Seaway
COMMUNITY BANK

July 11, 2006

Federal Housing Finance Board
1625 I St NW
Washington DC 20006

Dear Sirs:

As a customer and shareholder of the Federal Home Loan Bank of Indianapolis, I am writing to express my concerns about the recent proposal to change the required level of retained earnings and restrictions on its ability to pay stock dividends. Specifically, I believe that this action will adversely affect the FHLBank in several areas.

The proposal, which imposes a dividend limitation, will reduce members' earnings and will increase the overall borrowing costs for members. Shareholder dividends may be reduced for the next several years which would impact our Bank's budgeted income and reduce our ability to utilize the credit services which help us fund for housing, community development activities and liquidity.

Reduction in the asset size, mortgage holdings and liquidity investments will reduce income and the funds available to help low income families obtain housing as well as negatively impact programs which have fostered housing finance by giving members a competitive secondary market alternative. FHLB stock will decrease in economic value simply to address the highly unlikely risk for future capital impairment. And, contrary to safety and soundness principles and the industry's need for immediate access to liquidity, the proposal will create an unnecessarily higher retained earnings charge for holding liquid assets.

This proposal creates unintended consequences of deleveraging the FHLBank and reducing shareholder returns and, may cause member withdrawal. I concur with the recommendation made by the FHLBI's Board of Directors that the current proposal be withdrawn and consideration be given to risk-based capital rulemaking and thank you for your consideration of their request.

Sincerely,

Roy W. Klecha, Jr.
President/CEO

cc: John Llewellyn, Vice President, Government Relations
Michigan Bankers Association

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