OneAmerica

ONEAMERICA
FINANCIAL PARTNERS, INC.
One American Square, P.O. Box 368
Indianapolis, IN 46206-0368

January 12, 2015

Mr. Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590–AA39
Federal Housing Finance Agency
400 Seventh Street SW., Eighth Floor
Washington, DC 20024

Re: Federal Housing Finance Agency (FHFA) Proposal to revise regulations governing Federal Home Loan Bank membership (RIN 2590–AA39)

Dear Mr. Pollard:

Thank you for sharing the notice of proposed rulemaking addressing Federal Home Loan Bank ("FHLB") membership. OneAmerica Financial Partners, Inc. ("OAFP") is writing on behalf of two of its wholly owned subsidiaries, American United Life Insurance Company and The State Life Insurance Company, both members of the Federal Home Loan Bank of Indianapolis, to express objection to the aforementioned proposal. We appreciate the opportunity to comment on this proposal. We also believe that a proposal with implications as significant as this one deserves sufficient time for study, analysis, and discussion before it becomes effective.

OAFP has serious concerns with both the rationale and structure of the proposal. Specifically, we recommend the ongoing membership test for insurance companies be eliminated from the proposal. This test is unnecessary and directly conflicts with the mission of the FHLB system.

Insurance companies provide capital to the residential housing market. Common types of insurer investments supporting residential housing include residential mortgage loans and residential mortgage-backed securities. This support strategically aligns with the FHLB's mission, and the ability for insurers and FHLBs to work together will only enhance overall future support for residential housing. The existing regulatory structure works very well for a variety of reasons, of which two key examples include:

- Members must meet strict collateral, capital and credit requirements that are continually monitored
- FHLB collateral policies are self-reinforcing, whereby members can take advances only to the extent they have eligible mortgage collateral

Fairly recent events help demonstrate that insurers and FHLBs work effectively together, even in periods of macroeconomic uncertainty. Indeed, the FHLB system provided a key source of liquidity for insurers during the 2008-2009 financial crisis. It is also important to note that both during and after the crisis, the life insurance industry performed well under the existing regulatory framework and did not create undue burden or risk to the FHLB system. Rating agencies have also provided an independent third party validation of the value FHLBs provide for insurance company risk management purposes. As a result, an unintended consequence of this regulation will likely be an <u>increase</u> to overall financial sector systemic risk.

ONEAMERICA
FINANCIAL PARTNERS, INC.
One American Square, P.O. Box 368
Indianapolis, IN 46206-0368

Additional complexity on top of the existing regulatory structure will create confusion for insurance companies attempting to utilize the benefits of FHLB relationships, will limit overall insurer participation in FHLB programs, and will ultimately drive less insurance sector support for residential housing in the United States.

Sincerely,

Stephen J. McWilliams, FSA, MAAA, CFA
Vice President, Valuation and Senior Financial Officer, Individual Life & Financial Services