

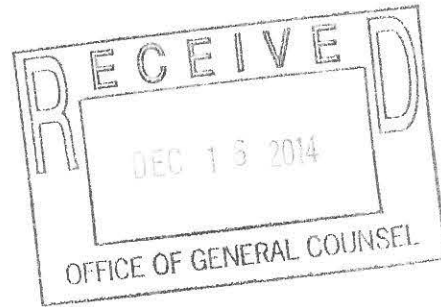
Monson Savings

Your Bank Forever

where people **save**, businesses **prosper**, communities **benefit**

December 9, 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:

The Federal Housing Finance Agency has requested comments on a notice of proposed rulemaking on Federal Home Loan Bank membership requirements. I appreciate the opportunity to submit this comment on the Proposed Rule.

My first reaction was to question what problem your Agency is trying to solve. We have a strong and viable financial institution base in New England as well as a strong Federal Home Loan Bank that has been supporting the region extremely successfully for more than 80 years. We are not aware of any credit loss or any safety and soundness issues that the Federal Home Loan Banks have experienced associated with doing business with FHLBank members.

I am concerned that the proposed changes would significantly increase FHLBank membership requirements for existing and prospective members, thereby reducing the availability and negatively affecting the reliability of liquidity on which we depend. Moreover, stricter requirements will call into question the ability to borrow under all future economic scenarios. The proposed changes will not only make certain members ineligible for membership, it would discourage potential members from joining. The net effect would be to inhibit the FHLBanks' ability to serve the liquidity and housing and community development needs of their districts.

During the nation's recent financial crisis, when dislocations in the capital markets made funding from other sources difficult, the FHLBanks were a critical source of liquidity for us. Policies that would unnecessarily restrict FHLBank access, such as the proposed membership changes, could have had serious consequences had they been in effect by needlessly removing current members in good standing and exacerbating the harmful effects on financial institutions and our economy.

Here in Massachusetts, Monson Savings Bank is just one of more than 440 members of FHLB Boston. As of June 30, 2014, we have collectively borrowed more than \$30 billion in advances and own more than \$3 billion in capital stock. These numbers would certainly shrink with the

loss of members that fail to meet the proposed membership requirements. The net effect would result in less economic activity in New England and a corresponding slowdown of FHLB Boston's members' ability to assist in the economic recovery. We presently hold about \$6 million in FHLB advances. This is a critical part to our liquidity strategy and we rely on access to the FHLB in order to manage our balance sheet.

The Federal Home Loan Bank Act includes requirements to become a member of an FHLBank. In the past, Congress has taken action to amend the Act in ways that have expanded membership and expanded eligible collateral. Congress has not sought to require continuous testing of such requirements or a percentage of assets to demonstrate a commitment to housing finance. We believe that it is Congress' purview to do so, not the Federal Housing Finance Agency's.

In the 113th Congress, the Senate Banking Committee and House Financial Services Committee have been engaged in legislative efforts to achieve comprehensive housing finance reform. As part of these efforts, they have had the opportunity to review the role and mission of the FHLBanks. Throughout these deliberations, there has been no consideration of restricting membership in the FHLBanks. To the contrary, discussions have revolved around potentially expanding the role of the FHLBanks and access to them in a reformed housing finance system. In the next Congress, housing finance reform is likely to be given a high priority. Under these circumstances, the regulator should defer to Congress, as it always has, to determine the FHLBanks' role in a future housing finance model.

Finally, I wish to emphasize how important reliable access to FHLB Boston is to our financial institution. The Proposed Rule would create uncertainty in our region and beyond and impede the slowly improving housing market and its positive effect on a continued economic recovery. If adopted, the Proposed Rule would seriously alter, and even harm, the strong and stable relationship with the FHLBanks that we and other member financial institutions have relied on for decades.

For these reasons, I request that the Proposed Rule be withdrawn. Thank you for the opportunity to submit a comment.

Sincerely,



Steven E. Lowell
President & CEO
Monson Savings Bank

SEL/amd

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