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Sent: Monday, June 26, 2006 3:29 PM

To: comments@fhfb.gov

Subject: Objection to Excess Stock and Retained Earnings Federal Housing Finance Board Regulatory Authority for the FHLBanks

Federal Home Finance Board:

This memo is intended to communicate our objection to the March 8 proposal of the Federal Housing Finance Board that would increase the Federal Home Loan Bank of Indianapolis' (FHLBI) required level of retained earnings and restrict the ability to pay stock dividends.

As a state and federally recognized Community Housing Development Organization (CHDO) that has used and hopes to again access FHLBI Affordable Housing Program (AHP) investments, we believe your action will reduce FHLBI asset size, mortgage holdings and liquidity investments thereby reducing income and ultimately funding available to help low income families obtain housing under the AHP. We've heard estimates suggesting AHP grants to families will be reduced by over \$1 million per year. Given the continuing growth of the housing cost – income gap such an outcome would be a tragedy.

The proposal as currently presented also needlessly places FHLB member banks with mortgage purchase programs at a disadvantage. These programs are mission consistent and have fostered housing finance in our area by giving the member banks we work with a competitive secondary market alternative. We agree with our FHLB member bank partners that a focus on helping them reduce and manage their mortgage purchase programs through securitization would yield far greater benefits than the current proposal.

In sum, we believe the current proposal will undermine the FHLBI valuable role as a government sponsored enterprise to provide reliable low cost housing finance serving our homebuyers. Taken together with the Finance Board's failure to appoint the FHLB public interest directors as required by law, we believe it critical that the current proposal be withdrawn and alternative approaches to achieving the objectives of the Finance Board be reconsidered.

Respectfully,

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