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December 23, 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:

Thank you for accepting and considering comments on the FHFA's Notice of Proposed Rulemaking – Members of Federal Home Loan Banks ("NPR"). On behalf of Wayne Bank and Trust Co. ("Wayne Bank"), a member of the Federal Home Loan Bank of Indianapolis ("FHLBI"), I am writing to request that the NPR be fully withdrawn.

Founded in Cambridge City, Indiana in 1882, Wayne Bank is a locally owned and operated bank focused on serving the banking needs of the people and businesses of our Eastern Indiana community. We have been an FHLBI member since 1997, and we greatly enjoy the benefits of membership. Presently, we use the liquidity gained from our line of credit and mortgage loan sales in the Mortgage Purchase Program ("MPP") to make new loans, and we utilize FHLBI's cash management and securities safekeeping services. Our FHLBI membership is a valuable asset, and I fear that, if the FHFA enacts the proposals in the NPR, it will lose value.

Wayne Bank relies on FHLBI as a source of wholesale funding and liquidity, and we do not want to lose that source due to unnecessary regulation. Wayne Bank satisfied all initial tests and requirements to become an FHLBI member. We own stock and provide appropriate collateral to secure our borrowings. Wayne Bank has over 130 years of history to show that it is and always has been committed to serving the housing needs of our community. Yet the FHFA, which is not our regulator, seeks to impose on-going asset-based compliance tests that will produce punishing costs and burdens. Perhaps the consequences of these tests would be easier to absorb if there was a demonstrated risk to the safety and soundness of the FHLBank system, but the FHFA explained in the NPR that the vast majority of members already satisfy these tests.



With no added benefits to the FHLBanks, but plenty of new costs and burdens to the members, the FHFA's proposed compliance tests harm the quality of membership.

Currently, members voluntarily pledge housing-related assets as collateral for advances, which furthers the FHLBank housing mission. This system allows members the freedom to manage their assets in their best interests, but under the NPR proposals this freedom will vanish and members will be lost. In order to satisfy the proposed tests, we may be forced to hold mortgage loans that we would have otherwise sold, including to FHLBI under the MPP. It seems strange that the FHFA would prefer that Wayne Bank hold such loans rather than use the foregone liquidity to make new mortgage loans. We are opposed to the new compliance tests, but if they are adopted, the FHFA should include all mortgage loans made by members or their agents, not just those held at the end of the year.

The costs and burdens imposed by the NPR are worrisome, but the threat to eligibility is most troubling. Some members will fail the compliance tests or decide to exit membership due to rising costs and burdens. Of course, captive insurance companies will be banned from membership. The result of the NPR is a more restrictive FHLBank system that will serve fewer banks, credit unions, and insurance companies. Ultimately, the FHLBanks will see a reduction in members, advances, and profits, all of which means less liquidity in housing finance. This also means that there will be less funding available under the Affordable Housing Program. Such outcomes are directly contrary to the public policy long established by Congress in support of expanding access to the FHLBanks and increasing liquidity needed to support housing and community growth. Despite many years of opportunity, Congress has not banned captive insurers or any other eligible entities from membership nor has Congress implemented on-going compliance tests. The FHFA should not use its rulemaking authority to amend the Federal Home Loan Bank Act -- that power is reserved for Congress.

For the above reasons, Wayne Bank and Trust Co., a member of the Federal Home Loan Bank of Indianapolis, respectfully requests that the FHFA fully withdraw the NPR.

Sincerely,



Mark A. Soukup
President and CEO
Wayne Bank and Trust Co.