



Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency – Fourth Floor
1700 G Street, NW
Washington, DC 20552

Re: Advance Notice of Proposed Rulemaking and Request for Comments – Members of
Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

The Federal Housing Finance Agency (FHFA) has requested comments on an advance notice of proposed rulemaking (ANPR) in which the agency has expressed its desire to review current Federal Home Loan Bank (FHLBank) membership requirements. On behalf of the Virginia Association of Community Banks, I appreciate the opportunity to submit this comment on the ANPR.

The questions posed in the ANPR are concerning. They suggest that the FHFA is considering requiring FHLBank members to “maintain a demonstrable involvement in residential mortgage lending and otherwise comply with the statutory requirements for membership.” FHLBank member institutions could be required to hold at least 10% of their assets in mortgages on a continuing basis, rather than only when they join. Also, objective and quantifiable standards could be established for the requirements that each member “makes long-term home mortgage loans” and have a “home financing policy.” Noncompliant members could be barred from further access or have their membership terminated.

Currently, Virginia has 86 banks which hold membership in the Federal Home Loan Bank of Atlanta. The regulatory changes under consideration might discourage potential members from joining, ultimately inhibiting the ability of FHLBanks to serve the housing and community development needs of the district. These suggested changes are likely to prove particularly burdensome to our small and medium sized banks, at a time when these members are already subject to many other new regulatory requirements.

During a difficult time when policymakers should be looking for ways to jump start economic activity by encouraging banks and other financial institutions to increase their lending to small businesses and other job creating activities, the proposed changes threaten to limit access to the low-cost funding provided by the FHLBanks. It is an example of the mixed messages -- if not a counterproductive policy -- being sent to community banks from Washington, which continue to create uncertainty and impede the economic recovery.

As the Nation works to generate economic growth, create jobs and recover from the financial crisis and housing downturn, the FHLBanks continue to play a critical role as a source of liquidity and term funding for their member institutions. As Congress intended, FHLBank funding is used by members to provide traditional residential mortgage finance as well as to support community development and affordable housing activities in their communities, helping their local economies to recover.

Any changes to the FHLBanks' membership or mission – especially changes that would restrict membership eligibility or narrow the FHLBanks' mission - should come first from Congress, particularly at this time when Congress and the Administration are just at the beginning of an extensive effort to review housing finance in this country, including the FHLBanks' role. When Congress has examined the FHLBanks in the past, the result has been to expand, rather than contract, the role of the FHLBanks.

For these reasons, the membership ANPR should be withdrawn. Once again, thank you for the opportunity to submit this comment on the ANPR.

Sincerely,

A handwritten signature in cursive script that reads "Patricia Satterfield". The signature is written in black ink and is positioned above the typed name.

Patricia G. Satterfield
President & CEO