January 8, 2015
Alfred M. Pollard, Esq., General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency, Fourth Floor
400 Seventh Street, Southwest
Washington, DC 20024

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

Dear Mr. Pollard:

This letter responds to The Agency's request for comment on proposed new membership regulations for FHL Banks. I am writing as an individual, and not in my current capacity as Vice Chairman of the FHLB Pittsburgh Board of Directors. My business career has spanned 45 years including 28 years of direct employment within the FHLB System as Treasurer of FHLB San Francisco, CEO of The Office of Finance, and Board Member/Vice Chair in Pittsburgh. Additionally, I have been a control officer of three FHLB member institutions as CFO or higher. With this experience in mind, I wish to recall a bit of history and make the point that the proposed regulation is mis-guided and likely to be counterproductive to the members of the FHLB System and the FHL Banks.

During the 1970s, FHLB members were subject to Regulation Q which limited the rates of interest they could pay on deposits by term. When open market interest rates exceeded these maximums, depository institutions suffered deposit withdrawals, sometimes in large amounts. The FHLB San Francisco had a special advance program at that time called The Withdrawal Advance Program which enabled members to certify that deposit withdrawals had transpired and request replacement funds in the form of short-term advances. In those days, the System had access to the term debt market only once a quarter and the Discount Note Program was so new that it was unable to provide sufficient liquidity to fund member requests for advances. The consequence was that the advance window was closed, period. Members were furious, complained bitterly, and generally indicated that if they did not have to belong to a FHL Bank in order to have Federal Savings and Loan Insurance on their deposits, and thus be regulated by the FHL Bank, they would withdraw from membership because they simply could not depend on the FHL Bank as a source of liquidity when it was most needed.

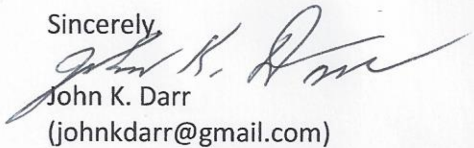
Fast forward, please, to the current situation. It is my sense that creating annual asset tests for members will inject a similar doubt about the validity of the membership proposition of a FHL Bank. Balance sheet management over time is an ongoing process that ebbs and flows in terms of asset composition, term structure and many other variables. Having an artificial constraint of the sort proposed will dis-incent members from using advances, reduce the dependability of FHLBs as a source of liquidity, and, indeed, call into question the value proposition of membership itself. Additionally, having read numerous letters previously submitted in response to this request for comment, it is clear that members are concerned about their own regulators calling into question the worth of FHLB membership and the dependability of liquidity from FHL Banks.

Over the many years of my personal experience in the System and as a member executive, I have observed the trend line of System mission, gradually becoming more expansive and accommodative under the careful watch of Congress. The proposed regulation seems out of order from the Agency, when one considers that the FHLB System is a creature of Congress, not a regulator. This fact is widely

understood and accepted by most, if not all, investors in FHLB debt securities. Causing the slightest doubt about this status could jeopardize the future of the System that the regulation purports to protect. With this in mind, it is my recommendation that the proposed regulation be withdrawn.

I respectfully submit the views contained in this letter and would be pleased to respond to any questions you may have regarding my views.

Sincerely,



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