



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

Milton J. Miller
CEO-President

November 25, 2008

BY FEDERAL EXPRESS AND EMAIL

Robert E. Feldman
Executive Secretary
Attention; Comments/Legal ESS
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429
RE: FDIC RIN# 3064-AD34 Treatment of
Certain Claims On, or Guaranteed By,
Fannie Mae and Freddie Mac

Office of the Comptroller of the Currency
250 E. Street S.W., Mail Stop 1-5
Washington, D.C. 20219
RE: Docket No. OCC-2008-0016

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th. Street and Constitution Ave., N.W.
Washington, D.C. 20551
RE: Docket No. R-1335

Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention: OTS-2008-0014

Ladies and Gentlemen:

This letter is a comment in response to the publication of the Federal banking Agencies' proposed rule to allow a banking organization to assign a ten percent (10%) risk weight to claims on, and portions of claims guaranteed by, Fannie Mae and Freddie Mac. We thank you for the opportunity to comment on this important matter.

The Federal Home Loan Bank of Indianapolis has significant concerns about the proposal. While a reduction in the capital requirement for holding obligations of Fannie Mae and Freddie Mac is welcome, the exclusion of the Federal Home Loan Banks ("FHLBs") from the proposed rule is not appropriate given our status as limited purpose government-sponsored banks, which are privately-owned by our financial institution members. This rule, if enacted in its current form, may have unintended adverse consequences for the banking system during this time of economic stress.

Our first concern is that the proposal suggests agencies of the U.S. government do not support the FHLBanks and their mission to the same degree as Fannie Mae and Freddie Mac. Such a perception is

misleading for the following reasons. First, Congress created a new regulator to oversee all of the housing GSEs. Second, when the new regulator took control of Fannie Mae and Freddie Mac via conservatorships, the Director of the new regulator remarked that the FHLBanks are performing remarkably well and are well capitalized. The same regulatory rules of receiverships, conservatorships, and prompt corrective action apply to the FHLBanks and the Enterprises. Third, the Treasury is providing the same temporary backstop funding facility to all of the housing GSEs through the GSE Credit Facility. Finally, the Federal Reserve is providing support for the FHLBanks, as well as Fannie Mae and Freddie Mac, by purchasing their discount notes in recent open market operations.

Our greatest concern is that this proposal will result in further increases in the cost of advances available from the FHLBanks. This is caused by placing the FHLBanks at a funding cost disadvantage to the Enterprises. This problem will worsen if the FHLBanks do not receive comparable risk-weighting treatment. Thousands of community banks depend upon access to low-cost liquidity from the FHLBanks, which allows us to lower home ownerships costs in our communities. If investors continue to believe that the obligations of the FHLBanks are somehow less creditworthy than those of Fannie Mae and Freddie Mac, they will demand higher yields to purchase FHLBank bonds, resulting in higher advance rates during a period when the banking industry is faced with the challenge of supporting housing finance and economic growth under difficult circumstances in the credit markets.

We strongly urge the FDIC, the Comptroller of the Currency, the Board of Governors of Federal Reserve System, and the OTS to treat debt securities of all housing GSEs as comparable with regard to risk-based capital rules. We believe this to be the course of action that achieves the most favorable outcome for all stakeholders in the housing GSEs during this extraordinary time of financial crisis.

Sincerely,

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

By: 
Milton J. Miller
President and Chief Executive Officer