



National Association of Federal Credit Unions
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B. Dan Berger
Executive Vice President
Government Affairs

October 12, 2011

The Honorable Randy Neugebauer
Chairman
Subcommittee on Oversight and
Investigations
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Michael Capuano
Ranking Member
Subcommittee on Oversight and
Investigations
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Neugebauer and Ranking Member Capuano:

On behalf of the National Association of Federal Credit Unions, the only trade association that exclusively represents the interests of our nation's federally-chartered credit unions, I write in conjunction with today's hearing, "Oversight of the Federal Home Loan Bank System." NAFCU believes the Federal Home Loan Bank (FHLB) system is a critical component in any discussion about the future of housing finance and commends the subcommittee for holding this important hearing.

As you know, the FHLBs serve an important function in the U.S. mortgage market and have traditionally been a reliable source of funding and liquidity for their credit union members. Throughout the financial crisis, despite experiencing financial stress, the FHLBs have continued to be a strong partner for credit unions by helping them manage their mortgage portfolios. Reform of the nation's housing finance system must take into account the consequences of any legislation on the health and reliability of the FHLBs. A key feature of the FHLB system, from a community-based lender perspective, is that financial institutions of all sizes benefit from equal access to this important liquidity stream.

In addition to being important sources of liquidity, FHLBs also help credit unions manage interest rate risk. In the current rate environment, interest rate risk associated with mortgage lending is an increasingly important issue that credit unions continue to address. It is vital that FHLBs' role in helping manage the risk is not intentionally or unintentionally hindered.

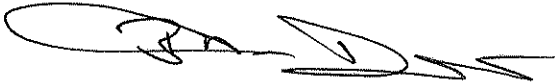
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Page 2 of 2

NAFCU also believes it is important that access to FHLB products and services is not impeded or arbitrarily constrained in any way. Unfortunately, however, there are regulatory actions in the pipeline that would hamper such access. For example, last year, the Federal Housing Finance Agency (FHFA) issued a proposed rule that would add to the current requirements for membership. If adopted as proposed, it would undoubtedly make access to FHLBs more difficult for many credit unions.

The current FHLB model has worked for credit unions during the recent financial crisis. NAFCU urges Congress to tread carefully in any housing finance reform legislation so that what is working for credit unions with the FHLB system is not lost.

NAFCU appreciates the subcommittee prioritizing this aspect of housing finance reform. If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact myself, or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,



B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the Subcommittee