

December 10, 2014

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW., Eighth Floor
Washington, DC 20024

Re: Notice of Proposed Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

The Federal Housing Finance Agency has requested comments on a notice of proposed rulemaking on Federal Home Loan Bank membership requirements. We appreciate the opportunity to submit this comment on the Proposed Rule.

Salisbury Bank is an approximately \$850 million community bank headquartered in the Northwest Corner of Connecticut with 13 branch locations in Connecticut, New York and Massachusetts. We are members of Federal Home Loan Bank Boston and currently participate in their MPF program as well as their advance loan programs.

We are concerned that the proposed changes would significantly increase Federal Home Loan Bank membership requirements for existing and prospective members, thereby reducing the availability and negatively affecting the reliability of liquidity on which we depend. Moreover, stricter requirements will call into question our ability to borrow under all future economic scenarios. The proposed changes will not only make certain members ineligible for membership, it would discourage potential members from joining. The net effect would be to inhibit the Federal Home Loan Banks' ability to serve the liquidity and housing and community development needs of their districts.

During the nation's recent financial crisis, when dislocations in the capital markets made funding from other sources difficult, the Federal Home Loan Banks were a critical source of liquidity for us. Policies that would unnecessarily restrict Federal Home Loan Bank access, such as the proposed membership changes, could have had serious consequences had they been in effect by needlessly removing current members in good standing and exacerbating the harmful effects on financial institutions and our economy.

Here in Connecticut, Salisbury Bank is just one of more than 440 members of Federal Home Loan Bank Boston. As of June 30, 2014, we have collectively borrowed more than \$30 billion in advances and own more than \$3 billion in capital stock. These numbers would certainly shrink with the loss of members that fail to meet the proposed membership requirements. The net effect would result in less economic activity in New England and a corresponding slowdown of Federal Home Loan Bank Boston's members' ability to assist in the economic recovery.

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The Federal Home Loan Bank Act includes requirements to become a member of a Federal Home Loan Bank. In the past, Congress has taken action to amend the Act in ways that have expanded membership and expanded eligible collateral. Congress has not sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe that it is Congress' purview to do so, not the Federal Housing Finance Agency's.

As proposed by the Agency, ongoing compliance with membership requirements would impose additional regulatory burdens on Federal Home Loan Bank members and add an element of uncertainty to Federal Home Loan Bank membership. We would be required to manage our balance sheet to make certain we have ample assets to meet the proposed membership requirements to ensure access, to Federal Home Loan Bank funding products. As a result, if the Proposed Rule were adopted, the Federal Home Loan Banks would be viewed by existing and potential members as a far less reliable funding partner. The Proposed Rule would also shrink the amount of private capital flowing from the global markets through the Federal Home Loan Banks and their members to the U.S. mortgage market and the communities we serve.

The Senate Banking Committee and House Financial Services Committee have been engaged in legislative efforts to achieve comprehensive housing finance reform. As part of these efforts, they have had the opportunity to review the role and mission of the Federal Home Loan Banks. Throughout these deliberations, there has been no consideration of restricting membership in the Federal Home Loan Banks. To the contrary, discussions have revolved around potentially expanding the role of the Federal Home Loan Banks and access to them in a reformed housing finance system. In the next Congress, housing finance reform is likely to be given a high priority. Under these circumstances, the regulator should defer to Congress, as it always has, to determine the Federal Home Loan Banks' role in a future housing finance model.

Finally, I wish to emphasize how important reliable access to Federal Home Loan Bank Boston is to our financial institution. The Proposed Rule would create uncertainty in our region and beyond and impede the slowly improving housing market and its positive effect on a continued economic recovery. If adopted, the Proposed Rule would seriously alter, and even harm, the strong and stable relationship with the Federal Home Loan Banks that we and other member financial institutions have relied on for decades.

For these reasons, we request that the Proposed Rule be withdrawn. Thank you for the opportunity to submit a comment.

Sincerely,

Richard J. Cantele, Jr.
President and Chief Executive Officer