From: Menzo D. Case <menzo.case@senecafallssavings.com>
Sent: Wednesday, February 08, 2012 8:08 PM
To: !FHFA REG-COMMENTS
Subject: RIN 2590-AA38

Dear Mr. Pollard:

This letter is in response to the request for comments on the November 10, 2011 Federal Housing Finance Agency proposal to amend the community support regulation to require the Federal Home Loan Banks (FHLBanks) to monitor and assess the eligibility of each FHLBank member for access to long-term advances through compliance with the Community Reinvestment Act of 1977 (CRA) and first-time homebuyer standards (the Proposed Rule). As a member of the Federal Home Loan Bank of New York, we appreciate your consideration of our view on this important matter.

The proposed legislation would effectively make the FHLBanks another regulator in an already over-regulated environment. We view the FLHBanks as a significant source of funding loans - a trusted vendor. Congress specifically removed regulatory powers delegated to the FHLBanks in response to the perception that it was inappropriate for the FHLBanks to be both a regulator and a lender to members. I can only imagine the mire of regulations that would be created for the FHLBanks and the limitation placed on long-term advances offered members if the FHLBanks received regulatory powers again. It is especially ironic that the means by which many of the community banks meeting CRA and community responsibilities would likely be closed out of the affordable funding used to help meet these same responsibilities when these new regulations are applied.

As it stands today, the FHLBanks review our compliance with various community support standards on a regular basis to determine our eligibility for long-term advances. As part of this review, we also submit information regarding our most recent CRA rating and provide additional information pertaining to our record of lending to first-time homebuyers.

Depending on our CRA rating and overall "score" from the review, we may be placed on a two-year probation, requiring an improvement in our next review. In the event there is no improvement, our access to long-term advances is limited accordingly. If our overall scoring is below the established standard, we would be placed on a restricted status until our rating improves. It seems to me that this system has worked well to identify those not meeting the overall mission of the FHFA.

Additionally, 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.

In conclusion, for the reasons described above, we recommend that FHFA amend the Proposed Rule 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.”

Thank you for your consideration of our comments.

Sincerely,

Menzo D. Case
President & CEO
Seneca Falls Savings Bank
315-568-1113

"Fret not thyself because of evildoers…"