



May 13, 2010

The Honorable Harry Reid  
Majority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Mitch McConnell  
Republican Leader  
U.S. Senate  
Washington, DC 20510

Dear Leaders Reid and McConnell:

The undersigned organizations strongly support amendment #3978 offered by Senator Tim Johnson to the “Restoring American Financial Stability Act of 2010,” which will preserve the ability of the Federal Home Loan Banks (FHLBanks) to help fund our economic recovery and continue to provide much needed liquidity to our economic system. We represent segments of the financial services and housing industries that rely on the FHLBanks as an important source of funding.

The Johnson amendment recognizes the uniqueness of the FHLBanks as a self-capitalizing system with strict limits on leverage positions, which has never taken a loss on its advance business. Appropriately, the amendment excludes the FHLBanks from a prohibition on institutions lending an amount to any unaffiliated company that exceeds 25 percent of the capital stock and surplus of the lending institution. The House regulatory reform bill included a comparable provision.

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 percent 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 percent. Additionally, other institutions would lose an important liquidity management tool that was previously available to them.

With these concerns in mind, we urge adoption of the Johnson amendment, preserving the important role of the FHLBanks in our economic system.

Sincerely,

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