



New York Bankers Association
99 Park Avenue
New York, NY 10016-1502
212.297.1699 Fax 212.297.1658
email msmith@nyba.com

Michael P. Smith
President

March 11, 2011

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

Re: RIN 2590-AA39

Dear Mr. Pollard:

In response to the Advance Notice of Proposed Rulemaking (ANPR) published in the December 27 Federal Register, the New York Bankers Association is submitting these comments on the regulations governing membership in the Federal Home Loan Bank System. Our Association is concerned that the Advance Notice if converted to a proposed rule and adopted will unreasonably narrow conditions governing membership in the Federal Home Loan Bank System. We, therefore, oppose efforts to eliminate choices for commercial banks and thrift institutions in pursuing the opportunities for liquidity in the mortgage market offered by System membership. Our Association is comprised of the community, regional and money center commercial banks and thrift institutions doing business in New York State. They have in aggregate more than 250,000 New York employees and assets in excess of \$9 trillion.

Most New York banks and thrifts that engage in mortgage lending are members of the Federal Home Loan Bank System. With Fannie Mae and Freddie Mac the only remaining available secondary market for the purchase of most home loans, the liquidity facility provided by the Home Loan Bank System has been critical in financing the mortgage lending functions of our members. Without the liquidity provided by the Home Loan Banks, many mortgage loans could not have been made, capital would have been stressed more greatly than it was over the past few years, and earnings would have suffered.

The Federal Housing Finance Agency's (FHFA) proposal would tighten System membership requirements by: converting the current requirement that a System member bank or thrift have at least 10% of its portfolio in residential mortgage loans at the time of application for membership into an ongoing mandate;

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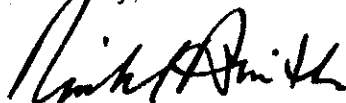
requiring that members have an ongoing obligation to make long-term home mortgage loans rather than simply demonstrate that it make long-term mortgages on its most recent financial statement at the time of application; and require that system members subject to CRA maintain a satisfactory or better CRA rating (or, for those not subject to CRA, maintain a comparable commitment to sound home financing policy) in order to maintain their membership.

Our Association opposes the FHFA's proposal to review System membership on an ongoing basis. At a time when the home mortgage market is still in considerable turmoil, regulations that could potentially limit System members' liquidity would be entirely misplaced. Both the mortgage market and the national economy are struggling to recover from the depths of the 2009-2009 recession, and, whether measured by home prices, housing starts, home sales, or construction spending, have much ground to regain. To the extent that the FHFA's proposal would be successful, it would squeeze the liquidity of potential home lenders, providing them an incentive to leave the housing market. To the extent that it would merely confirm the commitment of System members to home finance, it would have generated considerable additional paperwork and confusion without measurable benefit.

In addition, because System Members are required to secure their advances from the Home Loan Banks to which they belong with a limited class of residential mortgages and related paper, those not engaged in a major way in home lending will be providing capital to the System without draining a significant amount of its liquidity resources. Moreover, the contemplated requirements for ongoing System membership would appear to penalize institutions arbitrarily. A bank or thrift that experienced limited loan demand because of local market conditions could be forced to the choice of losing its System membership or of making loans outside its market area that it is not equipped to appropriately underwrite.

For these reasons, the New York Bankers Association opposes this proposal and urges that it be withdrawn.

Sincerely,



Michael P. Smith