

From: Tim Urban <timurban44@gmail.com>
Sent: Wednesday, February 08, 2012 2:35 PM
To: !FHFA REG-COMMENTS
Subject: Comment by Tim Urban-FHLB Advisory Council Member

February 8, 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 responding to the proposal of the FHFA to amend its community support regulation to require the Federal Home Loan Banks to evaluate how its members comply with the Community Reinvestment Act..

I am a first year member of the Advisory Council of the Federal Home Loan Bank of Des Moines. I have also been involved in the housing industry for 40 years as a regional planner, planning director, city councilman, plan and zoning commissioner, homebuilder, LIHTC residential developer and a board member of a non-profit, HAP-contract, LIHTC 300 unit housing project. As an Advisory Council member, I am concerned that the mission of the FHLB to extend credit to its members not be compromised by regulating its same members. It seems to me such a dual responsibility would compromise our lending mission. Our underwriting duties require us to evaluate the capacity of our member bank to repay our loans. If, at the same time, we are to determine that the member bank has failed in some way to meet CRA requirements with no deficiency in the member's capacity to fulfill their fiduciary obligations to us, we would be failing to serve our members interests. It is not our role, as a lender to our members, to determine whether the member is complying with investment requirements outside our jurisdiction. Just as we do not approve or reject the loans these members make to their borrowers, it seems highly inappropriate for us to inject ourselves in a regulatory area under the jurisdiction of the FHFA.

To the extent that a member bank receives an unsatisfactory CRA rating we would want to be in a position to provide credit that the member may require to address its deficiency. It would be untenable for us, on one hand, to determine whether they had a deficiency and, on the other hand, as a result of such a determination, offer to extend them credit to resolve it. Our criteria to lend must be based only on prudent underwriting criteria. If a member wishes to secure credit from us to make CRA loans, our decision should only be based on whether the member is creditworthy with no other considerations that may compromise that decision.

I understand that under your current regulations, the FHFA reviews the performance of each of our member banks to evaluate their compliance with the CRA and determine their eligibility for access to FHLB advances. If members have a CRA rating of "Needs to Improve," they are placed on a probationary period with two years to improve their rating. Once a member improves their rating the member's access to advances from the FHLB is restored. These determinations by the FHFA, independent of our underwriting analyses, seem like the most effective way to regulate CRA compliance.

Our staff have informed me that only a very small percentage of our members that were subject to CRA evaluations from 2008 to 2010 received ratings requiring them to be placed on probation. In such few cases, we need to be in a position to assist our member banks if they need to come to us for credit assistance to correct their CRA compliance problems. but only if they remain credit-worthy. Any denial of this assistance would, it seems to me, to be counter-productive. We want to see our members comply with CRA requirements. Our Affordable Housing and Community Development Programs are focused on the same objectives as many CRA projects.

I hope my comments clarify my concerns and are constructive.

Yours Truly,

Tim Urban. Member
FHLB Advisory Council