



October 15, 2014

Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA39  
Federal Housing Agency  
400 Seventh Street SW, Eighth Floor  
Washington, DC 20024

Re: Notice of Proposed Rulemaking and Request for Comments – Members of FHLBanks (RIN 2590-AA39)

Dear Mr. Pollard:

Thank you for allowing us to express our concern on the NPRM (RIN 2590-AA39). We have reviewed the proposed rulemaking and ask for your consideration to rescind.

All of us at Pacific Continental Bank have deep reservations and feel strongly against the new changes proposed. If passed, this could have devastating consequences to the FHLB system, its commitment and serviceability to members and the community. The new proposal seeks to restrict the current criteria for membership to the FHLB system. However, throughout the 80+ years since the inception of the FHLB system, Congress has continuously broadened the mandates of FHLB responsibilities beyond the housing finance authority.

The current membership of the FHLB system is diverse and robust. This not only supports the FHLB system's expanded statutory housing mission but the financial system in general as well. It is critical to have a sustaining and growing membership for the FHLB system. Limiting the membership would create volatility in the FHLB capital stock and could result in less effective means of meeting its liquidity mandates for the housing finance markets.

For Pacific Continental Bank, we are well positioned in meeting the requirements for the Ongoing One Percent and Ten Percent requirements proposal. However, enacting this requirement sets a dangerous precedent and would create an environment of uncertainty for the future. There can be many scenarios where institutions could potentially fail which could potentially lead to systemic fallout of FHLB membership.

Our experience in working with FHLB has been a win-win situation. The importance of FHLB to community banking is unquestionable. They provide flexibility, service, and guidance. Their existence aids the financial institutions and the community they serve.

Lastly, it is important that the FHLB system stay strong and stable. The FHLB business model has been a success thus far. We need to maintain and support a system that is effective and that works. We are asking for your support to withdraw your proposal.

Sincerely,

Michael Reynolds, CFO