



February 03, 2012

**VIA EMAIL**

Mr. Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA38  
Federal Housing Finance Agency, Fourth Floor  
1700 G Street NW.,  
Washington, DC 20552  
RIN 2590-AA38  
[RegComments@fhfa.gov](mailto:RegComments@fhfa.gov)

**Re: Proposed Rule to Amend Federal Home Loan Bank Community Support;  
RIN 2590-AA38**

Dear Mr. Pollard:

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 300 state and nationally chartered banks, savings and loan associations, and savings banks located in communities throughout the state. WBA appreciates the opportunity to comment on the proposed rule issued by the Federal Housing Finance Agency (FHFA) regarding the amendment to the community support regulations which impact Federal Home Loan Bank (FHLB) member banks.

The proposal would require FHLB to monitor and assess the eligibility of each FHLB member for access to long-term advances through compliance with the Community Reinvestment Act of 1977 (CRA) and first-time homebuyer standards. WBA believes: (1) the current requirements are appropriate and effective for ensuring FHFB members' CRA compliance; (2) the proposal runs contrary to Congressional intent; and (3) the proposal to eliminate the probationary period under CRA is ill-advised and will harm communities.

For the reasons outlined below, WBA strongly opposes the proposed changes and strongly recommends FHFA withdraw its proposal.

**WBA believes current requirements are appropriate and effective for ensuring FHFB banks' CRA compliance.**

Under its current community support regulations, FHFA biennially reviews the performance of each FHLB member bank and thrift to evaluate their compliance with the community support standards and determines their eligibility for access to long-term FHLB advances. As part of this review, FHFA members must submit a form stating their most recent CRA rating and must provide information about their record of lending to first-time homebuyers. Members that are not subject to CRA requirements (including credit unions and insurance companies) need only demonstrate compliance with the first-time homebuyer standard.

If members have a CRA rating of "Needs to Improve," they are placed on a probationary period and have two years until the next exam review to improve their rating. If it has not improved to "Satisfactory" or better by the next review, those members are restricted from accessing long-term advances, defined as those with a maturity of greater than one year, as well as FHLB's 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 until their rating improves or until the data is submitted. Once a member improves their rating or supplies the required forms, the member’s access to long-term advances and other FHLB products is restored.

**WBA believes the proposal would inappropriately cause FHLBs to act as a regulator.**

The proposal would delegate from FHFA to FHLB the responsibility for determining their members’ compliance with FHFA’s community support requirements. This would effectively require FHLBs to perform functions that are inherently regulatory in nature. WBA believes that FHFA, as the regulator of FHLBs, is best suited to determine compliance with its own regulations. WBA believes the responsibility should not be shifted to FHLBs, which have not sought such a shift in responsibility. WBA believes that the imposition of such an obligation would create a conflict of interest as the proposal would result in FHLBs being both lender and regulator of their member institutions.

**WBA believes the proposal runs counter to Congressional intent.**

In the aftermath of the savings and loan crises of the 1980’s, Congress split the regulatory and lending functions that had previously existing at each FHLB, creating the Federal Housing Finance Board to regulate the FHLBs and the Office of Thrift Supervision to regulate the federal thrift institutions which then comprised of the majority of FHLB members. This was done partly in response to the perception that it was inappropriate for FHLBs to be both a lender and regulator. While there have been further changes in agency and regulation since then, Congress’ intent and action to divide lending and regulation functions should be respected and not undermined.

**WBA believes the proposal to eliminate the probationary period under the community support regulation is ill-advised and will harm communities.**

It is a sound policy to allow a period of time for FHLB members with a single CRA rating of “Needs to Improve” to continue to have access to long-term advances and the community investment products offered by FHLBs while working to improve their ratings. WBA believes these products are important tools for helping such members to improve their CRA rating and should not be denied. WBA believes that an immediate cut-off of advances for a bank which receives a less than “Satisfactory” rating would not only harm that bank’s ability to improve their rating, but more importantly, would penalize the community served by that bank by making resources for serving that community more scarce.

Additionally, if FHFA’s goal is to better ensure that FHLB members are meeting the community reinvestment needs of their communities, FHFA should focus on broadening the application of the community support review requirements to all FHLB members who must meet community reinvestment requirements, whether imposed under the federal CRA statute, or under state statutes.

Once again, WBA appreciates the opportunity to comment on the proposal.

Sincerely,



Rose M. Oswald Poels  
President/CEO