ENTERPRISE BANK

December 9, 2014

Federal Housing Finance Agency, Fourth Floor
Attn: Alfred M. Pollard, Esq., General Counsel
Comments/RIN 2590-AA39
400 Seventh Street, S. W.
Washington, D.C. 20024

Dear Mr. Pollard:

On behalf of Enterprise Bank, I am writing to express our sincere concern about the "Notice of Proposed Rulemaking". It is apparent that your desire is to provide for a strong Federal Home Loan Bank System (FHLB) which supports housing, however we believe the practical implications of the rule will create harm to the system. It seems the rule ignores the other numerous purposes that the Federal Home Loan Bank System serves beyond supporting housing. Many of these other purposes are clarified by Congressional legislation. The Federal Home Loan Bank System mandates were changed after the Savings and Loan Crisis and this rule ignores Congressional intent which was clearly illustrated by the new laws passed since that financial crisis.

The Federal Home Loan Bank System has become a liquidity source for all banks including community banks over the past thirty years. The community banks relied upon the FHLB during the great recession and without this liquidity source many would not have survived. Community banks are the great supporters of small business and Congress identified the need to have the FHLB become a liquidity source for the purpose of lending to small business in legislation previously passed which enabled the FHLB to recognize business assets as acceptable collateral for lending. This proposed rule completely ignores this Congressional intent and ignores the fact the FHLB indirectly provides liquidity for small business lending through community bank liquidity funding.

This rule narrowly focuses support only for housing and ignores the other liquidity needs of a community bank. The FDIC requires reliable sources of liquidity for Community Banks and a strong contingency funding plan. Ignoring these needs limits the confidence a community bank and its regulators have in the FHLB being a reliable liquidity source. This clearly is not the intent of Congress. It should be Congress through legislation that determines membership in the FHLB, not the Federal Housing Finance Agency creating rulemaking with a hidden agenda!

The FHLB is an extremely important tool in managing interest rate risk. A community bank has to rely upon getting long term borrowing in the marketplace to manage this risk. The FHLB is one of the only ways a small bank can compete with the largest banks and even the playing field. This regulation would put us in a situation where we would not be able to support small business loan demand and stay competitive without taking excessive interest rate risk. This rule undermines the safety and soundness of all community banks that are small business oriented. The Federal Housing Finance Agency should be looking for ways to help the economy, not impose a rule that would restrict the flow of credit to communities across America.

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There are no safety and soundness problems at FHLBanks caused by lending to members that may fall below either of these proposed ongoing asset test levels. In fact, the system has been in need of loan volume to support the missions Congress has given the Federal Home Loan Bank System. Currently, some FHLBanks are looking at merging because they are losing critical mass from membership mergers, etc. caused by bank industry consolidation. So what possible logic could there be to further weaken the Federal Home Loan Bank System by further restricting bank membership which directly relates to loan volume? What kind of regulator promotes a rule that will hurt the FHLBanks it regulates? Isn't the regulator supposed to support the safety and soundness of its membership? This rule clearly conflicts with one of the main purposes of the Federal Housing Finance Agency serving as the Federal Home Loan Bank System regulator.

There is absolutely no doubt that this rule will harm FHLBank members, weaken our housing and business economy by restricting community bank membership and generally weaken a system that has worked for many years. This could be another example of a rule with unintended consequences that will hurt the economy. This is clearly one of the most ill conceived proposed rules we have seen and we request that the Federal Housing Finance Agency withdraw the September 12, 2014 Notice of Proposed Rulemaking.

Sincerely,

Charles H. Leyh, President
Enterprise Bank
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CHL/kmp