Chicago
Federal Home Loan Bank 111 East Wacker Drive Chicago, Illinois 60601-4360

February 10, 2004

VIA FACSIMILE & FEDERAL EXPRESS

Federal Housing Finance Board
1777 F Street, N.W.
Washington, D.C. 20006-5210
Attention: Public Comments

Re: Proposed Collection; Comment Request
No. 2003-N-9

Dear Sir or Madam:

The Federal Home Loan Bank of Chicago ("Bank") is pleased to submit comments on the Notice "Proposed Collection: Comment Request" published in the December 12, 2003 Federal Register by the Federal Housing Finance Board ("Finance Board") regarding the collection of data pertaining to assets acquired by Federal Home Loan Banks ("FHLBs") from their members ("AMA") pursuant to the Finance Board's Acquired Member Assets Regulation 12 CFR Part 955 (the "AMA Regulation").

BACKGROUND

The Bank established the Mortgage Partnership Finance® ("MPF®") Program in 1997 to create a partnership in which member lenders (called participating financial institutions or "PFIs") share the risks of the fixed-rate mortgages they originate with their regional FHLBs. The PFI manages credit risk and the customer relationship of the loans, while the FHLB manages the funding, interest rate, liquidity and prepayment risks. Nine FHLBs currently offer the MPF Program, with the Bank acting as the MPF service provider for other participating FHLBs, including collecting and reporting AMA data.

MPF loans have been funded in all 50 states, Washington, D.C. and Puerto Rico. While conventional and FHA/VA-insured loans are eligible for the MPF Program, the majority are conventional. The median size of an MPF loan is $127,500. The credit performance of the loans has been excellent, with only 0.11% of conventional loans more than 90 days delinquent in 2003, compared to the third quarter 2003 national average for fixed-rate conventional loans of 0.95%, as reported by the Mortgage Bankers Association of America.

Since its 1997 launch, more than $131.8 billion of mortgages have been acquired by the FHLBs under the MPF Program, helping nearly 950,000 families buy a new home or lower the cost of their existing home.

COMMENT REQUEST

The Finance Board has requested comments on the following four matters:

1. Whether the collection of information is necessary for the proper performance of Finance Board functions, including whether the information has practical utility;
2. The accuracy of the Finance Board's estimates of the burdens of the collection of information;
3. Ways to enhance the quality, utility and clarity of the information collected; and
4. Ways to minimize the burdens of the collection.

RESPONSE TO COMMENT REQUEST

The request for comments may reflect certain assumptions about the data currently being collected by PFIs. The assumptions include the following elements:

(i) that all PFIs sell loans to Fannie Mae or Freddie Mac;
(ii) that all PFIs selling loans to Fannie Mae and Freddie Mac actually collect and report data for all the data fields which Fannie Mae and Freddie Mac report on pursuant to Department of Housing and Urban Development ("HUD") requirements; and
(iii) that all data collected and reported by PFIs under the Home Mortgage Disclosure Act ("HMDA") can be easily reported to the FHLBs.

Basing estimates of the burden of the collection of information on the foregoing assumptions may not be reliable.

First, a significant segment of small, community-based PFIs have not historically sold loans to either Fannie Mae and Freddie Mac and their experience with the MPF Program is their first secondary market activity. As a result, their operating and reporting systems may not be designed to provide the "vast majority" of the data elements required by the AMA Regulation.

Even those PFIs that have sold loans to Fannie Mae and Freddie Mac do not necessarily have operating and reporting systems capable of reporting the "vast majority" of the AMA Regulation data elements.

PFIs often maintain separate databases and operating systems for different functions of their operations. For example, data collected on an origination system that would be used to report HMDA data is not always the same data that is collected in a secondary market/sales system or loan servicing system. For loan sale and servicing purposes certain underwriting information is not needed and such data fields are not included. In other cases, the data fields may exist in a data bank but the PFIs have no procedures for populating those data fields with actual data, and the cost of implementing procedural changes could be prohibitive. So the issue goes beyond whether a PFI may have collected certain data or may have the information necessary to populate certain data fields, to include whether its existing systems and procedures are set up to report that data to an investor, and how much it would cost to create communications between different operating systems or to initiate new procedures to capture data that is currently not captured.

A case in point are data elements 45, 47 and 48 in Appendix A of the AMA Regulation which are respectively, the number of bedrooms in a non-owner occupied dwelling unit or units, the rent level of each non-owner occupied unit, and the rent level plus the utility cost for each unit of a non-owner occupied unit. PFIs have no reason either to build system capacity to collect and report these elements or to develop procedures for capturing these elements since secondary market investors do not need or require such data.

The Bank believes that there are valid safety and soundness and mission monitoring reasons for the Finance Board to request certain loan level data with respect to AMA held by the Bank. The data collected should be relevant to those two functions as well as readily available either from PFIs or other sources to which the Bank has access.

The reporting criteria of the AMA Regulation should be changed to provide that a FHLB is not required to collect data that PFIs do not normally collect, or that cannot be readily obtained from other sources. The specific data requirements of the current AMA regulation should be replaced by the recommended reliance on industry standards for secondary market sales. Non-standard requirements are especially harmful to community banks and thrifts. The AMA Regulation should also provide that the FHLBs may change the data reported in conformance with changes in the HMDA reporting requirements, and similar law affecting data collection, such as the Patriot Act.

The reporting requirements are quite detailed and appear to be burdensome for both PFIs and FHLB's. They go beyond that which is required of Fannie Mae and Freddie Mac by the Office of Federal Housing Enterprise Oversight.

The AMA Regulation requires PFIs to change their origination software in order to store extra data. On loans they purchase, their wholesale systems need to be changed as well and they need to require this data on all purchases they make as the entity from whom they are buying loans from may not be the originating lender.

For government-insured loans, Ginnie Mae's data collections are a very small subset of the required data fields. They do not collect FICO scores, debt ratios, LTV ratio, employment status or many other fields.

We would suggest that data fields required be no more than those required by other GSEs for specific types of loans.

CONCLUSION

Thank you for the opportunity to respond to the Comment Request. Should your staff have any questions regarding this comment, please contact Eric S. Schambow, Vice President, Mortgage Partnership Finance, at (312) 565-5292.

Sincerely yours,

Peter E. Gutzmer
Executive Vice President,
General Counsel &
Corporate Secretary

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