FHLBI

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

November 15, 2012

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, S.W.
Washington, DC 20024

Re: No. 2012-N-14
Advisory Bulletin on Collateralization of Advances and Other Credit Products Provided by Federal Home Loan Banks to Insurance Company Members

Dear Mr. Pollard:

I am writing as the Chair of the Affordable Housing Advisory Council for the Federal Home Loan Bank of Indianapolis (FHLBI). I would like to thank you for the opportunity to submit comments on the Advisory Bulletin on Collateralization of Advances and Other Credit Products Provided by Federal Home Loan Banks to Insurance Company Members ("AB").

Nationally, insurers hold over $700 billion in residential mortgage assets and are significant community and economic development lenders. Based on a recent study by Ernst & Young, insurance company investments in the Low Income Housing Tax Credit market also represent approximately one-fourth of the total. Clearly, insurers are a natural fit for FHLB membership and hold great potential as partners in its mission.

At the Federal Home Loan Bank of Indianapolis (FHLBI), insurance companies have played a key role in the execution of its public policy mission. Since 1995, FHLBI insurance company members have utilized over $220 million in CICA funds, or nearly 20% of the total, to support community and economic development. Examples of insurance company CICA projects include a landmark urban renewal project and a global data center in Lansing, MI, both of which turned vacated brownfields into job-creating commercial properties. Since insurance companies represent less than 12% of the FHLBI's membership, their CICA usage has been disproportionate to their numbers.

Insurance companies have also had a positive impact on the FHLBI's Affordable Housing Program (AHP). While FHLBI insurers have sponsored AHP projects with groups such as Habitat for Humanity, the Fort Wayne Rescue Mission, and Vista Maria, they have made their greatest impact though their usage of advances. While insurers represent less than 12% of FHLBI members, they have been responsible for one half of the outstanding advance portfolio. As such, they have provided the FHLBI with a disproportionate amount of its income and AHP funding. In addition, since insurance company advances tend to be longer term, they have reduced the FHLBI's income volatility and have stabilized AHP funding during a critical period of depository deleveraging.

Since the AB specifically targets insurance company usage of advance products, its implementation would reduce the attractiveness of membership and usage by insurers and ultimately impair the FHLBI's ability to fully execute its public policy mission.

Given the economic challenges faced by Indiana and Michigan communities and the fact that no FHLB has ever taken a loss on an insurance company advance, the costs of implementing the AB far outweigh its benefits. For this reason, I respectfully request that the AB be withdrawn or modified to avoid adversely impacting insurance company usage of the FHLBs.

Thank you for considering these comments.

Very truly yours,

Jack Brummett

Jack Brummett
Chair
Affordable Housing Advisory Council
Federal Home Loan Bank of Indianapolis