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VIA EMAIL TO REGCOMMENTS@FHFA.GOV

Alfred M. Pollard, Esq., General Counsel

Attention: Comments/RIN 2590-AA39

Federal Housing Finance Agency

400 Seventh Street SW, Eighth Floor

Washington, D.C., 20024

**RE: Notice of Rulemaking and Request for Comments - Members of Federal Home**

**Loan Banks (RIN 2590-AA39)**

Dear Mr. Pollard:

The Bank of Botetourt appreciates the opportunity to comment on the Federal Housing Finance

Agency's (FHF A) notice of proposed rulemaking and request for comments on "Members of the

Federal Home Loan Banks" published on September 12, 2014. The proposed rule reviews current

statutory and regulatory provisions governing Federal Home Loan Bank (FHLBank) membership,

proposes regulatory changes to the eligibility requirements for membership, and invites comments

on all aspects of the rule.

The Bank of Botetourt is a $320 million institution located in Virginia, serving the communities of

Botetourt, Roanoke, Rockbridge and Franklin. We are a members of the FHLBank of Atlanta and one of nearly 1,000 financial institutions serving communities in the Southeast in a variety of ways.

We are concerned about the potential negative impacts of the proposed rule and request that the

FHF A withdraw it. If the FHF A believes changes are still needed, we would encourage the FHF A to

conduct a series of public hearings to determine the best way to achieve them. Further, since the

proposed rule appears to conflict with past Congressional actions regarding FHLBank membership

and access to liquidity, we believe the FHF A should consult with Congress to ensure that any

proposed changes are consistent with Congressional intent.

Community banks in Virginia rely on their FHLBank Atlanta memberships to provide a reliable

source of competitively priced liquidity that helps them fund residential mortgages, small business

loans, and other investments in housing and economic development. This access to liquidity allows

community banks to compete more effectively against larger regional and national banks for

depositors and loan business in their local markets. For some community banks in Virginia, the

proposed rule's ongoing mortgage asset tests call into question the stability of FHLBank

membership and access to liquidity on which these institutions depend. Without FHLBank

memberships and consistent, reliable access to liquidity, community banks' competitive positions are

weakened and their ability to serve the credit needs of their local markets is diminished.

Ongoing compliance with membership requirements of the proposed rule would also impose

additional regulatory burdens on FHLBank members. FHLBank members already must comply with

a number of requirements that ensure their use of FHLBank funding is consistent with the

FHLBank System's housing and community lending mission. Chief among these requirements is the

mission-centric collateral used to secure borrowings from an FHLBank.

The proposed rule would shrink the amount of private capital flowing from the global markets

through the FHLBanks and their members to the U.S. mortgage market and the communities we

serve. Of particular concern is the effect on the Affordable Housing Program (AHP), the largest

single, private source of funding for low- to moderate-income housing in the country. Each

FHLBank sets aside 10 percent of net earnings annually into the AHP. These funds are used by

members and their community partners to build or preserve affordable housing and to provide

funds to support homeownership for low- to moderate-income families.

From the AHP's inception in 1990 through 2014, Virginia members of FHLBank Atlanta have used

more than $33.8 million in AHP funds to assist 5,000 families with down payments, closing costs,

and rehabilitation costs. Virginia members also have been awarded $60 million in AHP funds to help

create or improve more than 10,000 units of affordable housing in local communities. In addition to

providing much needed housing and stimulating nearly $1 billion in local real estate development,

access to AHP funds via membership in FHLBank Atlanta helps community banks in Virginia build

relationships with retail customers, realtors, local developers, and many others. Loss of this access,

or any reduction in membership or FHLBank advance levels that would reduce funding for

affordable housing initiatives, would negatively impact Virginia banks and the communities they

serve.

We are also concerned that the pro.posed rule sets the precedent of a regulator effectively amending

current law. The proposed rule does not recognize the actions of Congress over the last 25 years to

expand FHLBank membership, mission, and members' access to liquidity. The rule, without

Congressional action or approval, effectively amends those statutory provisions, reversing and

shrinking FHLBank membership, mission, and access to liquidity. This sets a precedent that could

pave the way for additional limitations in the future, including more restrictive asset tests for

members or further changes to the definition of an FHLBank member.

Again, we request that the proposed rule be withdrawn and that the FHF A instead engage in a series

of public hearings to solicit a variety of viewpoints and alternatives to the rule from diverse

stakeholders that may be impacted by this wide-ranging proposal.

We greatly appreciate your consideration of these comments

Sincerely

G. Lyn Hayth, III.

President and CEO

Bank of Botertourt