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December 10, 2014

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20024

Office of Information and Regulatory Affairs, OMB
Attention: Desk Officer for Federal Housing Finance Agency
Room 10102, New Executive Office Building
725 17th Street NW
Washington, DC 20503

Re: Members of the Federal Home Loan Banks
Notice of Proposed Rulemaking, RIN 2590-AA39 ("NPR")

Dear Mr. Pollard and OMB Desk Officer:

I am the Chief Financial Officer and a member of the Board of Directors of Monroe Bank and Trust, located in Monroe, Michigan. Our market area is between Detroit, Michigan and Toledo, Ohio - an area of the country that suffered considerably during the recent severe recession. From July 2010 through June 2014, Monroe Bank and Trust operated under a Consent Order jointly issued by the FDIC and the Michigan Department of Insurance and Financial Services, so I am intimately familiar with the risk management and oversight provided by these two banking regulators. Since 2008, I have served as a member of the Board of Directors of the Federal Home Loan Bank of Indianapolis (FHLBI). While on that board, I have been a member of its Audit Committee, and for the last two years I have been the Chair of its Risk Oversight Committee, so I am also quite familiar with the FHLBI's risk management processes and the regulatory oversight provided to the FHLBanks by the Federal Housing Finance Agency.

Monroe Bank & Trust is the largest independent community bank serving the families, businesses, school districts, and municipalities in the southeastern corner of Michigan. We have been a dominant leader in deposit market share in our communities for over 25 years and we have become the leader in residential mortgage lending since bigger banks reduced their lending activity in our market during the economic and financial crisis that began in 2008.

We became a member of the Indianapolis FHLB in 1999. The FHLBI has provided us with access to funding to meet the home mortgage needs of our customers when fluctuations in deposit activity and loan demand affected our ability to fund this basic need of our customers. In recent years, the loan demand in southeast Michigan has been weak, and customers whose risk aversion has kept them from investing are maintaining large amounts of bank deposits. This has resulted in a very high level of liquidity in banks, significantly reducing our need for advances from the FHLBI. In addition, consolidation in the banking industry has resulted in large amounts of banking assets in Michigan and Indiana being controlled by companies that are not chartered in the FHLBI's territory, further impacting the ability of the FHLBI to sustain its operations solely on its business of lending to banks. Fortunately for the FHLBI, it has carefully developed and implemented a strategy of lending to insurance companies, which have been eligible for FHLB membership since the Federal Home Loan Bank Act was enacted in 1932. Insurance company advances now make up more than half of the FHLBI's advances, enabling it to continue to fulfill its mission by funding housing and by generating profits, a portion of which are set aside to award grants to support affordable housing in Michigan and Indiana.

I am concerned that the Federal Home Loan Bank Membership Rule in the NPR will directly and indirectly have a negative impact on the Federal Home Loan Bank of Indianapolis, community banks in Michigan and Indiana, and access to affordable housing for the people in Michigan and Indiana. The specific items in the NPR that concern me are: 1) the ongoing membership qualification test; 2) the exclusion of captives from the definition of insurance companies; and 3) the principal place of business determination for insurance company members.

First, the ongoing membership qualification test would add to the rapidly growing compliance burden that member banks and the FHLBanks already face, while adding little, if anything, to the amount of residential lending activity. The FHLBI has determined that an insignificant number of its member institutions do not continue to meet the one percent of assets requirement that they had when they became members. This part of the proposed membership rule would require those of us that have always held more than one percent of their assets in mortgage loans to bear an additional reporting burden. The FHLBI would have to monitor this reporting to ensure compliance, and as the regulator of the FHLBanks, the FHFA would have to add to its examination procedures. The few that do not continue to meet the one percent of assets requirement could easily opt to withdraw from membership instead of increasing their home mortgage loan holdings. The result of this could be that member banks, the FHLBanks, and the FHFA experience an increase in expenses without causing a single home mortgage loan to be added to a member bank's balance sheet. While well intended, this part of the proposed rule could end up hurting housing by adding to the cost of home mortgage loans and/or decreasing the use of the FHLB system to fund home mortgage loan activity. Not only does this portion of the proposed rule seem to be a solution for a non-existent problem, it has the potential to create a bigger problem than the one it is intended to correct.

Secondly, excluding captives from the definition of insurance companies serves no purpose other than to harm the FHLBanks and reduce access to mortgage finance by prohibiting new members and eventually terminating the memberships of some valuable existing members.

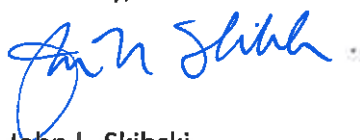
Captive insurance companies' only difference from other insurance companies is the limited market for their products. They borrow money from the FHLBI, generating profits that are used to sustain the bank's operations and fund affordable housing grants. The money they borrow is often used to purchase investments in mortgage loans or mortgage backed securities, which supports an efficient market for mortgage loans and keeps housing finance accessible. Their borrowings are adequately collateralized, mitigating any credit risk to the FHLBI. They own stock in the FHLBI, which provides capital for the FHLBI to fulfill its housing mission. They are regulated just like the other members of the FHLBI, in fact, Michigan captives are regulated and examined by the same regulator that regulates my bank. As long as they fit the mission-based membership requirements and the FHLBanks maintain proper underwriting standards, captive insurance companies should be allowed to continue membership in the FHLBanks to help ensure the sustainability of the FHLBank system.

Finally, an insurance company's chosen state of domicile is generally sufficient to constitute its principal place of business for the purpose of determining FHLBank membership, which is consistent with how other applicants and members are treated. The NPR's approach unnecessarily complicates operations, and most importantly, exposes the FHLBanks to greater regulatory risk by requiring a totality-of-circumstances analysis for all insurer (and CDFI) applicants. Insurance companies are regulated by the state in which they are domiciled. In the vast majority of cases, therefore, the state of domicile should be the deciding factor.

For these reasons, I ask you to consider withdrawing the NPR on FHLBank membership. I firmly believe that the FHLBank system is very effective in its mission to support housing finance and that the proposed rule would have a negative effect on the FHLBI, Monroe Bank & Trust, and the people of southeastern Michigan.

Thank you.

Sincerely,



John L. Skibski
Executive Vice President &
Chief Financial Officer