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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 FHLB (RIN 2590-AA39)

Dear Mr. Pollard:

I appreciate the opportunity to submit comments regarding the Notice of Proposed Rulemaking (NPR) on Federal Home Loan Bank (FHLB) membership.

As a member of the Federal Home Loan Bank of Indianapolis (FHLBI) Board of Directors for 8 years, I have held positions within three different member groups: an insurance company, a bank, and a credit union. This has given me an appreciation for how usage and mission participation differs across the various member types due to unique risk, business model, and regulatory issues. It is my concern that the NPR fails to appreciate the diversity in the FHLB System membership and elevates a single dimension of mission participation, that is residential mortgage holdings, above all else.

Since passage of the FHLB Act in 1932, Congress has reconsidered and amended the FHLB Act on multiple occasions. During the past 25 years alone, FIRREA (1989), the Gramm-Leach-Bliley Act (1999), and the Housing and Economic Recovery Act of 2008 have broadened the mission to include community and economic development and expanded membership to include banks, credit unions, and Community Development Financial Institutions (CDFIs). The legislative history of the FHLB System demonstrates Congress' clear preference to expand the FHLBs' mission beyond a narrow focus on housing finance.

In contrast, the NPR imposes inflexible on-going residential mortgage tests that elevate the residential housing mission above all else. These tests fail to respect the System's diversity and would eliminate members that are primarily focused on the FHLBs' affordable housing and community investment mission. I believe these provisions ignore the clear intent of Congress to expand the FHLB mission beyond residential housing and residential lenders.

While the NPR's mortgage tests elevate residential lending above all else, the proposed rule at the same time disenfranchises captive insurance company members, many of which are focused on attracting at-risk private capital to that very same residential housing sector. I believe that this measure is at odds with the 2014 Strategic Plan for the Conservatorship of Fannie Mae and Freddie Mac which cites "Reduce Taxpayer Risk through Increasing the Role of Private Capital in the Mortgage Market" as one of its three strategic objectives.

With Fannie Mae and Freddie Mac in conservatorship, the federal government guaranteeing or insuring over 90% of new mortgages, and the Federal Reserve's \$4.4 trillion balance sheet, tax payer exposure to the mortgage market remains at an all-time high. The FHFA has correctly recognized that a major influx of at-risk private capital is fundamental to reducing tax payer exposure. Since mission-oriented captive insurance companies have been members of the FHLB System for over 20 years without incident and have demonstrated the ability to attract private capital to the mortgage market, their membership should be encouraged.

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In conclusion, membership rules should reflect the will of Congress to expand the FHLB System's mission and membership during the past 25 years. Membership rules must be flexible to recognize the growing diversity of the membership and the totality of the mission and to stay relevant in the ever-evolving financial housing markets. Finally, membership rules for the FHLB System should be in harmony with strategic goals and objectives for Fannie Mae and Freddie Mac. A healthy and vibrant FHLB system can play an important role in helping the FHFA achieve its conservatorship goals and reducing taxpayer exposure to the mortgage market.

For these reasons, I urge you to withdraw the NPR. Thank you for the opportunity to submit a comment.

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey A. Poxon". The signature is written in black ink and is positioned above the typed name.

Jeffrey A. Poxon
Investment Officer
Purdue Federal Credit Union