



N C B A N K E R S

NORTH CAROLINA BANKERS ASSOCIATION

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February 1, 2012

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552
regcomments@fhfa.gov

Re: Federal Home Loan Bank Community Support Amendments; RIN 2590—AA38

Dear Mr. Pollard:

On November 10th, the Federal Housing Finance Agency proposed amending its community support regulation to require the Federal Home Loan Banks (FHLBanks) to monitor and assess the eligibility of each FHLBank member for access to long-term advances through compliance with the Community Reinvestment Act and first-time homebuyer standards. On behalf of the North Carolina Bankers Association and its 128 member banks and trust companies, I would like to take this opportunity to comment on the proposed rule.

Under the current regulations, the FHFA biennially reviews the performance of each FHLBank member bank and thrift to evaluate compliance with the community support standards and determine their eligibility for access to long-term FHLBank advances. Members must submit a form stating their most recent CRA rating and must provide information about their record of lending to first-time homebuyers. If members have a CRA rating of “Needs to Improve,” they are placed on probation and have two years until the next exam review to improve their rating. If a member has not improved to “Satisfactory” or better by the next review, those members are restricted from accessing long-term advances, as well as the FHLBanks’ affordable housing and community investment programs. Members with a CRA rating of “Substantial Non-compliance” and those which fail to submit the required data are not allowed a probationary period, but are immediately placed on restricted status. Once a member improves their rating or supplies the required data, the member’s access is restored.

The proposed rule would delegate from the FHFA to the FHLBanks responsibility for determining their members’ compliance with the FHFA’s community support requirements. This would require the FHLBanks to perform functions that are inherently regulatory in nature. Congress already confronted this issue when in the wake of the S&L Crisis it abolished the Federal Home Loan Bank Board and split the regulatory and lending functions at each FHLBank and created the Office of Thrift Supervision. The FHFA should not attempt to shift its regulatory responsibility to the FHLBanks. The FHFA is best suited to determine whether its own

regulation is being complied with. It also places FHLBanks in the position of acting as both lenders to their members and regulators of them.

The NCBA also opposes the proposal to eliminate the probationary period under the community support regulation. Members with a single CRA rating of “Needs to Improve” should continue to have access to long-term advances and the community investment products offered by the FHLBanks. These products are important tools for helping such members to improve their CRA ratings. Furthermore, eliminating the probationary period would create less certainty about the availability of long-term advances if they can be denied at any time for CRA deficiencies.

For these reasons, the NCBA asks the FHFA to withdraw or substantially amend the proposed rule and keep responsibility for determining compliance with the FHFA’s community support regulation at the FHFA. The NCBA also asks that the FHFA not eliminate the probationary period for members with a single CRA rating of “Needs to Improve.”

Thank you for considering these comments. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Nathan R. Batts".

Nathan R. Batts
Senior Vice President and Counsel