



April 22, 2004

Mr. William R. White
Chairman
Federal Home Loan Bank of Indianapolis
8250 Woodfield Crossing Blvd.
Indianapolis, IN 46240

RE: Federal Home Loan Bank of Indianapolis -- Internal Market Risk Model (2004-APP-01)

Dear Mr. White:

On August 15, 2002, the Federal Housing Finance Board (Finance Board) approved the internal market risk model of the Federal Home Loan Bank of Indianapolis (Bank) pursuant to 12 C.F.R. § 932.1. See 2002-APP-02 (Aug. 15, 2002). Prior Finance Board approval of subsequent material adjustments to each Bank's internal market risk model is required by section 932.5(d) of Finance Board regulations. See 12 C.F.R. § 932.5(d).

In a letter dated February 20, 2004, the Bank requested approval to convert to the Quantitative Risk Management (QRM) asset/liability management system from the Pinehurst Asset Liability Management System (PALMS) at the end of the first quarter of 2004.

Between September 8, 2003 and February 20, 2004, the Bank submitted various documents and testing results describing its use and the benefits of QRM for risk management purposes. Based on our review of these materials and conversations with Bank staff, pursuant to 12 C.F.R. § 932.5(d), the Finance Board approves the Bank's request to convert to QRM. The Bank remains subject to the Finance Board's authorities under 12 C.F.R. § 932.5(d) to review and, at its discretion, to require the Bank to modify its model. A complete evaluation of the Bank's modeling using the QRM system will be undertaken during the 2004 examination.

Sincerely,

/s/ Stephen M. Cross

Stephen M. Cross
Director
Office of Supervision

cc: Martin L. Heger, President and CEO