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Sent Via Electronic Delivery (RegComments@fhfa.gov)

February 2, 2012

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

**RE: RIN 2590-AA38
Federal Homes Loan Bank Community Support Amendments**

Dear Mr. Pollard:

On behalf of the Oregon Bankers Association (OBA) and its membership of Oregon's state and national banks, we appreciate the opportunity to comment on the above-referenced amendments to the Community Support regulations impacting Federal Home Loan Bank (FHLB) member banks (Member Bank). The proposed changes would require each FHLB to monitor and assess the eligibility of each Member Bank to access long-term advances based on compliance with the Community Reinvestment Act (CRA) and First-Time Homebuyer standards. The OBA has serious concerns with respect to this proposal and would urge the Federal Housing Finance Authority (FHFA) to withdraw the proposed rule.

The Proposal Would Require Federal Home Loan Banks to Act as Regulators

The Community Support Proposal (CSP) would have the FHLBs supervise their Member Banks' compliance with Community Reinvestment Act (CRA) and First Time Homebuyer standards. We disagree with this approach and would, at a minimum, recommend that the CSP be amended to ensure that FHLBs remain wholesale lenders, and do not once again become federal banking regulators.

The Current System Works and Does Not Need the Changes Contemplated by the Proposal

The FHFA's current system works as it is currently constituted. As it now stands, the FHFA evaluates Community Support activities by Member Banks and determines whether noncompliance will cost Member Banks access to long-term advances. The FHFA has performed well in its oversight of Community Support activities of Member Banks. Under the CSP, however, this would change. FHLBs, rather than the FHFA, would now decide things such as:

- Whether each of its Member Banks' CRA evaluation and First-Time Homebuyer performance is satisfactory and, if not, the FHLB's would be prohibited from making advances maturing in more than one year to that Member Bank; and
- Whether to allow an otherwise prohibited advance where a Member Bank is out of community support compliance, but requires advances maturing in more than one year for safety and soundness reasons.

The CSP would needlessly increase costs and change the roles and responsibilities of the FHFA, the FHLBs, and the primary federal regulators.

The Proposal Hampers the Ability to Assist Member Banks to Improve CRA Ratings

The CSP eliminates an important method for helping Member Banks improve CRA ratings. Currently, if a Member Bank receives one CRA rating of "Needs to Improve," the Member Bank is put on probation and required to improve its CRA rating by the next cycle or lose access to advances maturing in more than one year. The CSP would remove this probation period and take away an effective tool that can help remedy a Member Bank's CRA deficiencies.

The Proposal will Increase the Cost of Community Support Supervision

The CSP would dramatically increase the costs of Community Support supervision. Each of the 12 FHLBs would be required to independently develop its own Community Support supervision system in order to replace the FHFA as supervisor. The FHFA would then examine FHLBs based on their efforts as regulators. It is likely this would substantially increase the cost of compliance. It is the FHLB's Member Banks that would bear these increased costs.

Uniformity Would Be Sacrificed by the Proposal

The CSP would eliminate uniformity from Community Support evaluations. Rather than FHFA applying a consistent, nationwide standard to Community Support, each of twelve FHLBs would develop their own system, each continuing to evolve and change over time. This change will likely lead to further confusion and inconsistency. At minimum, the CSP would require FHLBs to become regulators, which would drive up costs. Ultimately, Member Banks – who own the FHLBs – would receive less consistency in exchange for higher cost.

The Proposal Could Run Counter to the Intent of Congress

The FHFA may not have the power to turn FHLBs into regulators. Congress eliminated the FHLB's conflict between serving as regulator and as a lender after the savings and loan crisis by establishing the Office of Thrift Supervision (now the Office of the Comptroller of the Currency) and by giving the FHFA Director the power to delegate only to FHFA officers and employees. The CSP may violate Congressional limitations on FHFA – and FHLB – powers. It ignores Congressional

action to remove conflicts of interest between acting as a regulator and as a lender. Congressional intent to divide lending and regulatory functions should be respected and not undermined.

Elements of the Proposal Could Be Positive, But Do Not Address Concerns

The CSP does offer some improvements over current regulation, however they must be balanced against the above concerns. Improvements we support in the CSP include:

- An expanded list of activities deemed to support First-Time Homebuyer efforts;
- Additional support for FHLBs to enhance member Community Support activities; and
- Other Finance Agency support for quicker reaction to CRA rating changes.

The FHFA should be commended for its efforts to take a good system and make it better, faster, and more effective, as reflected in these proposals. However, the positive changes in the CSP do not offset the concerns highlighted above.

Conclusion

OBA stands ready to work with the FHFA to devise a plan that would best serve the customers and communities served by the FHLBs and Member Banks, including those here in Oregon. The missions of the FHLBs are homeownership, reliable low-cost liquidity, and community development. They operate as wholesale lenders and mortgage purchasers to meet this mission. Making FHLBs into CSP regulators does not further this mission, but rather detracts from it. CSP compliance belongs where it currently resides – with the FHFA and with Member Banks' applicable federal regulators.

Thank you for the opportunity to comment. If you have any questions, please feel free to contact me.

Very best regards,



Linda W. Navarro
President & CEO
Oregon Bankers Association &
Independent Community Banks of Oregon