Provident BANK

Christopher Martin
President & Chief Executive Officer

December 22, 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:

I appreciate the opportunity to submit comments and voice my concerns on the notice of proposed rulemaking ("NPR") in which the Federal Housing Finance Agency ("FHFA") has expressed its desire to revise its regulations governing Federal Home Loan Bank membership. As a long-time member of the Federal Home Loan Bank of New York ("FHLBNY"), this proposal has the potential to significantly impact our business and also the risk profile of my institution, The Provident Bank, which has been in business for over 175 years in New Jersey. The proposed regulation threatens both the strength and the value of the partnership between the Federal Home Loan Banks and their members.

We have always understood that the true value of Federal Home Loan Bank membership is its steadfastness. As a member in good standing, we know that we will always have access to funding so long as we have eligible assets to support our borrowings. This was true during the financial crisis, when the 12 Federal Home Loan Banks were a critical source of liquidity for the nation's financial institutions. As the economy continues to slowly recover, community lenders need access to the markets to procure the funding their communities need. And it has been true in every economic cycle for more than 80 years, over which time the Federal Home Loan Banks have repeatedly proven themselves to be a reliable funding partner for their members.

However, the NPR – in creating ongoing requirements for a financial institution to remain a member of a Federal Home Loan Bank – introduces an element of uncertainty into this reliability, thereby diminishing the value of Federal Home Loan Bank membership. Further, this proposed rule would have the strong likelihood of reducing liquidity, tightening credit and a reduction in available private sector funding for affordable housing and community development.

At the end of the third quarter of 2014, the FHLBNY had $99.5 billion in advances out to its members. Every dollar of this funding is vital to the communities we serve. And just as our communities rely on us to meet their needs, we rely on the FHLBNY to be there when we need

100 Wood Avenue South · P.O. Box 1001 · Iselin, NJ 08830-1001 T 732.590.9200 chris.martin@providentnj.com ProvidentNJ.com

it. This reliability cannot be jeopardized, nor should it be an output of the SIFI institutions. The community banks have been supporters of the communities they do business in, and the partnership with the FHLB system has been the bedrock to meeting the housing needs of many.

Accordingly, I respectfully request that the NPR be withdrawn, or, at the very least, that subsequent membership asset holding tests be eliminated from the rule.

Sincerely,

Christopher Martin
Chairman, President & CEO
Provident Bank