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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:

I want to thank the Federal Housing Finance Agency (FHFA) for the opportunity to comment on the proposed rule regarding community support regulations. For the record, I am in favor of methods to strengthen the investment in historically underserved communities as well as provide opportunities for home ownership in an effective and prudent manner. I also believe that collaboration between regulators and market participants is a positive model for achieving long term results.

The basic premise of the regulation is to involve the Federal Home Loan Banks (FHLBs) in a regulatory oversight position. As a former Congressional staff member, I was intimately involved in the legislation regarding the resolution of the S&L crisis during 1988-89. One of the guiding principles of the reform was to resolve the conflict of the Federal Home Loan Bank Board being both a regulator and a source of funding for member institutions. With the passage of Financial Institutions Reform Recovery and Enforcement Act (FIRREA), this conflict was eliminated. Oversight became the responsibility of the Office of Thrift Supervision and the Federal Home Loan Banks focused on being the liquidity mechanism for member banks. The proposed rule would require the FHLBs to be engaged in oversight which re-establishes a precedent that should not be repeated.

The next impact of the proposed rule is that it can negatively shift the relationship between the FHLBs and its members. It is not necessary to set up oversight provisions that will reduce the openness of the current structure. The FHLBs help member banks reach the objectives of Affordable Housing through seminars, sharing best practices and having resources available that will assist member banks in achieving community based objectives. The mandated programs when run with a mission to maximize the results have yielded substantial benefits. As you are aware, the investments in these programs are based on the profitability of the FHLBs. Profitability and collaboration by the FHLBs with the members will yield better short term and long results than the proposed rule.

Lastly, the rules suggest that the FHLBs could use publicly available information to perform the proposed regulatory function. The example of the lag between biennial reviews may allow member banks access to long-term advances up to two years after receiving a CRA “Substantial Noncompliance” is helpful. This information is also available to FHFA. However, rather than resolving this matter with additional regulation, it is suggested that banks report immediately to the FHFA when its rating falls below acceptable levels. The FHFA would share the information with the member’s FHLB. This would provide due notice thereby triggering the appropriate actions by the FHLBs -- cease long-term advances and work with member banks to resolve the issues through collaboration. Also, since the CRA ratings are available to the public, this information can be used by affordable housing advocates to suggest partnership collaborations. Furthermore, the Affordable Housing Councils in the FHLBs can be very helpful in identifying opportunities and working with member banks that would like to improve performance.

Thank you again for this opportunity. After careful review, I sincerely hope that the FHLBs will not be required to engage in any regulatory activities.

Sincerely,

Edwin C. Reed
Member, Board of Directors
Federal Home Loan Bank of New York