



November 12, 2014

Alfred M. Pollard, Esq., General Counsel  
Attention: Comments/RIN 2590-AA39  
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 Standard Bank, I am writing to express my concerns about the notice of proposed rulemaking referenced above. While we understand that the FHFA is committed to providing for a strong Federal Home Loan Bank System (the "FHLBanks") that supports housing, we believe this proposed rule will do the opposite to the FHLBanks.

The following summarizes our concerns:

1. The proposed 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, like Standard Bank, are flush with deposits and liquidity at the current time, this will change when interest rates rise just like in previous housing cycles.
2. 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. This is very important since the FHLBanks were rock solid during the crisis and provided liquidity to members at unprecedented levels with no difficulty. In other words, if it isn't broke, don't try to fix it.
3. The majority of the types of collateral eligible to be pledged to secure advances under the current FHFA regulations are housing assets (e.g., various types of mortgage loans, mortgage-backed securities and home equity loans).

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Consequently, advances from FHLBanks provide liquidity for the housing assets of members.

4. 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 as noted above. 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 seems to ignore the housing nexus that is already in place. These tests work and do not impose regulatory burdens or penalties.

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 withdraw the September 12, 2014, Notice of Proposed Rulemaking.

Respectfully,

  
Timothy K. Zimmerman  
President & CEO