FHLBI

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships.
Serving Communities.

October 1, 2009

Federal Housing Finance Agency
1700 G Street, N.W.
Washington, DC 20552
Attention: Public Comments/RIN 2590-AA04

Subject: Federal Housing Finance Agency
Interim Final Rule: Affordable Housing Program
Amendments: Federal Home Loan Bank Mortgage
Refinancing Authority
RIN 2590 – AA04

Dear Federal Housing Finance Agency Public Comments Coordinator:

On behalf of the Federal Home Loan Bank of Indianapolis (FHLBI) Board of Directors, its Affordable Housing Committee, and the FHLBI's Affordable Housing Advisory Council, we appreciate the opportunity to comment on the Affordable Housing Program Amendments proposed by the Federal Housing Finance Agency (FHFA).

The FHLBI applauds the FHFA's efforts to implement section 1218 of the Housing and Economic Recovery Act of 2008 which allows FHLBanks until July 30, 2010, to use AHP homeownership set-aside funds to refinance low- or moderate-income households' mortgage loans. This proposed initiative if properly implemented will allow the FHLBanks the opportunity to be part of the solution to a national housing crisis. The following comments offer suggestions to the FHFA's proposed AHP amendments published in the August 4, 2009 Federal Register.

Definition of Eligible Targeted Refinancing Program
In our comment letter regarding the October interim final rule, we suggested that the refinancing initiative be expanded to a broader use to include homeowner refinance products offered by our non-FHA members, State Housing Finance Agencies and other comparable programs, rather than restricting the eligible lender participants to the FHA HOPE for Homeowners Program. We support the current interim final rules' expansion which provides that loans are eligible for refinancing with AHP subsidy if they are refinanced under an "eligible targeted refinancing program." We appreciate the discretion given to the FHLBanks to work within the definition of eligible targeted refinancing programs or to require that a household obtain its refinancing loans through a member participating in an eligible targeted refinancing program.

8250 Woodfield Crossing Blvd. Indianapolis, Indiana 46240 317.465.0200 www.fhlbi.com

We also recommend that in this time of economic crisis, the FHFA promulgate a rule authorizing that the AHP set-aside program be utilized in conjunction with the modification of loans owned in the Mortgage Purchase Program (MPP) or Mortgage Purchase Finance (MPF) portfolios. The current interim final rule specifically does not authorize the refinancing of MPF or MPP loans as loans under an "eligible targeted refinancing program." This restriction places loans originated by members and sold to the FHLBanks under a disadvantage. With the refinancing authority limited to low- and moderate-income households, this restriction is a disadvantage to the neediest of borrowers. Members could apply on an individual household basis for AHP funds to assist families at risk of foreclosure whose loans are owned in the MPP or MPF portfolios. Up to $15,000 would be provided to the household with net income at or below 80% area median income at the time of the AHP subsidy disbursement request in order to restructure the MPP or MPF loan. The AHP funds could not be utilized by the member, the supplemental mortgage insurance provider, or the FHLBank to absorb losses but must be provided to benefit the homeowner. Homeowners in our district are facing foreclosure due to loss of income as Michigan experiences the highest unemployment rate in the nation. This includes loans owned in the MPP or MPF portfolios. This would not be rewarding members or FHLBanks for poor underwriting or investment decisions but assisting those low and moderate families that need help.

Household Income Eligibility

In our comment letter regarding the October interim final rule, we suggested that it would be prudent to allow FHLBanks to rely on the FHA's income and debt-to-income ratio calculations or those of other approved program underwriters and not require the FHLBanks to recalculate income or debt ratios. Therefore, we agree with the current interim final rule which does not establish specific requirements for how a FHLBank should calculate a household's income but allows for the flexibility of the FHLBank making its own calculation or using the calculation of the eligible targeted refinancing program.

AHP Retention Agreements

In our comment letter regarding the October interim final rule, we indicated some possible risks of not requiring an AHP retention agreement. We suggested the FHFA provide regulatory assurances that the lack of a retention agreement is not a safety and soundness finding. Therefore, we support the current interim final rule requirement that a household assisted under the AHP set-aside refinancing program be subject to an AHP five-year retention agreement.

Second District Priority Scoring Criterion

The FHLBI supports the interim final rules' change to the competitive AHP second district priority criterion. This scoring change will benefit the AHP competitive application program by allowing each district to respond to various housing needs that currently exist due to unprecedented challenges in the housing markets.

I thank you again for the opportunity to comment on the proposed AHP amendments. We look forward to assisting our members in finding new solutions to the mortgage foreclosure crisis.

If you have questions, please contact MaryBeth Wott, Vice President and Community Investment Officer, or the undersigned.

Sincerely,

Gregory L. Teare
Senior Vice President – Chief Banking Officer