



February 8, 2012

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

Via Electronic Delivery to
RegComments@fhfa.gov

Re: Comments on RIN 2590-AA38

Dear Mr. Pollard:

The Illinois Bankers Association (IBA)¹ is writing in response to the request for comments by the Federal Housing Finance Agency (FHFA) published on November 10, 2011 (76 Fed. Reg. 70069) regarding its proposed amendments to the community support regulations governing the Federal Home Loan Banks' (FHLBanks) member banks. We appreciate this opportunity to provide our comments.

The IBA respectfully opposes the proposed changes, with the exception of the proposed change to include manufactured and substandard housing in the definition of "first-time homebuyer" in Part 1290. We note that our objections and reasons for them closely mirror the more than fifty comment letters that have been filed as of February 6th, which are strikingly consistent in their views. Accordingly, we wish to simply state our principal objections for the record:

1. We agree that eliminating the probationary period for member banks with CRA deficiencies would severely undermine the mission of the FHLBanks to the detriment of those member banks and their respective communities. Denying long-term advances to member banks that need to improve CRA ratings effectively cuts off an important source of funding that would enable those banks to improve their CRA ratings. Moreover, denying such banks access to other FHLBank products, such as the Affordable Housing Program and other Community Investment programs, effectively would penalize the low- and moderate-income neighborhoods and families and the economic development activities that otherwise would benefit from those member banks' access to such products.

2. We agree that requiring the FHLBanks to act as both lenders and regulators would create an inherent conflict of interest – and one that Congress intended to eliminate when it split those functions between the FHLBanks and the Office of Thrift Supervision in 1989. We strongly disagree with the FHFA's contention in its comments that incorporating the policies and procedures for community support evaluations in the FHLBanks' Member Product Policies would be consistent with their general advances and underwriting responsibilities. Determining policies that encourage lending to specific classes of borrowers is a regulatory (or legislative) function. Credit underwriting should be driven by safety and soundness considerations. The FHFA should continue to determine compliance with its own community support regulations, which are mandated by Congress, leaving the member-cooperative FHLBanks free to focus on providing advances to and serving the community investment needs of their members.

¹ The IBA is a full-service trade association dedicated to creating a positive business climate that benefits the entire banking industry and the communities it serves. Founded in 1891, the IBA brings together state and national banks, savings banks, and savings and loan associations of all sizes in Illinois. Over twenty percent of IBA members are community banks with less than \$50 million in assets, and over seventy percent of IBA members are community banks with less than \$250 million in assets. Collectively, the IBA represents nearly ninety percent of the assets of the Illinois banking industry, which employs approximately 100,000 men and women in over 5,000 offices across the state.

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In sum, the IBA urges you to retain the separate regulatory and lending functions that exist today, and to retain the probationary periods for FHLBank member banks that need to improve their community lending ratings.

Again, we appreciate this opportunity to express our concerns on the proposed amendments. If you have any questions or need additional information from us, please feel free to contact me at 312-347-3400 or by e-mail at bbaker@ilbanker.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Jay Baker". The signature is fluid and cursive, with the first and last names being the most prominent.

Bruce Jay Baker
Executive Vice President
and General Counsel