

January 2, 2015

The Honorable Melvin L. Watt
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Attention: Comments/RIN 2590-AA39

RE: Notice of Proposed Rulemaking and Request for Comments (RIN 2590-AA39)

Dear Director Watt:

CNB Bank appreciates the opportunity to comment on the Notice of Proposed Rule Making on Members of Federal Home Loan Banks (RIN 2590-AA39) (the “NPR”) issued by the Federal Housing Finance Agency (“FHFA”). CNB Bank is a community financial institution headquartered in Clearfield, Pennsylvania with an asset size of \$2.2 billion, and we are a long-time member of the Federal Home Loan Bank of Pittsburgh. We fully endorse FHFA’s efforts to ensure that the Federal Home Loan Banks (the “FHLB”) operate in a safe and sound manner and consistent with the purposes of the Federal Home Loan Bank Act. We do not believe that the NPR furthers those goals.

First, the NPR unnecessarily requires that each FHLB member maintain at least 1% of its assets in long-term home mortgage loans and at least 10% of its assets in residential mortgage loans. As acknowledged in the NPR, FHFA’s existing regulations already require that a member must pledge residential mortgage loans or other eligible assets as collateral for each advance. This collateral-based approach is an administratively simple and efficient mechanism for tying a member’s aggregate FHLB long-term advances to its support of housing finance. The NPR concedes that FHFA has found no evidence that there is a widespread problem of members having only minimal mortgage assets, and the earlier advance notice of proposed rulemaking also observed that only a few members would not be in compliance with the proposed 10% residential mortgage loan requirement.

In light of the effectiveness of the existing collateral-based caps on FHLB advances and the mortgage assets already maintained by all but a few members, these new mortgage asset requirements appear to be unnecessary. Nevertheless, each FHLB and each member will have to adopt new systems, controls, staffing, training and audits in order to monitor compliance with these requirements, and those regulatory burdens and compliance costs would be incurred without any apparent purpose.

More generally, the effect, if any, of the mortgage asset requirements would be to narrow the eligibility for FHLB membership contrary to Congress’ recent efforts to expand membership eligibility. Congress extended FHLB membership to commercial banks and credit unions in 1989 and to community development financial institutions (“CDFI”) in 2008, and has also

recently removed limits on advances to non-thrift lenders and expanded the range of eligible collateral for advances. We are aware of no instance of Congress acting to restrict membership eligibility or FHLBs' mission. Given Congress' recent activity and interest in this area, we suggest that any regulatory action that might tend to narrow membership eligibility should be left to Congress, not accomplished by rulemaking, and that the final rule should avoid any new requirements with respect to a member's mortgage assets.

Thank you in advance for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Wingard', with a long horizontal flourish extending to the right.

Brian W. Wingard, CPA
Senior VP/Chief Financial Officer
CNB Bank