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VIA E-MAIL TO REGCOMMENTS@FHFA.GOV

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

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

Dear Mr. Pollard:

This letter responds to the captioned Federal Housing Finance Agency (FHFA) Proposed Rule issued on 10 November 2011. The Proposed Rule would require, among other things, the Federal Home Loan Banks (FHLBanks) to evaluate their members' compliance with the community support regulation for purposes of qualifying them for access to advances. In the case of insurance company members, the Proposed Rule relates to the first-time homebuyer standard. The American Council of Life Insurers (ACLI) appreciates your consideration of insurance company member views on this important matter.

Pursuant to existing rules, the FHFA reviews biennially the performance of each FHLBank member to evaluate the member's compliance with community support standards. As part of the review, each insurance company member submits a statement describing its eligible first-time homebuyer programs and activities. Failure to comply with the first-time homebuyer standard will restrict the member's access to long-term FHLBank advances.

The ACLI is concerned that the Proposed Rule, if adopted, will require the FHLBanks to act as regulators of their members. The rule proposes to delegate from the FHFA to the FHLBanks responsibility for determining their members' compliance with the FHFA's community support requirements. In effect, this would require the FHLBanks to perform functions inherently regulatory in nature. The proposal opines that requiring the FHLBanks to "make decisions on any restrictions on access to long-term advances would be consistent with their general advances and underwriting responsibilities." ACLI disagrees. Determining whether or not a member is in compliance with a regulation is inherently a regulatory function. The FHFA is best suited to determine whether FHLBank members have complied with the FHFA regulation. This responsibility should not be shifted to the FHLBanks.

The Proposed Rule threatens to contravene the intent of Congress and re-create a conflict of interest which Congress eliminated long ago. As the Savings and Loan Crisis developed in the 1980s, the FHLBanks were delegated supervisory responsibilities over their members by their regulator, the Federal Home Loan Bank Board (FHLBB). In the aftermath of the Crisis, Congress expressly reversed the delegation by abolishing the FHLBB, separating the regulatory from the lending functions, and creating the Office of Thrift Supervision in 1989. This was done at least partly in response to the perception that it was inappropriate for an FHLBank to be both a

lender and regulator. Congress' action in this regard should be respected and not undermined by the Proposed Rule. A clear conflict of interest will be created if the FHLBanks are required to determine whether their members have complied with the FHFA community support regulation in order for the FHLBanks to continue making long-term advances to those members.

The FHLBanks have not sought supervisory authority over their members. Congress charged the FHLBanks with a mission to promote housing finance and community development, which they accomplish primarily by offering advances and community investment products. The FHLBanks should be allowed to continue doing what they do best. The Proposed Rule should be amended to keep responsibility for determining compliance with the FHFA's community support regulation within the FHFA.

Further, the FHLBanks should not be required to solicit comments on the community support programs and activities of its members. Soliciting comments on an insurance company and its activities should remain the responsibility of the insurance company regulator, which is in the best position to evaluate and respond to such comments.

The FHFA asked whether the public comment process would be enhanced if the FHLBanks were required to give public notice when specific members are selected for community support review. The answer is No. The current public notice provisions are functioning properly; nothing warrants FHLBanks to further notice review of a member's community support activity.

The FHFA requested comment whether the FHLBanks should have discretion to determine the eligibility of first-time homebuyer programs or activities. The FHLBanks know their members and the particular needs of the FHLBank district, thus, the FHLBanks are best qualified to assess the eligibility of the programs and activities of their members.

The FHFA asked whether a member should be required to engage in more than one eligible first-time homebuyer program or activity in order to comply with the first-time homebuyer standard. Members should be required to participate in only one first-time homebuyer program or activity to be in compliance with the first-time homebuyer standard. FHLBank members develop their community support programs with first-time homebuyer compliance in mind. The cost of developing an additional first-time homebuyer program could be significant. By requiring some higher number of first-time homebuyer activities to be undertaken, members that could effectively operate one program might find their financial, personnel, and other resources strained by operating multiple programs, possibly becoming less effective overall.

Thank you for your consideration of the ACLI perspective on the matters discussed above.

Sincerely,



MICHAEL LOVENDUSKY
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The American Council of Life Insurers