



December 11, 2014

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

Re: Members of Federal Home Loan Banks
Notice of Proposed Rulemaking, RIN 2590-AA39

Dear Mr. Pollard:

Headquartered in Fort Wayne, Indiana, and serving 12 counties, STAR Financial Bank has been committed to supporting economic development and affordable housing for 71 years, and we have been a member of the Federal Home Loan Bank of Indianapolis for the past 27 years. STAR has significant FHLBI borrowings, (including Community Investment Program advances); we sell quality home mortgage loans in the FHLBI Mortgage Purchase Program; we make use of Affordable Housing Program grants in our community; and we utilize FHLBI's cash management services. In short, the FHLBI provides STAR with an essential source of liquidity and services to provide funding to support homeownership and community development.

As an active member and owner of the FHLBI, STAR has serious concerns about the repercussions of the FHFA's proposed changes to the Federal Home Loan Bank membership rules. The new rules will create unnecessary, burdensome asset tests, will make the System a less reliable source of funds and liquidity, and will diminish the scope of the FHLBanks' housing mission by restricting access to the Banks. Therefore, STAR Financial Bank respectfully urges the FHFA to reconsider its proposals and fully withdraw the Notice of Proposed Rulemaking.

On-going asset tests encumber sound balance sheet management and are unnecessary

Many factors go into a bank's decision to retain or sell mortgages. Imposing on-going asset-based compliance tests focused solely on the amount of home loans held in portfolio on a certain date rather than the amount of mortgage loans actually made further complicates the process and impedes prudent balance sheet management. Furthermore, focusing solely on loans held fails to recognize the myriad ways that members support the FHLBank housing

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mission, including loan sales into the secondary market and the utilization of the FHLBanks' Affordable Housing and Community Investment Programs.

Asset tests such as those proposed in the NPR are arbitrary. We currently meet the proposed rule requirements, but certain scenarios that would result in STAR not meeting the asset tests are not inconceivable. Asset tests do not give credit or consideration to banks that are very active in housing, but for balance sheet management purposes, choose to sell such mortgages. In the NPR, the FHFA's own analysis shows that if the NPR tests existed today, the majority of the FHLBanks' members would be in compliance. Consequently, there is no need to impose new regulatory burdens on members just to prove what has been true for 82 years – FHLBank members are actively committed to supporting the nation's housing finance needs.

Reducing the number and diversity of members harms the FHLBank System

The FHLBI will lose members and potential new members if the NPR is adopted. The captive insurer ban will expel existing members from the FHLBI while also depriving the Bank of a growing class of membership. The statistics show that a relatively small percentage of members would fail the new compliance tests, but there will still be those who fail and others who forfeit membership rather than incur the costs and burdens associated with maintaining on-going compliance with unnecessary tests. Fewer members results in fewer advances and less profitability for the FHLBank System. Reduced profitability places the System at risk as a safe and reliable source of liquidity for members like STAR to fund and support homeownership.

With no existing reason for captive insurers to be ineligible, the FHFA's prohibition of their membership sets an alarming precedent. As insurance companies formed under and subject to state law and regulations, captive insurers are expressly eligible for FHLBank membership under the Federal Home Loan Bank Act. The FHFA fails to provide any evidence to show that captive insurance companies present a special safety soundness risk to the FHLBank System. It is not right for anyone other than Congress to decide who is or is not eligible for membership. The FHFA may have the responsibility to regulate the FHLBanks, but it does not have the authority to amend the Federal Home Loan Bank Act.

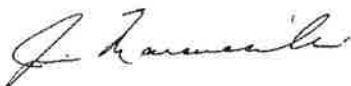
Reducing the FHLBank membership base negatively impacts profitability, income and member dividends. Lower profitability means less funding available to support local Affordable Housing and Community Investment Program projects. Recently, STAR proudly partnered with the Fort Wayne Housing Authority to develop the South Side Senior Villas, a 16-unit affordable housing complex for senior citizens. The complex was fully leased within one month of completion, which proves the great value of and need for this project and others like it. With a \$350,000 grant from FHLBI's Affordable Housing Program used to help construct the project,

the residents of the South Side Senior Villas are surely thankful for the Affordable Housing Program. South Side Senior Villas is but one example of the power of the FHLBank mission. The Affordable Housing Program provides too great of a benefit to throw away any dollars over needless regulations. The good people and families of our community deserve to enjoy safe, affordable housing. Please do not deprive them of this opportunity.

Congress has historically expanded access to the FHLBanks, which has created a growing, diverse membership base. During the recent economic crisis, advances to insurance companies, including captive insurers, grew while banks and credit unions had to limit their advances. A lesson many financial institutions and other businesses learned in the Great Recession was the value of diversity in customer base and in balance sheet mix. The FHLBI and the other FHLBanks are no different. Membership diversity is essential to the continued health and sustainability of the FHLB System, and an active, growing membership means more liquidity in the housing finance market and more funding and partners for the Affordable Housing and Community Investment Program.

Thank you for the opportunity to submit comments. Because the proposals would harm FHLBank members and hurt housing, credit and economic growth, STAR Financial Bank respectfully requests that the FHFA fully withdraw the NPR. Doing so will preserve the FHLBanks' status as a reliable partner in providing its members the ability to support homeownership and economic development.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Marcuccilli".

James C. Marcuccilli
President and CEO
STAR Financial Bank