



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

Milton J. Miller
CEO-President

July 14, 2009

Via Electronic Mail: RegComments@fhfa.gov

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552
Attention: Public Comments/RIN 2590-AA18

RE: Federal Housing Finance Agency Proposed Rule: Federal Home Loan Bank Membership for Community Development Financial Institutions

Dear Mr. Pollard:

The Federal Home Loan Bank of Indianapolis (FHLBI) appreciates the opportunity to comment on the proposed rule (the "Proposed Rule") regarding Federal Home Loan Bank ("FHLBank") membership for community development financial institutions ("CDFIs"), which was issued by the Federal Housing Finance Agency ("FHFA") and published in the *Federal Register* on May 15, 2009. The FHFA should be commended for providing clear and practical guidance to the FHLBanks on these new CDFI membership standards. The Proposed Rule generally aligns with the current membership rules for our other federally insured depository institutions and insurance companies. We believe that the membership standards for all of our member classes should generally be the same, unless there are express statutory standards or business reasons for applying a specific standard to a certain member class. With that in mind, the FHLBI offers the following comments for consideration.

CDFI Fund Certification

Under the Proposed Rule, if a CDFI applicant's certification is more than three years old, the applicant must submit a written statement certifying "that there have been no material events or occurrences since the date of certification that would adversely affect its strategic direction, mission, or business operations, and thereby its status as a CDFI." To document that the CDFI member applicant is creditworthy, we believe that the final rule should require a CDFI applicant, under these circumstances, to obtain re-certification under the CDFI Fund requirements and to submit the new, updated certification with their application.

Financial Condition Requirements

Minimum Financial Standards: Net Asset Ratio

The FHFA has requested comment on the inclusion of restricted assets in the net asset ratio, and on the proposed use of a minimum net asset ratio of 20% for membership eligibility. We believe that ratio, as an underwriting standard, is appropriate so long as restricted assets are included in the numerator when calculating net assets. Although restricted assets, by definition, have certain limitations these assets are generally available to provide a source of income to the CDFI or to absorb losses.

Minimum Financial Standards: Earnings

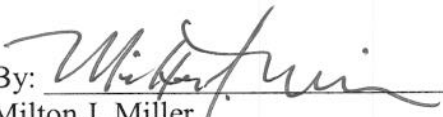
With respect to the requirement that the CDFI applicant demonstrate that it has earning capacity, the final rule should take into account that CDFIs often operate with significant grant funding. The grants, when provided, are booked as net income in the year the funds are received. Often, the expenses related to the grants and the underlying projects are spread over future years. The proposed membership underwriting requirement that earnings be positive in two of the three most recent years may not be a true expression of the CDFI's long-term financial health.

We request that CDFIs be allowed to include additional years to support a pattern of positive net income. In addition, the FHLBanks should be granted additional flexibility to establish more lenient standards in certain circumstances. In order to develop an appropriate underwriting requirement, we suggest that the FHFA allow CDFIs to demonstrate a pattern of positive net income using a rolling three-year average. However, the rule should clarify that CDFIs would only be eligible for membership if they can demonstrate long-term financial viability. The final rule should also make it clear that membership decisions will be made at the sole discretion of an FHLBank.

Thank you for your consideration of our comments.

Sincerely,

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

By: 
Milton J. Miller
President-Chief Executive Officer