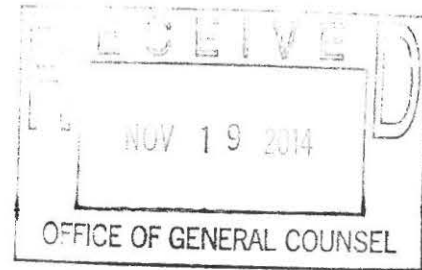


November 12, 2014

Mr. Melvin Watt, Director
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20024

RE: Proposed Changes to FHLB membership



Dear Director Watt:

Thank you for giving me the opportunity to submit my comments on this important matter. While I believe the immediate impact of the proposed change on my bank would be relatively minor – an unnecessary increase in costs to monitor and document compliance – the potential for unintended consequences are significant. We are a nearly 170 year old thrift with assets slightly above \$1.3 billion with sufficient qualifying assets such that the revisions in and of themselves are relatively inconsequential. Some of the potential consequence could however impact us through increased advance rates and potentially even a requirement to hold more FHLB stock.

The reason lies more along the lines of, “if it’s not broken why fix it”. It would seem to me that if the goal is to restrict the activity of a select few, penalizing the masses to accomplish that seems counter-productive and as noted above creates the potential for consequences beyond the intended purpose. Picture a scenario where legitimate, congressionally approved members of the system are denied access to advances and in fact forced to withdraw or have their membership revoked. That former member has now lost a significant access to a vital liquidity source and may therefore become subject to stipulations ordered by its prudential regulator. Worse, it could be forced to sell or even fail should the lack of liquidity and potential reputation risk lead to a massive deposit outflow.

What about the FHLB system itself? The withdrawal of a large number of members who demand redemption of the stock they hold in the particular FHLB could jeopardize the stability of that Bank or even the system itself. At the very least, fewer members likely translates into higher rates for advances and other services as well as a higher stock investment required for the remaining members.

Finally, a strong FHLB system is important to our economy. One has to look no further than the recent economic recession to see the valuable role the system played in providing liquidity during a difficult period. In addition, since the inception of the Affordable Housing Program the system has largely been the single most important source of capital for the construction and renovation of affordable housing units throughout the country.

Given the regulatory history behind the FHLB Act I fail to see where the proposal is in keeping with the spirit and intent of Congress. Coupled with the potential for higher costs to my bank for recordkeeping



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and higher advance rates and more importantly the risk to individual FHLBs and the system as a whole I hope that the proposal will be withdrawn or materially altered. Thank you again for giving me the opportunity to submit this letter.

Very truly yours,

Rheo A. Brouillard
President & CEO