

October 11, 2001

Office of the Comptroller of Currency
Docket No. 01-16
Communications Division
250 E. Street, SW
Washington, DC 20219

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**Federal
Home Loan
Bank**
OF INDIANAPOLIS

Board of Governors
Docket No. R-1112
Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments/OES
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

RE: CRA Credit for FHLBank Affordable Housing Program Participation

Dear Ladies and Gentlemen,

In response to the federal banking regulators joint release published on July 19, 2001, the Federal Home Loan Bank of Indianapolis requests that the revised CRA regulations expressly give on-going support and credit to financial institutions that participate in the FHLBanks' Affordable Housing Program (AHP). The financial institution requirements to participate in AHP are set forth in the Federal Home Loan Bank Act (see 12 USC §1430(j)) and the Federal Housing Finance Board implementing regulations (12 C.F.R. Part 951).

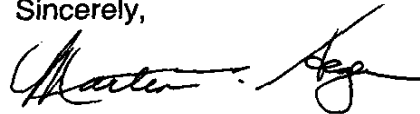
Under the current CRA regulations, since AHP dollars provided by the FHLBank are often granted by the financial institution (instead of loaned at a discount) to the low-income family, the financial institution's role of serving as the

critical intermediary to AHP is not considered a part of the financial institution's CRA record under the lending test. For small institutions using the streamlined method for CRA compliance, AHP participation is also not counted. Additionally, since AHP targets low to moderate-income neighborhoods, the new CRA regulations should also add that AHP participation should be classified as a community development activity for large retail institutions.

The purpose of the AHP is to provide below market rate loans or grants to financial institutions which, in turn, pass the loans or grants entirely to families in low and moderate-income, owner occupied and affordable rental housing. Under AHP, funds are awarded based on family need through a competitive process. Participating financial institutions make a substantial, contractual commitment to the FHLBank to monitor a project's status to validate that the AHP funds are being used to benefit the families as required by the AHP regulations. If AHP awards are improperly used, the financial institution bears the risk that the AHP funds will be returned to the FHLBank by the financial institution. Given the significant commitment of the financial institution in applying for, administering and taking the funding risk of the AHP program, we strongly recommend that AHP participation should be given CRA credit under all aspects of the CRA regulations.

In closing, AHP represents the largest, non-taxpayer source of money for affordable housing in the United States. Since its inception, FHLBanks have contributed more than \$1.1 billion to AHP. In 2000, the program resulted in the completion of 40,000 housing units and provided over \$200 million in subsidies. More than 250,000 units have been built since 1990. This commitment by financial institutions to create affordable housing through AHP should be expressly recognized in CRA.

Sincerely,



Martin L. Heger
President - CEO
Federal Home Loan Bank of Indianapolis