

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

February 7, 2012

Dear Mr. Pollard:

We would like to make you aware of our strong opposition to the proposed amendment by the Federal Housing Finance Agency (FHFA) of their community support regulation.

This 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 result, we are concerned that this regulation will effectively require the FHLBanks, a cooperative business, to once again become regulators of their members. We do not believe that the FHLBanks should be required to act as regulators on the subject of community support.

The recent financial crisis taught us that Federal regulators with well-trained staffs are often challenged to properly and effectively regulate and therefore protect the general public. We do not believe it is in the best interest of the general public or the member banks and thrifts of the FHLBank system to require the FHLBanks to add community support regulation to their duties.

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 access 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. Member institutions such as credit unions and insurance companies that are not subject to CRA requirements need only demonstrate compliance with the first-time homebuyer standard.

If a member has a CRA rating of "Needs to Improve," it is placed on a probationary period and has two years until the next exam review to improve its rating. If there has not been improvement to "Satisfactory" or better by the next review, the member is restricted from accessing long-term advances, defined as those with a maturity of greater than one year, as well as the FHLBanks' affordable housing and community investment programs. Members with a CRA rating of "Substantial Non-compliance" and those which fail to submit the required data are not allowed a probationary period, but are immediately placed on restricted status until their rating improves or until the data is submitted. Once a member improves its rating or supplies the required information, the member's access to long-term advances and other FHLB products is restored.

The probationary period should not be eliminated and is, in fact, sound policy. FHLBank member banks 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 is a more effective way to improve a member's CRA performance without undermining the value of FHLBank membership.

We 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 FHFA should not shift to the FHLBanks the responsibility to perform this regulatory duty. It would be inappropriate for the FHLBanks, as member-owned cooperatives to act as both lenders to their members and regulators of them. Asking the staff of a member-owned cooperative to also act as a regulator of the members creates an inherent conflict of interest. In fact, after the FHLBanks were delegated supervisory authority in the 1980s, Congress expressly reversed the delegation, partly in response to the perception that it was inappropriate for the FHLBanks to be both a regulator of and a lender to their members. The proposed regulation would contravene the intent of Congress.

Since 1989 the FHLBanks have not been the regulators of their members. The FHLBanks should be allowed to continue doing what they do best -- serving their mission by offering advances and community investment products to their members. To shift their responsibility to include regulating their membership only puts at risk the vital relationship that each member has with its FHLBank, a relationship our nation's financial institutions rely on.

In conclusion, for the reasons described above, we strongly recommend that the FHFA continue to keep responsibility for determining compliance with the FHFA's community support regulation at the FHFA, thereby 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."

We appreciate your consideration of our view and our comments.

Sincerely,



Richard J. Gessner, Jr.  
CRA Officer  
ING DIRECT  
1 South Orange Street  
Wilmington, DE 19801  
Direct: (302) 467-6570  
Cell: (302) 655-7795  
Fax: (302) 255-3980  
[rgessner@ingdirect.com](mailto:rgessner@ingdirect.com)