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December 3, 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 recent Notice of Proposed Rulemaking (NPR) regarding the membership rules of the Federal Home Loan Banks, and I appreciate your consideration of my and the many other comment letters requesting the withdrawal of the NPR.

Crane Federal Credit Union was founded in 1955. We are a multiple group credit union serving central and southern Indiana with 11 branches and over $400M in assets. Since 2003, our membership in the Federal Home Loan Bank of Indianapolis (FHLBI) has been vital to our business strategy. We are an active user of FHLB advances and we are a regular seller into the FHLBI's Mortgage Purchase Program (MPP). In 2014 we have taken the initial steps to participate in the FHLBI's Affordable Housing Program (AHP). We serve a rural, under developed market, and these programs will benefit our members tremendously.

The 1% and 10% balance sheet tests seem to be unnecessary. While I am confident that Crane will not have trouble meeting these tests as they are currently written, what assurances exist that the 1% and 10% will not be set higher in the future? Ongoing asset tests are dangerous precedent to set. I would not, at some point in the future, want to choose between maintaining my FHLB membership and doing what's best for members when it comes to asset allocation. Asset allocation for community based financial institution is difficult enough as is. We complied with the "makes" test as written in 2003 when we applied for membership. One has to wonder if circumstances like this are why the NCUA left the FHLB system out of its liquidity regulation in 2013. Perhaps they do not see FHLB membership as reliable and long term.

Additionally, the FHLBI's collateral policies are self-reinforcing when it comes to supporting the mortgage market. This makes the asset tests unnecessary. You can't borrow from an FHLB without pledging mortgage related assets. What abuses exist currently that make these tests necessary?

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As an MPP participant, we would get no credit under the asset tests for selling mortgages that we originate to the FHLBI—or any other GSE for that matter. We sell on a servicing retained basis, so we continue to support the housing market in our area by servicing the loans we sell. According to the NPR, if we originate a mortgage in August and sell it October, that loan doesn't count. This seems very short-sighted.

The proposal to redefine an insurance company for the purposes of FHLB membership is also troubling. Captive insurance companies are duly organized, capitalized, and regulated in their respective states. The state insurance commissioners should retain the authority to define what is and is not an insurance company in each state. Insurance companies, without restriction, have been eligible for membership in the FHLB system since 1932. Barring captive insurers sets another dangerous precedent, and causes us to wonder what type of institution the FHFA could seek to "define" in the future.

Ultimately, the NPR is set to cause real harm to the FHLBanks, their members, their communities, and housing finance. In addition to losing captive insurers, FHLBI will lose members who fail the new compliance tests or find them too costly. A smaller FHLBI, and for that matter a smaller FHLB system nation-wide, means less profits, smaller dividends, and fewer dollars for the Affordable Housing Programs. Membership eligibility in the FHLBs is a Congressional issue, and we respectfully request that the NPR be withdrawn.

Sincerely,

Kevin Sparks
President
Crane Federal Credit Union