



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

April 26, 2010

*via Federal eRulemaking Portal and
electronic mail to:
RegComments@fhfa.gov*

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA24
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552

Re: Comments on Proposed Rulemaking Regarding Use of Community Development Loans by CFIs to Secure Advances; Secured Lending by FHLBanks to Members and Their Affiliates; Transfer of Advances and New Business Activity Regulations RIN 2590-AA24

Dear Mr. Pollard:

The Federal Home Loan Bank of Indianapolis (the "Bank") appreciates this opportunity to comment on the Federal Housing Finance Agency ("FHFA") proposed rule on the use of community development loans by community financial institutions to secure advances and secured lending by Federal Home Loan Banks ("FHLBanks") to members and their affiliates ("Proposed Rule").

Our comments are limited to § 1266.2 of the Proposed Rule. That section would require that "any secured lending by a Bank to members is deemed an advance subject to all requirements related to advances." (75 Fed. Reg. 7993) This provision could eliminate an important tool that has been used by FHLBanks for many years by placing limitations on the Bank's ability to access short-term liquidity, such as participation in repurchase and reverse repurchase transactions with non-member financial institutions.

This proposed change raises an important policy issue that merits a separate rulemaking procedure in which the FHFA and the FHLBanks may have a full exchange of information and ideas. Thus, we urge the FHFA to refrain from adopting proposed § 1266.2 and to independently consider repurchase and reverse repurchase transactions.

Second, it is very important that the Bank have the ability to invest with financial institutions for short-term liquidity purposes. Such trades allow the Bank to invest funds at yields similar to unsecured

investments, but with the security of government-guaranteed collateral. Our Bank has the potential to have several hundred million dollars in repurchase transactions outstanding at any one time.

The Bank utilizes the reverse repurchase market for several reasons:

1. To diversify its investments;
2. To increase yield when the opportunity allows;
3. To decrease risk by accepting high quality collateral; and
4. To bolster liquidity.

In short, the reverse repurchase market allows the Bank the opportunity to invest funds in a safe and sound manner at competitive yields while acting as a supplement to the Bank's short-term liquidity opportunities. Without this market, the Bank will be forced to invest surplus funds on an unsecured basis or hold these excess funds with virtually no return. This will increase our cost of carrying necessary liquidity.

We thank you for this opportunity and for your consideration of our comments on this Proposed Rule. If you have any questions or need clarification with respect to these comments, please contact the undersigned.

Sincerely,

FEDERAL HOME LOAN BANK OF INDIANAPOLIS



Milton J. Miller
President and Chief Executive Officer