



ANDREW J. JETTER
President & CEO

July 14, 2009

By E-Mail to RegComments@fhfa.gov

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Fourth Floor, 1700 G Street, NW
Washington, DC 20552

Attention: Comments/RIN 2590-AA18

Re: Proposed Rule on Federal Home Loan Bank Membership for Community
Development Financial Institutions

Dear Mr. Pollard:

The Federal Home Loan Bank of Topeka (Bank) appreciates this opportunity to comment on the Federal Housing Finance Agency (Finance Agency) proposed rule to amend its membership regulations to authorize non-federally insured, CDFI Fund-certified community development financial institutions (CDFIs) to become members of the Federal Home Loan Banks.

We are generally supportive of the proposed rule. CDFIs play an important role in the provision of credit to low- and moderate-income families and communities. To the extent that the Federal Home Loan Banks can safely and soundly extend credit to CDFIs, it will assist CDFIs in accomplishing their important objectives. We support the accommodations provided to qualify for membership in the proposed rule as appropriately reflective of the differences between CDFIs and the current membership of the Federal Home Loan Banks as well as the significant differences among CDFIs.

In view of the diverse legal and regulatory environments and activities of CDFIs, we view the ongoing administration of credit to CDFIs as much more important than the rules applicable to membership. Just as additional flexibility is required in the membership application process for CDFIs, Federal Home Loan Banks must have significant flexibility in determining advance pricing, lending restrictions and collateral rules with respect to CDFI members. And given the diversity among CDFIs, a Federal

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Home Loan Bank must have the authority and ability to develop these on a case-by-case basis to account for the uniqueness of each CDFI.

As outlined in the proposed rule, many CDFIs are unregulated entities. In addition, many CDFIs would be subject to bankruptcy proceedings rather than an administrative procedure in the event the CDFI fails. This results in a fundamentally different risk profile than that of typical Federal Home Loan Bank members. To prudently manage such risks in a safe and sound manner, a Federal Home Loan Bank must be able address these substantive differences in developing appropriate lending practices with respect to CDFIs that manage and limit those risks.

In particular, we believe it would be very helpful if the Finance Agency would, in either the preamble or the regulation itself, explicitly acknowledge a Federal Home Loan Bank's ability to treat a CDFI differently than other members with respect to credit administration, and that such differentiation is fully consistent with section 7(j) of the Federal Home Loan Bank Act so long as it is based on the unique characteristics of that CDFI.

Again, we appreciate the opportunity to provide you our comments on the proposed rule and look forward to the opportunity to support the important mission of CDFIs. If you have any questions or would like to discuss any of our comments, please call me at 785-438-6001.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew J. Jetter", written in a cursive style.

Andrew J. Jetter