The Fountain Trust
COMPANY

December 19, 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: Notice of Proposed Rulemaking and Request for Comments – Members of Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

As a long-time member of the Federal Home Loan Bank of Indianapolis ("FHLBI"), The Fountain Trust Company respectfully requests that the FHFA withdraw the NPR..

The Fountain Trust Company was founded in 1903, and we have been an FHLBI member for over 21 years. We have borrowing capacity from the FHLBI, which we can secure with appropriate, high quality assets, including mortgage loans and mortgage-backed securities. The Fountain Trust Company is committed to meeting the housing finance needs of our community, and our FHLBI membership serves as an invaluable source of liquidity to provide funding to homeowners.

As a small bank located in a rural county, we rely on FHLB for short term credit lines, and occasionally for long term funding needs to fund our house loans. If it weren't for FHLB, we would have to deal with the big banks like J.P. Morgan Chase—which do not offer these same services to small institutions like Fountain Trust. The proposed rule would be costly for FHLB and would negatively impact us and our housing loans, and it would further concentrate the power of these mega banks

The Fountain Trust Company, since we are classified as a CFI, would only be subject to one of the NPR's new compliance tests -- the 1% makes long-term residential mortgage loan test ("1% Test") and not the 10% residential mortgage test ("10% Test"). In large part due to our focus on housing, The Fountain Trust Company likely possesses the assets needed to satisfy the 1% Test, but proving our compliance requires dedicating valuable resources to ensuring our asset mix is satisfactory at the end of the year and to analyzing and reporting our results. As an active FHLBI member and a bank that is truly focused on serving homeowners in our community, the added costs, burdens, and restrictions of the 1% Test are simply unnecessary.

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The proposed changes involving insurance companies will set bad precedents for all other members. It is our understanding that FHLBI's captive insurer members validly exist under Michigan law and are subject to the authority of Michigan's Department of Insurance and Financial Services. Other than unfounded conjecture, the FHFA does not provide any evidence to support its argument that captive insurers should lose eligibility or be refused membership. Banning captive insurers from the FHLBanks reduces the reliability of the system as all other members will question the safety of their membership while potential members may avoid applying altogether.

Except for some CDFIs, the most logical determination of a member's principal place of business ("PPOB") is (1) state of domicile or charter; or, if necessary, (2) the three-part membership test. The proposed PPOB test in the NPR creates the perfect scenario for insurance company members to district-shop, which is something that no other members can do. The FHFA should not institute new rules that create unfair benefits for one class of members. Members should be treated equally. District shopping also puts the FHLBanks in the position of working with unfamiliar insurance regulators. Strong relationships between the FHLBanks and the regulators in their region have undoubtedly proven to be quite valuable when a failure occurs. Allowing district shopping will undermine the benefit of these relationships. The PPOB of insurance companies and all members should be determined by state of domicile/charter, or, if applicable, the "three part" membership test.

Finally, as a result of the compliance tests and the captive insurer ban, FHLBI will lose members and potential members. The Affordable Housing and Community Investment Programs will suffer the collateral damage as less funding will be available due to lower profits at the FHLBanks. The only question is how much profit and AHP/CIP funding will be lost. The FHFA should determine such an impact before adopting the NPR.

For the above reasons, The Fountain Trust Company respectfully requests that the FHFA withdraw the NPR.

Sincerely,
The Fountain Trust Company

Mark L. Haas, Exec. V.P.