

October 29, 2015

Dear Representative,

The undersigned associations, representing thousands of institutions that are dedicated to housing finance in America, are writing to ask you to cosponsor H.R. 3808, legislation that would prevent the Federal Housing Finance Agency (FHFA) from making harmful changes to the Federal Home Loan Bank (FHLB) System's membership requirements. The bipartisan bill would also direct the Government Accountability Office (GAO) to conduct a study of the economic impact of FHFA's proposed membership rule.

FHFA's proposed rule has two primary components, both of which are problematic for FHLB members. First, the rule would alter a mortgage asset ratio requirement that currently applies only at the time an institution applies for FHLB membership. The rule would convert this ratio into an on-going obligation, regardless of market conditions, size of institution or length of time an institution has been a member.

The Federal Home Loan Bank Act (Act) imposes this requirement only at the time a prospective member applies to join. Congress has amended parts of the Act eight times during its 83-year history, and has never sought to impose an on-going asset test as a condition of continued membership in the FHLB System. As proposed, this new mortgage asset ratio test effectively amends the Act, and the arbitrary imposition of an on-going asset ratio obligation could result in current long-term members – many of which are located small and rural markets – leaving the FHLB System.

The second component would prohibit all captive insurance companies from joining a Federal Home Loan Bank, despite the Act's express language that "any... insurance company" be eligible for membership. FHFA justifies this step by noting that captive insurance companies did not exist when the Act was drafted. While this is technically correct, it is also misleading. Captive insurance companies are widely-recognized risk management vehicles and have been productive members of the FHLBs for more than two decades – including the periods during which Congress enacted two substantial reforms of the FHLB System. Further, in the wake of the financial crisis and uneven housing market recovery, captive insurance companies represent a new opportunity for private capital to expand homeownership opportunities for credit-worthy borrowers. Today, these captive insurance members are engaging in activities that are fully aligned with the mission and purpose of the FHLB System, i.e. providing liquidity to the single- and multifamily mortgage markets.

Since its creation more than 80 years ago, the Federal Home Loan Banks have been a stabilizing force in the housing finance market, providing a reliable source of capital for lenders and investors to direct toward helping consumers finance home purchases. Throughout this time, Congress has repeatedly retained for itself the authority to determine the scope and nature of eligibility for membership in the FHLBs. FHFA's disregard of this precedent is troubling and ultimately undermines its own mission to foster a stable, liquid, resilient national housing market.

H.R. 3808 would prevent these arbitrary and harmful rules from taking effect, giving Congress more time to study the composition of Federal Home Loan Bank membership and decide how

best to allow them to continue serving their communities today and in the future. We urge you to cosponsor this important legislation.

Sincerely,

Habitat for Humanity International  
Independent Community Bankers Association  
Mortgage Bankers Association  
National Association of Real Estate Investment Trusts