



The Fountain Trust

COMPANY

March 2, 2023

Sandra Thompson
Director
Federal Housing Finance Agency
400 7th St SW
Washington, D.C.

RE: FHLBank System at 100: Focusing on the Future

Dear Director Thompson:

I appreciate the opportunity to provide written comments on behalf of my bank, The Fountain Trust Company, regarding the Federal Home Loan Bank (FHLB) system. The Fountain Trust Company has received advances from the FHLB Indianapolis for a variety of reasons including, but not limited to, general liquidity, balance sheet management and funding loans. The FHLB system has worked very well over the years, in both good time and bad times, and I am writing to encourage you to not alter the function or mission of the FHLB system. The FHLB system provides vital support to the community banks in Indiana and across the country, and changing how it currently works could have unintended consequences. Changing the FHLB system could harm rural communities by limiting liquidity that community banks use to make loans in their communities.

The FHLB's system of requiring banks to post certain types of collateral has worked to protect the safety and soundness of the FHLB system. The FHLB's current approach of accepting only certain types of collateral and basing the amount of advances on the market value of the collateral has successfully protected the FHLB system from losses in the past and should not be changed.

I would also encourage you to not expand the type of institutions that have access to the FHLB system. As entities across the country seek new types of charters and attempt to tap into the payment system or engage in crypto or stable coin related activities, they should not be granted access to the FHLB system. These types of activities could risk destabilizing the financial system in the event of failure if they are granted access to certain aspects of the financial system, including the FHLB system.

Finally, I would ask you to change the FHFA's calculation for tangible capital. The FHFA includes unrealized losses on investments, which is inconsistent with the approach taken by our primary regulators. The FHFA should align its capital requirements with the primary banking regulators so that community banks can operate under consistent rules. Furthermore, the FHLB is protected from the unrealized losses in investment portfolios because they reduce the amount a bank can borrow against a security as the market value declines.

Thank you for the opportunity to submit a comment letter on the future of the FHLB system.

Sincerely,

THE FOUNTAIN TRUST COMPANY

by 
Lucas White, President