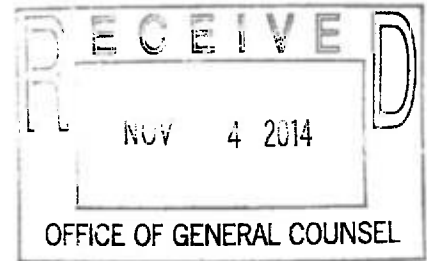


October 31, 2014

Alfred M. Pollard, Esq., General Counsel
Attention: Comments/RIN 2590-AA37
Federal Housing Finance Agency, Fourth Floor
400 Seventh Street, S.W.
Washington, DC 20024



Re: Notice of Proposed Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

On behalf of Erie Federal Credit Union, I am writing to express my concerns regarding the notice of proposed rulemaking on the FHLB Banks. While we appreciate your apparent desire to provide for a strong Federal Home Loan Bank System that supports housing, we believe the rule undermines the goal of the proposal.

It seems this rule has the potential to restrict access to liquidity at the exact point in time when more, not less, liquidity is needed in a slowly recovering market. While many depository institutions have ample liquidity at the current time, most “experts” in the banking industry believe that this may change dramatically when interest rates eventually start to rise.

Our regulator (NCUA) requires a reliable source of contingent liquidity. For Erie FCU, this has always been my Federal Home Loan Bank. With this rule, I’m concerned my regulator will not consider the FHLBanks reliable and may require another, more expensive, liquidity source which in turn will likely cost our members in terms of lower cost loan rates and higher deposit rates.

The FHFA is not a bank regulator, but this proposed regulation imposes a significant regulatory metric that my institution will have to assess in the future. Have you consulted with NCUA and the regulators of other FHLBank members?

Credit unions that fail one or both of the tests face losing their membership in the FHLBank. We are at a loss to understand what is being achieved by this, other than taking away a valuable business partner of the credit union.

Erie FCU meets the 1%, 2% and even the 5% tests that the proposal suggests might be imposed. However, how can I be sure that your agency will not increase that test beyond 5% in the future? If your stated rationale is that a mortgage asset test supports housing (a supposition with which I vigorously disagree), should we not assume you will increase that number in the future to a level which Erie FCU could not meet?

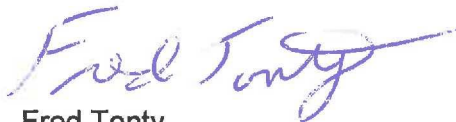
Congress made credit unions eligible for FHLBank membership in 1989. In so doing it applied a 10 percent asset test for membership, but no ongoing test. Applying this 10 percent test on an ongoing basis exacerbates this already stringent standard. Additionally, imposing an ongoing housing assets test ignores my institution's direct home mortgage lending activity in making mortgages to our members which we sell in the secondary market.

This proposed regulation will diminish the value of our FHLBank membership, reduce borrowing from FHLBanks and reduce the capacity of FHLBanks to assist members in serving the housing needs of their markets. This will include a negative impact on net income for the FHLBanks, which will, in turn, mean less money for affordable housing grants, which in turn means less income for the credit union, which in turn hurts our members and our community in general.

This regulation will have the unintended consequence of putting FHLBank members in a position of having conflicting regulatory burdens. For example, NCUA says Erie FCU should hold fewer long-term mortgages on my balance sheet because of interest rate risk, but this rule may encourage Erie FCU to add long-term mortgages just to meet the test and retain FHLBank membership, which is needed for liquidity purposes which NCUA demands. This simply does not make sense.

Based on our belief that the proposals could harm Erie Federal Credit Union and other FHLBank members and generally weaken a system that has worked well for more than 80 years, we ask that the FHFA reconsider/change the September 12, 2014 Notice of Proposed Rulemaking that makes sense for all financial institutions, their members/customers and their communities.

Respectfully



Fred Tonty
Chief Financial Officer
Erie Federal Credit Union
1959 East 36th Street
Erie, PA 16510