



April 13, 2010

The Honorable Christopher Dodd  
Chairman  
Senate Committee on Banking,  
Housing, and Urban Affairs

The Honorable Richard Shelby  
Ranking Member  
Senate Committee on Banking,  
Housing, and Urban Affairs

Dear Chairman Dodd and Senator Shelby:

The undersigned organizations represent segments of the financial services and housing industries that rely on the Federal Home Loan Bank (FHLBanks) System as an important source of funding and liquidity. We are concerned about a provision in the Restoring American Financial Stability Act that will severely hamper the ability of the FHLBanks to help fund our economic recovery and will take much needed liquidity out of the financial system.

The Senate Banking Committee-passed legislation would prohibit institutions deemed systemically important from lending an amount to any unaffiliated company that exceeds 25 percent of the capital stock and surplus of the lending institution. Recognizing the uniqueness of the FHLBanks – a self-capitalizing system with strict limits on leverage positions, which has never taken a loss on its advance business – the House regulatory reform bill explicitly stated that a comparable provision “shall not apply to any Federal home loan bank.” We urge you to consider similar language in the bill under consideration in the Senate.

If passed in its current form, the bill would have an immediate impact on many banks, insurance companies, and credit unions, forcing them to reduce their advance positions to comply with the cap. Some institutions would experience more than an 80% reduction in FHLBank advances, while the System as a whole would see its total outstanding 2009 3rd quarter advances reduced by \$316.7 billion or nearly 50%. Additionally, other institutions would lose an important liquidity management tool that was previously available to them.

Thank you for taking the time to address these concerns. We stand ready to be of assistance, and we appreciate your consideration of our views.

Sincerely,

American Bankers Association  
American Council of Life Insurers  
Consumer Bankers Association  
The Financial Services Forum  
The Financial Services Roundtable  
Housing Policy Council  
Independent Community Bankers of America  
Mortgage Bankers Association  
National Association of Home Builders  
U.S. Chamber of Commerce