



ABA Federal Home Loan Bank Member Insights



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FROM THE EDITOR

Welcome to the ABA Federal Home Loan Bank Member Insights. This is an abbreviated holiday edition of Insights. We will return to our more comprehensive format in the next edition. Have a safe and happy holiday season!

If there are issues or events you would like to see covered in ABA FHLB Member INSIGHTS, or if you'd like to comment on an article or item, please email ABA Vice President and Sr. Counsel, [Joseph Pigg](#).

NEWS

Treasury Official Recognizes Role of FHLBs In Alleviating Financial Crisis

Speaking before the Administrative Committee of the ABA's Government Relations Council last week, Treasury Undersecretary for Domestic Finance Jeffrey Goldstein acknowledged the important role played by the Federal Home Loan Banks in helping to alleviate the financial crisis by keeping liquidity available for their member banks. Goldstein was addressing the group regarding a forthcoming proposal from the Obama Administration on the future of Fannie Mae and Freddie Mac. A member of the Administrative Committee posed a question to Goldstein about the impact of such a proposal on the Federal Home Loan Banks and the importance of not harming the FHLBs. Goldstein, who described the proposal as more of a path to reform than a full plan, indicated that Treasury officials recognize the important role played by the Federal Home Loan Banks and the need to keep the System in place going forward. One of ABA's key principles with regard to reform of the GSEs is that the mission and role of the Federal Home Loan Banks must be preserved and protected going forward.

ABA Responds To *American Banker* Article Questioning Continuing Need For Federal Home Loan Banks

On November 29th the *American Banker* newspaper published an article entitled "FHLB System's Rationale Erodes as Advances Dwindle" and later an on-line survey, both questioning the continuing need for the System in light of declines in advance demand. ABA Executive Vice President and COO Diane Casey Landry responded with a letter to the editor pointing out that the decline in advances was a healthy sign that the financial crisis was easing. The spike in demand for advances was fueled by the seizing up of other sources of liquidity. Without the FHLBs, the crisis could have been much worse. The *American Banker* article can be found [here](http://www.americanbanker.com/issues/175_227/fhlb-system-rationale-erodes-1029080-1.html): http://www.americanbanker.com/issues/175_227/fhlb-system-rationale-erodes-1029080-1.html

The full text of Casey-Landry's letter can be read [here](#).

http://www.americanbanker.com/issues/175_231/feedback-casey-landry-1029323-1.html

FHFA Publishes Proposed Rule on Voluntary Mergers of Federal Home Loan Banks

On November 26, 2010 the Federal Housing Finance Agency (FHFA) published for comment in the *Federal Register* a proposal setting forth rules for voluntary mergers of Federal Home Loan Banks. The rules were required by a provision included in the Housing and Economic Recovery Act and would detail the requirements for approval by the Director of FHFA of any voluntary merger between or among Federal Home Loan Banks. The FHFA will accept comments on the proposed rule until January 25, 2011. ABA will be submitting comments. For more information on the proposal and ABA's comments contact ABA Vice President and Sr. Counsel Joseph Pigg at 202-663-5480 or JPigg@aba.com.

Read the proposed rule [here](http://www.federalregister.gov/articles/2010/11/26/2010-29739/voluntary-mergers-of-federal-home-loan-banks). <http://www.federalregister.gov/articles/2010/11/26/2010-29739/voluntary-mergers-of-federal-home-loan-banks>

Joseph A. Smith Jr. Announced as President Obama's Choice to Head FHFA

President Obama has chosen North Carolina Commissioner of Banking Joseph A. Smith, Jr. to head the Federal Housing Finance Agency, the regulator of the Federal Home Loan Banks as well as Fannie Mae and Freddie Mac. Mr. Smith served as the Commissioner of Banking for North Carolina since 2002. He was nominated by President Obama to head the Federal Housing Finance Agency (FHFA) in November. Prior to becoming Banking Commissioner, Smith was the General Counsel for Centura Banks (now RBC Bank) and also worked in private practice. The Senate Banking Committee approved Smith's nomination on a vote of 16 to 6 on December 14th. The nomination now goes to the full Senate, which is expected to vote for confirmation prior to adjournment later this month.

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