



**TWO HARBORS**  
Investment Corp.  
A Pine River Capital Managed Company

## Open Letter to Stockholders

NYSE: TWO



January 12, 2015

Dear Fellow Stockholders,

On September 2, 2014, the Federal Housing Finance Agency (FHFA) released a Notice of Proposed Rulemaking with respect to Federal Home Loan Bank membership. The Proposed Rulemaking reviews, and suggests changes to, certain current membership requirements in an effort to ensure the safety and soundness of the system. Of FHFA's proposed revisions, we are particularly concerned with FHFA's intention to exclude from Bank membership captive insurers. We respect FHFA's intent to protect the integrity of the Federal Home Loan Bank system, however, we fear that exclusion of responsible members thwarts the Congressional intent of the system as whole. The full text of FHFA's Proposed Rulemaking can be found on their website at [www.fhfa.gov](http://www.fhfa.gov).

Congress established the Federal Home Loan Bank system in 1932 with the mission to support long term housing finance by way of providing funding and liquidity to the Bank's members so they can meet the housing needs of the communities they serve. As a member in good standing with the Federal Home Loan Bank of Des Moines through our wholly owned subsidiary, TH Insurance Holdings Company LLC, we discourage FHFA from implementing this proposed change in its current form, for it will negatively impact the mortgage market at large. Though well-intentioned, the exclusion of members dedicated to the mission in turn eliminates the availability of mortgage credit flows, inadvertently hurting the U.S. housing market. We have thus submitted a comment letter to FHFA, which we have posted under Executive Insights within the Investor Relations section of our website [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com). As part of our response, we have outlined an alternative framework which we believe would enable FHFA to remedy its concerns for the safety and soundness of the Federal Home Loan Bank system without negatively impacting the health of the U.S. housing market.

Two Harbors and its subsidiaries are active, responsible market participants, providing permanent capital to the mortgage market, and we strongly believe our interests align directly with the mission of the Federal Home Loan Bank system. We have always strived to be a thought leader within the industry, and we have increased our engagement with regulatory and policy related topics that directly impact our business. We hope for a resolution to this issue, and, by way of our Federal Home Loan Bank membership, we aim to continue to play an integral role in providing stability to the U.S. housing market over the long term.

As always, thank you for your interest in Two Harbors.

Sincerely,

Thomas Siering  
President and Chief Executive Officer