



New York Bankers Association
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Clare M. Cusack
General Counsel

VIA ELECTRONIC SUBMISSION

June 19, 2020

Andre Galeano
Federal Housing Finance Agency
Division of Federal Home Loan Bank Regulation
400 7th Street, NW, 7th Floor
Washington, DC 20219

RE: Federal Home Loan Bank Membership – Request for Input (February 2020)

Dear Deputy Director Galeano:

The New York Bankers Association (“NYBA”) is pleased to offer comments on the Federal Housing Finance Agency (“FHFA”) request for input (“RFI”) related to Federal Home Loan Bank membership. The RFI states that it seeks to develop requirements to address questions regarding membership eligibility on a consistent basis, guided by the objectives of 1) ensuring that the Federal Home Loan Bank System (“System”) remains safe and sound and able to provide liquidity for housing finance through the housing and business cycle, and 2) ensuring that all members have an appropriate nexus to the housing finance and community development mission of the Federal Home Loan Banks.

NYBA is comprised of community, regional, and large banks and thrifts across every region of New York State. Together NYBA members employ nearly 200,000 New Yorkers, safeguard \$2 trillion in deposits, and extend nearly \$70 billion in home and small business loans. NYBA appreciates the opportunity to provide input on this issue, as NYBA represents many members that are also members of their local Federal Home Loan Bank.

At the outset, NYBA supports the suggestions and comments outlined in the American Bankers Association (“ABA”) letter addressing the RFI as electronically submitted. In addition to the ABA letter, and in an effort to reduce duplication of comments, NYBA will focus this letter on foundational elements of the Federal Home Loan Bank System.

The importance of the Federal Home Loan Banks as a source of liquidity and reliability to NYBA’s members cannot be overstated. For the better part of the last century the Federal Home Loan Banks have met our members needs in a safe, sound and efficient manner. While Congress has made some changes to the landscape, the cooperative structure of the System and the attendant joint and several liability of members has not changed, as this structure serves to ensure safe, sound, and mission compliant use of the System.

Membership in the Federal Home Loan Bank system offers reliability and security, as Federal Home Loan Bank members know that they will always have access to funding so long as they have eligible assets to back their borrowings. The Federal Home Loan Banks have served as a critical source of liquidity for institutions as exemplified in times of crisis, including the 2008 financial crisis, and they continue to meet that mission today. The COVID-19 pandemic shows how vital the local lender is to communities across our nation, and the essential value of their work will only continue to grow as the country moves through the crisis and into the recovery period. Local lenders rely on the Federal Home Loan Bank liquidity in all market conditions, and we urge the FHFA to avoid regulatory policies, in the present or future, that would limit the access of current eligible members to Federal Home Loan Bank System advances or other products.

The FHFA proposed ongoing requirements for a financial institution to remain a member of a Federal Home Loan Bank in a previous rulemaking on Federal Home Loan Bank membership. However, an ongoing membership requirement would introduce an element of uncertainty into reliability of the Federal Home Loan Bank System, thereby diminishing the value of Federal Home Loan Bank membership. Such a requirement would reduce liquidity, tighten credit and reduce available private sector funding for affordable housing and community development. As the nation’s lenders work to assist in the economic recovery, the FHFA should not burden them with an ongoing Federal Home Loan Bank membership requirement. Absent express federal legislation, the FHFA should not regulate and establish standards for the members’ balance sheet investments.

The RFI also discusses the subject of expanding membership in the Federal Home Loan Bank System to new categories of members. A review of the legislative history and the Congressional commentary surrounding membership in a Federal Home Loan Bank, leads to the conclusion that the determination of who can become members and how they become members is addressed by Congress. In the event new categories of members are considered, it is vital that these new members do not increase the risk profile of the Federal Home Loan Bank System. Candidates for membership should be prudentially regulated and should have a clear nexus to the housing finance and community development mission of the System.

Thank you for the opportunity to comment on the FHFA's request for input on Federal Home Loan Bank membership.

Sincerely,

A handwritten signature in cursive script that reads "Clare Cusack". The signature is written in a dark ink and is positioned below the word "Sincerely,".

Clare M. Cusack