

To strengthen
and promote
cities as centers
of opportunity,
leadership, and
governance.



**National League
of Cities**

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March 12, 2007

Congressman Barney Frank
2252 Rayburn H.O.B.
Washington, DC 20515-2104

Congressman Paul E. Kanjorski
2188 Rayburn House Office Building
Washington, DC 20515-3811

Dear Congressmen Frank and Kanjorski,

The National League of Cities (NLC) appreciates your leadership on issues impacting the Federal Home Loan Banks (FHL Banks). We applaud your recognition of the important contribution that Federal Home Loan Banks provide in assisting local governments meet the challenges of the day. In particular, we welcome the Financial Services Committee's oversight plan calling for examination of "efforts to advance community and economic development within the FHLB system." FHL Banks are important partners for our members as they work to meet the infrastructure and economic development needs of communities throughout America.

As your committee approaches GSE regulatory reform in the 110th Congress, all focus is rightly on building the best regulatory structure possible. The National League of Cities also believes this debate is an opportunity for Congress to review the FHL Banks' positive track record of assistance to local governments and explore ways where even greater partnership can be achieved.

FHL Banks are reliable behind-the-scenes partners for economic and community development. Their Community Investment Program (CIP) provides financing to member financial institutions for community and economic development projects that create housing, improve business districts and strengthen neighborhoods. Examples of current CIP funding include water and sewer upgrades, rural health care facilities and first responder facilities. Since these programs are operated at cost by FHL Banks, we would hope to see them continue with possible additional programs where Federal Home Loan Banks can do more in this area and their members can realize a reasonable return on their investment.

FHL Banks provide their AAA-rated letter of credit (LOC) to improve the credit rating of community lending and taxable public finance transactions. Additionally, LOCs are used to secure municipal deposits. Examples of LOC transactions include senior housing facilities, economic development financing authority bonds and hospitals.

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In addition, FHL Banks provide direct mission related investment to eligible projects and support small business lending through special set-asides like FHLBank Pittsburgh's Banking on Business Program.

As communities struggle with constrained federal and state funding, these programs represent welcome options for local leaders. The NLC supports efforts at the legislative and regulatory level allowing FHL Banks and their members to build on these successful partnerships with local governments and expand their impact. We are not advocating mandatory program impositions on FHL Banks. Rather we want to see a statutory and regulatory environment that will support and encourage further development of new ways to support public finance and infrastructure in a partnership with Federal Home Loan Banks, their members, and local governments.

Thank you for your attention on these issues and your continued support of issues important to the NLC. Please include this letter into the record of the upcoming hearing on GSE Regulatory Reform being held on Monday March 12, 2007 before the Capitol Markets, Insurance and Government Sponsored Enterprises Subcommittee of the Financial Services Committee.

Sincerely,



Donald J. Borut
Executive Director

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