



November 25, 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:

On behalf of Honor Bank, thank you for the opportunity to comment on the FHFA's proposed changes to the Federal Home Loan Banks' membership rules.

We utilize our membership in the Federal Home Loan Bank of Indianapolis (FHLBI) for Community Investment Program (CIP) advances, for safekeeping of securities, and, although not presently active, participation in the Mortgage Purchase Program. We look at the FHLBI as a reliable, stable source of supplemental liquidity when needed, and for funding to further housing and economic development in our community.

There are no safety soundness concerns with the FHLBI that we are aware of, nor are we aware of any problems with the remainder of the Federal Home Loan Bank system. The FHFA is afraid that the mission of the Federal Home Loan Banks is threatened by captive insurance company membership and by members that, upon obtaining membership, may, supposedly, stop making housing loans and dump all housing-related assets. With no evidence to rationalize this fear, the FHFA's proposed rule defeats an imaginary problem at the real expense of Federal Home Loan Banks and their members.

If the FHFA's proposals are adopted, the Federal Home Loan Banks will lose existing members and miss out on new members. In particular, our FHLBI will make less advances and will have lower revenues and less money to make available for grants needed by our community. As a member, we do not look forward to shouldering an additional regulatory burden to prove what is already true – we are and have been since we joined the FHLBI, eligible for membership. Currently, if we want an advance, we need to provide adequate, housing-related collateral. This system allows us to voluntarily participate and respects our autonomy to purchase and manage assets in a way that satisfies our business needs.

The FHFA's proposed rulemaking threatens the stability and reliability of the Federal Home Loan Banks. It also shuts off a great source of liquidity and funding for affordable housing and community development. These effects will happen, and there are likely many more unforeseen consequences that will further harm the Federal Home Loan Banks. It truly appears that the FHFA is fixing something that is not broken – worse than that, something that works well will be broken if these proposals are adopted. Therefore, we respectfully request that the Notice of Proposed Rulemaking be withdrawn.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Worden', with a long horizontal flourish extending to the right.

Michael L. Worden
President and CEO
Honor Bank

