



Missouri Bankers Association

Max Cook
President and CEO

February 2, 2012

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA38
Federal Housing Finance Agency
Fourth Floor, 1700 G Street NW
Washington, DC 20552

RE: RIN 2590-AA38

Dear Mr. Pollard:

This letter is in response to the request for comments on the November 10, 2011 Federal Housing Finance Agency (FHFA) "proposed rule" to amend the community support regulation to shift regulatory responsibilities to the Federal Home Loan Banks (FHLBanks), from the FHFA, to monitor and assess the eligibility of the members of each FHLBank to access to long-term advances by regulating compliance with the Community Reinvestment Act of 1977 (CRA) and for regulating compliance with first-time homebuyer standards.

First, I must state my objection to the FHFA's proposal on the basis that it creates another regulator for community banks by shifting this role to the FHLBanks. Banks are already overburdened with multiple regulators and this overload hurts consumers, home buyers and small businesses. Every community banker I know would rather hire another lender to serve their community than hire another compliance officer to serve Washington, DC.

The "burden" estimate for the rule appears suspect in estimating fractional hours for the member bank's compliance burden. Note, that even if the compliance hours are short, this is just one of many new proposals raining down on community banks.

My general counsel respectfully asks that you provide the Missouri Bankers Association with the underlying support for your general counsel's certification that the proposed rule, if adopted as a final rule, is not likely to have a significant economic impact on a substantial number of small business entities. Note, that even if viewed merely for the impact on banks, most banks are independently owned and have less than thirty-five employees and are not dominant in their markets. Note, also that most small businesses do NOT have access to the capital markets, nor are they attractive to private equity investors. The life-line financing for small businesses is the community banking system. Every new rule and every new regulator for community banks affects all consumers, homeowners and small businesses. Thus, the rule would appear to have a very substantial impact on small business entities. My counsel also notes that this certification should be provided by the head of the agency, rather than the general counsel. The Missouri Bankers

Association respectfully asks that the FHFA re-evaluate and clarify the FHFA's certification and compliance with the Regulatory Flexibility Act.

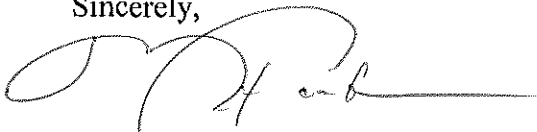
We are of the view that the FHFA, as the regulator of the FHLBanks, is best suited and has the affirmative duty to implement its own regulation in this area. The agency should not shift to the FHLBanks the responsibility to perform this duty, which we view as a regulatory function. As member-owned cooperatives, it would be inappropriate for the FHLBanks to act as both lenders to their members and regulators of them. In fact, after the FHLBanks were delegated supervisory authority in the 1980s, Congress expressly reversed the delegation, partly in response to the perception that it was inappropriate for the FHLBanks to be both a regulator of and a lender to their members. The proposed regulation would contravene the intent of Congress.

The FHFA specifically requested comment on its proposal to eliminate the probationary period presently in place for FHLBank member banks and thrifts with a single CRA rating of "Needs to Improve" that allows them to continue to have access to long-term advances and the community investment products offered by the FHLBanks while working to improve their rating. These products are important tools for helping such members to improve their CRA rating and should not be denied. Eliminating the probationary period also would undermine the reliability of long-term advances. Members need to have certainty that long-term funding from the FHLBanks will be available when they need it. Constructive engagement during the probationary period is a more effective way to improve a member's CRA performance without undermining the value of FHLBank membership. The FHFA's own dialogue as presented in the proposed rule demonstrates a punitive bias that seems more likely to impede member banks meeting the credit needs of their communities than to promote this goal, which, despite big government bureaucracy, is inherent in the DNA of community banks.

In conclusion, for the reasons described above, we recommend that the FHFA continue to keep responsibility for determining compliance with the FHFA's community support regulation at the FHFA, thereby ensuring the FHLBanks are not required to act as regulators of their members. We also urge the FHFA not to eliminate the probationary period for members with a single CRA rating of "Needs to Improve."

I look forward to your response or clarification regarding your agency's potential violation of The Regulatory Flexibility Act. Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Max Cook", with a long horizontal flourish extending to the right.

Max Cook
President & CEO