



June 26, 2006

Federal Housing Finance Board
1625 Eye Street NW
Washington, DC 20006

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

Gentlemen:

Advance Financial Federal Credit Union is a member of the Federal Home Loan Bank of Indianapolis (Bank) and I am writing to comment on the above referenced proposed change.

My reading of the proposal indicates the following requirements would be changed. 1) A limit on the amount of stock (permanent capital) the Bank may carry; 2) State the minimum amount of retained earnings the Bank may hold; 3) Restrict the payment of dividends; 4) Remove the option of the Bank to pay stock dividends.

The core requirement of any financial institution should be to maintain adequate capital in order to have the flexibility to serve its members (customers) through lending and other services. All of the proposed changes would restrict the Bank's ability to meet these goals and directly harm its members.

Also, a requirement of Bank membership is stock ownership. Historically this has been a reasonable investment for the members who individually must themselves prove that their portfolios meet market rates of return and safety. Restricting the Bank's ability to pay dividends negatively impacts every member's balance sheets. Institutions such as ours are not required to maintain membership at the Bank and have alternatives for liquidity, safekeeping, mortgage sales and the like with less restrictive and smaller dollar investments. Making the Bank a less attractive choice is not in either of our best interests.

From this institution's viewpoint, the Bank is well managed, effective, focused and attuned to provide timely and beneficial services that are an important and tangible benefit of membership. We oppose these changes on all levels and do not see where they provide any benefit to the Bank, its members and, therefore, the public as a whole.

Sincerely,

Robert Underwood CPA
Vice President of Finance and
Chief Financial Officer