

VIA E-MAIL TO REGCOMMENTS@FHFA.GOV

February 6, 2012

Alfred M. Pollard, Esq.  
General Counsel  
Federal Housing Finance Agency  
Fourth Floor  
1700 G Street, N.W.  
Washington, DC 20552

**Re: Federal Home Loan Bank Community Support Amendments; RIN 2590—AA38**

Dear Mr. Pollard:

This letter is submitted in response to the request for comments issued by the Federal Housing Finance Agency on November 10, 2011, when it proposed amending its community support regulation to, among other things, require the Federal Home Loan Banks (FHLBanks) to monitor and assess the eligibility of each FHLBank member for access to long-term advances through compliance with the Community Reinvestment Act of 1977 (CRA) and first-time homebuyer standards (the Proposed Rule). We appreciate your consideration of our views on this important matter.

I am writing on behalf of the Affordable Housing Advisory Council (AHAC) of the Federal Home Loan Bank of Indianapolis (FHLBI). The AHAC works closely with the FHLBI's Board of Directors and staff to further the FHLBI's community support mission.

The AHAC is concerned about the Proposed Rule, and believes that it should not be adopted as proposed.

The AHAC opposes efforts to turn the FHLBanks into regulators of their members. Whether or not a member is in compliance with a regulation is a question best answered by a regulator – the FHFA. The FHLBanks are not now, and should not become, regulators of their members.

The AHAC also opposes eliminating the probationary period under the community support regulation. Currently, if a member earns a single CRA rating of "Needs to Improve," they may continue to access long-term advances, as well as Affordable Housing Program (AHP) and Community Investment Cash Advance (CICA) products, until their next evaluation. If at their next review the member is found to have a CRA rating of "Needs to Improve" or worse, the member loses access to long term advances, AHP and CICA. The Proposed Rule eliminates this probationary period, so a member would immediately lose access to long term advances, AHP and CICA after a single "Needs to Improve" rating. Our experience has been that the probationary period is a golden opportunity to improve a challenged member's performance in a collaborative way. We do not

believe that removing the probationary period will improve community support compliance, and so it is unnecessarily punitive.

If the FHFA adopts the Proposed Rule as written, we expect that it would have a disruptive effect on the FHLBanks. We also expect that it would have a disruptive effect upon members, particularly members who may be on probation for receiving a CRA rating of "Needs to Improve." The AHAC therefore requests that, if the FHFA disregards our comments and adopts the Proposed Rule substantially as written, any final rule give sufficient transition time so members may adapt to the new community support rule. The AHAC believes that this transition time should last at least one full CRA evaluation cycle to ensure that any members on probation do not suffer a sudden and unexpected change in their ability to access all of the products offered by that member's FHLBank.

The role of the AHAC is to advise the FHLBI on the housing needs in the district and to provide input to assure that programs meet these needs. Based on the AHAC's purpose and experience, we believe that turning the FHLBI into a regulator and eliminating the probationary period will be counterproductive to advancing the FHLBI's – and the FHFA's – community support goals. We therefore request that the FHFA reconsider the Proposed Rule. Finally, we recommend that, if the FHFA disregards our comments and adopts the Proposed Rule as written, the FHFA provide a sufficient transition period so as not to harm member interests with a sudden change in community support policy.

Thank you for your consideration of our comments.

Sincerely,



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

cc: Federal Home Loan Bank of Indianapolis