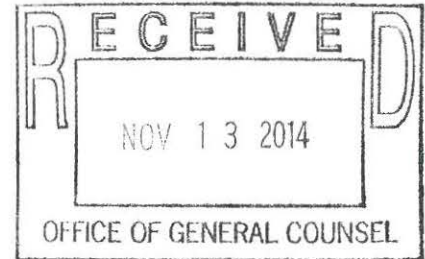


November 5, 2014

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 Reliance Bank, I am writing to express my concerns about the notice of proposed rulemaking. 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 recovering market. While many depository institutions are flush with deposits at the current time, most observers believe that this may change when interest rates inevitably rise.

The majority of the types of collateral eligible to be pledged to secure advances under the FHFA regulations are housing assets (e.g., various types of mortgage loans, mortgage-backed securities and home equity loans). Consequently, advances from FHLBanks provide liquidity for these housing assets.

Powerful and ongoing housing asset tests exist already. We are required to pledge collateral, and the majority of collateral types eligible to secure advances are housing assets. Additionally, under current rules, the total amount of advances having a maturity greater than five years cannot exceed the amount of residential housing assets on my institution's balance sheet. The proposed regulation almost seems to ignore the housing nexus that is already in place. These tests work and do not impose regulatory burdens or penalties.

My regulator requires a reliable source of contingent liquidity. For us, this has always been my 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.

This proposed rule will diminish the value of 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.

By reducing flexibility for FHLBank members to manage our balance sheets (which is not directed at any FHLBank safety and soundness concerns), this rule may present new safety and soundness challenges to my institution.

The government should be looking for ways to help the economy, not impose a rule that could restrict the flow of credit to communities across America.

This proposed regulation addresses a problem that does not exist. There are no safety and soundness problems at FHLBanks raised by lending to members that may fall below either of these proposed ongoing asset test levels. However, the proposal would impose new regulatory-type burdens and expense on my institution, may put me at odds with my own regulator, and could restrict the flow of capital into the communities we serve.

My Federal Home Loan Bank went through some tough times during the crisis, including suspending dividends for several years. I stuck with the FHLBank as a member during that period, which supported your concerns that it remain well-capitalized. Now you are proposing a regulation that could force me out at a time when the FHLBank is well-capitalized and profitable.

This regulation puts the FHLBank that I own (as a member of the cooperative) in a de facto regulatory role; it is not appropriate for them to regulate their owners.

The proposed regulation allows a five-year sunset for captive REITS to exit membership in the System; yet members that fail one of the housing asset tests have only one year to pass or face expulsion from the System.

Based on our belief that the proposals could harm FHLBank members and generally weaken a System that has worked well for more than 80 years, we ask that the FHFA reconsider the September 12, 2014 Notice of Proposed Rulemaking.

Respectfully,

A handwritten signature in black ink, appearing to read "B. H. Lehman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brian H. Lehman
Reliance Bank
1119 12th Street, Altoona, PA 16601