February 6, 2012

Via email to RegComments@fhfa.gov

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

Re: RIN 2590—AA38; Federal Home Loan Bank Community Support Amendments

Dear Mr. Pollard:

The Ohio Bankers League (OBL) is responding to the request for comments issued by the Federal Housing Finance Agency FHFA on November 10, 2011. The Ohio Bankers League is a nonprofit trade association representing the vast majority of FDIC insured depository institutions in the state of Ohio. Our diverse membership ranges from small mutual institutions that are locally owned and managed up to very large multistate holding companies that do business from coast to coast and around the world. One common attribute that almost all of our members share however is their interest in the Federal Home Loan Bank of Cincinnati. Virtually all of our members obtain advances or are otherwise use the services of the FHLB Cincinnati and are therefore very interested in any proposal that will adversely impact the Federal Home Loan System and its local banks.

The proposed revision would require the Federal Home Loan Banks to monitor and assess the eligibility of each FHLB member for access to long-term advances through compliance with the Community Reinvestment Act of 1977 (CRA) and first-time homebuyer standards. For the reasons we outline below, the OBL opposes the proposed changes and we urge the FHFA to withdraw this proposal.

Current requirements are appropriate and effective for ensuring banks' CRA compliance

Under its current community support regulations, the FHFA biennially reviews the performance of each FHLB member to evaluate its compliance with the community support standards and determine its eligibility for access to long-term advances. As part of this review, members must submit a one-page community support statement with their

most recent CRA rating and information about their record of lending to first-time homebuyers. Member institutions such as credit unions and insurance companies that are not subject to federal CRA requirements need only demonstrate compliance with the first-time homebuyer standard.

Under current standards, a member with a CRA rating of "Outstanding" or "Satisfactory" is deemed to comply with the CRA requirement and eligible for long-term advances. If members have a CRA rating of "Needs to Improve," they are placed on a probationary period and have two years until the next exam review to improve their rating. If it has not improved to "Satisfactory" or better by the next review, those members are 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 forms, the member's access to long-term advances and other FHLB products is restored.

The Proposed Rule would require the Federal Home Loan Banks to act as regulators of their members, undermining clear congressional intent to the contrary.

The rule proposes to delegate from the FHFA to the Federal Home Loan Banks responsibility for determining their members' compliance with the FHFA's community support requirements. This would effectively require the FHLBs to perform functions that are inherently regulatory in nature. We strongly disagree with the assertion in the proposal that requiring the FHLBs to "make decisions on any restrictions on access to long-term advances would be consistent with their general advances and underwriting responsibilities." Determining whether or not a member is in compliance with a regulation is inherently a regulatory function. The FHFA is best suited to determine compliance with its own regulations. The responsibility should not be shifted to the FHLBs, which have not sought such a shift in responsibility and in fact oppose such a shift. To impose such an obligation on the FHLBs creates a conflict of interest making them both lenders and regulators of their member institutions. Shifting the oversight responsibility from a single federal agency (the FHFA) to 12 separate banks increases the risk of inconsistency in application between the districts.

Not only would such a result be ill-advised, it would appear to contravene the intent of Congress. In the aftermath of the savings and loan crisis of the 1980s, Congress split the regulatory and lending functions that had previously existed at each FHLB, creating the Federal Housing Finance Board (a predecessor agency to the FHFA) to regulate the FHLBs and the Office of Thrift Supervision to regulate the federal thrift institutions which at that time comprised the majority of FHLB System members. This was done at least partly in response to the perception that it was inappropriate for the FHLBs to be both a lender and regulator. While there have been further changes in agency and

regulation since that time, the intent and action of Congress to divide lending and regulation functions should be respected and not reversed.

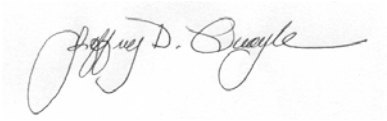
The proposal to eliminate the probationary period under the community support regulation is ill-advised and will harm communities.

Current practice allows FHLB members with a single CRA rating of "Needs to Improve" to continue to have access to long-term advances and the community investment products offered by the FHLBanks while working to improve their rating. As the proposal notes, a policy that would deny access "could restrict a member's ability to use long-term advances to address the deficiencies that led to the 'Needs to Improve' rating." We strongly agree. Clearly, this is a significant concern, since the FHFA recognizes in the proposal that this could have important ramifications to a member's safety and soundness. These products are important tools for helping such members improve their CRA rating and should not be denied. An immediate cut off of advances for a bank which received a less than "Satisfactory" rating would not only harm that bank's ability to improve its rating, but more importantly would penalize the community served by that bank by diminishing resources for serving the community.

Conclusion

If the FHFA's goal is to better ensure that FHLB members are meeting the community reinvestment needs of their communities, they should focus on broadening the application of the community support review requirements to all FHLB members, whether or not such requirements are imposed under the federal CRA statute. More important, the FHFA should not transfer regulatory compliance for community support to the FHLBs, placing them in a position of regulating their own members and contravening clear Congressional intent. Finally, the FHFA should not eliminate the probationary period for members with a single CRA rating of "Needs to Improve", as the probationary period ensures that banks have the tools necessary to improve their rating and to better serve their communities.

Respectfully Submitted;



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