



Making places to come home to.

December 18, 2014

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

RE: Notice of Proposed Rulemaking and Request for Comments Regarding Membership in the Various Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

The Inner City Christian Federation (ICCF) is a not-for-profit housing and community development corporation and housing service provider. Founded in 1974, it is the oldest such corporation in Michigan. Each year ICCF serves 2200-2400 households across Western Michigan with access to high-quality rental or ownership housing, emergency shelter, housing and financial education services, foreclosure intervention services and homeless prevention services. I have served as the President and CEO of ICCF since March of 1981.

I write to express my deep concern about the rules for system membership that are being proposed. This concern is grounded in the two relationships I have with the Federal Home Loan Bank (FHLBank) system. Since 1990 I have been deeply involved in the use of the community investment products that are made available by the Federal Home Loan Bank of Indianapolis (FHLBI). I know them well. I also know well the invaluable impact that high quality housing made possible by these products has upon the quality of life enjoyed by my neighbors in Grand Rapids, MI. My concern about these rules is also informed by my service, since early 2007, on the board of directors of the Indianapolis bank.

In 1990 former US Senator Donald Riegle, as Chairman of the Senate Banking, Finance and Urban Affairs Committee, introduced me to the FHLBank System and the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. As unfortunate as the Savings and Loan crisis of the 1980s was, Congress struck a brilliant and effective solution to those problems with FIRREA. ICCF's work has been greatly benefited by FIRREA and its several funding vehicles designed to assist low- and moderate-income Americans.

ICCF has been awarded 13 FHLBI Affordable Housing Program (AHP) grants totaling slightly more than \$2.2 million. These grants have been critical in the production of a total of 277 affordable rental or ownership units of housing in the Grand Rapids, MI area. In addition, FHLBI Home Ownership set-aside programs are regularly recommended by our housing counselors as they support and advise our clients in the purchase or rehabilitation of owner-occupied housing.

ICCF

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Throughout the system, these programs are funded by the profits of each FHLBank. The proposed membership rules will clearly result in fewer members, and remaining members will have less incentive to use system products such as advances and the mortgage purchase programs. When the volume of program activity decreases, district and total system profits will as well. While AHP grants are rarely the largest element of housing development finance packages, their value can never be understated. Their flexibility is often the “magic” that is needed to finalize and unlock all the other sources.

I am also concerned that this proposed rule is an answer in search of a problem. It appears that if implemented, the proposed rule would contradict the several acts of Congress that have clearly defined system membership – inclusive of insurance companies. I believe Congress has acted in ways that both protect the safety and soundness of the system and that ensure access to the financial products that help enable the success of our communities as well as our businesses and private households. I am unconvinced that FHLBank membership rules are in any way deficient or in need of repair.

Another cause of great concern for me as an FHLBI director is the implication that the board of directors and the exceedingly competent staff at the FHLBI are incapable of monitoring our members and their ongoing qualifications for membership in our bank. FIRREA specifically created district FHLBank board of director positions for non-bankers like myself who bring to the Board their deep knowledge and experience in disparate fields such as accounting, law, development finance and residential construction. Ours is a diligent and careful board composed of nine veteran bankers and eight dedicated independent directors. With our broad base of professional experience and our intimate knowledge of the district, we assiduously attend to the protection and enhancement of the interests of our nearly 400 members in Michigan and Indiana.

The FHLBI is singularly dedicated to the core housing mission of the system. Yet continued relevance and success requires a constant reading of environmental conditions and customer needs. Banking in our district has changed dramatically. Therefore we have shaped our products and marketed membership in our bank to ensure that it remains stable and profitable and, most importantly, that our members have ready access to the products they need to successfully serve their customers at the local level. It seems clear that no universal membership rule applied from Washington can possibly enhance either the stability of the system or the quality of its service to the members. If implemented, the FHFA’s proposals to impose ongoing membership tests, to prohibit captive insurance companies from membership, and to create a complicated principal place of business (PPB) determination for insurance companies, will result in a smaller, less diverse FHLBI membership base. With these restrictive proposals in place, fewer Indiana and Michigan institutions will have access to FHLBI’s reliable, affordable liquidity. I take delight in the FHLBI record of quality and reliable service to its members and their communities. The FHFA’s proposals will however have the punitive effect of reducing FHLBI’s profits and the funds available for the AHP and set-aside programs, and this disturbs me greatly.

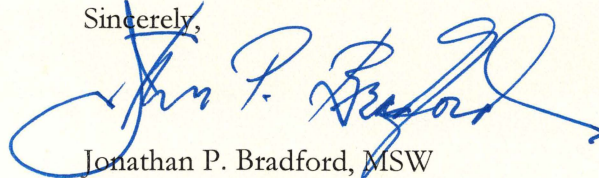
Not only will the FHFA’s new insurance company PPB test negatively impact the growth of FHLBI’s membership and profits, it will reduce the value of regionally established relationships between the FHLBanks and insurance regulators. I remember when the Standard Life Insurance Company of Indiana was placed into rehabilitation in 2008; FHLBI was able to work closely with the

rehabilitator to achieve a workout wherein neither FHLBI nor any insurance policy holder took a loss. Such a positive outcome may not have been possible without FHLBI and the Indiana insurance regulators having a keen understanding of and familiarity with each other. By moving away from basing membership on the state of domicile, the new PPB determination could allow for a non-Indiana or Michigan chartered insurance company to be admitted to FHLBI. In the unfortunate event that such a company fails, FHLBI would find itself in the position of having to work with an unfamiliar regulator under unfamiliar laws and regulations. This simple example shows that the FHFA should not adopt its proposed new method of determining an insurance company's PPB because it needlessly adds uncertainty and risk to the FHLBank system.

The proposed rule will do nothing to improve FHLBI's service to its members and the good people of Indiana and Michigan. Indeed, I am profoundly concerned that these, our ultimate customers, will be less well-served if these rules are adopted. More importantly it seems certain that our low- and moderate-income neighbors will disproportionately lose access to a resource that is profoundly valuable to them for their housing success. Should that happen their broader life accomplishment is threatened, and then each of us is the poorer.

I respectfully urge the prompt withdrawal of the proposed membership rules. Thank you for considering my comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jonathan P. Bradford". The signature is fluid and cursive, with a large initial "J" and "B".

Jonathan P. Bradford, MSW
President and Chief Executive Officer