January 12, 2015
Alfred M. Pollard, Esq., General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, D.C. 20024

Re: **<u>Notice of Proposed Rulemaking; Request for Comments – Members of the Federal Home Loan Banks</u>**

Dear Mr. Pollard

Teachers Credit Union appreciates the opportunity to comment on the proposed regulation and in summary opposes the adoption of the proposed regulation for reasons detailed below.

More than eighty years ago, a small group of teachers pooled together their savings in order to lend to others in need of credit. From these humble beginnings, Teachers Credit Union has grown to become Indiana's largest Credit Union with more than $2.6 billion in assets with branches throughout the state of Indiana and southwest Michigan. Teachers Credit Union has been a member of the Federal Home Loan Bank of Indianapolis (FHLBi) for twenty-two years.

As a shareholder, we value our relationship with the FHLBi. They provide Teachers Credit Union with a vital source of liquidity. Teachers Credit Union uses this liquidity to fund loans to its members. This relationship provides lower funding costs which in turn benefits our membership. Teachers Credit Union, along with numerous other community financial institutions, rely on this consistent source of funding to lend to our borrowers which is positive to our communities. Therefore, reducing membership within the FHLB system would have a negative impact to our membership and communities.

One main concern with the proposed regulation is the ongoing membership test. The proposed regulation circumvents the definition as defined by Congress. As such, requiring a member of FHLBi to maintain any level of mortgages on its balance sheet is entirely arbitrary. This only captures the mortgage lending retained on the balance sheet. It does not take into consideration the mortgage loans sold to the secondary markets. These types of transactions are included in sound balance sheet management strategies. In addition, there is already strong pressure from the National Credit Union Association (NCUA) to reduce the concentration of mortgages on the balance sheet.

Limiting the field of membership appears to bypass the governance already set by Congress. Congress has clearly defined the membership requirements and now regulatory bodies are trying to impose a rule that changes the definition. Since the financial crisis, there has been a steady increase in regulatory change. This proposed rule puts unnecessary burden on the FHLB system which ultimately puts more regulatory burden on the members of the FHLB system. As the banking and credit union industries continue to shrink, limiting membership to the FHLB system will certainly have a negative impact our communities and our ability to serve them. If there are fewer members of the FHLB system, this will affect the various programs and products offered by the member FHLBs. These changes will inevitably have a negative impact to community financial institutions, which in turn limits the loan options we can offer to our members.

The current collateral requirements already encourage a member institution of the FHLB system to maintain some level of mortgage financing. The FHLB collateral policies are self-reinforcing and create incentives for supporting mortgage financing. This is good for our communities and a positive for economic development.

For these reasons, Teachers Credit Union would formally request RIN 2590-AA39 be withdrawn from consideration.

Sincerely,

Todd C. Brown
Senior Vice President and Chief Financial Officer