature in black ink that reads "Bradley D. Douglas". The signature is written in a cursive, flowing style.

Brad Douglas  
President/CEO