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**Via Electronic Mail**

July 13, 2006

Federal Housing Finance Board  
1625 Eye Street, NW  
Washington, DC 20006  
Attention: Public Comments

Re: Federal Housing Finance Board Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks  
RIN Number 3069-AB30  
Docket Number 2006-03

Dear Sir or Madam:

We appreciate this opportunity to comment on the Federal Housing Finance Board's proposed rulemaking regarding excess stock restrictions and retained earnings requirements for the Federal Home Loan Banks. As discussed herein, we do not believe that the proposed rule improves the safety and soundness of the Federal Home Loan Banks. Instead, we believe that the proposed rule has a negative impact on the Federal Home Loan Banks and their members.

We are a member of the Federal Home Loan Bank of Indianapolis, in which we have a current investment of approximately \$292 million in stock. We utilize the FHLB of Indianapolis for liquidity purposes, with advances at March 31, 2006 exceeding \$4 billion. We do not participate in its Mortgage Purchase Program. One of our primary business lines is the origination of home loans in the communities we serve, and we use the FHLB of Indianapolis to borrow funds at reasonable rates to accomplish that goal.

As one of the largest stockholders in the FHLB of Indianapolis, we have an interest in the potential consequences of the proposed rule and are concerned about the issues raised in comments submitted earlier by other members and those expressed in the media. Therefore, we would ask the Federal Housing Finance Board to withdraw the proposed rule, and in its place, after consideration of the comments already received, issue an Advanced Notice of Proposed Rulemaking. By issuing an Advanced Notice of Proposed Rulemaking, the Federal Housing Finance Board would permit a more dynamic discussion between itself, the Federal Home Loan Banks, and their members.

In this letter, we would like to highlight several of our concerns with the proposed rules.

First, we believe the dividend restriction policy as it relates to retained earnings is unduly inflexible and could result in reduced amounts of dividends without consideration of collateral effects. Our borrowing costs include the beneficial effect of dividends when we draw on our credit line with the FHLB of Indianapolis. Only allowing an FHLB to pay dividends based on a broadly applicable limitation, without consideration of FHLB-specific capital and operating strengths, would inappropriately increase our borrowing costs without any concurrent benefit accruing to us (as a stockholder) or to the FHLB System as a whole.

We also view the elimination of stock dividends as adding to our overall cost of borrowings without any substantive reduction in overall risk to an FHLB. Stock dividends are a tax-efficient way to allocate equity, and its overall benefit factors into our cost of borrowings.

Taken together, these two provisions in the proposed regulations could have the effect of pricing the FHLB out of its current mission of providing affordable funding for residential housing. It would certainly have a significant adverse effect on our overall business model, in which we have used cost-effective FHLB advances for almost 20 years to originate hundreds of thousands of home mortgage loans throughout the country.

Even the FHLB's ability to provide short-term financing to its members could be impeded by these proposed regulations. The liquidity contingency plans of members generally contemplate drawing on unused FHLB advance lines, which are viewed as a stable and readily available source. The increased retained earnings requirement may hamper short-term liquidity, preventing members from drawing down advances as quickly as needed. Elimination of this advantage would certainly remove a significant benefit of membership.

We also believe the nature of the capital structure that would be imposed by the proposed regulations is too broadly crafted, without any mechanism to modify its application depending upon risks associated with specific assets or the risk management practices of the individual Federal Home Loan Banks. The proposed regulations do not seem to reflect, or even acknowledge, the potential for incorporating the structure or concepts underlying the Basel Accords relating to risk-based capital, which has had the benefit of significant vetting over the years by numerous seasoned bankers in many countries. It would seem that the proposed regulations should at least use these concepts as a starting point in assessing the appropriate amount of capital the individual FHLBs should retain based on their respective risk profiles.

As we have noted, we believe that the proposed rules would negatively impact the Federal Home Loan Banks, as well as their members. We urge the Federal Housing Finance Board to withdraw the proposed rules and instead issue an Advanced Notice of Proposed Rulemaking so that the concerns raised in response to these proposed regulations can be fully addressed.

Sincerely,

/s/ Mark T. Hammond

Mark T. Hammond

President and Chief Executive Officer