



Susquehanna Bancshares, Inc.

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November 10, 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 Susquehanna Bancshares, Inc., 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 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? For example, this regulation will have the unintended consequence of putting FHLBank members in a position of having conflicting regulatory burdens. For example, regulators could tell banks they should hold fewer long-term mortgages on their balance sheet; but this rule may encourage banks to add long-term mortgages just to meet the test and retain critical FHLBank membership.

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,

Keith B. McCutcheon  
Chief Investment Officer  
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