



One Mission. Community Banks.

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March 2, 2011

Mr. Alfred M. Pollard, General Counsel
Attention: Comments/R/N 2590-AA39
Federal Housing Finance Agency
1700 G. Street, NW, Fourth Floor
Washington, D.C. 20552

Sent via email to RegComments@fhfa.gov

Re: Advance Notice of Proposed Rulemaking and Request for Comments – Members of Federal Home Loan Banks (R/N 2590-AA39)

Dear Mr. Pollard:

We are writing on behalf of the membership of the Community Bankers of Michigan, the full service trade association representing Michigan's locally owned and operated community banks. This is in response to the Federal Housing Finance Agency (FHFA) request for comments on an advanced notice of proposed rulemaking (ANPR) whereby the FHFA expresses its desire to review the nexus between Federal Home Loan Bank (FHLB) membership requirements and the FHLB housing finance and community development mission established by Congress.

The strength and viability of our FHLB is critical to ensuring the support of the 120 member institutions represented by the Community Bankers Association of Michigan. These locally owned and operated community banks require the support of the FHLB system as a primary liquidity source. We have witnessed in the past three years the incredible reliability and flexibility that is built into the FHLB system. The system was greatly expanded and then contracted to meet those community bank liquidity needs at a competitive rate of interest.

Specifically to the proposal, the Federal Home Loan Bank of Indianapolis has successfully sought more memberships from insurance companies that utilize the advances to provide an array of mortgage financing that meets the mission of the FHLB system, as prescribed by Congress. Insurance Company membership helps the FHLBI to maintain enough size and profitability to absorb the increased cost associated with prudent and safe operations. Additionally, insurance company balance sheets and business models are significantly different from those of community banks. It might be very difficult for insurance companies to meet a 10% residential mortgage loan requirement as a result of those differences.

Congress has previously set membership eligibility requirements for all of the Federal Home Loan Banks. If that has established precedent, we question the appropriateness of a rule directed by the FHFA. Since there has been a broadening of the membership requirements over the years, Congress appears to have the intent of not limiting them or making the requirements ongoing. In a voluntary membership structure, it is unnecessarily burdensome to impose additional balance sheet monitoring on community banks. It is costly and provides no additional benefits to our industry, which is focused on housing finance and economic development in their communities.

Additionally, President Obama has just released his proposal to modify federal housing policy. A preemption by issuance of this ANPR of that proposal's consideration by Congress makes it more inappropriate that the FHFA would attempt rulemaking at this time.

With President Obama and a new Congress appearing to be focused on addressing regulatory burdens that prohibit economic expansion and job growth, which is critically important to our state, this rule appears to be counterproductive and unnecessary.

We request that the rule be withdrawn from consideration. Thank you.

Sincerely,

Judith D. Sullivan
President and CEO