



**KANSAS CITY LIFE
INSURANCE COMPANY**

Broadway at Armour / Box 219139 / Kansas City, Missouri 64121-9139
Telephone: (816) 753-7000

President, CEO and Chairman

March 28, 2011

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; Request for Comments – Members of the Federal Home Loan Banks

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 stated an intent to review Federal Home Loan Bank (FHLBank) membership requirements. On behalf of three members of the FHLBank system, including Kansas City Life Insurance Company and its wholly-owned subsidiaries, I am providing this comment on the ANPR.

As a general member of the FHLBank system, our Company must object to the proposed rule. We would note that there is no evidence provided by the ANPR that the FHLBank system has or will fail to fulfill its statutory housing finance or community development mission. As a result, there is no basis for considering whether any changes to FHLBank membership rules might be necessary or appropriate.

Additionally, we strongly recommend that any potential significant changes in the FHLBank system be considered only after Congress and the Administration complete their review of the entire housing finance system. Potential changes in housing finance resulting from this review could dramatically change the role of banks and insurance companies in providing housing finance and community development.

As an insurance company member of the FHLBank system, potential changes in membership rules and imposition of more restrictive limits would have negative consequences for both member and market liquidity. Insurance companies typically hold longer-life assets and often less liquid assets relative to banks and other market participants, in part due to the understanding that the FHLBank would provide a source of liquidity for these assets in the form of collateral for advances, and elimination or restriction of this source of liquidity may be difficult or impossible to replace. Further, the overall market for such assets may be impacted by insurance companies reducing their future appetite and allocations to these assets, thereby raising the cost of financing through reduced market liquidity. An example might include a mortgage-backed security with both short- and long-life tranches. If insurance companies reduce their allocation to the long-life tranches due to reduced liquidity, this would necessarily reduce the liquidity and/or increase the cost of the short-life tranches. Since banks are more natural purchasers of short-life mortgage tranches, the reduced liquidity for insurance companies can be seen to generate consequential changes in liquidity for the asset class and other market participants and likely increase the overall cost of borrowing for homeowners.

Further, the potential changes to FHLBank membership requirements indicated in the ANPR would be in opposition to the original Congressional intent and consistent policy and practice of ensuring insurance company access to the FHLBank system. The FHLBank Act was established by legislative process in 1932 as a means of providing greater certainty of liquidity to institutions funding housing and community development. While the sources and nature of housing finance and community development have varied and evolved over time, the entirety of the FHLBank system members have all played a role in the success of the FHLBank in fulfilling its mission. The prospect of eviscerating membership in the FHLBank system is counter-intuitive, particularly when the sources for funding housing and community development are likely to change more profoundly in the future.

Kansas City Life is an active developer and lender in the construction and long-term equity and debt financing of market-rate and affordable housing. In addition, Kansas City Life has historically maintained a strong appetite for securities supporting housing and community development. These material asset allocations were made, in part, with the belief that membership and access to liquidity through the FHLBank system was assured by the Act of Congress and consistent policy and practice during the past 80 years. Any changes in membership and access to liquidity in the FHLBank system would require Kansas City Life to alter current and future funding for housing and community development.

As a result of the above, we request that FHFA withdraw the membership ANPR. Thank you for the opportunity to comment on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Philip Bixby", written in a cursive style.

R. Philip Bixby