



January 27, 2012

## Federal Home Loan Bank Community Support Amendments

### Executive Summary

- The Federal Housing Finance Agency (FHFA) has issued a proposal to amend its community support regulation by requiring each Federal Home Loan Bank (FHLB) to monitor and assess the eligibility of each member in their respective districts for access to long-term advances through compliance with the first-time homebuyer standards and the Community Reinvestment Act of (CRA). The FHLBs would not be required to evaluate the compliance of credit unions under the CRA standard; credit unions remain only subject to the first-time homebuyer standard.
- Specifically, the proposal would require FHLB members, which include credit unions, to submit community support statements to their respective FHLBs instead of to the FHFA. Currently, the FHFA selects approximately one-eighth of the members in each FHLB district for community support review each quarter, and each selected member must complete and submit a Community Support Statement to the FHFA.
- The proposal would require that each FHLB will be responsible for overseeing their members' compliance with first-time homebuyer requirements (and CRA requirements for banks) and will be required to establish policies and procedures to evaluate and determine community support compliance.
- Also, the proposal would specify a list of 11 first-time homebuyer programs and activities for a FHLB member to meet the first-time homebuyer standard. In addition, a FHLB would have discretion to determine if other programs and activities would meet the first-time homebuyer standard.
- Comments for the proposal are due to the FHFA by February 8, 2012; **please submit your comments to CUNA by February 2, 2012.**
- Please e-mail your comments to Regulatory Counsel Jared Ihrig at [jihrig@cuna.com](mailto:jihrig@cuna.com) and SVP Deputy General Counsel Mary Dunn at [mdunn@cuna.com](mailto:mdunn@cuna.com) or call (800) 356-9655 ext. 6732 if you have questions.
- For further information, please review the [ANPR](#) in the [Federal Register](#).

## **Restrictions on Access to Long Term Advances**

The proposal would specify that a FHLB may not approve a FHLB member's request for long-term advances unless the FHLB has determined the member is in compliance with the first-time homebuyer standard (and the CRA standard for banks). A FHLB member subject to a long-term advance restriction may have restored access to long term advances if it subsequently complies with the community support standards or if there is a safety and soundness exception. A FHLB member would be able to submit a request for a safety and soundness exception to their respective FHLB, rather than to FHFA.

## **Exemption for CDFIs**

The proposal would continue to provide the current exemption for credit unions and others certified as a community development financial institution (CDFI).

## **First-Time Homebuyer Standard**

### Definition of a "first-time homebuyer"

The proposal would remove the definition of "first-time homebuyer" to be consistent with the FHFA's Affordable Housing Program (AHP) regulation, which does not define the term and leaves the definition to be determined at the discretion of each FHLB. The proposal notes that the current definition of "first-time homebuyer" was based on the definition under the Cranston-Gonzalez National Affordable Housing Act, and does not reflect subsequent statutory amendments to the Act regarding previous ownership of manufactured or substandard housing.

### Standard

The proposal would also specify a list of 11 first-time homebuyer programs and activities for a FHLB member to meet the first-time homebuyer standard. In addition, a FHLB would have discretion to determine if other programs and activities would meet the first-time homebuyer standard.

1. A FHLB member's established record of lending to first-time homebuyers;
2. In-house first-time homebuyer programs, such as marketing plans and outreach programs;
3. Other in-house lending products that serve first-time homebuyers;
4. Underwriting standards that are appropriate for first-time homebuyers and consistent with safe and sound lending practices;
5. Participation in non-governmental first-time homebuyer programs;
6. Participation in federal government programs that serve first-time homebuyers;
7. Participation in state or local government programs targeted to first-time homebuyers;
8. Financial support or technical assistance to community groups or organizations that assist first-time homebuyers;

9. Participation in loan consortia that make loans to first-time homebuyers;
10. Participation in or support of special counseling or homeownership education targeted to first-time homebuyers; and
11. Participation in investments or loans that support first-time homebuyer programs.

### Compliance

The proposal would specify that a FHLB member is in compliance with the first-time homebuyer standard if the member has engaged in one or more eligible first-time homebuyer programs or activities.

### First-time homebuyer support statement

The proposal would require that each FHLB should prescribe the form of the first-time homebuyer support statement that its members must complete and should provide information regarding all eligible first-time homebuyer programs and activities. The support statement is required from each FHLB member at least once every two calendar years consistent with the FHFA's current biennial schedule for community support review. Each FHLB member must identify and describe the eligible first-time homebuyer programs or activities on the support statement. Like the current regulation, the accuracy of the first-time homebuyer support statement must be certified by a senior officer of the FHLB member.

### **Annual reports from each FHLB to the FHFA**

The proposal would require each FHLB to submit an annual report to the FHFA that identifies the results of the FHLB's community support compliance determinations for that year, and whether any of its members are subject to long-term advances restrictions.

### **Public Comments**

Currently, the FHFA publishes in the Federal Register to notify the FHLB, its members selected for community support review, and the public. Because FHLBs do not publish in the Federal Register, FHFA seeks comment on whether each FHLB should include notices on their Web sites inviting public comments on any of its own member's community support programs or activities, and consider any comments received in determining the member's compliance.

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## Questions to Consider Regarding the Proposal

1. Does your credit union agree with the proposal that would require FHLB members to submit community support statements to their FHLBs instead of the FHFA?

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2. Does your credit union agree with the list of 11 specific first-time homebuyer programs and activities for a FHLB member to meet the first-time homebuyer standard? Do you have any additions to or deletions from the list?

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3. Regarding the definition of “first-time homebuyer,” do you agree that each FHLB should have the discretion to determine the definition? Alternatively, should the current definition be maintained in the regulation, and should the current definition be updated to reflect subsequent statutory amendments to the Cranston-Gonzalez National Affordable Housing Act that addressed previous ownership of manufactured or substandard housing?

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4. Under the proposal, a FHLB would have discretion to determine if other programs and activities would meet the first-time homebuyer standard. Should each FHLB have discretion to make this determination on some or all first-time homebuyer programs or activities? And should each FHLB be required to consult with its Advisory Council first before making these determinations?

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5. Should a FHLB member be required to comply with one or more than one program or activity to meet the first-time homebuyer standard? Should the final rule specify a required number or should each FHLB have discretion to determine an appropriate number for its members?

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6. Do you have any comments regarding the proposed first-time homebuyer support statement that FHLB members would have to submit to their FHLBs?

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7. Do you agree that the public comment process would be enhanced if the FHLBs were required to give public notice when specific members are selected for community support review? Or should such notice be at the discretion of each FHLB?

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8. Any other comments or suggestions?

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