



December 18, 2014

Alfred M. Pollard, Esq., General Counsel
Attention: Comments/RIN 2590-AA37
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 Penn Liberty Bank, I am writing to express my concerns regarding the notice of proposed rulemaking. While we appreciate your desire to provide for a strong Federal Home Loan Bank System that supports housing, we believe the rule undermines the goal of the proposal. Some of our concerns on this proposal are as follows:

- Congress, not the FHFA, should determine membership requirements. Congress has a record of expanding membership opportunities not restricting them.
- My regulators require a reliable source of contingent liquidity. For Penn Liberty, this has been the Federal Home Loan Bank of Pittsburgh (FHLB). With this rule, we are concerned our regulators will not consider the FHLB reliable and may require another, more expensive, liquidity source.
- The majority of the types of collateral eligible to be pledged to secure advances under the FHFA regulations are housing assets. Consequently, advances from the FHLB provide liquidity for these housing assets.
- It seems that this proposed regulation would circumvent the will of the Congress to exempt small institutions from a 10 percent asset test. It would subject institutions that are now below \$1.1 billion in assets to an ongoing 10 percent asset test should their assets grow beyond \$1.1 billion. Ideally an FHLB member can manage its portfolio as it manages interest rate risk, market risks and the other attendant risks.
- As we manage our institution, we manage interest rate risk, credit risk and liquidity risk. We also strive to serve the credit needs of our community. This regulation could put us in a situation where we may not be able to support growing business loan demand because our institution might get too close to the Community Financial Institution (CFI) threshold.
- By reducing flexibility for FHLB members to manage our balance sheets, this rule may present new safety and soundness challenges to our institution.



- As a CFI, we are proud of the work we do to build a stronger community through providing access to credit for a broad range of our local customers' needs. That is exactly what our membership in the FHLB enables us to do.

Based on our belief that the proposals could harm FHLB 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.

Sincerely,



Patrick J. Ward

Chairman & CEO