

-DRAFT-

The Honorable Melvin L. Watt
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Watt:

We are writing to express our concerns about the notice of proposed rulemaking regarding membership eligibility in Federal Home Loan Banks (RIN 2590-AA39), that was recently issued by the Federal Housing Finance Agency (FHFA). The proposed rule includes significant changes to long-standing membership rules for the Federal Home Loan Bank (FHLBank) system and is likely to have a profound adverse impact on the existing and prospective members and on the communities served by the system. Since their creation over eighty years ago, FHLBanks have helped community banks, credit unions, insurance companies and other groups to provide needed financial services to consumers and have served as a stabilizing presence in the financial system during periods of economic challenge.

Congress has retained the authority to determine the scope and nature of eligibility for FHLBank membership. Congress has frequently reviewed FHLBank membership and member access to the services the system offers. On multiple occasions, Congress has expanded the categories of eligible membership and facilitated access to the important funding the FHLBanks provide. As recently as four years ago, Congress adjusted FHLBank membership rules and did not choose to narrow eligibility for participation in the system, making its intent clear.

The FHLBanks serve as a critical source of liquidity for community banks, credit unions and their various other members, as witnessed by the crucial role the FHLBanks played during the financial crisis. The Banks also serve as an important conduit to the secondary markets for community financial institutions. The proposed rule could jeopardize these and other valuable functions that FHLBanks currently provide for community financial institutions.

In light of these concerns, we urge you to reconsider this proposal and begin a dialogue with Congress, where these important policy decisions should be made.

Sincerely,