November 4, 2014

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

Dear Mr. Pollard:

I appreciate this opportunity to comment on the FHFA's Notice of Proposed Rulemaking – Members of Federal Home Loan Banks (NPR), and I thank you for your consideration.

We founded Northpointe Bank 15 years ago and have been a member of the Federal Home Loan Bank of Indianapolis (FHLBI) for nearly that entire time. Our membership has been crucial to our success and greatly assisted our operations during the credit crisis starting in 2008. Today, we use our membership to its full advantage by regularly making significant advance borrowings, utilizing FHLBI's community investment program (CIP) and safekeeping services, and actively participating in the Mortgage Purchase Program (MPP). In fact, Northpointe Bank is among the largest sellers of mortgage loans to FHLBI's MPP.

In the NPR, you ask whether a bank's "flow" business should be included in determining compliance with the "makes long-term home mortgage loans" requirement. As a bank that makes and sells a large volume of home mortgage loans, my answer is, naturally, "yes." The plain wording of the test alone requires consideration of long-term home mortgage loans that are *made*, not *held* at the end of the year. A simple suggestion for tracking "flow" would be to look at home mortgage loans made throughout the year by a financial institution or its agents as opposed to the balance of loans held by a member on a certain date. In addition, FHLBI has records of our sales in the MPP; at the very least, we should receive credit for those loans.

Failing to include "flow" unfairly penalizes Northpointe Bank because even though we regularly originate a substantial quantity of home mortgage loans, our ability to manage our assets and loan portfolio will be restricted for the sake of satisfying what is really a "holds" test as opposed to the statutorily required "makes" test. We will have to take action and implement policies that are actually contrary to our business model in order to meet the FHFA's new regulatory burden. Holding back on selling mortgage loans, reduces the funds we have available to make new loans and lessens our ability to provide financing for homeowners. Surely, the FHFA is not in favor of making borrowing more difficult and expensive for homeowners.

Furthermore, our preference is to avoid these new FHFA compliance tests altogether. As the FHFA notes in the NPR, most members already satisfy the proposed tests; therefore, with no added benefit to the system, it seems unnecessary to force members to incur the costs of compliance and to restrict their balance sheet activities. Currently, members must satisfy the "makes long-term home mortgage loans" and the "ten percent" tests upon application and then must provide acceptable collateral, including housing-related assets, to secure advances. This system ensures that the housing mission of the Federal Home Loan Bank system is well served while allowing members the flexibility to manage their assets. I am sure that all members prefer having the freedom to manage their balance of mortgage loans and related assets based on their actual, voluntary advance borrowings rather than being forced to meet yet another regulatory burden.

The proposal also has a negative impact on housing finance by eliminating captive insurance company members. Captive insurers fund, in portfolio and in the secondary market, multi-family loans, and they own housing-related assets. These institutions have a housing focus, but FHLBank membership is a strong incentive for captive insurance companies to remain active in housing finance (as it is for all other members). There is no reason, based on legal structure or otherwise, to eliminate eligible, mission-serving members.

FHLBI will lose more members than just captive insurance companies. Some members will fail the new compliance tests and others will likely forfeit membership rather than shoulder the added FHFA regulatory burden. Plus, the proposed change to the primary place of business test for insurance companies will allow them to forum-shop among the FHLBanks. Fewer members means lower profits, which has a direct effect on my bank and the quality of our FHLBI membership. FHLBI was a tremendous resource during the recent economic crisis, and we hope to continually rely on access to FHLBI's liquidity, community funds, and the MPP as we move forward in the brave new post-crisis market. Lower profits also mean less funding for the CIP and the Affordable Housing Program, and membership volatility makes FHLBI liquidity less reliable. Such consequences may not have been intended by the FHFA, but they are the likely results of adopting proposals that seek to solve a problem that does not exist.

Despite 80 years of opportunity, Congress has not amended the Federal Home Loan Bank Act to require on-going asset testing, nor has Congress taken any action to restrict access to the Federal Home Loan Banks. Again, our bank prefers full rejection of the NPR proposals, but if such changes are ever made, they should come from an act of Congress, and not, unilaterally, from the Director of the FHFA.

In closing, Northpointe Bank, as a member of the Federal Home Loan Bank of Indianapolis, requests that the NPR be withdrawn, but if the new on-going asset tests are adopted, we request that all members' "flow" business, especially loans sold into the MPP, be taken into consideration for determining compliance. Again, thank you for your consideration.

Sincerely,

Charles Williams
President and CEO
Northpointe Bank