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 October 17, 2014

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590–AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, D.C. 20024

**Re: Notice of Proposed Rulemaking and Request for Comments-Members of FHLBanks
 (RIN 2590-AA39)**

Dear Mr. Pollard:

On behalf of the Pennsylvania Credit Union Association (PCUA), the advocacy organization for Pennsylvania credit unions, I write to ask you to withdraw the Federal Housing Finance Agency’s (FHFA) proposal to implement new membership requirements for Federal Home Loan Banks (FHLB), RIN 2590-AA39. PCUA represents 470 credit unions, 30 of which are FHLB members.

The proposed rule would require all credit unions to hold 10% of assets in residential mortgage loans (RML) on an ongoing basis to remain a member of the FHLB. Currently, credit unions are subject to the 10% RML requirement only when they initially apply for membership. An ongoing requirement would be unnecessary for credit unions. Credit unions must pledge mortgage assets as collateral to be able to borrow from FHLBs so there is an effective housing asset test under current law which works.

The regulation raises the threat that a credit union will lose FHLB membership and critical access to liquidity should market conditions change and the asset management strategy of a credit union change. As our member credit unions have come through the market disruptions and challenges of the financial crisis, they know that it is impossible to look forward 10 years and predict what capital markets or mortgage markets look like. For instance, we do not know what will be the future role of Fannie Mae and Freddie Mac, we do not know what market reaction will be to the Federal Reserve’s promised reduction in its holdings of mortgage assets, nor do we know what sort of mortgage finance reform legislation the Congress will enact.

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The regulation proscribes a new requirement for FHLB membership that has never been required by the statute and for good reason. The existing law and regulation works and any changes of such magnitude as suggested by the proposed regulation should be enacted by the congress. The preamble to the proposed regulation actually states that the Finance Agency “has found no evidence that this problem is widespread.”

In addition, the proposed rule would require all credit unions to hold 10% of assets in RML, but not certain banks, due to a statutory limitation in the FHLB Act. PCUA is concerned that the rule raises parity concerns by placing credit unions under a more burdensome set of rules.

The FHLBs provide an array of services to credit unions, and serve as a critical source of liquidity for many credit unions. Pennsylvania credit union membership in FHLBs has increased in recent years, and will continue to grow as credit unions recognize FHLBs as an important source of liquidity. Any change to FHLB membership criteria should only be undertaken after thorough consideration.

Sincerely,



Patrick C. Conway
President & CEO

PCC:CDM:llb