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NAME: Alfred Pollard

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SENT BY: Jay Stevenson

RE: ______________

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February 8, 2012

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency, Fourth Floor
1700 G Street, NW
Washington, DC 20552

Attention: Comments/RIN 2590-AA38

Dear Mr. Pollard:

The Illinois League of Financial Institutions is submitting comments in response to the notice of proposed rulemaking published in the November 10 Federal Register.

The Illinois League opposes the amendments and urges that they be withdrawn. The proposed amendments shift the burden of enforcing the FHFA's community support regulation on Home Loan Bank member institutions from the FHFA to the individual Home Loan Banks. This would create a significant conflict of interest and potentially reduce uniformity while adding to the regulatory burden of member institutions engaged in home mortgage lending. The membership of the Illinois League is largely made up of Illinois thrifts who are the primary home lenders in their communities.

The proposal would require the Federal Home Loan Banks (FHLBs) to monitor and assess the eligibility of each of their commercial bank, thrift institution and other members for access to long-term advances through compliance with the Community Reinvestment Act and first-time homebuyer standards that each FHLB would issue. It would replace the current practice in which member institutions submit to FHFA biennial community support statements containing their most recent CRA evaluations. In its place, FHLBs would be required to verify member institutions' CRA ratings from federal regulatory bodies and be responsible for overseeing member compliance with first-time homebuyer requirements.

The Illinois League is concerned that this shift in the burden of supervising FHLB member institutions from the FHFA to the individual FHLBs will create an inherent conflict of interest, lead to possibly inconsistent compliance standards and examination requirements, and increase the regulatory burden on member institutions. We are unaware of any problems with the current system of supervision that would justify the shift.

The Federal Home Loan Bank System is a nationwide network of member-owned cooperative institutions. Each Home Loan Bank is an autonomous entity governed by a Board of Directors elected by its membership. Officers of member institutions typically comprise a majority of the Board of Directors. The FHLBs make billions of dollars of loans to their members. The success of the FHLB is closely tied to the success of the member institutions. This very close relationship between the FHLBs and their member lending institutions make the FHLBs inappropriate regulators of their members.

The Congress established the FHFA as the regulator of the Federal Home Loan Bank System. The process that has been in use to regulate the individual members of the FHLBs, whereby FHFA reviews submissions certifying compliance with CRA and first-time homebuyer requirements is more in accord with Congressional intent and avoids the conflicts of interest inherent in the relationship between the FHLBs and their members.

The proposal could lead to inconsistent and possibly even incompatible examination standards between and among the individual FHLBs. Under the proposal, each FHLB would "establish and maintain a community support program." Each individual FHLB, under this program, would establish and maintain its own policies and procedures for the evaluation of community support compliance by individual members, and develop an extensive list of additional community and first-time homebuyer assistance programs. Because individual banks, thrifts and other lenders can be members of more than one FHLB, they could be torn between conflicting demands by their multiple FHLB regulator.

One of the hallmarks of the federal regulatory system to date has been the attempt by federal banking regulators to ensure consistency and equity among federal regulators. By delegating regulatory and examination authority to 12 distinct, regional entities, we are concerned that this proposal could be a step backward for the consistency of the regulatory and examination process.

During this extended economic downturn which has severely impacted the housing market, the one message that comes from our members is a desire for an end to the constant stream of changes to and standards of regulation. In the absence of any offered evidence on the part of the FHFA that the current system of verifying compliance with CRA and other initiatives *is not working,* we would urge the FHFA to withdraw this proposal. Introducing a new element of regulatory uncertainty – particularly in the area of affordable housing and first-time homebuyer lending – can only further complicate the task of funding the nation's housing needs.

The Illinois League of Financial Institutions strongly opposes this regulation and urges that it be withdrawn.

Yours very truly,

Jay R. Stevenson
President