



Independent Bankers Association of New York State

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March 18, 2011

VIA E-MAIL and U.S. MAIL

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

**RE: Advance Notice of Proposed Rulemaking and Request
for Comments – Members of Federal Home Loan Banks
(RIN 2590-AA39)**

Dear Mr. Pollard:

The Federal Housing Finance Agency (FHFA) has requested comments on an advance notice of proposed rulemaking (ANPR) in which the agency has expressed its desire to review current Federal Home Loan Bank (FHLBank) membership requirements. These comments are submitted on behalf of the Independent Bankers Association of New York State ("IBANYS"), which exclusively represents community banks located throughout New York State.

The proposed regulations would require Federal Home Loan Bank member institutions to hold at least 10% of their assets in mortgages on a continuing basis, not just at initial application. It also suggests that objective and quantifiable benchmarks could be established requiring member institutions to make long-term home mortgage loans and to have a home financing policy. Member institutions which failed to meet these requirements would have their membership terminated.

IBANYS members, as community banks, have a mission focused on housing finance and community development. The New York Federal Home Loan Bank strongly supports this mission through advances and other programs. The addition of a further regulatory regime is not necessary to achieve this goal. Rather than strengthen membership ties, it will negatively impact community banks by adding paperwork requirements and potential limitations on continued membership.

Community banks continue to struggle against the imposition of unnecessary regulations which add cost burdens without a compensating public benefit. Community bank members that do not want to have their membership terminated if they fall below the 10% mortgage asset test would need to constantly monitor their portfolio. The percentage may fluctuate based on economic factors unrelated to the banks continuing commitment to housing finance. The fact is that for community banks, holding mortgage assets is a critical component of their business model.

It is counterproductive to implement a continuous review of system membership at a point when the focus should be on encouraging an economic recovery through small business and mortgage lending. It clearly is not an appropriate time to create a potential barrier to the advances and liquidity resources of the New York Federal Home Loan Bank. Rather than potentially contracting liquidity for community banks who are responsible participants in the home lending market, the community banks should be given the resources to function in the marketplace. The mortgage and housing market need assistance to recover. Community banks are an important source of funding for residential construction and homebuyers. The New York Federal Home Loan Bank would not be as accessible and reliable source of funding with the possibility of loss of membership. The current structure of the New York Federal Home Loan Bank functions positively for our member banks, offering them the financing for mortgage lending and the necessary capital to function in a difficult economic environment.

Without some compelling rationale and definitive data demonstrating a need for a continuing mortgage asset test, it should not be adopted. Thank you for the opportunity to submit this comment on the ANPR.

Very truly yours,



William Y. Crowell, III
Legislative Counsel to IBANYS

cc: Frank Capaldo, President & CEO