Karen Burk: Good afternoon. Welcome to day two of FHFA's Public Listening Session on Federal Home Loan Bank System at 100: Focusing on the Future. My name is Karen Burk, and I'm an Associate Director of Safety and Soundness Examinations in the Division of Bank Regulation.

Before we move forward with our agenda, I have a few important housekeeping items. During today's session, FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in rulemaking on any matters discussed at this meeting, the rulemaking document would establish the public comment process, and you would need to submit your comments, if any, in the course of the submission instructions in that document.

FHFA may summarize the feedback gathered at today's meeting in a future rulemaking document, if we determine that a summary would be useful to explain the basis of a rulemaking.

Also, please keep in mind that nothing said in this meeting should be construed as binding on, or final decisions by the agencies or their staff.

Finally, we are recording this session and we'll also prepare a transcript of the meeting, including your names and organizations that you represent. We'll post the recording and the transcript on the FHFA website and YouTube channel along with any materials that are presenters use today.

Each speaker today will have six minutes to speak. When it is your time to speak, please turn on your cameras and unmute yourself. We ask that when you're not speaking, please mute and turn your video off. We will remind you at the five minute mark that you have one minute remaining. If you go over, I will unfortunately have to interrupt you. I hope to not have to do that, but I do want to be mindful of other people's time. Thank you for your cooperation and for sharing your perspectives with us today.

Our first speaker this afternoon is Barbara Stanton, joining us from the Entrepreneur Education Center, followed by Jason Meyerhoeffer from First Federal Savings Bank. Thank you. All right it looks like our next speaker is Andrea Osgood.

Andrea Osgood: Yes, good afternoon, everyone. Andrea Osgood, Senior Vice President of Real Estate Development for Eden Housing. I'm here first and foremost to sort of reiterate how important this source of funding the Affordable Housing Program (AHP) is for us in our work.

I would estimate that approximately half of our developments end up using this resource and it's incredibly helpful.

That said, I have a few comments on how to improve the program. First, it would be great to have more than one round a year to better fit for our project schedules and especially for projects that encounter unforeseen cost issues while in construction. Or potentially set aside a separate emergency pool of funding that projects and construction could cap, tap into.

Next, we in California and I'm sure others elsewhere across the United States are asked to build permanent supportive housing or homeless housing, which requires significant social services to be successful. And the bank has made some changes recently around paying for those social services. But I would encourage revisiting the underwriting for how we pay for social services as it's an important part of the holistic financial plan for these kinds of projects.

And I think that is it. So, thank you very much for your listening and for this great program.

Karen Burk: Thank you. Our next speaker is Jason Meyerhoeffer from First Federal Savings Bank.

Jason Meyerhoeffer: Yes, thank you for the opportunity to make a few comments today. As mentioned, I'm Jason Meyerhoeffer, President and CEO of First Federal Savings Bank. Our institution is a 106 year old mutual savings bank headquartered in Twin Falls, Idaho, an area referred to as the Magic Valley. We've been a member of the FHLB system for over 87 of its 90 year history.

As part of this listening session, I think it's helpful for you to hear a key bank perspective on the vital role the FHLBs play in our business. As you can imagine, over the past 106 years, our institution has gone through many economic cycles. Having a reliable source of liquidity is crucial to our ability to manage through those cycles.

We don't have direct access to the capital markets. So, the FHLB is our main source of secondary liquidity. If we didn't have access to FHLB advances, we'd have to hold much more liquidity on our balance sheet and significantly reduce our lending in our communities.

The early 2000s, obviously a good example of the FHLB's value through different economic cycles. During that time, the housing market and economy were strong, and our deposit gathering could not keep pace with the loan demand. FHLB advances allowed us to continue to lend to credit worthy homebuyers and businesses.

Without access to that liquidity, many those loans would not have been made.

Now I realize that time was the run up to the financial crisis of 2008. And you may be wondering if continuing to lend during that time was prudent? And I can answer with a resounding yes. Like most community banks, we know our customers and communities, we continue to make good loans to credit worthy borrowers that performed well even through the financial crisis.

The past few years provide another good example. As the monetary and fiscal responses to the pandemic flooded the banking system with excess deposits, we struggled to deploy this new liquidity into credit worthy loans and had to significantly grow our investment portfolio. Now as interest rates have moved up, and now liquidity has begun to leave the banking system, the FHLB has once again allowed us to maintain, or manage through this policy and do swing in liquidity without creating undue stress on our operations.

As I mentioned earlier, our institution's a longtime active member of the FHLB system. In just the past few years, we have helped 41 first time homebuyers obtain home chart grants to help them purchase homes. We've also sold over 400 mortgage loans into the Mortgage Partnership Finance (MPF) program, using now liquidity to further support home lending. Without the ability to sell conforming mortgage loans, we would be able to originate far fewer loans.

I know I've used the term reliable source of liquidity a few times, but I cannot emphasize enough the importance that plays for community banks. As I mentioned earlier, without that reliable source of liquidity provided by the FHLB's, we have to change the way we do business.

We would lend less, fewer homebuyers and small business would have access to credit and our communities would not be as vibrant. So, as you continue with this listening session, I think it's important to understand the crucial role the FHLB's play to community banks, the economic lifeblood of rural America. As a community bank president, I can tell you the FHLB system is essential to our business. Thank you.

Karen Burk: Thank you. Our next speaker is Megan Haberle, from the National Community Reinvestment Coalition, and she will be followed by Tyrone Roderick Williams from the Fresno Housing Authority.

Megan Haberle: Thanks so much, and good afternoon. Thank you so much for hosting this listening session. I'm the Senior Director of Policy at the National Community Reinvestment Coalition.

Our thoughts on this system reexamination come organically. Our mission is to create opportunities for people to build wealth. We're a membership organization. We're over 600 community based groups working on behalf of the just economy across the country.

Our comments are focused on six areas. And the cumulative effect of these recommendations seeks to reestablish the Federal Home Loan Bank System is a more transparent, community accountable, public purpose entity that supports widespread housing affordability, broader homeownership, and wealth building for modest means to individuals across the country.

Our first recommendation is to significantly increase the amount of funding that directly supports the Affordable Housing Program and is dedicated for that purpose. This is a critical need, especially given the acute cost pressures that are faced by low income households across our country today and the lack of affordable housing stock that is available to those households.

With the preservation and expansion of our nation's affordable rental housing stock and expanded opportunities for homeownership are pressing concerns that FHFA and the Federal Home Loan Bank System should prioritize and should support through significant reforms.

Specifically, we would call for the funding dedicated to the Affordable Housing Program to be at a minimum doubled from 10 to 20% going forward. We would also note that the expansion of the Affordable Housing Program should include a revived effort to fund innovative new programs designed to increase homeownership among low and moderate income individuals and to add -- to specifically address the racial homeownership divide.

It's also important that policies be put in place to ensure that the stock of affordable rental units for Low- and Moderate-Income (LMI) households is increased and that such housing is healthy, adequately maintained, it meets high standards for fair housing, including citing in highly resourced areas in alignment with HUD’s overall affirmatively furthering fair housing obligation.

Our second recommendation is to effectuate a cultural shift in the leadership and governance of the Home Loan Banks by increasing the participation and decision making authority of community connected organizations to ensure public purposes as approved -- as opposed to private profit are at the forefront of every decision being made by the banks. More must be done to place key decision making in the hands of community related leaders in geographically underrepresented areas.

This change from the top on down is very much needed to effectuate a shift from profit seeking and dividend returning behavior and to emphasize the public utility nature of these government created, government sponsored entities.

Third, we would recommend that you tighten conditions on member advance activity to require more meaningful and robust consideration of members track records of community investments, including a more rigorous look at Community Reinvestment Act (CRA) activity and at lending to modest means borrowers.

Relating to the accountability, it makes sure the advances actually support the mission of the banks, we think today's regulations that require the banks to consider CRA performance and service to first-time homebuyers are too weak to truly be effective. We hope a more rigorous CRA regulation will help to serve ratings inflation within the CRA framework. We also think that the Federal Home Loan Bank regulations should be more explicit at requiring a threshold of outstanding CRA ratings for members to avail themselves in this most advantageous FHLB system offerings.

In addition, we would urge an expansion of the Federal Home -- Federal Home Loan Bank regulations to more broadly support advances to support small business growth, climate response resources that are specifically targeted to benefit LMI and disinvested communities, and other important community development related activities of the members.

We would support the recommendations for increased contributions that are articulated in the proposed Senate legislation, S1684, the Federal Home Loan Banks' Mission Implementation Act, by creating new grant programs to support community development activity and lowincome communities, among other key changes, including an increase in the Affordable Housing Plan designated funding.

Finally, we would speak to the admission of independent mortgage brokers within the system and urge caution that they be considered only in the contingency that we can convincingly be shown that this is in the best interest of the community at large, and in particular households that are most pressed by housing affordability concerns.

Such that a decision to admit them is not simply there to provide financial support for the Independent Mortgage Banks (IMB) business model as usual.

IMBs currently lack the Community Reinvestment Act obligation that is, that is placed on banks. So we would say that should this recommendation result in a new class of eligible members, and we certainly don't urge that it should, but we'd place this condition upon any consideration of doing so. It would be critical that those members that are held to high standards for fair lending, that their membership be conditioned on new community reinvestment obligations, and provide that advances be targeted to serve the ends of housing affordability and stability.

So, I'll close by thanking you so much, again, for giving us this time. Really appreciate this robust stakeholder input system that you have in place. And also I would urge you to think about whether your stakeholder input endeavors are reaching all of the stakeholders whose voices are really important in this endeavor, so that industry voices are being balanced by community voices, affordable housing, advocacy voices, etc. So, thank you again, and I'm very happy to discuss any of these recommendations further.

Karen Burk: Thank you. Our next speaker is Tyrone Roderick Williams, from the Fresno Housing Authority, and he will be followed by Glenn Wilson from Community -- Communities First. Thank you.

Tyrone Roderick Williams: Hello, I'm Tyrone Roderick Williams, CEO of the Fresno Housing Authority in Fresno, California. And I'm also a member of the Federal Home Loan Bank of San Francisco's Affordable Housing Advisory Council.

The Fresno Housing Authority serves 17 urban and rural municipalities in central California, and we support over 50,000 residents by providing affordable housing options. We are the premier affordable housing developer in our county. And we've just completed over -- our 40th Affordable Housing Project. And I'm pleased to be able to share with you my perspectives today.

First of all, the Federal Home Loan Bank of San Francisco member institutions and products and services are really about funding and reducing interest rate risk and managing equity and providing a wide range of products and services to institutions headquartered in Arizona, California, and Nevada.

Our [inaudible] are fundamental elements to the nation's financial infrastructure and helping our smaller community financial institutions in both rural and urban markets gain access to funding options that generally are available to larger institutions.

Well here in our district, since 2012, the Federal Home Loan Bank of San Francisco has funded over 40,000 affordable housing units and making over 5,000 borrowers achieve the dream of homeownership for the first time.

One of the things that, from my perspective, that has really made a difference at the local level is the impact of the programs here at our district. One through the Community Economic Development Grant, the Federal Home Loan Bank of San Francisco provides grants that are designed to support affordable housing and economic development activities that really do make a difference in both our urban communities, as well as the rural communities we serve.

And it's a clear example of how the bank is really working to expand access to quality, affordable housing, and funding economic development and recovery efforts. We've been an active participant in the Affordable Housing Program. This is a very flexible program that's designed to help develop our rehabilitate single family and multifamily projects that are serving the very low income households.

In 2022 alone, the Federal Home Loan Bank of San Francisco has issued over $31 million in Affordable Housing Program grants to 39 projects to create or preserve 2,712 affordable housing units in our three states.

Just in the Northern California, Sacramento Housing and Redevelopment agencies received five AHP grants totaling over 1,000,003, that has helped create 239 units.

Here in Fresno, our own agency has been the beneficiary of 17 grants, totaling over $7.5 million to create 768 units. In addition to the affordable housing, the bank has been an active partner at the local community level, assisting economic development through the HEAD program that provides grants to help nonprofits create innovative job programs to deliver vital job training, educational and social services to serve underserved communities.

The Wish grant that we've been very encouraged through, also provides opportunity for affordable home ownership through supporting the bank's member of financial institutions and providing support for first time homebuyers. Since 2012, the Wish program has awarded over $30 million and helped over 1,917 families become homeowners in California alone.

We know that homeownership is a critical element of providing community support and building multi-generational wealth. Particularly in communities of color, I am very encouraged by the work of the Federal Home Loan Bank here in San --

Karen Burk: One minute remaining:

Tyrone Roderick Williams: -- Francisco district in empowering black homeownership. And we've partnered with the Urban Institute to look at underwriting standards, racial bias, how we could address the issue of student loans and short-term payment issues.

As we look to the future, it's real clear that there's an opportunity for the bank to expand its involvement in supporting infrastructure that supports affordable housing development, both in our rural communities and in urban redevelopment projects. Infrastructure is at the heart of beginning to build new and renovate existing buildings.

So, we look forward to the continued work and partnership with the Federal Home Loan Bank of San Francisco, and I appreciate the opportunity to participate in this session.

Karen Burk: Thank you. Our next speaker will be Glenn Wilson from Communities First, and he'll be followed by Harrison Fregeau of the Boston University School of Law.

Glenn Wilson: Hello, and good afternoon. I would like to first say thank you to the FHFA Director Thompson, for her bold leadership to hold these listening sessions about the future of the Federal Home Loan Banks for the next 100 years.

I'm Glenn Wilson, the Co-Founder, President, CEO of Communities First, a regional community development organization operating across the Midwest that provides affordable housing, small business support and economic opportunity to families.

I serve also on the Affordable Housing Advisory Council for the Federal Home Loan Bank in Minneapolis. When this opportunity was presented, I reflected upon my roles as a black man with a family, thought leader, community leader, a real estate developer, and also a board member.

As a family man, it's my responsibility to think about other families and the effects of the Federal Home Loan Bank System on everyday life. Are we doing our best as a banking system to provide liquidity to our members to help all people obtain what they consider as the American Dream, whether for small businesses or for homes?

Banks had a hard time providing equitable access to homeownership opportunities, especially for low income and LMI communities for more than 75,000. Families should have a choice to go to whatever banking institution they want to and should not always have to use Community Development Financial Institutions (CDFI). CDFIs are great, but families should have a choice.

How can we make the cost of doing these transactions more reasonable for banks? How can we deregulate some of the systems that make the transactions more expensive?

As a community leader, the boards across the Federal Home Loan Bank System [inaudible] and some represent the actual communities that they serve. But do they all? These mean every corporation and a fine line has to be balanced. However, who should decide on what a public interest director or independent director looks like? The board can't be made up of mostly individuals that are over the age of 65.

There are -- not only has to be a diversity of skillset, but a diversity of thought, income, and age. Everything we do has a ripple effect on the next generation. And we have to be more involved.

As a real estate developer, I have seen the great impacts of the Federal Home Loan Bank’s Affordable Housing Program . Especially as a member of the Federal Home Loan Bank in Indianapolis, I have seen the great work that we do not punish or discourage developers from accessing the AHP program for being out of district. However, in other Federal Home Loan Banks I have seen this, and really prohibited developers for having equitable access to the resources needed for the development throughout the country.

I have had to use a bank industry that offered a 2% higher on an interest rate than that of other district bank, because I had to go with that particular district because we needed additional points on the AHP.

This is something that should not be tolerated as far as additional points being done, and something that should be able to provide equitable access as far as a resource.

The Federal Home Loan Bank was established in 1932, during the Great Recession. I love what the president of the Federal Home Loan Bank of Indianapolis said that we were built for this, in times of difficulty.

As the FHFA is looking at the policies and toward the future, I would ask a few questions. Are the goals doing enough? If not, can they do more? And if so, why are they not doing more?

My daughter often asked me very simple questions at times that causes me to think deeper, and obviously changes upon it. But while working through these changes, we need to establish a few questions first. Where are we now as a banking system? How can we collectively address the inequities that are hampering the progress in the communities and financial institutions? Who wins at the end of the day, the bank for the people?

I believe that we can have both, because I have confidence to know that the FHFA and the Federal Home Loan Bank System has some of the smartest people on the planet working for them. I would ask that you think about each and every decision that we makebecause the ripple effect of each decision. We also have to think about our collective work. Thank you so much for having me.

Karen Burk: Thank you. Our next speaker is Harrison Fregeau from the Boston University School of Law.

Harrison Fregeau: Thank you for --

Karen Burk: He will be followed by Caroline Nagy from the Americans for Financial Reform Education Fund. Thank you.

Harrison Fregeau: Thank you. I'd like to start by thanking the FHFA staff, Director Thompson, and everybody else involved in this effort, both for the opportunity to speak today and for undertaking the endeavor to reform and revitalize the Federal Home Loan Bank System.

While I'm somewhat new to this space and may not have as much experience as many others here today, I wanted to make my voice heard. The historic FHLB system founded in 1932, was designed to be a critical pillar of housing finance in the United States. Ninety years later, in reviewing this system, I think the most critical question to ask is whether the FHLB system is continuing to fulfill its role. And if our collective answer is no, then what can be done to allow for the FHLB system to survive and thrive and contribute to American housing finance?

For example, while it's true that 10% of the system's net income is earmarked for affordable housing, one should ask personally whether that goal seems adequate in today's environment of a broad lack of affordability in an era where the starter home, the foundational aspect of postwar American Housing, is falling by the wayside?

Is it appropriate for the system designed above all to support American housing finance to spend five times as much on member dividends as they do on affordable housing?

As everybody in this room knows, the FHLB system is not a private enterprise, but rather a $1 trillion entity implicitly backed by the taxpayers. What public benefits do these taxpayers receive from the implicit guarantee of the system, and how much is that implicit guarantee worth anyways?

As the FHFA explores the purpose and mission of the FHLB system in the 21st century, it seems critical to address certain 21st century issues. When the FHLB system was founded in 1932, for instance, insurance companies and savings and loans institutions played a large role in financing mortgages for everyday Americans. Today, savings and loans institutions are a creature of the past and mortgage financing plays a peripheral role in insurance companies' businesses.

Meanwhile, certain nonbank financial institutions base their entire business on financing mortgages, yet themselves are excluded from membership. Is that a logical setup?

In 1932, one could conceivably imagine financing the construction of a home in isolation. That is, one could imagine financing a home with a well in the back a fireplace in the center, a forest out back to cut down some trees, and a dirt road leading to town five miles away. Today however, in our more centralized urban existence, the problem housing finance is tied to our problems of infrastructure tested evermore often by the massive storms growing larger because of climate change. Can the FHLB's mission be appropriately expanded to encompass climate mitigation or infrastructure development?

Though those questions were certainly beyond the scope of imagination in the 1930s, they're well within our considerations today. Should they be part of the solution?

For those of you interested in these questions, or in others of your own volition, I have an opportunity for you to contribute to the discussion. Even after this process ends. Though the words spoken today are my own, I'd like to note that the Brookings Institution in Boston University earlier this month issued a call for papers focused on FHLB reform. Scholars, practitioners, regulators, and ordinary citizens are invited to contribute their best research and creative ideas to help FHFA and Congress.

Then in February 2023, we will cohost a symposium in Washington DC. I would like for the ideas generated here to contribute to a vibrant discussion, and we will welcome all of you to submit a paper and I thank you all again for your time.

Karen Burk: Thank you. Our next speaker is Caroline Nagy from Americans for Financial Reform Education Fund, who will be followed by Jackson Hataway from Missouri Bankers Association.

Caroline Nagy: Thank you. Good afternoon. I'm Caroline Nagy, and I'm the Senior Policy Counsel for Housing, Corporate Power, and Climate Justice at Americans for Financial Reform Education Fund.

I'd like to thank the FHFA, Director Thompson and staff for holding this listening session and for the opportunity to provide input on the Federal Home Loan Banking system.

The Federal Home Loan Bank System was created at the start of the Great Depression to serve a purpose that has been rendered mostly obsolete by modern housing finance and banking practices. Federal Home Loan Banks are private for profit entities that receive significant public subsidies, yet do not provide a proportionate benefit to the public. Today, their main function is to provide liquidity and advances to the 6,800 banks and insurance companies that are its members owners.

In the best of times, this is a poor deal for the public. Given our current housing affordability crisis and the existential risks climate change poses to our homes and communities, the current situation is simply untenable. Therefore, a comprehensive review and reconsideration of the system is necessary, and we commend the FHFA in taking this first critical step of seeking public input.

So why do I say that the original purpose has been rendered obsolete? President Hoover signed the Federal Home Loan Bank Act of 1932 in order to provide liquidity to financial institutions so they could make long term mortgages available to the US public. Membership was limited to savings and loan banks and insurance companies, all of whom originated mortgages.

Today, securitization through Fannie and Freddie is a dominant tool to provide liquidity in the mortgage market, rather than advances. Meanwhile, the insurance companies and banks that comprise FHLBank membership have either stopped originating mortgages entirely or have vastly curtailed their mortgage lending activity, while nonmember, nonbanks have come to dominate the mortgage lending space.

The stated purpose of the FHLBanks is to improve mortgage finance. Yet the principal activity of the system is to provide subsidized cash advances to groups that largely do not do mortgage lending. Thus, the purpose of this system and its current activities are misaligned.

So, what then do the FHLBanks do? Well as I said, they provide cheap liquidity to members. In the first half of 2022 and the debt -- the banks have provided $518 billion. They fund the Affordable Housing Program, so Congress requires a system to contribute 10% of its net income to the Affordable Housing Program.

This funding is much needed due to our lack of sufficient public support for affordable housing. However, the 10% contribution is significantly lower than the federal, state, and local taxes the banks would pay if they were not granted tax exempt status.

The contributions to the Affordable Homeowner -- Housing Program are significantly outweighed by the substantial dividends that the banks pay to their member owners. In 2021, banks paid out more than $1 billion in dividends to member owners, more than three times what they contributed to the Affordable Housing Program that year.

They pay high executive salaries. In 2021, the CEO of the Federal Home Loan Bank of New York made over $2.7 million. By comparison, the highest compensated executive at the New York Fed earned $430,000. For a quasi-public entity, those salaries are excessively high.

And how does the public support the system as I have said? First by statute, the banks are exempted from federal, state, and local tax. The federal corporate tax rate is 21%. And of course, the state and local tax rates vary by jurisdiction. But estimating a total tax rate of 25%, the value of the tax exemption in 2021 was $442.7 million, significantly more than the amount paid to the Affordable Housing Program (AHP) in 2021.

In addition to the tax exemptions, Congress has given the system privilege lien status vis a vis the FDIC, and an explicit $4 billion line of credit from the US Treasury. Of course, as with the other GSEs, there is an implicit government backing well beyond the $4 billion amount. Part of your review should include a calculation of the present value of the taxpayers guarantee of the Federal Home Loan Banking System’s debt.

Finally, the system lends to banks at preferential rates lower than they would find elsewhere. If these FHLBank members didn't have access to discounted money, they would instead likely borrow from their depositors. This means that the US bank depositors, members of the public, lose out on the higher interest rates they would otherwise receive from these banks.

Thus, the Federal Home Loan Bank system is subsidized not only by taxes, but also by members of the public who are bank depositors. Clearly a new approach is needed. While it is clear from the testimony over these listening sessions that this banking system provides a clear benefit to banks and insurance companies that comprise its membership, the needs of the public how also --

Karen Burk: One minute remaining.

Caroline Nagy: Thank you. As members of the public, our needs matter too and we do not receive a commensurate benefit, despite subsidizing this system, both as taxpayers and depositors and member banks.

One path forward is for the Federal Home Loan Bank System to substantially increase its funding for the Affordable Housing Program (AHP) with a 21% federal corporate tax rate as a minimum thresholds.

Additionally, the purpose should be expanded to include investments in neighborhood climate resiliency, green retrofits, and related projects.

And finally, the inefficiencies of a system composed of 11 banks, each with their own high C suite salaries, and separate and independent IT and security infrastructure should also be addressed by consolidating redundant systems and imposing limits on executive compensation. Thank you very much.

Karen Burk: Thank you. Our next speaker is Jackson Hataway from the Missouri Bankers Association, followed by Helda Saad of First Independent Bank.

Jackson Hataway: Thank you. Good afternoon. I'm Jackson Hataway, President of the Missouri Bankers Association. I appreciate your time and willingness to engage key stakeholders in the Federal Home Loan Bank System and these listening sessions. These sessions are an important effort in reviewing the FHLB system and ways it can modernize its operations and mission.

I commend you for taking the time to ensure that even as you review the model, you do so in a way that prioritizes the soundness of the system and the prosperity of those homeowners it supports.

By way of background, the Missouri Bankers Association represents 240 banks across the state of Missouri, 198 commercial banks and seven thrifts in the state are members the Federal Home Loan Bank of Des Moines. The Home Loan Bank has been a critical resource to all of these players. Without access to, or competence in the Federal Home Loan Bank, banks would face significant limitations in their abilities to serve their communities.

The Home Loan Bank serves as a key source of liquidity, expanding member bank lending capacity, and sustaining the housing market across geographies and demographics. Most importantly, the very structure of the cooperative model ensures that each federally insured and well-regulated member bank capitalize the Home Loan Bank, even as they derive lending capacity from the membership.

The Federal Home Loan Bank receives no taxpayer funding working with and for its members to improve communities and housing access. This fundamentally grounds the system in a safe and sound financial environment, capable of withstanding various economic conditions, changing market forces and most importantly, the volatility associated with nonbank lending entities.

For that reason, as you consider proposals to alter the structure or focus of the Home Loan Banks, I would urge extreme caution in considering any changes that would introduce unnecessary risk to the health of the system. Though these kinds of periodic reviews are critical and ensuring the Federal Home Loan Bank is able to deliver on its promises, the most important promise is the stability of the Federal Home Loan Banking system.

During the last financial crisis, it became painfully but abundantly clear that risk mitigation must be a core principle of any government sponsored entity as it pursues its core mission. Although expanding access to affordable housing is a socially important and economically consequential goal, doing so through drastic changes to FHLB membership requirements would cause irrevocable harm.

The fact that member banks are regulated is a primary reason for the FHLB systems stability. Adherence of participating member banks to their own consumer compliance requirements, capital requirements, liquidity requirements and CRA requirements, all contribute to an inherent soundness of the Home Loan Banking System.

It is the reason those member banks are able to advance the system's community focused mission with confidence in the funding structures upon which they are reliant. Inviting unregulated entities who are subjected to none of these same standards into the Federal Home Loan Bank System, under the auspices of increasing access to credit would undermine those inherent safeguards and risk repeating the mistakes which led us to the last financial crisis and the conservatorship of other government sponsored entities.

The ability to truly evaluate the financial stability of Federal Home Loan Bank System would be in serious question given the lack of clarity into nonbank entities. This would jeopardize not only the Federal Home Loan Bank and the funds of its contributing members, but ultimately, the homeowners who truly benefit from the system.

They and their communities would be the ones who feel the impact of Federal Home Loan Banks inability to make good on its commitments. To be clear, I believe there should be no extension of membership to entities lacking the strict regulatory and compliance requirements of banks into the Federal Home Loan Bank System because of the very security those banks provide to the populations the system is designed to serve.

The mission of the Federal Home Loan Bank is clear and Missouri we could not be prouder of our industry's connection to the Home Loan Bank. Tens of thousands of homes have been delivered through banks thanks to the FHLB. We believe this mission and structure are critical to the wellbeing of communities across our state and wholeheartedly support efforts to see more activity driven through banks to ensure their communities and homeowners are healthy.

The current form of advances and grants and its exceedingly clear focus, allow the Federal Home Loan Bank to be capable of balancing its mission and its commitments to membership who directly fund its operations. I would strongly encourage FHFA to carefully evaluate any offsetting consequences of reportedly positive structural or mission oriented changes that could ultimately impact the capacity of financial institutions to deliver value to their communities through mortgage activity.

We hope that FHFA will enable the Federal Home Loan Bank System to continue operating in the safe and sound manner that has supported the financial goals of so many Missourians. And not put at risk, one of the most consistent and accessible sources of funding in the market today.

Remember, lessons from the last financial crisis have shown us many things, but perhaps the most important is that the Federal Home Loan Bank System stands alone in its stability and security. Whatever mission additions or revisions it may take on, whatever operational practices and efficiencies it may take, must be weighed against the fact that this entity should remain the safest and soundest entity that falls into that category, simply because of the commitments it extends to populations across the country. Thank you.

Karen Burk: Thank you. Our next speaker is Helda Saad from First Independence Bank, who will be followed by Jim Hunt from OnPoint Community Credit Union.

Helda Saad: Good afternoon, I'm Helda Saad from First Independence Bank. My speech is more detailed and personal than what my colleague banks have mentioned in this listening session. We at First Independence Bank have used all of the FHLBI, Federal Home Loan Bank of Indianapolis grants and programs since 2007. I have personally worked alongside with Anna Shires and Marybeth Watt on several projects and programs.

As we all know, the access to funds and financial resources play an essential role in community banks, especially CDFIs, by giving us the opportunity to support our community with programs such as the Neighborhood Impact Program, which is a grant to assist qualified homeowners with deferred maintenance for repairs, the Neighborhood Stabilization Assistance, FHLBI is a homeownership set aside which expired in 2012. Mind you, all of these programs we have personally used here at First Independence Bank.

We've also used the Disaster Relief Program, which can assist homeowners in need affected by natural disasters we use. The Affordable Housing Program which is a financial institution partner with local for not-for-profit housing providers. And they actually give developers to compete for Affordable Housing Program (AHP) grants of up to $500,000. These grants help fund the acquisition, constructions, and rehab of properties for use as affordable rental homeownership. And the HOP program which is the Home Ownership Program, and that is to help first time homebuyers with down payment assistance.

With all these programs, we have personally received $4.6 million in funding, which in turn has helped 621 households. Which shows the vital role the FHLB has played in the community, especially in Detroit.

Finally, I would like to add that the FHLBank of Indianapolis has also always served Michigan and the Detroit area. However, being based out of Indianapolis has made it more challenging to bring the benefits of its Affordable Housing Programs to the metro Detroit area and the state.

Which then FHLBI felt the need for a satellite office in Detroit in October of which they opened in October of 2021. That's when they opened their doors. And I want to thank Cindy personally for her statement in recognizing the need for this location by stating that our Detroit hub will provide space for us to facilitate better community investment engagement between local partners and financial institutions committed to affordable housing and community development.

We are very thankful for this opportunity and appreciate all the support of the FHLBI has given it to Michigan and in particular to the Detroit market. I felt the need to go into details because of the different programs that FHLB has given to the metro Detroit area. Thank you and have a great day.

Karen Burk: Thank you. Our next speaker is Jim Hunt from OnPoint Community Credit Union, to be followed by Felipe Rael from the Greater Albuquerque Housing Partnership.

Jim Hunt: Good afternoon. My name is Jim Hunt and I'm the Chief Financial Officer at OnPoint Community Credit Union, based in Portland, Oregon. Thank you for the opportunity to speak to you today. OnPoint was founded in 1934 as Portland Teachers Credit Union has since grown to be the largest member owned financial institution in Oregon with 500,000 members. We offer a wide array of financial products, including being the largest mortgage originator in Portland.

I wanted to talk to you this afternoon about our partnership with the Federal Home Loan Bank of Des Moines and how they have been an integral part of us serving our community.

We primarily use borrowing from the Federal Home Loan Bank to help in funding programs for Residential Lending. For more than 20 years, we have used these programs to help fund our Homeroom and Just for Starters programs. Each year OnPoint originates around 200 loans under these programs. These programs are for first-time homebuyers and school teachers. We are able to offer them 100% financing without private mortgage insurance.

A unique aspect of the program is that they include a mandatory homeowner’s class on what it means to own a home. We can't sell these loans to Fannie Mae and Freddie Mac, and we would not be comfortable making them if we did not have the Federal Home Loan Bank available for the term debt offerings.

Our members trust us, and we trust the FHLB. In addition to these programs, we have several other mortgage options for our members that do not fit the more standardized conforming mortgage guidelines that Fannie Mae and Freddie Mac offer. These exceptions are usually unique to each member.

Knowing that we have the FHLB behind us allows us to meet our number -- members where and how they need us. Without this availability, our members would be out of purchasing a home completely or have to turn to much more expensive alternative prior.

What we have found is that Fannie Mae and Freddie Mac are most efficient for serving conforming loans. However, they do not meet the needs of all of our members. Early in my career, the savings and loans filled this need in our markets. Now that role has shifted to community banks and credit unions, like OnPoint, and the FHLB advanced program is key to allowing us to fill that need.

There is no replacement out there for us, a smaller institution, to fund 30 year loans without taking an uncomfortable level of interest rate risk. Large banks have alternative sources of funds that smaller institutions do not have access to. With term advances the Federal Home Loan Bank can dramatically reduce the level of risk we take when offering these loans.

At OnPoint, our tagline is, people are the point. We're a place where people can go and ask basic questions and get good honest answers that don't include a sales pitch. Our mission is to be a partner with our members and to provide the best financial services to them that we can, just like our partnership with the Federal Home Loan Bank of Des Moines.

Our members lead the conversation about what's important in their families, bringing their goals and challenges to us. We are there to help them to be successful all along the way of their financial journey. And the Federal Home Loan Bank of Des Moines gives us the tools to be able to do that. Thank you.

Karen Burk: Thank you. Our next speaker is Felipe Rael from The Greater Albuquerque Housing Partnership, who will be followed by Eric Johnson from CNO Financial Group.

Felipe Rael: Hello, my name is Felipe Rael, Executive Director of The Greater Albuquerque Housing Partnership, a nonprofit affordable housing developer based in Albuquerque, and a past recipient of AHP for some of our homeownership activities.

Throughout my career I've served as an originator for multifamily loans at a Fannie/Freddie FHA desk shop, served as the Director of Housing Development for the New Mexico's Mortgage Finance Authority, both an affiliate and cofounder of the Federal Home Loan Bank of Dallas, AHP program.

Currently I serve on the Federal Home Loan Bank of Dallas board of directors, and previously served on its affordable housing Advisory Council. Coupled with my own background in affordable housing, I've had a unique perspective on the impact of the Federal Home Loan Bank of Dallas' impact on rural and underserved communities.

Some quick data points on FHLB Dallas. Between 1990 and 2021, the bank awarded $344.6 million in AHP subsidies through members to help or construct nearly 60,000 housing units for households earning less than 80% of the area's median income. For rental that represented 32,783 units, and of those 24,022 very low income units. Putting a number on that in my marketplace, that would be a household of four earning less than $35,000 a year.

In 2021 alone, with subsidies up to $750,000, the bank awarded $18.5 million in total AHP subsidies, providing funding for 2,113 housing units, including 1,587 very low income units. Think again, households less earning $35,000 a year.

Let's transition a little bit to tribal housing and rural community housing. My home state of New Mexico is rural with an average of 17 people per square miles. Over the past five years, the Federal Home Loan Bank has approved 146 AHP projects, 57 of which were rural, representing 39%.

Rural areas come with their own set of challenges, poverty, limited transportation, reduced economic opportunities, economic opportunities, limited social services, and an overall aging population. AHP has played a crucial part in meetings these critical housing needs. In underserved areas in New Mexico rehabbing homes, and also work on 23 federally recognized tribes and pueblos in New Mexico, 19 pueblos, three tribes and the Navajo Nation.

I want to share a little bit specifically about Federal Home Loan Bank of Dallas' outreach to tribal housing authorities. Through two members we have a long AHP history with Ohkay Owingeh, a community of pueblo people in the rural area north of Santa Fe, with a population of 6,748. AHP awarded funding more than

$400,000 helped leverage $4 million towards affordable multifamily construction on the problem. In 2021 alone, $300,000 was awarded to Ohkay Owingeh in down payment assistance for first time homebuyers.

In a rural southern part of New Mexico, the Federal Home Loan Bank of Dallas awarded $350,000 in AHP funds to rehabilitate 35 dilapidated homes owned by the Mescalero Apache Tribe. This $2.2 million development served 60% of the households who earn less than 50% of area median income, including over 40% of the households earning less than 30% of area median income.

This summer, the bank celebrated the grand opening of the 65 unit Siler Yards in Santa Fe. This is for low income artists in a high cost area. The $650,000 grant leveraged over $17.4 million in total development costs and the project achieved a net zero energy certification.

The Federal Home Loan Bank of Dallas also contributed $250,000 to two organizations for the replacement of affordable housing lost in the devastating New Mexico wildfires. The village of Ruidoso, a rural area in the southern part of our state, experienced the destruction of more than 200 homes and structures. Through one of our voluntary programs, the bank awarded $200,000 in disaster recovery funds to assist 17 low to moderate income households who lost their home without any insurance.

Cornelius Hurley made the assertion that the Federal Home Loan Banks treat that 10% AHP commitment as a ceiling and not the floor. That's not my experience. Through the AHP competitive and set aside programs the Federal Home Loan Bank of Dallas, puts a balance of rental and homeownership priorities in our district.

Karen Burk: One minute remaining.

Felipe Rael: If the bank's AHP commitment is increased dramatically, this may reduce the ability to fund voluntary programs that support disaster recovery, nonprofit partners, small businesses, or adaptability improvements for veterans in Goldstar families.

The Federal Home Loan Bank Affordable Housing Program funds not only our required programs, but many in excess of the 10% commitment due to voluntary. Sometimes the AHP is the first committed funds to a project. Other times it's the last piece of financing needed to close. Either way, we've heard time and again from Federal Home Loan Bank, Dallas members and sponsors that these projects would not have happened without AHP funding from the Federal Home Loan Bank. Thank you.

Karen Burk: Thank you. Our next speaker is Eric Johnson from CNO Financial Group, to be followed by Doug DeFries from Bank of Utah.

Eric Johnson: Thank you for including me today. My name is Eric Johnson. I'm the Chief Investment Officer of CNO Financial Group. We're a family of insurance companies with offices in Carmel, Indiana and Chicago, Illinois. Our mission is to serve middle America's insurance and financial needs especially at or near retirement.

We have roughly four million customers who rely upon us to meet their protection needs. Roughly $38 billion in total investments, including roughly $3 billion, which are mortgage related loans and securities. You know, we have roughly 4,000 employees, 9,000 agents, and 260 branches across the country.

Each of our three main operating companies are active Federal Home Loan Bank members and borrowers. Bankers Life, which is in Chicago, joined Federal Home Loan Bank of Chicago in 2010. Washington National, which is here in Indiana, joined FHLB Indianapolis in 2011. And Colonial Penn joined Federal Home Loan Bank Pittsburgh in 2015. In total, our companies have approximately $2 billion in advances and hold roughly $75 million in preferred members stock.

Each bank required significant credit review and did significant due diligence upon our membership and thereafter. This included on site management interviews, financial reviews, discussions and reviews of forward looking plans and projections.

You know, while we've been members for some time now, each bank has -- continues to be part of a disciplined ongoing process for updating its credit analysis. In addition, each advance is strongly secured by a marketable collateral, which is conveyed into a tri party custodial arrangement. You know, we feel that the banks are well protected.

And in fact, during the term of our membership of Chicago, Indianapolis and Pittsburgh, our credit rating has been upgraded by the NRSROs from below investment grade to strongly investment grade. And by and best from the B category to the A category. This is a mutual success story to which the Federal Home Loan Bank System has contributed, and it's helped our customers.

Our advances are substantially invested in housing and mortgage related securities. This enables us to invest in high quality, highly rated investments that support the housing system that we might otherwise not be able to invest in. This helps every participant in the mortgage financing system.

And to be clear, insurance companies are very important participants in the mortgage financing system. While we don't tend to originate the loans, those maybe mortgage brokers, we don't tend to necessarily securitize the loans those might be Wall Street. At the end of the day, a very substantial amount of the capital that supports the, the mortgage finance system is coming out of the insurance companies like CNO Financial.

The Federal Home Loan Bank has been a great partner to us and has provided access to very important consistent funding that we've relied upon to support our efforts, and that we redeployed largely into high quality mortgage related assets.

For example, during the financial crisis, we could not have sustained and even increased our commitments in this area without the consistent low cost support from the, from the, from the Home Loan Bank System. That's been great for everybody.

We, we feel that the system has been a great partner to CNO Financial Group in meeting our objective of serving middle income America. And we thank you for taking the time to listen to us today.

Karen Burk: Thank you. Our next speaker is Doug Defries from the Bank of Utah. And when -- after he speaks we will have a break. Thank you.

Doug Defries: Good afternoon. And thank you for the opportunity to speak. I'm President and CEO of Bank of Utah Community Bank in Ogden, Utah. I appreciate all the prior speakers for sharing their perspectives and ideas on how the FHLB can work to meet the needs of its members and the broader financial community.

First, I'd like to say it's an honor to be a community banker for 36 years, while the greatest purpose of the community banking industry is to stimulate jobs, economic development, and ensure that our neighbors have a great place to live and work.

We work through this purpose in good times and even harder to that purpose in challenging times. And in economic crisis we don't leave our communities, or our customers behind, we step up. We can do that with confidence because the FHLB has been there to support us, as needed.

I can't help but think of the phrase the past as a useful marker for the future. While we're focusing on what's ahead in this public listening session, I feel it's very important to remember history, and I want to share just quick story with you.

A bank customer, a pallet manufacturer, showed up one morning at his longtime branch in 2018 and requested to draw a significant portion of his account in cash totaling $2 million. Like many people across the country, he was anxious with the global financial crisis and the burst of the US housing bubble then.

He was genuinely scared that all banks were going to collapse, and he would lose his hard earned money. He believed it was more secure in his home. Because the Bank of Utah had ample liquidity, we provided him that cash and the transfer had to be carefully, carefully orchestrated, $2 million and one hundred dollar bills are 20,000 pieces of paper.

They were loaded on two suitcases in a pallet in, in his truck, and the police escorted him home. During that time, our bank fielded hundreds of calls from apprehensive customers. I'm sure many of the bankers who are listening today faced similar situations during the Great Recession. Bank panic, it was unfortunately common during that height of that financial area of crisis.

While Bank of Utah had met the liquidity needs of that customer, what if we hadn’t? The thought crossed my mind occasionally. Could we have gone to our correspondent banks or the Fed for assistance? Yes, technically. But when the bank starts to show weaknesses -- weakness, others don't feel as comfortable lending.

In that worst case scenario, I'm comforted by the fact that the FHLB remains a liquidity backstop for the system. If we could borrow through the FHLB through our -- through various types of lending, which is well secured and necessarily buy real estate assets that is what the business that we are in at the Bank of Utah.

If we even look further back to the Great Depression there were no backstops, no Federal Deposit Insurance Corporation (FDIC), no FHLB. There were recessions every other year. People lost their money and their homes. The FHLB evolved from that Great Depression along with the FDIC. It remains a safe and sound structure providing affordable liquidity to local lenders, so they continue to work towards their purpose, serving the -- our neighbors.

Another way that we do that is by participating in the Affordable Housing Program and HomeStart Program which have both been talked about a lot. As we look to tomorrow, new opportunities and challenges to champion affordable housing and homeownership will undoubtedly, undoubtedly become available as we manage through any fluctuating economy and housing market.

A review of the Federal Home Bank System is important to ensure that we continue to make an impact where it matters most in the community. As we look at history, the FHLB has been helpful bring homes and financial stability for that for those 90 years. The use of Federal Home Loan Bank advances is not an alternative to getting depository customers that we want to pay interest to. It's, it's the function that helps us to be able to balance our system.

For over 70 years, Bank of Utah has partnered with the FHLB to ensure that we can continually provide for our customers. To that end, I'd like to end by circling back to that customer who withdrew the $2 million.

Nine months later he deposited all that cash back into his Bank of Utah account, because we demonstrate the strength, resilience and because we continued to help the community through the crisis, we kept his trust. We could do that and we continue to do that in the future because we know that this institution, the Federal Home Loan Bank System can fulfill that role and always stands behind us. Thank you very much.

Karen Burk: Thank you. So, we are now going to take a break. We will resume at 1:50 p.m. After our break we will first hear from Michael Jones from Thrive Mortgage, followed by Fred Miller joining us from the Bank of Anguilla. Thank you.

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Welcome back to the second half of day two of FHFA's Public Listening Session on Federal Home Loan Bank System at 100: Focusing on the Future. As a reminder, we are recording this session and will also prepare a transcript of the meeting, including your names and organizations that you represent. We'll post the recording and the transcript on the FHFA website and YouTube channel along with any materials that our presenters use today.

Matt Franklin from MidPen Housing has joined us and will speak first, followed by Michael Jones from Thrive Mortgage.

Matt Franklin: Hi Karen, are you ready for me? Great. Well, thank you so much for having me. I'm Matt Franklin. I'm the President and CEO of MidPen Housing. We're a nonprofit affordable housing developer, owner and manager based in Northern California. We own and manage about 9,000 affordable apartment homes in 11 counties. Our southern border of our -- the southern border of our business footprint is Monterey County in the south, and we go all the way up to Napa and Sonoma County, so it's essentially the San Francisco and Monterey Bay Area.

And we develop new apartments own and manage the 9,000 homes and then have a about a $12 million a year resident Services Program. We're providing some investments in our residents annually on site at the properties.

Thank you so much for giving me just a few minutes here. I am a big fan of the Affordable Housing Program nationally. And then also really specifically out of the San Francisco BayI -- before I joined MidPen, I had a long public sector career including being Deputy Federal Housing Commissioner under HUD Secretary Andrew Cuomo and the Clinton-Gore Administration. And my direct boss in the Federal Housing Administration, William Apgar, was the representative on the Home Loan Bank Board. He was assisted by Jim Grant, I don't know if he's still part of your, your system, but he was an amazing employee there for a long time at the national level.

So, I had a chance to see the good stewardship and care of the AHP program nationally. And then I've really enjoyed for the last couple of decades seeing it on the -- in effect on the ground. We of course have a, an enormous, affordable housing crisis here in the San Francisco Bay area. We have about 40,000 unhoused individuals, and another one million, fully one seventh of the Bay Area are extremely low income.

And, and therefore at risk of homelessness, living right on the edge and our really very fragile regional economy that has had runaway inflation and cost of, cost of living pressures for quite a long time.

At MidPen Housing, we're able to put the AHP dollars to use for very, very high impact in addressing, in creating housing stability for those populations. Forty percent of everything we build is targeted to the formerly homeless and extremely low income. And then that's balanced out by, by low income 80% AMI and lower households in our communities.

The AHP dollars play a really important gap role. They're often maybe as little as five or four or even 3% of the total financing. But they're incredibly effective at leveraging a variety of federal, state, and local sources that we put to great use in every development we do.

It's very well run in terms of its stewardship of the public interest. Very professional, qualified team that, frankly has a large voice in housing policy in our region, because of their expertise and standing. But it's also quite accessible and frankly, pretty simple.

And that's enormously helpful. Because we have a generally a, a problem with too much complexity, too many programs, too many conflicting rules and regulations. It's not unusual for us to have five, six, even seven sources of public funding from different levels of government in one apartment building, again, often with conflicting requirements.

And so, there's a real skill and wisdom to how the program is run, a very seasoned team. And I, I just want to thank them for their work over the years and appreciate this opportunity to raise up how important their work is and the, and the investment through the AHP program is.

Karen Burk: Thank you.

Matt Franklin: Thank you.

Karen Burk: Our next speaker is Michael Jones from Thrive Mortgage, who'll be followed by Fred Miller from The Bank of Anguilla.

Michael Jones: Good morning everyone. My name is Michael Jones, I'm the Chief Financial Officer with Thrive Mortgage. We are an independent mortgage bank, we're based outside of Austin, Texas. We will help about 12,000 families this year, which equates to about $2.5 billion or so volume.

I very much appreciate that the Federal Home Loan Bank is looking at, and FHFA is looking at the opportunity to look at how the, the system works. Now when the system was created, the IMB model didn't exist. And so now the IMBs are dominating the market in terms of serving families to get them into their homes, sometimes for the first time. This is an exciting time for us.

Last year Thrive Mortgage had an opportunity to receive an investment from a community bank that actually allowed us to have some access to the Federal Home Loan Bank System. And that has been very helpful for us in 2022. We don't have full access, and it's a little bit,you know, it can be a little bit difficult sometimes to navigate that. But it has been very helpful.

Specifically as it relates to solving the affordability crisis. Recently, Fannie Mae and Freddie Mac have updated their guidelines to accept grants, some of which may come from the Federal Home

Loan Bank. And so I think it would be an excellent opportunity for independent mortgage banks to get full access to the Federal Home Loan Bank System so that they can take advantage of these grants, so that they can provide more affordable loans and more affordable financing to these families that are trying to get out of higher rents. That are wanting a little bit more control over what their payments going to look like. And we all know the benefits of homeownership in this country.

So, I just wanted to echo the comments that I know MBA and a number of other constituents were making yesterday that granting access to independent mortgage banks will be a very positive thing for the housing finance system in this country. As IMBs currently are providing the majority of financing out there. We're community lenders and our loan officers are nationwide collectively. And so we can very quickly deploy affordable financing options to the borrowers that need it the most. So, I cede my time. Thank you.

Karen Burk: Thank you. Our next speaker is Fred Miller from the Bank of Anguilla, and he will be followed by Steven Gladman from HZPOLICY.

Fred Miller: Good afternoon. My name is Fred Miller, and I'm a member of the Board of Directors of the 118 year old Bank of Anguilla, a $170 million CDFI bank in rural Mississippi. I also serve on the board of directors of Hope Enterprise Corporation. HEC is the sponsor of a CDFI, MDI, the Hope Credit Union that serves a five state area providing housing small business and minority loans to its underserved members.

Most rural bankers would say that their institutions are the lifeblood of the community they serve. Mine is no different. I'm also the former mayor of the largest town and county seat in our county, and I've served the community for over 50 years, working with many nonprofits that serve the area.

The bank is domiciled in Anguilla, a small town of only 496 people. We’re the only depository institution in a two county area that has a total population of less than 5,000 according to the 2020 census. The 2010 census showed approximately 40% of the population lives below the poverty level. The two counties are listed as the second and tenth worse counties in Mississippi, and Mississippi is the poorest state in the country.

The funds set aside for AHP are only part of what the system Banks do for their members and their customers and communities. The economic, the economic development their programs provide for communities that we serve is huge. Other voluntary programs provide needed benefits tailored for the region in which the Banks serve, including major disaster relief.

Our bank joined FHLB Dallas in 1991, shortly after FIRREA (Financial Institutions Reform, Recovery, and Enforcement Act of 1989) was passed. This allowed us to access funds that were so vital to the bank's ability to serve our community. When, in the early 2000s, agricultural and small business loans were allowed to be used as eligible collateral, our bank was able to include this as a large part of its liquidity plan. It remains critical to us as it has for the past 20 years.

Our bank is primarily a small business and agriculture based bank reflecting our local economy. Seasonal advances through the Dallas bank are necessary for us to support our local economy during the growing season. Having this ability to borrow for our short term needs, allows us to make many home mortgage loans to our citizens. Many of these loans are what others might consider unprofitable, because of the doll -- small dollar size, but without them, many of our people could not afford a place to live.

The Home Loan bikes allow these loans to serve as collateral for the advances we can access from the system. There is no doubt, because of the seasonal nature of the crops we grow cotton, soy beans, rice and corn, we could not provide the liquidity necessary for our seasonal demand for funds, which almost doubles during the growing season.

It is virtually impossible for us to raise deposits in our poor community for the short term needs. The advances we can access from the home loan banks allow us to make the longer term loans for housing, farm equipment, and agricultural land that supports our community. These advances help the bank to invest directly into municipalities and county governments in our trade area through loans and the purchase of bonded debt.

The cost of funds from the Home Loan Bank system provides us a low cost borrowing. We are provided these lower cost funds and the liquidity through our membership. Without these resources, many rural community banks, including Bank of Anguilla and many others, would operate less efficiently.

Given the small size of our bank, and other rural banks. the overhead and costs associated with today's regulatory climate and its requirements would make it difficult to survive. It has been stated in an earlier comments that the use of the system advances allow members to enhance their earnings. This is true.

However, without these earnings, banks such as the one I serve may not exist. Without the presence of community banks in impoverished communities such as mine, the community would have no chance of survival.

Rural banks, particularly agricultural lenders like us --

Karen Burk: One minute remaining.

Fred Miller: -- rely on the Home Loan Bank System to support all of our unique communities and our banks stated mission to support them. We ask that as changes and improvements are discussed that the interests of small and rural communities are dealt no harm. I thank you for allowing me to speak on the benefits that the Home Loan Banks provide to small and rural banks and the communities they serve. Thank you.

Karen Burk: Thank you. Our next speaker is Steven Gladman from HZPOLICY, followed by Jacque Woodring from Prospera Housing Community Services.

Steven Gladman: Thank you. Will I control the slides, or will I have to ask them to be advanced?

Karen Burk: Please ask them to be advanced.

Steven Gladman: Thank you. Good afternoon. And thank you for the opportunity to speak. My name is Steven Gladman. Next slide, please. I just ended a 35 plus year career doing housing policy and housing finance last year and I now operate a small consulting firm HZPOLICY. And my comments today are my own and not any of the other organizations that I've worked for in the past.

But from 2006 to 2021, I was the CEO of the Affordable Housing Trust for Columbus and Franklin County. It's a private nonprofit organization that specializes in financing for affordable housing in Columbus, Ohio and in Franklin County. It's funded locally by the city and the county. Currently has $100 million in assets and we were able to do an additional $100 million loan fund, which I'll reference later because I think the Federal Home Loan Bank had a very key role in letting us do that.

We (the trust) became a CDFI, then in 2017 became a member of the Cincinnati Federal Home Loan Bank. The Affordable Housing Trust since its inception to 2021 made over $200 million in affordable housing loans and created or preserved over 11,000 units. Next slide, please.

The experience I've had with the Cincinnati Federal Home Loan Bank, as I served on the Affordable Housing Advisory Council from 2008 to 2017 and was Chair from 2015 and ‘16. I was also very involved with the other banks, housing program, boards, and councils during the time that the regulations for AHP were revised.

The Federal Home Loan Bank, Cincinnati Advisory Council’s a diverse group of 50 housing and development leaders from around the three state area. One of the advantages of being involved with the Federal Home Loan Bank for organizations that I represented, were just simply the ability to interface with other folks that had similar interests and challenges in various parts of the country.

And as a former CEO of a CDFI, and spending 35 years in affordable housing provision, my work success really depended on accurate financial planning, reporting prudent risk management and strong internal controls. And this really exemplifies what the Federal Home Loan Bank does. And I think that's very important to remember when we're looking about making any changes that we don't lose sight of that and what's been accomplished by having that as a, as a central theme of their organization. Next slide, please.

The value of the Affordable Housing Program from the Federal Home Loan Bank is it provides valuable gap financing to complete certain housing projects. And sometimes those grant funds are first in and that helps attract other funding. And other times the grants serve as a final piece of the funding puzzle.

But clearly, if you have an AHP grant, it makes it much easier to attract other, other equity. I'm going to show you a couple examples in a minute of projects that wouldn't have been able to come to fruition with -- without the Federal Home Loan Bank involvement. Next slide, please.

I think it's important to actually talk about the projects and the people. I think when we do housing finance, we often get involved in, you know, the financial jargon, capital stack and various ratios. And that's all important, but those are just the means to an end. And the end is to provide housing for our most vulnerable populations that need it. And so Touchstone Field Place is an example of that. It’s a 56 unit construction of permanent supportive housing, and it's for people that would qualify as being chronically homeless. Next slide, please.

So if you look at this financial analysis, and you see that $1 million of equity came from the Federal Home Loan Bank, that attracted the City of Columbus, the [inaudible] Housing Finance money, the

Franklin County HOME money, and that in conjunction with the deferred developer fee, added about $2.5 million of equity of this project. Without this contribution from the Federal Home Loan Bank, this project would not have occurred.

So, you would have 56 families or individuals that would, would not be housed in permanent supportive housing who would have gone into the homeless system, which is a much higher cost system, a much less a positive outcome. So, it's very important that we keep in mind who we're helping when we talk about

Karen Burk: One minute remaining.

Steven Gladman: -who we're helping. Thank you. Next slide, please.

The impact, and I won't go to too much in this just it's a good partnership of private and public institutions and regulators to create public housing. Next slide, please.

This is just another example where AHP invested $1 million in a project that resulted in the construction of those units for -- again for people with homeless needs. Next slide, please. And you can go to the next slide, please.

I wanted to point out that the Federal Home Loan Bank in Cincinnati goes beyond its 10% minimum requirement has other programs that addresses community needs.

Karen Burk: Thank you, your time is up. Thank you.

Steven Gladman: Thank you.

Karen Burk: All right, our next speaker is Jacque Woodring from Prospera Housing Community Services, who will be followed by Aminah Moore from the National Association of Federally Insured Credit Unions.

I think we may be having a technical difficulty. Let's move on to Aminah Moore from the National Association of Federally Insured Credit Unions and we will try to circle back to Jacque, thank you.

Aminah Moore: Thank you. I'll be providing comments on behalf of the National Association of Federally Insured Credit Unions. NAFCU advocates for all federally insured not, not for profit credit unions, that in turn serve 133 million consumers with personal and small business finance -- financial services products. NAFCU thanks to FHFA for wanting to hear from stakeholders through this listening session and also appreciates the FHFA for conducting a comprehensive review to ensure the Federal Home Loan Banks remain positioned to meet the needs of today and tomorrow.

As of the end of 2022, the Federal Home Loan Banks had 1,574 credit union members. That represents a growth rate of more than 30%. Three hundred eighty four additional credit union members over the past ten years have been added as, as members of the Federal Home Loan Banks. Credit unions now account for nearly 25% of the Federal Home Loan Banks' total membership. Just ten years ago, credit unions only accounted for 15% of the Federal Home Loan Banks' total membership.

NAFCU asks that the FHFA do no harm to the Federal Home Loan Bank System. Over its 90 year history, the Federal Home Loan Banks provided critical liquidity to credit unions, including many smaller credit community lenders that often do not have access to other sources of low cost funding. Access to low cost funding provided by the Federal Home Loan Banks help credit union members make a better return on deposits, allowing them to meet the credit and community development needs of the communities they serve.

The cooperative nature and regional structure of the Federal Home Loan Banks enables each Federal Home Loan Bank to respond to local needs and design products and services tailored to the community served by their credit union members. Federal Home Loan Banks operate without taxpayer dollars and no Federal Home Bank has ever taken a credit loss on a loan to a member, credit union or otherwise.

It is critical that the regional nature of the Federal Home Loan Banks be maintained to continue to effectively serve its credit union members. Current credit union members continue to have access to the Federal Home Loan Banks, and any changes to membership or structure enhance the value and importance of the Federal Home Loan Banks to their credit union members and the communities they serve.

The Federal Home Loan Bank System remains relevant, provides value to its credit union members, and enhances stability in the financial system.

The Federal Home Loan Banks are required to calculate each member's institutions tangible capital. FHFA regulation state that the Federal Home Loan Banks cannot make a new advance to a member with negative tangible capital without written authorization from the NCUA. This could have major long term effects in the coming months due to rising interest rates and inflation if it's left unaddressed.

NAFCU urges the FHFA to work with the National Credit Union Administration (NCUA) and the Federal Home Loan Banks to streamline the regulatory process in order to preserve existing member partnerships. In order to maintain reasonable risk in the system, any expansion of membership to the Federal Home Loan Bank System should exclude non depository institutions such as Fintechs, because they are not subject to capital requirements and a regulatory scheme from a Prudential regulator.

Currently, the vast majority of Federal Home Loan Bank members are examined depository financial institutions which provides the Federal Home Loan Bank System with a significant degree of safety. When members of the Federal Home Loan Bank System are subject to prudential regulation, it reduces credit risk within the system.

In order to preserve risk in the system and preserve its benefits for current membership, the most important financial factor must be the presence of capital requirements and a prudential regulator.

Under the Federal Home Loan Bank Act, the definition of a community financial institution excludes credit unions because they are insured by the NCUA not the FDIC. Structurally, credit unions are bound to a mandate to serve their communities because they are not-for-profit member-owned financial cooperatives.

They're only allowed to serve their defined fields of membership due to this unique structure and the significant legal limitations placed on credit unions to ensure this mission adhere to all credit unions are inherently community financial institutions. Including credit unions in the definition of community financial institutions would allow more credit unions to make use of the exception to the membership requirement to have 10% of total assets in residential mortgages.

Additionally, increase in Federal Home Loan Bank membership by safe and sound organizations that share the Federal Home Loan Banks’ mission of community development. NAFCU has urged Congress to expand the community financial institutions definition in the Federal Home Loan Bank Act to include credit unions and would welcome the support of the FHFA in this effort to correct the exclusion of credit unions from this statutory definition. This change will ensure that the benefits of the Federal Home Loan Bank System are fairly and appropriately extended to as many members as possible. Thank you again.

Karen Burk: One minute remaining.

Aminah Moore: for hosting this listening session. That concludes my remarks.

Karen Burk: Thank you. Our next speaker is Jacque Woodring. She's joining us from Prospera Housing Community Services and who will be followed by Max Yates of BankPlus.

Jacque Woodring: Good afternoon, my name is Jacque Woodring, and I am the Executive Vice President of Prospera Housing Community Services, headquartered in San Antonio, Texas. I have served nine years on the Federal Home Loan Bank of Dallas's Affordable Housing Advisory Committee and have served as Chair since 2021. I've had the pleasure of also serving on the Federal Home Loan Bank of San Francisco's AHP, as an affordable housing developer and resident of Nevada. I have 19 years of affordable housing rental development experience.

Some of the things that are so vitally important with the Federal Home Loan Bank System, since its inception in 1990 is that they have provided approximately $345 million in Affordable Housing Program subsidies. This is a huge program for the affordable housing industry.

The Federal Home Loan Bank of Dallas has helped fund or create a rehab of approximately 60,000 housing units, from home ownership to rental housing. These projects are for the homeless, drug and alcohol abuse treatment centers, people living with HIV and AIDS, low income housing residents and older Americans and homeowner disaster recovery assistance.

The Affordable Housing Program (AHP) funding is used for gap funding to help the capital stack to make affordable housing projects, you know, work more effectively. Two examples of this are; Les Mason's single family rental housing development located in Lockport, Louisiana.

It received $280,000 in AHP funding, and it was the first rental property built with a fortified multifamily building standard, which was designed to withstand up to category three hurricane force winds and flooding.

As this project was getting towards completion, Hurricane Ida swept through Louisiana and this project only sustained very minor impact.

A second example is Weslaco Village Apartments located in Weslaco, Texas. The Federal Home Loan Bank provided $750,000 of

Affordable Housing Program subsidy to help expand and completely tear down and reconstruct 50 apartments.

This project will provide resident services tailored to meet the needs of the community. This project is expected to be completed in 2025.

The Federal Home Loan Bank of Dallas currently has three Homebuyer Assistance Programs. The first one is the Homebuyer Equity Leverage Partnership Program (HELP). Since that inception of 2002. the Federal Home Loan Bank of Dallas has awarded $32.9 million of funds to this program.

We have increased our HELP subsidy from $8,500 to $11,000 per, per member, and this has really helped with the rising cost of homes. Also the annual allocation has risen from $1 million to $4 million in 2022.

Our second homeownership program is the Special Needs Assistance Program (SNAP). This has provided almost $23 million to its members since its launch in 2009. This also helps assist some of the most vulnerable homeowners, the elderly, people living with disabilities, people living with HIV and AIDS and other special needs populations. This type of fund, funding is allocated at the beginning of the year and it typically runs out in three days.

Our third and final Homeownership Program is the Disaster Rebuilding Assistance, where it helps homeowners repair and rebuild homes damaged by natural disasters. This program's inception was in 2018. And since that time, it has provided $1.7 million in funding to repair or rebuild approximately 205 housing units. This was funded from the devastation of Hurricane Harvey, and it has also helped Hurricane Ida and other natural disasters since 2018.

Another program that the Federal Home Loan Bank of Dallas has involved in this small business based Boost, it's an economic development program offered by the Federal Home Loan Bank of Dallas, intended to help participating member banks finance qualified small businesses by filling the financing gap where a member can finance. And the loan requests are made by eligible small businesses.

The Federal Home Loan Bank of Dallas has also had an incredible response to COVID-19. Because of the experience with the National natural disasters

Karen Burk: One minute remaining.

Jacque Woodring: -- we've been able to provide $8 billion in special advanced funding and expansions to many of Community Investment Programs and $1 million in donations to food banks and schools. And I'd be remiss if I did not recognize our veteran’s program, Haven, which between the years of 2011 and 2021 there has been approximately $1 million funded to 106 veterans and seven Goldstar families. Thank you for your time today.

Karen Burk: Thank you. Our next speaker is Max Yates from BankPlus, who will be followed by Micah Bartlett from Town and Country Bank.

Max Yates: Thank you and good afternoon. This is Max Yates with BankPlus. BankPlus is chartered in Belzoni, Mississippi. We are a CDFI bank in Mississippi serving pretty much the entire state of Mississippi.

In the last two years we have expanded our footprint to include parts of South Louisiana and South Alabama as well. Most of the statistics and information I'll share will be about our impact in Mississippi and how the Federal Home Loan Bank has been such a valuable -- invaluable partner for us.

A little about myself. I've been in banking for 42 years. I've grown up in Mississippi. All the banks I've worked for has served Mississippians. One statistic I think that was shared by an earlier speaker to keep, keep in mind as I talk about some of these numbers and figures, I know we have a wide audience.

Mississippi is the poorest state in the country. The average area median income for households served by BankPlus is 41.7% of area median income. Most of these families absolutely are just living paycheck to paycheck, if that, and struggling in many ways. So again, the programs that the Federal Home Loan Bank provides us are just absolutely essential to the livelihood and existence of many people.

So, to go into some of the reasons and some of the programs that are so beneficial from the Federal Home Loan Bank of Dallas to us, because it provides liquidity to us to make loans to low moderate income people and communities.

That is a big part of what we do. BankPlus is a certified CDFI bank. We became certified back in 2009-2010. And with thatpercentage of our loans are to low moderate income people and communities. So, a significant portion of capital and leverage that we get from Federal Home Loan Bank, from our deposit customers and from our investors are deployed and to the benefit of low moderate income people.

The Federal Home Loan Bank providing that liquidity helps funds our loans. Our loan to deposit ratio today is north of 90%. Without capital funding and the advances provided from the Federal Home Loan Bank, we would not be able to make or close many of those loans.

Particular programs some that have been discussed here today, go to the benefit of low moderate income communities, to veterans, to the elderly and those with special needs. And one of the comments, in fact, from our community development department and our director of affordable housing, I was talking with him yesterday in preparation for this. And he said, Max, the Federal Home Loan Bank has been a single source of forgivable capital, through grants accessible by the bank, and benefiting our low income families.

So, it has been the sort of the bedrock of what we have built to become and our bank has been fortunate to be recognized by the FDIC and our examinations, with an outstanding CRA rating for four examinations in a row over the past 12 years.

And most of the funding, and maybe even all of it going back as far as 2002 was coming exclusively from the Federal Home Loan Bank of Dallas.

Since then, what our membership with the Federal Home Loan Bank has been able to do, it has helped us with our CDFI fund activities. It's helped the bank grow and produce its own matching grant dollars that we can put alongside Federal Home Loan Bank and other partnerships we've built.

So, we see this as a layering process to where the Federal Home Loan Bank has just given us the spark, and the foundation of which we've been able to build an outstanding community development and lending program throughout our communities.

Just a few examples that have been mentioned before, particularly in the affordable housing program in Dallas is referred to for home ownership. Our bank, since 2002, has received over $5.8 million in Federal Home Loan Bank grant money. It's benefited 675 LMI families. And that allowed us to make $52 million in loans at the bank. Those loans at $52 million would probably be close to zero without that down payment assistance, because that is what put enough equity into the deal to where the borrower's loan to value and their debt to income was not stressed too much.

Furthermore, in some of those cases, they've been able to avoid private mortgage insurance and things costs such as that --

Karen Burk: One minute remaining.

Max Yates: -- to have enough equity in, in the program. So, also the SNAP program, which has been mentioned, our benefit there to the families, we've benefited 780 families with over $5.6 million over the same period since 2002. The Federal Home Loan Bank meets the needs of the communities we serve. And again, they've been a bedrock foundation to building upon our Community Development Financial Institution (CDFI) mission in serving the people we want to do.

Again, our, our mission for the bank is to enrich lives and build stronger communities. And with the Federal Home Loan Bank, we're able to do that. Thank you so much.

Karen Burk: Thank you. Our next speaker is Micah Bartlett from Town and Country Bank, who will be followed by Dan Moore from Home Bank.

Micah Bartlett: Thank you again, my name is Micah Bartlett, and I'm the President and CEO of Town and Country Bank. We are a community bank headquartered in Springfield, Illinois with just under $900 million in assets. And our geographic market area represents about one-third of the state of Illinois.

While we offer a comprehensive line of banking products and services, our two areas of core focus include commercial and small business banking, and mortgage lending.

I commend the FHFA for holding these sessions and as a representative of an active member of the Federal Home Loan Bank of Chicago, I appreciate the opportunity to offer comments based on real world local market perspectives.

We utilize or participate in the following FHLB products and solutions/Advances including community advances and community small business advances, letters of credit, traditional and government MPF, down payment plus, and competitive affordable housing.

In addition to the products and solutions we rely heavily on the intellectual capital of the FHLB Chicago professionals to help us manage our balance sheet and risk and achieve our strategic objectives with our communities and customers.

This is included among many other examples hosting FHLB Chicago affordable housing experts in our markets for meetings with local not for profits to help them better execute their own housing and economic development initiatives.

We view the FHLB as a critical partner in our ability to achieve our own mission, which is to improve the financial wellbeing of our communities one person at a time. Our bank currently enjoys an outstanding CRA rating, based on our lending to low- and moderate-income (LMI) individuals and LMI census tracts, our community development lending and programs, and our small business lending programs. In each regard, we would not be able to achieve these results for the housing and economic development needs of our communities without FHLB products and solutions.

One example is the government MPF program. We saw an unmet demand in our markets and a need to enhance our government lending programs based on local statistics and demographics. And yet we lacked the scale ourselves or a partner that would allow us to deliver FHA, VA, and USDA loan programs, while also retaining local servicing which we identified as a key component in being able to reach the potential homeowners most in need.

We chose to partner with the FHLB Chicago early in the rollout of the MPF Government MBS program. Since then, we have funded over $300 million of government loans to the FHLB, representing 2,288 homes financed. This would not have been possible without the FHLB.

We are also an active participant in the Down Payment Plus Program, which currently totals $4.1 million in funds to 675 individuals. We believe both the government MPF program and the Down Payment Plus Program have been the biggest factors in our ability to offer robust mortgage products to improve credit availability to LMI borrowers in our communities.

We are keenly aware of the human side of the mortgage business. Buying and financing a home is one of the biggest and most stressful decisions that our customers, particularly first time homebuyers, will ever make. Providing hands on and personalized service is the key to our success, but none of it would be possible without the products and solutions provided by the FHLB.

Another example is the Federal Home Loan Banks Community Small Business Advance Program. We have been able to provide nearly 7 million in funding for small businesses in LMI census tracts that we would not have been able to do without this program, even though it's fairly early in its rollout.

Each of those loans represents a story of economic development and growth for small businesses. My personal view is that the unique structure of the Federal Home Loan Bank System has been key to its success in achieving its mission over such a long period of time.

Critical to this success are one, including only members who are regulated and financially capable to capitalize the Federal Home Loan Banks. Two, properly balancing risk management and safe and sound banking practices along with providing public benefits to the various member programs and affordable housing grants. Three, the cooperative structure to establish an effective public private partnership. And four, the efficiency and effective risk management inherent in the decentralized and regional structure.

While FHLB members are inherently conservative in their approach to business, the sharing of risks through capital stock and certain other risk sharing arrangements has allowed the members and the FHLB's to accomplish their mission consistent with the public interest, while minimizing the risk in doing so.

I would be highly skeptical of the ability to achieve this risk reward balance without the cooperative structure and current membership nature. Furthermore, the regional structure is critical to the ability to innovate and be responsive to members and local needs while also maintaining a proper balance.

Karen Burk: One minute remaining.

Micah Bartlett: This success and the ability to achieve results while managing risks did not come by accident. As policymakers entertain new ideas for the future, I would encourage them to fully consider the delicate balances that had been so effective for the FHLB system all these years. I would encourage policymakers to take an approach to innovation that builds on the successes while avoiding a disruption to this balance that can very likely increase risk and decrease the public benefit.

Moreover, it is critical that each FHLB Bank be allowed to innovate based on the needs and perspectives of their members and local markets. As one example, there are often questions about the proper level of affordable housing grants provided by the FHLB. These grant dollars are provided from the profits generated by member utilization of FHLB products and solutions supported by the capital stock also provided by the members.

Our bank has been a proud sponsor of competitive affordable housing grants. However, I would also warn that should the balance of benefits significantly change such that members are no longer incentivized to effectively utilize products and solutions --

Karen Burk: Thank you for your --

Micah Bartlett: -- the result would be less funds available, not more. In short, don't kill the goose that lays the golden egg.

Karen Burk: Thank you.

Micah Bartlett: Thank you.

Karen Burk: All right, our next speaker is Dan Moore from Home Bank, who will be followed by Brian Hudson from Erie Insurance.

Dan Moore: Thanks, Karen. Micah did a really a good job of articulating the membership question, etc. I think my comments would be more qualitative in nature. I'm in a unique position. I have been with a bank in Martinsville, Indiana, a suburb of Indianapolis, where I retired as CEO a couple of years ago, I'm now chairman. I was with that bank 43 years.

I'm also in my 12th year with the Federal Home Loan Bank of Indianapolis. And I've been blessed for the last four years to be the Chairman of the Federal Home Loan Bank of Indianapolis. And one of my greatest blessings is I've also been fortunate to be the Chairman of the Council of Federal Home Loan Banks this last year. So, I really appreciate the opportunity to tell the story.

As we know, the Federal Home Loan Bank System, we've kind of always been under the radar, not wanting to pat ourselves on the back about the good work we've done. But this is a forum by which we can really tell the story. So let me start out with our bank in Martinsville and my over 40 years of experience in that endeavor.

One thing I've learned through the years is that your vendors or your partners are important. And I would submit that in our bank, our two most important partners are our core vendor, which obviously drives our data, etc., and the Federal Home Loan Bank of Indianapolis. Having the right partners makes all the difference in the world and the Federal Home Loan Bank is one of our top tier partners in our ability to execute a community banking model.

In terms of my experience through the years, I don't think we want to get too excited when we see Federal Home Loan Bank advances dip, we've already seen them coming back. There are credit cycles. I've been through at least six through the years and it does ebb and flow. And the Federal Home Loan Bank System provides that insurance and that peace of mind as we go through these credit crunches, which happens periodically.

There is an ebb and flow in all of this. In our bank, we've used advances for both liquidity, I can think of many occasions where our ability to meet home blending demand was augmented by our ability to get advances. And we've also using them for at ALM, or Asset Liability Management.

They also as our regulators of the Office of the Controller of the Currency (OCC), for instance, and others look at shocking our balance sheet in terms of secondary sources of liquidity. We also use that as a buffer in making sure that the regulators know that we're well prepared for any liquidity crisis that might come along.

The Mortgage Purchase Program from Indianapolis we use a lot, I would submit that our preference would be to deal with the MPP program with Indianapolis as opposed to Freddie Mac for a couple of reasons.

Number one, I believe the MPP program is underwritten more conservatively, which leads to less delinquencies, which is a better policy overall. And we build relationships. Some of the large entities you never talk to the same person more than once. But when you deal with a local regional facility of Indianapolis Federal Home Loan Bank, there are relationships there that help solidify our service, also to our customers.

Affordable Housing Program (AHP), gives you a real example. In our community, in our dealing with poverty and homelessness, we were able to determine that a single female, with or without dependents had no safety net. We were fortunate enough that an anonymous donor gave us a building. But the Federal Home Loan Bank of Indianapolis stepped forward and gave us a grant that we were able to build the infrastructure for what Stability First is today. Which has had life changing results. Women who were homeless, and we've given them the tools to go out in society and make a difference.

The voluntary programs that the Federal Home Loan Bank of Indianapolis have speak to the innovative and creativity within the system when allowed. These voluntary programs have been amazing, allowing people to age in place by replacing roofs and furnaces.

One of the things I'm most proud of is the Federal Home Loan Bank, in looking around the expertise around the table, particularly in the community development and affordable housing sector, developed a program called Mentoring Communities. Where we have the bank has come into communities, had forums brought in thought leaders.

And I can give you one example of our community where I can show you examples of major things that have come out of that initiative.

One example is an individual stepped forward and invested $15 million in buying 30 buildings in our downtown area to help in that reinvestment. And all of that points back to that Mentoring Community forum that was started in Martinsville, Indiana some years ago.

Having said that, one of the things I've always thought is you need to protect the bank brand and defend the culture.

Karen Burk: One minute remaining.

Dan Moore: Very good, thank you. So, when we talked about the Federal Home Loan Bank System, and how viable and important that has been to our institution, part of my impetus, and part of my energy is around the idea of I personally am doing everything I can to protect the brand at our bank and also protect the culture and the Federal Home Loan Bank of Indianapolis as a major part of that. So again, thank you for the opportunity to tell the story. And again, I appreciate, again all the opportunity to speak and all the people that have been involved in this forum.

Karen Burk: Thank you. Our next speaker is Brian Hudson from Erie Insurance, who will be followed by Simone Lagomarsino from the Luther Burbank Savings.

Brian Hudson: Thank you, Karen. I applaud the Director Thompson and the staff at the FHFA for holding these listening sessions. As you mentioned, yes, I am currently a director of Erie Insurance. My background, I retired as the CEO of the Pennsylvania Housing Finance Agency in 2020 after 45 years, the last 17 as the CEO. I currently serve on the board of Erie Insurance, a REIT out of New York, and the community bank. All of them with affordable housing missions as a matter of fact and are active users of the system in their respective districts.

I first want to direct my comments overall to the system. The 11 banks that are now with the system. I heard talk, there's looking at consolidation. I think what you lose in consolidation is the word community. And as a relationship, community banks are in the community, they know what's needed for their geographic districts. If that consolidation occurs on some sort of magnitude, you lose that touch with the community and what's needed.

From an HFA (Housing Finance Agency) perspective, there are 50 HFAs, [New York may have two so that’s 51], throughout the United States. So, I would discourage any type of attempt to consolidate other than looking at practices within the Bank, and how can you improve those practices.

But those relationship managers that are in touch with community knows that, for instance, there may be down payment assistance needed in one particular community. There may be rental assistance. There may be an Affordable Housing Project that is geared to single mothers, for instance, that may be needed in certain communities. And the other one is just homeownership. So, I think that need gets lost because you don't have that context.

It made sense in 2015 to merge Des Moines with Seattle, I think geographically. Plus, I got a comment that you have a very competency over there and Kris Williams has been doing a fantastic job.

In terms of the operation, the liquidity that the bank provides to the system, I think we've heard that theme time and time again. It's a critical part of liquidity to the system. That certainly was proven in the Great Recession. And Pittsburgh alone our advances were over the $100 billion mark. And as every recession comes economically, whatever the case may be, I think that proves the value of the bank going through that system.

Community banks are critical partners in the housing. Many of them are becoming more and more players in the low income housing tax credit market. Not only are they providing loans of credit through the, through the bank system, but also they're becoming investors. So, they're getting more astute at making investments on both sides of lower -- low income housing tax credit.

You heard about the market. Now I know it's been said that you don't tout your own horn enough. What I think that needs to be done with some of these great programs that you have. And I think you should certainly expand, or fine tune some of them as you go forward.

For instance, banking on business that's run by the Pittsburgh Bank, BOB as we call it, is a set aside for small businesses. That is critical to helping these businesses get started. They then hire employees who then go on to grow. And it's critical to community with all the housing pieces that goes along with that.

The AHP program, which you heard about also. I do, and I am in favor of increasing the AHP program from the current 10% to the 15%. And I would say that because that AHP is the critical, but for money, that gets done. As you’ve seen previously, many of the housing projects have four or five sources of funding that are coming to the table to complete that project. And that AHP program funding is critical. FHFA where we do somewhere between 30 and 40 projects, and over half of those projects apply for AHP funding.

There's no need to reinvent the wheel on the AHP side. If you coordinate that program with many of the FHAs in the respective states, I think we have a model that could really do some very good production of housing that's needed across the country.

Members, HFAs have been non-member borrowers, I think they're a critical partner going forward. And look at the track record of nontraditional members. Should they be admitted to be a participants in the FHLBank system, that I believe is another avenue that the bank should explore. What type of criteria could be used to admit nonmember borrowers, they become active members? And particularly as you help the system fulfill its missions going forward.

On diversity and inclusion, I would say that the system should include to look at the structure of the boards. I don't want the banking on business set asides. They're actually doing that with NBE and WBE set aside. So that board diversity should continue to be an entity that's monitored to make sure that the proper representation is there.

Karen Burk: One minute remaining.

Brian Hudson: But at the same time, I think there's ways to expand these programs. And on marketing, the bank and the system itself. You have many partners out there. There's going to be legislation coming up, we all know that. The HFAs are part of the national housing coalition. All of those partners can be a very strategic advocate with the system, as you look to fulfill your mission. And I think it's critical that those partners be reached out to to get on the same page as you lobby Congress for ongoing legislation. Thank you for the opportunity to speak with you this afternoon. Thank you.

Karen Burk: Thank you. Our next speaker is Simone Lagomarsino from Luther Burbank Savings, who will be followed by Brendan McGill from Harleysville Bank.

Simone Lagomarsino: Good afternoon, Director Thompson, and good afternoon to the FHFA representatives and other participants on the call. Thank you for conducting these listening sessions. We'll move to slide two.

My name is Simone Lagomarsino, and I'm the President and CEO of Luther Burbank Savings. We are a $7.5 billion asset community bank operating in the western states of California, Oregon, and

Washington. While I'm also the chair of the board of the San Francisco Federal Home Loan Bank, my comments today will primarily focus on the involvement and benefits that Luther Burbank Savings has been able to channel to the communities that we serve as a result of our membership in the FHLB.

We are primarily a residential lender with more than 97% of our loans financing either single family or multifamily properties. We focus on providing financing for affordable housing with more than half of our multifamily loans and about 14% of our single family loans being in low and moderate income census tracts. We're able to provide this financing for affordable housing, largely because of our membership in the Federal Home Loan Bank of San Francisco. Slide three please.

Luther Burbank Savings values our 39 year relationship with our Federal Home Loan Bank for several key reasons. First, our Federal Home Loan Bank helps us to manage our liquidity easily with just a phone call.

Secondly, we're able to extend out the duration of our liabilities through term advances supporting strong interest rate risk, so we can finance support of our local markets. And I would like to note that the Federal Home Loan Bank Systems access to the debt markets is critical to our ability to support affordable housing in our local communities. Slide four.

Luther Burbank Savings currently has more than $1 billion in outstanding advances with our Federal Home Loan Bank, as well as a letter of credit and a safe keeping arrangement for our securities portfolio. Having said all of that, I would say that the most important aspect of our relationship with our FHLB is their mission and our commitment to the communities across their region through their various grant programs. Slide five/

In particular, over the past five years, Luther Burbank Savings has helped 44 borrowers buy a home with down payment assistant grants from our FHLB, totaling $852,000. We would truly value helping more low and moderate income first time homebuyers, but we're very limited by the area median income (AMI) level of 80% that is prescribed by the set aside program. People in this income group really struggle to be able to afford a home in our region because of the high cost of housing. And this has been exacerbated by the recent increase in mortgage interest rates.

I would encourage the FHFA to consider adjusting the maximum borrower income levels for the down payment assistant grants from

80% AMI to 120% AMI or higher in high cost housing markets to support more first time homebuyers. The FHFA has taken this approach with Fannie and Freddie by authorizing larger loan sizes in high cost markets.

Our FHLB offers other voluntary grant programs which were especially beneficial during disasters such as wildfires, and more recently during the pandemic. Our FHLB relied on its members to identify the nonprofits in their local markets that were making a difference and our FHLB matched donations made by their members to those nonprofit organizations. Slide six.

Our FHLB made another voluntary commitment earlier this year to help close the black homeownership gap, which actually grew wider during the pandemic. Our FHLB created the Empowering Black Homeownership Program. And between our FHLBank's $1 million donation and the member matching grants, more than $2.2 million has been donated to 22 HUD approved counseling centers. Slide seven.

The Affordable Housing Competitive Grant program has had a significant impact across our country. I witnessed this firsthand when one of our local nonprofits in the city of Santa Rosa was working to develop a new mixed use transitional housing development called the Carota Center. Slide eight. The Carota Center expands housing and emergency shelter service by creating 88 units for homeless and special needs households. Slide nine.

The $1,250,000 AHP grant that they received from our FHLB was a "game changer" according to the Carota Center Development Officer. The AHP grant will have a very positive impact on this project, and also in our local community. We'll fast forward to slide 12.

In conclusion, the Federal Home Loan Bank System has a positive impact on the communities in our country.

Karen Burk: One minute remaining.

Simone Lagomarsino: In preparing for this listening session, I thought about the scene in the movie, It's a Wonderful Life, when Jimmy Stewart's character is looking around his community and he gets a glimpse of what the community would look like if he and his savings and loan hadn't been there. And underscored the significant impact he and his savings and loan had on that community.

It makes me wonder what the communities across our country might look like if we did not have the significant multibillion dollars of support and contributions for affordable housing made by the Federal Home Loan Bank System over the years. I know our local community would look very different.

We appreciate and are grateful to be a member of the Federal Home Loan Bank of San Francisco and we believe that the FHLB system is working and serving the needs of their members and the communities. Thank you.

Karen Burk: Thank you. Our next speaker is Brendan McGill from Harleysville Bank, who will be followed by Brad Ritchie from Summit Community Bank.

Brendan McGill: Good afternoon and thank you for giving me the opportunity to speak today. My name is Brendan McGill, and I am the President and CEO of Harleysville Bank. Our bank was founded in 1915 in the town of Harleysville in Montgomery County, which is located 25 miles outside of Philadelphia.

Our team lives and works in the communities that we serve. We support small businesses. Our team members are leaders in the not for profit world in the communities that we serve. We sponsor community events, little league, soccer, softball, parades, community appreciation days, and the local fire and police departments. We assist the homeless, the hungry, and people who need financial advice and guidance.

Community banks are one of the go to resources that communities count on. As a community bank, one of our stakeholders is the community. I share some of the impact that our bank has locally so you can understand how important we are to the community. And in turn, how important that the FHLB system is to community banks.

I want to focus on community banks’ access to liquidity. Access to the Federal Home Loan Banks’ liquidity helps us support our communities with more business and mortgage loans. The FHLB advances help us fund home mortgages and commercial loans that are out of the box and cannot be sold on the secondary market. We hold our loans on balance sheet and have to manage that interest rate risk.

Harleysville entered the commercial loan business about 16 years ago. We would not have been able to do that without the Federal Home Loan Bank. Harleysville being able to match fund loans to advances, it's critical for our business model.

The FHLBs' liquidity allows us to lend to more small businesses so that they can thrive while creating and sustaining jobs where we work and live. The Affordable Housing Program and the FHLB of Pittsburgh's Voluntary Home for Good program allows Harleysville to support the housing needs in our communities.

There are times that there is an increased loan to deposit ratio in community banks. Using the FHLB due to the certainty of on demand, low cost liquidity ensures that banks can meet the borrowing needs of the communities that we serve.

The FHLB system helps us meet our regulatory requirements as well, for liquidity. Even if the funds are not used, we still have access to them, and they are included in our contingency funding programs.

Community banks support the communities we work in by being directly involved, because we also live here. As a member/director of the Federal Home Loan Bank of Pittsburgh, community banks have a voice in how the FHLB system supports affordable housing, banking on business, Home for Good, and other programs, and services that assist small towns and communities.

My peer banks have direct access not only to me, but also to the management of the FHLB of Pittsburgh. It would be extremely difficult for community banks to be successful without the FHLB system. Remembering that community banks are the backbone for small businesses and small towns.

Just as we are the community's trusted financial partner, the FHLB of Pittsburgh is the trusted financial partner to community banks. I believe we also have to remember, without achieving a margin, it would be impossible to achieve our mission. Thank you for the opportunity to speak today.

Karen Burk: Thank you. Our next speaker is Brad Ritchie from Summit Community Bank, who will be followed by Sean Rathjen from Consumers Credit Union.

Brad Ritchie: Hello, I'm Brad Ritchie, President of Summit Community Bank in Morefield, West Virginia. I’ve spent the last 25 years of my life providing financial services in rural and financially vulnerable communities. And I can tell you, I would not have been able to do so easily without the help of the Federal Home Loan Bank of Pittsburgh.

For that reason, I think it's very important to protect our current products and maintain the current level of risk in the system before making significant changes. There are numerous areas where the Home Loan Bank System benefits us, but I have time to focus on four.

First, and most importantly, liquidity. In a small state like West Virginia, our customers of our banks simply don't have access to Wall Street or capital markets. The closest we will ever come is the access to the Federal Home Loan Bank System.

Quite often, our representatives in Pittsburgh are the most knowledgeable financial expert in a transaction. And due to the reliable liquidity that they provide, we are very comfortable maximizing the amount of capital we put into our economy. We routinely go close to 100% loan to deposit ratio. Without the system, it is quite likely that we would not go above 70%, removing hundreds of millions of dollars from our system, in a system that's already struggling economically and already lacks access to capital.

While we are a small bank, we're the third largest in West Virginia, but you can multiply that impact throughout our state to the other banks.

Secondly, long term fixed rate mortgages. I applaud Freddie and Fannie for the excellent job they have done providing this service to the vast majority of our country. However, there are still some pockets, primarily rural, poor areas of our country that just don't have the opportunity to obtain a loan through those entities.

The MPF program has been a great alternative for those customers. Given the dramatic increase in mortgage rates over the last nine months, I cannot imagine the stress that these customers would be under with nowhere else to turn and imagining their mortgage payment doubling or maybe tripling with the next reset of their adjustable rate mortgage.

Third, the regional focus of the system. As I mentioned, we are a small state and we typically get overlooked, people do not pay attention to us. With the current system of the Federal Home Loan Bank Pittsburgh has three states, two of them are small. And we tend to get a great deal of attention from the bank.

With any significant consolidation, or hopefully never having one Federal Home Loan Bank, I can't imagine that our system would even be considered by the Federal Home Loan Bank System.

Fourth, and maybe most importantly, I believe it's very important that a co-op, such as the Federal Home Loan Bank System, that all the members share the same level of financial risk. And it is very important to the system that every member be subject to some independent financial safety and stability regulation from a government entity with no profit motive.

I know firsthand that the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Federal Reserve have done an excellent job monitoring and controlling risks in the banking system. And I believe the insurance regulators have performed almost as well. Therefore, it is very, very important that all the members in the system are similarly regulated.

In closing, I want to thank Director Sandra Thompson, Deputy Director Josh Stallings, and Associate Director Karen Burk, for putting this tour together. You have given a voice and a platform to communities that are always underserved and often overlooked. Please consider those communities and the impact that any significant change could have to this system before you make significant changes. Thank you.

Karen Burk: Thank you. Our next speaker is Sean Rathjen from Consumers Credit Union, who'll be followed by Jeff Bowman from Bay Bank.

Sean Rathjen: Good afternoon. I'd like to thank the FHFA for the opportunity to hear how my credit union uses the products and services of the Federal Home Loan Bank of Chicago.

My name is Sean Rathjen. I'm the CEO of Consumers Credit Union, which is located in the suburbs of Chicago. We have around 200,000 members, $3.1 billion in assets, we have 17 total locations and we have over $1 billion in mortgages.

The Federal Home Loan Bank of Chicago is a critical part of our ability to finance residential mortgages and multifamily housing. I'd like to go over the ways in which we use the Federal Home Loan Bank.

First, we do advances to hedge interest rate risk for mortgage loans that Fannie Mae or Freddie Mac will not buy. These are often lower income borrowers or credit challenged. These are mortgages we place on our balance sheet to support the communities in which we serve. Without these products available, it would be much more difficult for us to offer these mortgages to lower income and credit challenge borrowers.

Second, we also offer ten year fixed rate mortgages on multifamily projects, allowing borrowers to fix their debt service and possibly keep rent rates lower for their tenants. In a rising interest rate environment with an inverted yield curve, this is very important.

Third, we also sell mortgages to the Federal Home Loan Bank, without any loan level pricing adjustments that Fannie Mae was charging. This allows us to lower rates for the borrowers as well as fees. This is yet another example of the alignment of the Federal Home Loan Bank to communities when Fannie and Freddie were not the best option.

We work also with the Federal Home Loan Bank on customized advanced features, which allows us to customize loan products to meet the borrower's click cash flow requirements.

Next, during the pandemic, the Federal Home Loan Bank of Chicago provided grants for charities that we gladly supported our community with.

Next, currently liquidity is tightening in the banking system. We use the Federal Home Loan Bank for advances to manage our liquidity. Instead of making the decision to slow down our lending volume, we use these advances to ensure that we can give borrowers the funds that they need.

The Federal Home Loan Bank is our primary liquidity source, and they are indispensable in the safe and sound operations of our credit union.

I would also resist adding any non-regulated industry or institutions into the Federal Home Loan Bank System. Posing risks to our invested capital, as well as damage in a system that is so critical to our credit union and our communities.

We are a member-owned financial cooperative, just like the Federal Home Loan Bank System. Our partnership helps our communities where some of the large money center banks have left. In short, the Federal Home Loan Bank is a critical part for us to support our communities and our members, and in particular during challenging economic times that we're starting to experience. Thank you.

Karen Burk: Thank you. Our next speaker is Jeff Bowman from Bay Bank who will be followed by Patty Campbell from Christian Financial Credit Union.

Jeff Bowman: Good afternoon. My name is Jeff Bowman. I'm the President CEO of Bay Bank in Green Bay, Wisconsin. I'm here to summarize the services that we obtain from our banking partner, the Federal Home Loan Bank of Chicago.

Bay Bank is a Native American owned community bank. Our bank is wholly owned by the Oneida Nation, and we are one of 20 Native American owned banks in this country. We're also a certified CDFI bank. If you know anything about CDFI certified banks, you know that 60% of our lending services go to the targeted community.

Our bank is $200 million in assets. We operate with three locations. Two of those locations are on Indian reservations here in Wisconsin. We also have another $115 million of mortgages in our servicing portfolio with the Federal Home Loan Bank.

Our bank was founded in 1995 by the Oneida Nation for the purpose of providing access to capital for its tribal members. We've been very successful in that mission. And we've expanded our services to include the other tribal nations here in Wisconsin.

So, Bay Bank serves a unique purpose and niche. We are the only bank in Wisconsin whose mission is to serve what we call Indian country.

So, here's where the Federal Home Loan Bank of Chicago comes in. We are the largest originator of the government sponsored HUD 184 mortgage loan program. The HUD 184 loan has 100% guarantee of its principal and interest by a federal agency, HUD.

The unique design of this portfolio offers the borrower a low down payment, a 30 year fixed rate and no PMI. The loan also allows the borrower to purchase a property on trust land on an Indian reservation. That means you can't have a lien on the land, you can only have a leasehold mortgage on the property. The product was specifically designed for this.

So, using this loan product, we've increased homeownership among Native Americans in the Great Lakes area, Wisconsin, Minnesota, Michigan, and Illinois. We now have 800 loans, in that portfolio with over $90 million.

So why is this relevant? All of these loans have been purchased by the Federal Home Loan Bank. Our partnership with the Federal Home Loan Bank gives us the security of a known and trusted liquidity source. We do not have the deposits to fund these loans on our balance sheet. So, without the liquidity provided by Federal Home Loan Bank, we could not offer this product.

And without this product, we could not effect change in Native American communities, particularly on Indian reservations where there continues to be a housing shortage in homeownership rates are lower than the national average. So, without the Mortgage Finance Partners Program, we could not offer this loan product, it's that simple.

The Federal Home Loan Bank also allows Bay Bank to service these loans. This provides the borrower with a local face to service their loan where they make their loan payment. But it also provides an immediate income stream to Bay Bank. This creates substantial revenue for Bay bank, we’re a small community bank that's mission focused, and those revenues help us become sustainable.

No other bank in Wisconsin offers this mortgage product to Native Americans. Without the Federal Home Loan Bank of Chicago as our partner we could not offer this product.

So, Bay Bank is a mission focused bank. One of our roles is to facilitate economic development in other ways. We've used Affordable Housing Program grants in tribal communities for low income housing tax credit projects. We've sponsored five AHP grants that have totaled over $2 million. When this $2 million is added to the capital stack of those projects, it's made a significant difference.

We were the only Wisconsin bank that would sponsor these Native American AHP application grants. So, without Federal Home Loan Bank, these low income housing tax projects on Indian reservations would not have occurred.

Federal Home Loan Bank also plays a role with the first time homebuyer, homeownership as part of the American dream. Yet this is a challenge for Native Americans and other people in other underserved markets.

As you know, Federal Home Loan Bank provides the Down Payment Plus (DPP) grants to help with the equity and down payment costs to purchase your home. With the rising costs of homeownership, I would actually argue that we need to double down on this effort and create even more resources in funding for this program.

So, we need the Federal Home Loan Bank of Chicago. Their resources allow us to successfully operate as a mission focused community bank. They provide our bank with the liquidity for our mortgage business. They provide capital for the housing projects that need it the most in the form of the AHP grants. And they provide the DPP grants to the individual borrowers, those first time homebuyers, that all they want to do is own a piece of the rock --

Karen Burk: One minute remaining.

Jeff Bowman: -- and live the American dream.

Recently, the Federal Home Loan Bank of Chicago started a new program called a Diverse Developer Grant. This grant is directed towards minority individuals that are focused on creating housing units in minority communities. We sponsored one of those grants, our customer was recently awarded, and now as a result in Wisconsin, we are going to have the very first Native American real estate developer focusing on tribal and other low income communities.

So, we very much appreciate what Federal Home Loan Bank does for us. They're a needed partner. We hope that we can continue that partnership. In fact, we need even more support. So, thank you for this opportunity. We love the Federal Home Loan Bank. And we hope that they can continue to be a key strategic partner to our mission. Thank you.

Karen Burk: Thank you. Our next speaker is Patty Campbell from Christian Financial Credit Union, who will be followed by Victor Pierson from Moody National Bank.

Patty Campbell: Good afternoon, I'm Patty Campbell, the President of Christian Financial Credit Union located in metropolitan Detroit, and a member of the Federal Home Loan Bank of Indianapolis, which primarily serves community banks and credit unions in the states of Michigan and Indiana.

My 35 years of working inside the US financial institution industry, I have enjoyed the opportunity to serve both in the savings and loan industry as well as the credit union industry. While with unique charter differences, both industry had in the case of savings and loans and now in the case of credit unions, a focus on providing consumers with affordable housing, in building strong communities in the areas we serve.

Community banks and credit unions combined originate nearly 30% of home mortgage loans in this country, with the balance and large regional national banks as well as some NAT FY entities financing the balance.

I'd like to express my sincere appreciation to the Federal Housing Finance Authority for its insight and thoughtfulness in conducting this multiday hearing to gain insights from all stakeholders and the importance in the future the Federal Home Loan Bank System.

Organized nearly over 100 years ago, the importance of the Federal Home Loan Bank System remains the same and is critical to the future of affordable housing. And it's further involved in now to the stability of the communities and the overall financial wellbeing of Americans.

With the dream of homeownership and the prosperity for families of all sizes and constructs, the FHLB banks have continued to support its member financial institutions and affiliated organizations through providing liquidity to support investment in affordable mortgage lending.

It's my strong belief that this is not accomplished through any form of government subsidy or at the cost of others in the industry, but through the focused efforts of leadership of the FHLB team, the strength of the membership network, and the regulated environment in which it and all of its members operate.

Key to the success of the system is that all participants today help to capitalize, contribute to the financial success of the FHLB system. Working through the FHLBI, we are able to serve the residents of our two states by providing access to liquidity to safely support mortgage lending in our communities.

Additionally, the FHLBI is assisting us with additional programs for affordable housing, small business development and community development grants centered around affordable and safe housing.

Just this past year the FHLBI assisted my credit union to serve as a conduit to provide grant dollars through its Elevate Grant Program to minority owned art gallery as well as an emerging restaurant in the city of Detroit. And through one of our other credit union partners, access to liquidity to fund an affordable housing development in a struggling community.

I believe the structure of the current cooperative models distributed banks throughout the country provides the unique and needed ability for our members to align locally with FHLBank staff and leadership to build programs that meet the sometimes unique characteristics of certain geographies, while being part of a larger system of banks often provides the thought leadership and ability to raise market capital that one gains from a larger presence.

Throughout its history, the bank has continued to perform in a safe and a sound manner. The individual FHLB Banks must be able to exercise their own discretion given that individual banks and their boards of directors have a more comprehensive understanding of the communities within their jurisdiction and their risks.

Where the FHA, FHFA is concerned with the safety and soundness of the FHLB Bank System, it should address non-depository financial institutions seeking membership that do not have any oversight from state or federal regulators.

The FHFA should ensure that only those organizations that have a structural commitment to the FHLB bank's mission and operate under appropriate monitoring and licensing are given access to the FHLB bank system.

As the FHFA explores the purpose of the Federal Home Loan Bank System over the next 100 years, I encourage you to focus on the treasured and measured success it has had over its past, and how the need remains the same today, to provide support and resources to its member financial institutions who work to support consumers and their endeavor to have access to affordable housing. A need just as critical today as it was upon its inception.

Thank you for this opportunity to share my insights. And we too enjoy the value of our membership with the Federal Home Loan Bank System and encourage its continued success.

Karen Burk: Thank you. Our next speaker is Victor Pierson from Moody National Bank, and he will be followed by Joshua Stallings, the Deputy Director of the Division of Bank Regulation, and he'll provide some wrap up remarks. Thank you. Victor, you're on mute.

Victor Pierson: Good afternoon. I'm Victor Pearson. Glad to be with you. I'm the current Chairman, President and CEO of Moody National Bank, which is headquartered in Galveston, Texas. I'm a past chairman of the Texas Bankers Association. I'm the immediate past chairman of the Southwest Graduate School of Banking at Southern Baptist University, as well as being on the executive committee of the banking programs at Texas A&M, Texas Tech, and Texas Southern.

I had the opportunity to serve as Mayor of my community for 14 years. And I'm currently the Vice Chairman of the Galveston Board of Trustees for the Port of Galveston.

And my topic is the Federal Home Loan Banks' general mission and purpose in a changing marketplace. Primarily as a liquidity provider, as a community bank I view the mission of the Federal Home Loan Bank of Dallas as being that liquidity part -- partner for us in community development, revitalization and disaster recovery efforts.

And in our communities that reap the benefits of this partnership. As a liquidity source, the Federal Home Loan Bank of Dallas is efficient and easy to use. I view it as just in time funding. I can literally borrow $100 million at a moment's notice.

Just this month, we had a major corporate customer that needed to wire out $125 million. And we were able to cover that with the liquidity reserve that we had with our partner, the Federal Home Loan Bank of Dallas.

These funds are generally used to finance either growth or timing differences associated with asset liability growth initiatives, and they factor extensively into our outgoing studies. These funds are favorably priced and essentially economically beneficial relative to other debt sources available to my bank.

Without access to this funding, I would have to carry a significantly more balance sheet risk. The cost of which would be prohibitive and would require a change in the way I do business that would hurt both our bank, but primarily our customers and our communities. Without access to this funding, it would be very difficult for us to operate in the manner and be able to serve our customers.

Also, I view the Federal Home Loan Bank as a secondary or backup source of liquidity. Always know what funds I can borrow. The knowledge and comfort provide me with the ability to run my bank in a more efficient manner. Avoid alternatives such as brokered Certificate of Deposits (CDs) or retail deposits, both of which aren't just in time. Or could raise my overall cost of doing business. No alternatives are available in times of market disruption or stressed.

From a community banker standpoint, I view the Federal Home Bank system as a stable, cost-effective tool that I can use to manage my business. I would be open to changes that would help me manage my business on a day-to-day basis that we could benefit our communities in more significant ways.

I would be opposed, however, to any alterations where I believe the Federal Home Loan Banks’ core mission, which includes changes that would impair the Federal Home Loan Banks of Dallas' ability to provide the roles of helping us turn illiquid collateral into liquidity, providing just in time liquidity, being a secondary backup source of liquidity, being a community development partner, and helping us avoid an unacceptable level of risk that could jeopardize all the above.

And the second point I'd like to address is a very moving point for me, it's in the area of disaster recovery. I've experienced the Federal Home Loan Bank, being at the bank’s door the day after Hurricane Ike in 2008. And being at the bank’s door the day after Hurricane Harvey in 2018.

As a partner in community development, revitalization, and disaster recovery efforts, I view the Federal Home Loan Bank of Dallas is extremely important. At Moody National Bank, meeting the needs of our community is at the heart of everything we do. The Federal Home Loan Bank is a critical partner in our efforts to do that.

And one of the most important things is the disasters we have here on the Gulf Coast. But I've seen it also inland in Texas when the Bastrop fires happened in 2012. The Federal Home Loan Bank was there for those communities as well.

The Gulf Coast is a beautiful place to live. Both with the beauty comes the risk of hurricanes and the devastation that they bring, and my hearts and prayers are out to them.

Karen Burk: One minute remaining.

Victor Pierson: -- Okay. In 2017 Hurricane Harvey hit our communities hard. We were lucky that none of our employees were seriously injured, but 31 were displaced of their homes. And as quickly as possible after the storm, the Federal Home Loan Bank of Dallas, reached out to us see how they could help.

They provided direct grants and assistance to our impacted employees and their assistants and employees were back in their homes in six months after the hurricane. In addition to helping our employees, the Federal Home Loan Bank of Dallas helped to provide grants to small businesses and provide grants to nonprofits who were assisting in hurricane recovery. All told they provided more than 6.7 million to Texas and Louisiana communities to assist in recovery efforts.

Many communities could not have been rebuilt without the assistance of the Federal Home Loan Bank of Dallas. Just last year when Hurricane Ida destructed another community, Federal Home Loan Bank.

Karen Burk: Thank you.

Victor Pierson: Okay, thank you.

Karen Burk: I appreciate everybody's participation today. This has been very informative. Before I turn it over to Deputy Director Joshua Stallings, I just want to remind everyone that we will have a third day of this listening session. We'll be returning on Tuesday, October 4th at 12:30 p.m., Eastern. Joshua.

Joshua Stallings: All right. Thank you, Karen. And let me just start by once again thanking everybody that has participated today in the second day of our -- of our event. And I'll say that it was to me just as impactful as yesterday.

Appreciated getting to hear voices from across the country and receiving feedback on I believe every topic that we are hoping to get feedback on. So, I look forward to continuing the dialogue when we resume on Tuesday.

But a big hearty thank you to everyone once again and look forward to hearing even more about what the general stakeholder community thinks we can be considering as we're continuing down this path. So thank you, everybody. Have a great, great evening and a great weekend. Thanks.