VIA E-MAIL TO REGCOMMENTS@FHFA.GOV

February 7, 2012

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, N.W.
Washington, DC 20552

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

Dear Mr. Pollard:

I am writing to express my concerns about the Federal Housing Finance Agency's (FHFA) proposal to amend 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 of 1977 (CRA) and first-time homebuyer standards (the Proposed Rule). I appreciate the opportunity to comment and your consideration of my views on this important matter.

Currently, 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 access to long-term FHLBank advances. The Proposed Rule 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 result, this regulation would inappropriately require the FHLBanks, a cooperative business, to once again become regulators of their members.

In my view, the FHFA is better suited than the FHLBanks to implement its own regulation in this area and should not delegate this responsibility. Determining compliance with a regulation is an inherently a regulatory function and should continue residing at the FHFA. As member-owned cooperatives, it would be inappropriate for the FHLBanks to act as both lenders to their members while also determining whether their members have sufficiently satisfied the FHFA's community support regulation in order for them to continue having access to long-term advances.

I am also concerned about the proposed elimination of the probationary period under the community support regulation, which appears counterproductive. Often, the types of community investment products offered by the FHLBanks are exactly the types of products that are can be most useful to a member bank or thrift with a CRA rating of "Needs to Improve" in improving their rating. Cutting off these products makes no sense. Eliminating the probationary period also would undermine the reliability of long-term advances, which is a key reason for FHLBank membership in the first place. Members need certainty that funding will be available when needed.

Members with a “Needs to Improve” rating should continue to have access to these products with they work to address their community support deficiencies.

In conclusion, the FHLBanks should not be required to perform the regulatory function of determining compliance with the FHFA’s community support regulation and the probationary period for members with a “Needs to Improve” CRA rating should not be eliminated.

Thank you again for your consideration of my comments.

Sincerely,

Diane Schobert
FHLB Chicago Advisory Council Chair