FHLBI

Milton J. Miller
President & CEO

FEDERAL HOME LOAN BANK OF INDIANAPOLIS
Building Partnerships. Serving Communities.

June 13, 2008

Federal Housing Finance Board
1625 Eye Street, N.W.
Washington, DC 20006
Attention: Public Comments

Subject: Federal Housing Finance Board
Proposed Rule: Affordable Housing Program Amendments
RIN Number 3069 – AB35
Docket Number 2008-09

Dear Federal Housing Finance Board Public Comments Coordinator:

On behalf of the Federal Home Loan Bank of Indianapolis (FHLBI) Board of Directors and 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 Board.

The FHLBI commends the Finance Board for its approval of the FHLBank of San Francisco's Homeownership Preservation Subsidy. In these troubled times for homeownership, innovative new approaches to address the nation's foreclosure crisis are greatly needed. We appreciate the Finance Board's efforts to create workable regulations that authorize each Federal Home Loan Bank (FHLBank) to establish under our successful Affordable Housing Program (AHP) a set-aside program for the purpose of refinancing or restructuring eligible 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. Prior to the proposed rule, the FHLBanks could only respond to the crisis with voluntary grant programs or loan programs authorized under the Community Investment Program, such as Cincinnati's HomeProtect and Indianapolis' HomeRetain programs.

We offer comments on certain aspects of the proposal to ensure that the AHP foreclosure relief rules are flexible enough to address regional needs and FHLBank member preferences throughout the country.

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

1. **The Finance Board requests comment on whether the use of AHP subsidy for loan refinancing or restructuring should be limited to specific circumstances such as assisting low- and moderate-income households with subprime or nontraditional ARMS.**

   As proposed, there is very limited need for an ARM refinancing program in Indiana and Michigan. Only about five of our members originate or hold a significant portfolio of subprime or nontraditional loans. In addition, eighty percent of the homeowners who have contacted the Indiana Foreclosure Prevention Network (IFPN) have a fixed rate mortgage on their property. Forty-five percent of households contacting the IFPN are facing foreclosure due to job loss or disruption in income. Industry data show that Michigan is in the top ten foreclosure ranking for both prime and subprime loans. Consequently, we support expanding the eligibility to include households facing foreclosure for reasons other than the repricing or recasting of subprime and nontraditional loans. In our view, the market and membership should make the determination of the type of mortgage that needs to be restructured or modified to avoid foreclosure.

2. **The Finance Board requests comment on whether the program authority should be extended to assist households with subprime and nontraditional loans that are held by lenders that are not affiliated with a member.**

   As discussed above, the proposed rule has limited applicability to our regulated financial institution membership if restricted to mortgages originated or held by members. To a large degree, the subprime mortgage problem occurred because consumers were not receiving loans from the regulated banking industry. This proposal should encourage the regulated banking industry to offer safe, common and reliable mortgage products to assist consumers who have been impacted by the unregulated subprime mortgage originators. We support allowing members to utilize AHP subsidy to refinance loans for qualified households regardless of whether the member previously originated or held the mortgage. If the loan is held by a lender that is not affiliated with the member, each FHLBank should be given the flexibility to determine if there should be a member financial match requirement. Other support such as extending a loan term, counseling or providing other services should also be permitted in lieu of the match. The FHLBank under the regulations should be provided the discretion to determine what member support or services should be appropriately combined with the AHP grant.

3. **The Finance Board requests comment on whether members should be able to apply for AHP funds under a refinancing set-aside program on behalf of community based organizations (CBO).**

   We support including this as an option in the final rule as it has the potential to be a very attractive alternative that many members may wish to use. It is likely the CBO already has a relationship with the mortgagor who has worked closely with the agency. To ensure that consumers are provided appropriate mortgage alternatives, the CBO's employees should include appropriately licensed or certified housing counselors.

4. **The Finance Board requests comment on whether to permit an FHLBank to allocate to a refinancing or restructuring program a portion of its annual AHP contribution in excess of the maximum permitted for allocation to the set-aside programs.**

   We do not support a Finance Board mandated reduction of funds that may be available for rental projects under the competitive AHP since the demand for quality rental housing should only increase during this period of ownership unsteadiness. Each FHLBank's Board of Directors, in connection with its Affordable Housing Advisory Council, determines the appropriate allocation between homeowner or rental and AHP competitive or AHP set-aside. Each FHLBank would then have the maximum flexibility to address the local housing needs.

5. **The Finance Board requests comment on whether a household should be eligible if it was more than 30 days delinquent on its loans payments.**

   This narrow 30 day window of delinquency makes it unrealistic to assist borrowers in our district who are primarily impacted by job loss or other negative economic events. The 30 day requirement may be limiting in some states that have enacted a 30 to 60 day cure or stay period to give the borrower, servicer, and counselor time to negotiate a workout. Additional restrictions proposed in the program regarding housing ratios, household equity, and asset tests also create difficulties qualifying households and deviate from eligibility standards in the existing regulations that do not specify such parameters. Underwriting is best left to the member, and these tests may not be appropriate in a local market and may create needless and costly monitoring burdens for the members and the FHLBanks. We support allowing FHLBanks the flexibility to develop program guidelines that fit the circumstances in each district.

6. **The Finance Board is proposing a temporary program to address the mortgage foreclosure crisis.**

   Since foreclosures are a recurring problem and the industry and the FHLBanks need program stability and continuity, the AHP foreclosure relief amendments should not expire on June 30, 2011. Moreover, the programs should not have cutoff dates as to when the loans were originated in order to qualify for the program. The start-up and marketing costs are too high to create an AHP program of only a short duration.

Thank you for your consideration of our comments. 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,

Milton Miller
President & CEO