PURDUE FEDERAL
CREDIT UNION

PO BOX 1950
WEST LAFAYETTE, IN 47996
765.497.3328 // 800.627.3328

January 9, 2015

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:

I appreciate this opportunity to comment on the FHFA's recent Notice of Proposed Rulemaking regarding the membership rules of the Federal Home Loan Banks, and I appreciate your consideration of my and the many other comments requesting the full withdrawal of the NPR.

Founded on the campus of Purdue University 45 years ago, Purdue Federal Credit Union is a member-owned financial cooperative with more than 65,000 members and assets exceeding $850 million. We are proud of our growth because we have earned it. In fact for the past three years, Purdue Federal has been voted the Best Credit Union, Best Checking Account, Best Savings Account and Best Mortgage Lender in Lafayette-West Lafayette by the readers of the *Journal & Courier*. We work hard and are committed to serving the credit needs of our members and making meaningful contributions to our communities. We have always used our membership in the Federal Home Loan Bank of Indianapolis as a great source of liquidity to make loans to homeowners and to provide funding that strengthens our communities. Our goals are harmonious with the FHLBanks' housing and community development mission, but the value of our membership is seriously threatened by the proposals in the NPR.

If the proposed 1% makes long-term home mortgage loans and the 10% residential mortgage loans compliance tests existed today, Purdue Federal would pass with flying colors as it would if the tests were in place on the day we first bought FHLBI stock. That is because Purdue Federal, like our fellow FHLBI owners, is focused on housing. Every member who joins FHLBI does so with a full understanding of the collateral required, including housing-related assets, to secure advances. So, while the current versions of these tests are only used when becoming a member, it is understood that obtaining cash from FHLBI requires active participation in housing finance.

I am confident that Purdue Federal can pass these tests, but actually performing the analysis and reporting our compliance will take up valuable time and resources making the cost of our membership expensive in terms of both financial and opportunity costs. As a credit union, Purdue Federal is as heavily regulated as any commercial bank, plus we are additionally restricted in the types of risks we can take and who can qualify as a member of our credit union. Our members are our owners, and they should not have to incur the added costs of satisfying compliance tests that simply are not necessary, nor should Purdue Federal divert any of its limited resources to meet the regulatory burdens of FHLBI's regulator.

It would be foolish for any FHLBank member to think that it is not affected by eliminating captive insurers from membership. FHLBI's captive insurer members validly exist under Michigan's well-developed captive insurance law and are regulated by Michigan's Department of Insurance and Financial Services, which is the same department that oversees banks and credit unions in Michigan. Deeming captive insurers as something not fit to be called "insurance companies" certainly seems disrespectful to the elected legislators of the State of Michigan who have thoughtfully determined that captive insurance companies are enterprises worthy to enjoy the benefits of corporate citizenship in Michigan. Other than an unfounded mistrust of captive insurance company ownership, no reason has been given by the FHFA to support the notion that a captive insurer is a special risk to the FHLBanks. Unilaterally barring an otherwise eligible class of members from the FHLBanks sets a disturbing precedent.

We also question the FHFA's need to redefine the principal place of business for an insurance company. Unless the three-part membership test is applicable, the state of domicile is the most logical choice for determining principal place of business, chiefly because that state's laws and regulations control in cases of failure and liquidation. FHLBI enjoys strong relationships with the insurance regulators of Indiana and Michigan, and, surely, the other FHLBanks have similar relationships with the insurance regulators of their states. This is a benefit of a regional system, and it may be lost if the NPR is adopted. The proposal will let insurance companies, and no other members, freely shop among the districts for favorable treatment. Such preference is unfair, and it precariously requires FHLBanks to accept members who are subject to unfamiliar laws and regulators.

Ultimately, it is my opinion the NPR is set to cause real harm to the FHLBanks, their members, their communities, and housing finance. In addition to losing captive insurers, FHLBI will lose members who fail the new compliance tests or find them too costly. Each member lost is one less institution supporting housing and community development, which translates into less liquidity in the housing market, lower profits for the FHLBanks, and less funding available for the Affordable Housing and Community Investment Programs. The FHFA's proposals were designed to sharpen members' focus on housing, but this focus already exists, which means the NPR does not create new benefits to balance the high costs and burdens it creates. Therefore, with all due respect, the NPR is bad policy and should be withdrawn.

Sincerely,

B— D. Musser

Brian D. Musser
Vice President of Finance/CFO
Purdue Federal Credit Union