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March 25, 2011

Mr. Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency - Fourth Floor
1700 G Street, NW
Washington, D.C. 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 Georgia Bankers Association, I appreciate the opportunity to submit these comments 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 percent 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,” as well as noncompliant members could be barred from further access or have their membership terminated.

The regulatory changes under consideration would make it more difficult for many financial institutions to obtain and maintain access to the liquidity available through FHLBank advances. Stricter requirements will call into question the ability of FHLBank members to borrow under all future economic scenarios. This will destabilize a key premise of the FHLBank System, the reliability of accessing liquidity. The changes will also discourage potential members from joining, ultimately inhibiting the ability of FHLBanks to serve the housing and community development needs of their districts. These suggested changes are likely to prove particularly burdensome to small and medium-sized members, at a time when these members are already subject to many other new regulatory requirements.

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.

Requiring continuous compliance with membership requirements would impose additional regulatory burdens on FHLBank members. Requiring members to meet on-going requirements would add an element of uncertainty to FHLBank membership. Members could never be sure of their ability to meet these tests and therefore maintain their access to FHLBank liquidity and funding products, particularly in times of financial stress. For example, in periods when mortgage valuations rapidly decline, as we recently experienced, members could not be assured of maintaining at least 10 percent of their assets in mortgages. As a result, the FHLBanks would be viewed by both existing members and potential members as a far less reliable funding partner.

The ANPR does not present any compelling reason for imposing new membership rules, and does not present any information showing that there is a problem with the current membership rules, which have served the FHLBanks well for many decades. The ANPR failed to cite a benefit it hoped to achieve by changing the membership rules to require continuous compliance. The FHFA's annual report to Congress on the state of the FHLBanks did not note any problems with the implementation of these rules.

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 black ink, appearing to read "Joe Brannen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joe Brannen
President & CEO