Alfred M. Pollard, General Counsel

Attention: Comments/RIN 2590-AA39

Federal Housing Finance Agency

400 Seventh Street SW

Washington, D.C. 20024

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

Dear Mr. Pollard:

I am writing to express my concerns about the notice of proposed rulemaking regarding membership eligibility in Federal Home Loan Bank (FHLBanks) put forward by the Federal Housing Finance Agency (FHFA). The proposed rule includes significant and unnecessary changes to long-standing membership rules for the FHLBank system. The proposed changes are inconsistent with Congressional intent and the Federal Home Loan Bank Act (FHLBank Act). For these reasons CommunityAmerica Credit Union opposes this proposed rule.

I am Michael Garrett, ALM Manager at CommunityAmerica Credit Union. Our institution provides lending across our community with a focus on retail customers, including a sizeable mortgage lending business. We are approximately $2 billion in size and employ about 500 people, which serve approximately 200,000 members, via 30 branches. We rely on our relationship with Federal Home loan bank of Des Moines daily, as a source of both ongoing and emergency liquidity.

The proposed regulation on FHLB membership creates many concerns for our credit union. While my credit union would meet the proposed rule requirements of the proposed rule today, I feel that the rule establishes a problematic precedent. Implementing the proposed change creates a distinct chance that due prudent management of interest rate risk, or economic or regulatory changes, CommunityAmerica could fail to meet the new requirements. Our credit union should be free to manage our balance sheet in light of what’s best for our members, not to some obscure metric determined by a regulator to meet eligibility. Not to mention, the proposed regulation conflicts with concerns from financial regulators that financial institutions reduce holdings of long-term fixed rate mortgages and sell them in the secondary market.

Broadly speaking, the FHLB Des Moines does serve as a critical source of liquidity for CommunityAmerica. They have proven to be a reliable and competitive source of liquidity for our financing needs in all economic environments; we have leveraged various FHLB offerings numerous times. The proposed rule, if adopted, would remove the certainty that the FHLB Des Moines can be counted on to be a reliable source of liquidity in all market conditions.

The on-going mortgage asset test requirements could artificially distort balance sheet management practices, decreasing the flexibility of community banks, credit unions and insurance companies to manage their balance sheets in response to changing market conditions. And your agency’s proposed rules could fundamentally change how, or even whether, a depository financial institution such as ours could remain a member of a FHLB Des Moines. These are two very disturbing thoughts. Confidence, trust and reliability comprise the bedrock upon which our long-time FHLB membership is built. We need to know that the FHLB Des Moines is available to us in the future, to provide funding on a moment’s notice, as has been in the past, including the recent financial crisis.

Historically, the FHLB has been **a key liquidity source in our times of need**. Additionally, having a credit line and borrowing capacity with FHLB Des Moines promotes the safe and sound management of our institution. Furthermore, the FHLB’s MPF program provides ongoing liquidity for our institution, via mortgage sales. MPF allows CommunityAmerica to offer competitively priced long-term mortgages to our customers, while mitigating the associated interest rate risk. And, yes, while there are other mortgage outlets, the FHLB program specifically tailors the cost to our institution’s and region’s risk profile, through the program’s risk sharing element. Not only does this lower the costs to our institution (compared to alternatives), but the program by nature rewards institutions for healthy underwriting practices, which ultimately promotes better under-writing and fewer defaults.

­­­Lastly, it seems counterproductive to eliminate captive insurance companies from FHLB membership at a time when housing finance is at risk with only a small private secondary market and Fannie and Freddie in conservatorship. This is the time to encourage the development of additional markets for both single and multifamily mortgages. Financial institutions are being discouraged from holding mortgages meaning that we need to see the development of new outlets. The FHLB Banks are a logical place to create these new models. As a credit union we need the FHLB as a trusted partner to help us develop these new markets. It isn’t prudent to eliminate potential opportunities. Let’s work together to develop new systems of finance, instead of adding unneeded restrictions.

Changing membership requirements to the FHLB Bank will unnecessarily affect credit available to communities in our region. We believe the proposed rule creates more problems than solutions. Because the proposed rule outlines no safety and soundness concerns-and because there is no legitimate public policy goal of the proposed rule- CommunityAmerica strongly recommends that you withdraw the proposed rule. Thanks for taking our comments into consideration.

Sincerely,

Michael H. Garrett

ALM Manager

CommunityAmerica Credit Union