

VIA E-MAIL TO REGCOMMENTS@FHFA.GOV

January 30, 2012

Alfred M. Pollard, Esq.  
General Counsel  
Federal Housing Finance Agency  
Fourth Floor  
1700 G Street, N.W.  
Washington, DC 20552

**Re: Federal Home Loan Bank Community Support Amendments; RIN 2590—AA38**

Dear Mr. Pollard:

In response to the request for comments issued by the Federal Housing Finance Agency on November 10, 2011, I am submitting this letter as it proposes to amend its community support regulation to, among other things, require the Federal Home Loan Banks (FHLBanks) to monitor and assess the eligibility of each FHLBank member for access to long-term advances through compliance with the Community Reinvestment Act of 1977 (CRA) and first-time homebuyer standards (the Proposed Rule).

As an Advisory Council Member for the Federal Home Loan Bank of Dallas, please consider my following comments regarding this important matter.

Under its current community support regulations, the FHFA biennially reviews the performance of each FHLBank member bank and thrift to evaluate their compliance with the community support standards and determine their eligibility for access to long-term FHLBank advances. As part of this review, members must submit a form stating their most recent CRA rating and must provide information about their record of lending to first-time homebuyers. Member institutions such as credit unions, insurance companies that are not subject to CRA requirements need only demonstrate compliance with the first-time homebuyer standard.

If members have a CRA rating of "Needs to Improve," they are placed on a probationary period and have two years until the next exam review to improve their rating. If it has not improved to "Satisfactory" or better by the next review, those members are restricted from accessing long-term advances, defined as those with a maturity of greater than one year, as well as the FHLBanks' affordable housing and community investment programs. Members with a CRA rating of "Substantial Non-compliance" and those which fail to submit the required data are not allowed a probationary period, but are immediately placed on restricted status until their rating improves or until the data is submitted. Once a member improves their rating or supplies the required forms, the member's access to long-term advances and other FHLB products is restored.

**Under the Proposed Rule, I have concerns that it would require the FHLBanks to act as regulators of their members.** The rule proposes to delegate from the FHFA to the FHLBanks responsibility for determining their members' compliance with the FHFA's community support requirements, which effectively would require the FHLBanks to perform functions that are inherently regulatory in nature. I think that determining whether or not a member is in compliance with a regulation is inherently a regulatory function and the FHFA is best suited to determine whether its own regulation is being complied with. It should not be shifted to the FHLBanks.

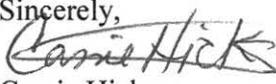
**Furthermore, the FHLBanks have not sought supervisory authority over their members.** Congress has charged the FHLBanks with a mission to promote housing finance and community development, which they accomplish primarily by offering advance and community investment products. They should be allowed to continue doing what they do best.

**I also strongly oppose the proposal to eliminate the probationary period under the community support regulation.** The current practice should be maintained that allows member banks and thrifts with a single CRA rating of "Needs to Improve" to continue to have access to long-term advances and the community investment products offered by the FHLBanks while working to improve their rating. As the proposal notes, a policy that would deny access "could restrict a member's ability to use long-term advances to address the deficiencies that led to the 'Needs to Improve' rating." As a previous CRA officer, I strongly agree. These products are important tools for helping such members to improve their CRA rating and should not be denied.

Members would have less certainty about the availability of long-term advances if they can be denied at any time for CRA deficiencies. It would increase the risk that when FHLBank liquidity and long-term funding are needed, they will not be available to support a member bank and its community. This would not further the FHLBanks' housing finance mission.

In conclusion, for the reasons described above, I recommend that FHFA amend the Proposed Rule to keep responsibility for determining compliance with the FHFA's community support regulation at the FHFA, thereby ensuring the FHLBanks are not required to act as regulators of their members. I also urge the FHFA not to eliminate the probationary period for members with a single CRA rating of "Needs to Improve."

Thank you for your consideration of my comments.

Sincerely,  
  
Cassie Hicks