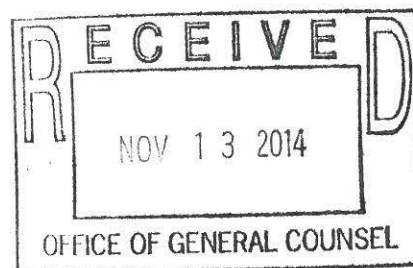


November 4, 2014



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.

This rule would have a different impact in different market conditions. Before the FHFA takes additional steps on this proposal, it should analyze and publish a report on how such a test would have impacted the economy and financial institutions had it been in effect during the financial crisis.

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.

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 my regulator and the regulators of other FHLBank members?

It seems to me this proposed regulation would circumvent the will of the Congress to exempt small institutions from a 10 percent asset test. It would subject institutions that are now below \$1.1 billion in assets to an ongoing 10 percent asset test should their assets grow beyond \$1.1 billion. Ideally an FHLBank member can manage its portfolio as it manages interest rate risk, market risks and the other attendant risks

As I manage my institution, I manage interest rate risk, credit risk and liquidity risk. I also strive to serve the credit needs of my community. This regulation could put me in a situation where I may not be able to support growing business loan demand because my institution might get too close to the CFI threshold.

Simply put, I don't want to have to think about the potential of losing my FHLBank membership as I make business decisions and deal with the numerous existing and changing regulations and risks I have to manage. I run my institution to be safe, profitable and useful to my customers – not to meet an arbitrary test.

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 diminishing the strength of the FHLBanks, this rule diminishes community investment programs that help communities grow and thrive.

My institution will get no credit for supporting housing with mortgages we originate and sell into the secondary market. If my institution were to lose membership, I would lose access to the Mortgage Partnership Finance Program, which directly supports housing. This result is completely at odds with the proposal's stated intent to ensure that FHLBanks are supporting their housing finance mission.

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 regulation will have the unintended consequence of putting FHLBank members in a position of having conflicting regulatory burdens. For example, my regulator says I should hold fewer long-term mortgages on my balance sheet, but this rule may encourage me to add long-term mortgages just to meet the test and retain FHLBank membership.

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.

Congress, not FHFA, should determine membership requirements.

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.

Sincerely,

A handwritten signature in black ink that reads "Timothy P. Sissler". The signature is written in a cursive style with a large initial "T" and "P".

Timothy P. Sissler
Reliance Bank
1119 12th Street, Altoona, PA 16601