THE DIME BANK
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ALFRED M POLLARD ESQ GENERAL COUNSEL
ATTENTION COMMENTS/RIN 2590-AA37
FEDERAL HOUSING FINANCE AGENCY
400 SEVENTH STREET SW 4TH 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:

On behalf of The Dime Bank, I am writing to express my concerns about the notice of proposed rulemaking. While we appreciate your apparent desire to provide for a strong Federal Home Loan Bank System that supports housing, we believe the rule undermines the goal of the proposal.

It seems this rule has the potential to restrict access to liquidity at the exact point in time when more, not less, liquidity is needed in a recovering market. While many depository institutions are flush with deposits at the current time, most observers believe that this may change when interest rates inevitably rise. Our institution has continually accessed the overnight and term borrowing programs offered by our FHLB.

My regulator requires a reliable source of contingent liquidity. For us, this has always been my Home Loan Bank. With this rule, I'm concerned my regulator will not consider the FHLBanks 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 (e.g., various types of mortgage loans, mortgage-backed securities and home equity loans). Consequently, advances from FHLBanks provide liquidity for these housing assets.

The FHFA is not a bank regulator, but this proposed regulation imposes a significant regulatory metric that my institution will have to assess in the future. Banks have always been highly regulated and scrutinized; in the past six years, compliance and new rules for maintaining compliant status have increased dramatically at all financial institutions. Have you consulted with my regulator and the regulators of other FHLBank members?

It seems to me 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 FHLBank member can manage its portfolio as it manages interest rate risk, market risks and the other attendant risks.

As a CFI, we are enormously 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 our Federal Home Loan Bank enables us to do. By diminishing the strength of the FHLBanks, this rule diminishes community investment programs that help communities grow and thrive.

As I manage my institution, I manage interest rate risk, credit risk and liquidity risk. I also strive to serve the credit needs of my community. This regulation could put me in a situation where I may not be able to support growing business loan demand because my institution might get too close to the CFI threshold.

In addition, this regulation will have the unintended consequence of putting FHLBank members in a position of having conflicting regulatory burdens. For example, my regulator says I should hold fewer long-term mortgages on my balance sheet, but this rule may encourage me to add long-term mortgages just to meet the test and retain FHLBank membership.

My Federal Home Loan Bank went through some tough times during the crisis, including suspending dividends for several years. I stuck with the FHLBank as a member during that period, which supported your concerns that it remain well-capitalized. Now you are proposing a regulation that could force me out at a time when the FHLBank is well-capitalized and profitable. That is not the way good partnerships work.

Based on our belief that the proposals could harm FHLBank members and generally weaken a System that has worked well for more than 80 years, we ask that the FHFA reconsider the September 12, 2014 Notice of Proposed Rulemaking.

Respectfully,

Gary C. Beilman
President & Chief Executive Officer

GCB/lt