Helping People Achieve Their Dreams
Achieva Resources Corporation, Inc.

June 27, 2006

The Honorable Ronald A. Rosenfeld
Chairman
Federal Housing Finance Board
1625 I. Street N.W.
Washington, D.C. 20006-4001

Dear Mr. Rosenfeld,

It has come to my attention that the Federal Housing Finance Board passed a proposal that would increase the Federal Home Loan Bank of Indianapolis' required level of retained earnings and restrict their ability to pay stock dividends. Under this proposal, until the retained earnings requirement is met, they would be restricted to a 50% dividend payout ratio. Based on a 50% dividend payout ratio and their current structure, this would result in restricted dividends for approximately the next three years.

Given the FHLBI's current capital and retained earnings position, they do not believe the proposal's requirement of holding $50 million plus 1% of non-advance assets in retained earnings is justified from a safety-soundness perspective. The proposed retained earning formula for each FHLBank will needlessly be higher, and, although unattended, may create more risk for the FHLBanks.

As a not for profit agency that has benefited from the Federal Home Loan Bank funding, this proposal will reduce the FHLBank asset size, mortgage holdings, and liquidity investments thereby reducing income and ultimately funds available to help low-income families obtain housing under the successful Affordable Housing Program. Although difficult to predict, we estimate for the FHLBI that AHP grants to families will be reduced by over $1 million per year. Our agency had directly benefited from the AHP Program that houses three people with profound disabilities in a 100% accessible home that they would not have be able to enjoy without the AHP Grant Program.

The proposal creates unintended consequences. Holding more retained earnings than needed from a risk perspective deleverages the FHLBank, reduces share holder returns, and ironically may cause member withdrawal. Rather than use the proposal's one-size fits all formula, the Finance Board should adopt a risk-based approach tying the level or retained earnings to the risk on the balance sheet. This is more inline with other federal banking regulators and the Basel capital studies. Given this, it would be best to withdraw the current proposal and consider a future risk-based capital rule making.

I appreciate you given me the opportunity to respond to your committees proposal. I certainly hope that you will take my suggestions and implement them into your final policy decision. If I can provide you with further information about the contents in my letter, please contact me at your convenience.

Sincerely,

Dan Stewart
President/CEO