



120 Washington Street, E
Charleston, WV 25301

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

Dear Mr. Pollard:

Please accept this letter in response to the request for comments to the November 10, 2011 Federal Housing Finance Agency (FHFA) proposal to amend the community support regulation to required the Federal Home Loan Banks (FHLBanks), as opposed to the FHFA, to monitor and assess the eligibility of each FHLBank member for access to long-term advances through compliance with the Community Reinvestment Act of 1077 (CRA) and first-time homebuyer standards (the Proposed Rule). The WVBA appreciates your consideration of our views on this important matter.

As stated, the proposed regulation would shift responsibility from the FHFA to the FHLBanks for determining if member institutions have complied with the FHFA's community support regulation. As a voice for the banking industry in West Virginia, we are concerned that this will effectively require the FHLBanks, a cooperative business, to once again become the regulators of their members.

Under its current community support regulations, the FHFA biennially reviews the performance of each FHLBank member bank and thrift to evaluate their compliance with the community support standards and determine their eligibility for assess to long-term FHLbank advances. As part of this review, members must submit a form stating their most recent CRA rating and must provide information about their record of lending to first-time homebuyers.

The WVBA firmly believes, and 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. This shift of regulatory compliance in our opinion, clearly establishes an environment that could potentially perpetuate an adverse business climate among West Virginia financial institutions. As member-owned cooperatives, it would be inappropriate for the FHLBanks to act as both lenders to their members and regulators of them.

Additionally, the probationary period should not be eliminated and is in fact sound policy. FHLBank members and thrifts 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 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 has proven to be a more effective way to improve a members' CRA performance without undermining the value of FHLBank relationship.

Simply put, the FHLBanks have not been the regulators of their members since the late 80s. FHLBanks should be allowed to continue serving their duty by offering advances and community investment products to their members. To shift their responsibility to include regulating their membership only puts the relationship that each member has with its FHLBank, at risk.

In conclusion, for the reasons described above, the WVBA recommends that the FHFA keep the responsibility of determining compliance with the FHFA's community support regulation at the FHFA, 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."

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe L. Ellison". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joe L. Ellison
President and CEO