

CHIPPEWA - LUCE - MACKINAC

**COMMUNITY ACTION
HUMAN RESOURCE AUTHORITY, INC.**

POST OFFICE BOX 70
SAULT STE. MARIE, MICHIGAN 49783-0070
PHONE (906) 632-3363 FAX (906) 632-4255



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February 23, 2011

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency - Fourth Floor
1700 G Street, NW
Washington, D.C. 20552

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

Dear Mr. Pollard:

I am writing as the Housing Assets Director for the Chippewa-Luce-Mackinac Community Action Resource Authority and as Chair of the Affordable Housing Advisory Council for the Federal Home Loan Bank of Indianapolis (FHLBI). I would like to thank you for the opportunity to submit comments on the advance notice of proposed rulemaking (ANPR) regarding Federal Home Loan Bank membership. From my perspective, the request provides an opportunity to highlight the potential of all FHLB member groups to further the FHLB's housing and community development mission.

Based on my understanding of the ANPR proposals, its implementation would reduce FHLB System membership. Any regulatory measure that constricts FHLB membership would reduce funding for housing and community development projects and the FHLB's effectiveness in carrying out its public policy mission.

According to independent analysis by Winston & Straw, LLP, the proposals contained in the ANPR would fundamentally change the FHLB relationship, "chill" new member applications, and encourage some to withdraw from membership. Based on figures that I have reviewed, simply applying the 10% test to non-depository institutions would eliminate nearly 70% of the nation's insurers from partnership in the System's mission. Since insurance companies are the FHLBI's largest potential membership group (based on assets) and have proven themselves to be valuable allies in the public policy mission, the ANPR's proposals would significantly diminish the FHLBI's ability to positively impact housing and community and economic development within Indiana and Michigan.

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The FHLBI has been actively developing the insurance sector for approximately five years. For this reason, most of its insurance companies are still learning and attempting to integrate FHLBI product offerings into their business strategies. In this short five year time period, FHLBI insurance companies have used \$151 million of CICA program funds, or nearly 20% of the FHLBI's total, to support community and economic development in Indiana and Michigan. Since insurance companies ranged between 3%-10% of the total membership during this time period, their CICA usage was completely out of proportion with their numbers and far beyond our expectations. It should be noted that all types of insurers (life, health, and property casualty) have participated in the FHLBI's CICA program. Examples of insurance company CICA projects include both a landmark urban renewal project and a global data center in Lansing, MI. Both projects turned vacated brownfields into job-creating commercial properties, and neither would have been possible without FHLBI insurance company members.

Insurance companies have also had a positive impact on the Affordable Housing Program (AHP). In their brief period as members, they have made very important contributions to the program. While insurers represented only 10% of FHLBI members at year-end 2010, they were responsible for 1/3rd of the outstanding advance portfolio and, thus, provided more than their share of AHP funding. In addition, since insurance company advances tend to be longer term than those of depositories, they have reduced the FHLBI's income volatility and helped stabilize AHP funding for years to come. Finally, while insurance companies are still "learning the ropes" of AHP, they have demonstrated a willingness to sponsor projects when approached by non-profit housing organizations. One example is Brotherhood Mutual Insurance Company's sponsorship of Fort Wayne Rescue Mission's Charis House project. When the Rescue Mission's original bank sponsor pulled out of the project at the 11th hour, Brotherhood Mutual willingly stepped into the void and made the \$750,000 AHP grant possible. Since Brotherhood Mutual is the primary insurance company for the Fort Wayne Rescue Mission and many other homeless shelters around the country, the partnership was a natural.

In summary, since the ANPR's proposals would prevent organizations from becoming partners in the FHLBI's mission and encourage membership withdrawals, it would reduce the System's impact on housing and community and economic development. Given the economic challenges faced by Indiana and Michigan, this would undermine the recovery effort. Since its costs far outweigh its benefits, I respectfully request that the ANPR be withdrawn from consideration.

Thank you for considering these comments.

Sincerely,



Michelle LaJoie

Housing Assets Director

Chippewa-Luce-Mackinac Community Action HRA, Inc.