FHLBank System at 100: FHFA Listening Session Day Two 03-23-23

Please note that this transcript reflects corrections to some inaccuracies in the real time closed captioning in the Listening Sessions video

Karen Burk: Good afternoon. Welcome to day two of the FHFA wrap up public listening session on federal Home Loan Bank system at 100, focusing on the Future. My name is Karen Burke, the associate director of Examinations in the Division of Bank Regulation. Thank you to all of our speakers joining us today and for being a part of this listening session. Before we move forward with our agenda, I have a few important housekeeping items. We have organized this listening session to obtain input on issues relating to the federal Home Loan banks. During today's session, FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in a rulemaking on any matters discussed today. This listening session would not take place of a public comment process. The rulemaking document would establish the public comment process and you would need to submit your comments if any. In accordance with the submission instructions in that document, FHFA may summarize the feedback gathered at today's session and if your future rulemaking document. If we determine that a summary would be useful to explain the basis of a rulemaking, anything said in this session. And that also includes reactions. Nodding eye rolling should not be construed as binding on or a final decision by the director of FHFA staff. Today's session will be live streamed on FHFA website. In video recorded, FHFA pay may also prepare a transcript of today's session, which would include the names of all speakers and the organizations they represent. If any. The recording and any transcripts prepared will be posted on FHFA website and YouTube channel, along with any materials being presented today or otherwise submitted in conjunction with the listening session. Each speaker today will have 8 minutes to speak. We ask that when it's your turn to please turn on your camera to deliver your remarks. We remind we will remind you at the seven-minute mark that you have one minute remaining. If you go over, I will unfortunately have to interrupt you. I hope not to have to do that. But I do want to make sure that we are all mindful of everyone's time. With that said, I would like to turn it over to our first speaker, Patrick Clancy from the Clancy Company, who will be followed by David Schroeder of Community Bankers Association of Illinois. Thank you.

Patrick Clancy: Thank you, Karen. As a nonprofit, affordable housing developer and advocate in the 16-year Federal Home Loan Bank Boston director, I submitted a comment last fall addressing the issues the FHA identified for its comprehensive review there. I indicated I would love to share more specific thoughts on what it would take to enable the Federal Home Loan banks to play a singularly strong regional role, particularly in the provision of affordable housing by building on its strengths and also to reflect on the challenges and opportunities. And a past example of the key role a regulator can play in that transformation. Thank you for the opportunity to do those. Things today. First, I'd like to dive into just one of the many, many ways federal loan banks can utilize their unique strengths, expand their scope, and help meet critical housing needs. Most housing serving low-income households in this country is not assisted in regulated housing, but naturally occurring affordable housing or not. Yet, a large part of that stock is unstable, at risk of deterioration on the one hand, and gentrification on the other. Almost two years ago, I proposed an initiative to the Boston Federal World Bank. Assess the seriousness of this problem in New England and the potential to address it. Engage consultants to expand its capacity and assign staff to study the problem and explore programmatic approaches. Identify potential long term, stable mission driven owners to work with. Places where a substantial stock need saving banks and clarifies active and affordable housing. Lending to this type of housing with capacity. And city and state agencies who share our concern with this stock. Select several potential owners or lenders, presumably through a competitive process with whom the bank commits to carry out several years 2000-unit program and to provide a 20% first loss guarantee. The selected. Owners would purchase. Rental units with plans in each case to improve them as necessary and stabilize their operations and tenancy over a three-year period. Locally engaged lenders would provide the acquisition financing funded by advances backed by the first loss guarantee and work with new owners and fund improvements in combination with local and state public support. My estimate is that by providing the leadership to organize this effort, utilizing a very modest 6% of the bank's substantial retained earnings to fully cover the first loss guarantee position and managing the collaborative effort with all these critical participants for their home loan bank, Boston could improve and stabilize 2000 units in a half billion-dollar effort, at an ultimate cost to the bank, 1 to 2% of its retained earnings or 10 to $20 million. This is only one example The many, many ways activated, energized, reimagined, and supported Federal Home Loan Bank System can innovate to meet critical housing needs in different ways, and its 11 regions around the country in concert with its members and more active direct engagement with Kd5. Each of these the Affordable housing development community and local and state governments. Next, I want to tell a quick regulator story. When Bill Clinton became president and Henry Cisneros, Secretary of HUD, the public housing stock of the country, was in desperate need of massive overhaul. I was one of a number of people advocating change, leverage the limited public funding available with private debt and equity, and open up public housing improvement and operations to more dynamic public private partnerships, including private, nonprofit and for profit, affordable housing organizations. I was the founder and regulator of these pages, and it initiated a process of change in their functioning and a corresponding expansion of their capabilities. That continues to this day. It has had a transformative effect over the last 30 years. It began with allowing and encouraging so-called mixed finance and public housing revitalization involved extent extensive technical support and assistance to agencies working to change, focused on socializing entirely new ways of doing business, and continued through a variety of HUD designed programmatic initiatives from Hope six to Choice neighborhoods to the systemic change going on still today through the rental assistance demonstration or RAD program. While there are, of course, differences, make no mistake, the average of a role as regulator and overseer of the use, the implicit federal guarantee that the World Bank system enjoys, which it in a key position from which it took and actively helped create a more engaged, dynamic federal bank system. This effort has already shown the power you have to do just that. It was your initial launching of these listening sessions and regional roundtables that created an environment in which the Boston Bank made the room to pursue I know a program concept and is now engaging a consultant to expand its capacities to be able to do so. Don't take that the wrong way. I'm not knocking the Boston Bank. They are committed and busy group.

I'm highlighting the impact of you as a regulator have in shaping its behavior. Following the HUD example, when you are to stimulate huge progress in the work of the central banks. The central role of the Federal Loan Bank system remains to provide liquidity to its members, with the community banks most reliant on that. The critical value of that liquidity, particularly in times of stress on the banking system, has been dramatically shown once again in this current crisis as before.

As a Houser, I urge you to reject the calls to track the dollars and limit advances to those that are used to fund housing. That would hugely constrain the banks and hugely limit their utility in meeting the liquidity needs of their members. Even though it may be a more reflexive response for a regulator concerned about housing, I challenge you instead to provide the leadership for the Federal Home Loan banks to use their healthy, well-capitalized position to do more in meeting our growing needs for affordable housing, encourage regional initiatives, incentivize the banks to expand their program, development, and collaboration capabilities as regional entities. They can be key parts of new solutions needed for our growing housing needs and in the process enable smaller banks, clearer eyes, and others to do more and grow, expand their own capacities to support new activities. As HUD continue to work to streamline the regulatory framework for FHP and even to support its use in regional initiatives of the type described here.

One particular step that you could implement in the short term that can support big and bold initiatives over time that the director has called for has to do with the roughly $25 billion of retained earnings in the system. As you know, those balances are far in excess of funds needed even in this time of stress to protect against potential exposures. Creating a context.

Karen Burk: One minute remaining.

Patrick Clancy: Beginnings to use moderate amounts of this capital for the kind of initiatives described above and to reflect this is something other than an operating loss that shows up on the income statement could support initiatives at a level that simply upping the AHP set to set aside will take decades to achieve. Where the Federal Loan Bank could translate its large and ambitious goals for public participation in this process into establishment of similarly large and ambitious goals for the system, it could lead a transformation that would create a more dynamic system continuing to meet its central liquidity mission, but also central to regional innovation in affordable housing. Building on the strengths of these unique organizations in our financial system, let's see where that can take us over the next ten years. Thank you very much.

Karen Burk: Thank you. Our next speaker is David Schroeder from Community Bankers Association of Illinois. He will be followed by Vincent Beatty of Wofford Bank.

David Schroeder: Thank you, Karen. Good afternoon, everyone. My name is David Schroeder. I am the senior vice president of Federal Governmental Relations with the Community Bankers Association of Illinois. CBI exclusively represents the interests of nearly 300 Illinois community banks. The overwhelming majority of which are members of the Federal Home Loan Bank of Chicago. And when I say members, I mean member owners, the member shareholders of the FHA lobbies. They are the financial institutions, large and small, that provide the capital to their home loan banks. And that capital is the foundation that makes everything possible, all the good things that the FHA lobbies do. In fact, it's no exaggeration to say without members voluntarily investing their funds in the capital of their federal home loan banks. And remember that membership is not mandatory. The federal Home loan banks simply do not exist. We urge policymakers to please remain aware of this during the comprehensive review process to ensure the missions of the federal Home Loan banks will continue to be served in the future. The Federal Home Loan System is a GSE formed by Congress in 1932, which provides its member owners with funding for mortgages in their set Liability management liquidity for members short term needs in housing, finance, and community development. CBA. I believe these functions are not siloed but interdependent and work together to fulfill the important missions of the federal home Loan banks. With this symbiosis in mind, any changes implemented by the FHA FDA. That would diminish or enhance one of its functions will, by necessity, impact the others. For example, changes that were curtailed FHL banks providing liquidity to their member owners of all sizes through fully collateralized advances will reduce income and will ultimately reduce the funds available for other purposes, including affordable housing and community development. Also, the FHA SHOWBIZ Tonight exist in a vacuum. They have developed to be an essential component of the broader banking and financial system and our economy. And they have a working relationship with policymakers and the banking regulators. Here again, decisions to make changes to the banks and the system will have far reaching consequences and should be approached with the utmost caution and proceed only with broad consensus. The critical importance of the FHA banks providing certain and timely liquidity to all its member owners has been proven again and again, most recently with the disruptions caused by the failure of several large banks earlier this month. In the past few weeks, that issuances by the system approached 300 billion in a matter of days, which provided needed liquidity to help support the member banks.

The entire banking and financial system and the broader economy. As the turmoil subsides, we fully expect these advances to be repaid and for them to return to more normal levels. We also fully expect the FHA banks will not suffer any losses from extending these fully collateralized advances. If they did experience losses from advances, there would be less income available for other purposes, including affordable housing and community development.

This fluctuation in advances is just as it should be and not as some have misguidedly proffered a problem with the banks or the system or evidence that could credibly challenge the system's relevance. We hope this mistaken notion can be finally disposed of. The ability for member owners to rely on FHA will be advances as a dependable source of contingent liquidity and to have that access just a phone call away presupposes the membership criteria is consistent and reasonable, and the banks can be certain of their continuing membership and eligibility for services which are offered by the Federal Home Loan banks. Currently, membership is available to supervised and regulated institutions, and once approved, can't be challenged, or denied except in unusual circumstances. If advances cannot be assured, they will be heavily discounted by the OR as a reliable source of liquidity by the banking regulators and the value to member owners. The broader banking and financial system in the economy will be seriously diminished. No good will be served when liquidity that is needed can be challenged or denied for not meeting arbitrary or continuing membership requirements that have not existed in the past, for which there is no good reason for them to exist today and which have not been approved by Congress. The regional structure of the Shelby's is vital for the individual banks to meet their unique needs of their respective regions. Board leadership is drawn from the individual FHA bank districts and their local knowledge, together with input from senior FHA, will be managed in the district member owners is important to understanding and responding to the particular needs of different parts of the country. In addition, the FHA system benefits from each bank's expertise when they consider complex problems or opportunities.

CBA I strongly opposes any loss of the regional structure of the FHA all bank districts through consolidation. For the sake of operational efficiency. Finally, there are several uses for constituents for the FHA. Shelby's income, which is generated by the various functions that the bank performs for its member owners. Great care must be taken to balance the amount that is contributed to worthy causes with the need for the FHA bank's income to be retained, to build capital and to grow and provide a return on investment to the member owners, the shareholders of the FHA, All Blacks. CBA believes that appropriate equilibrium has been achieved and we strongly caution against changing the current income distribution mix, which will have a serious unintended consequence. In conclusion, the FHA system and its regional banks are a sterling example of a highly successful public private partnership and one that's worthy of supporting and preserving CBA members value the excellent relationship they have developed with the

Federal Home Loan Bank of Chicago, and they appreciate and utilize the many services.

Karen Burk: 1-Minute remaining.

David Schroeder: And they appreciate and utilize the many services that the bank provides to these member owners. These shareholders, as well as their customers and communities. Thank you very much for this additional opportunity to provide input. CBA looks forward to continuing to work with policymakers as the FHA lobby system heads towards its 100th anniversary and beyond.

Karen Burk: Thank you. Our next speaker is Vincent Beatty from WaFD Bank, who'll be followed by Michelle Griffith of Arch Community Housing Trust Inc.

Vincent Beatty: Good afternoon. Thank you for giving me the opportunity to speak today. I've had the pleasure of interacting with the Federal Home Loan Bank system since 1983. Most recently I was Chief Financial officer for WaFd Bank, a $22 billion regional bank with offices in eight states. WaFd is and has been an active user of the Federal Home Loan Bank system. Prior to assuming the role as CFO of Wafa Bank, I worked for the Federal Home Loan Bank of Seattle from 2004 until 2015 and was its CFO at the time of its merger into the Federal Home Loan Bank of Des Moines. This is the only voluntary merger of two federal home loan banks in the history of the system. I believe my experience with the Federal Home Loan Bank system over nearly half of its life since its formation by Congress through good times and through times of various credit and liquidity stresses together with my executive leadership roles at both the Federal Home Loan Bank and with an active member of the system, provide me with a somewhat unique perspective on the function and utility of the system. One of the questions as we set out on this in August to evaluate the future of the federal home loan banks was it still relevant and is it meeting its mission? My belief is a resounding yes. While some incremental changes may be merited, and I believe that every person listening today supports the goal of improving access to quality housing, the FHA Systems Mission and Structure have served and remain a key source of strength. Most recently, the resources provided to members to hedge interest rate risk and liquidity provided to members during the deposit flow driven events of recent weeks are tangible demonstrations of the value the FHA will be brings both to individual members and to the financial system as a whole. As you move forward, I'll try to consider first whether any contemplated changes might adversely impact this enormous benefit.

Let me share an example of how offset Bank recently used Federal Home while Bank of Des Moines to highlight this. At the outset of the pandemic, there was significant uncertainty. People were concerned about how they would stay healthy, but also how they would get through. Could they pay their bills? Could they pay their mortgages? Would they still have a job? Those focused on it were probably wondering if banks would continue to lend so that we could continue building housing stock or if banks would even be able to simply be there to help businesses buy inventory and meet their payrolls. Against this backdrop, WaFd Bank acted to improve its liquidity and to send a message to our customers, customers, and communities that we were ready to serve their needs. Wofford did this by accessing the Federal Home Loan Bank, trying advances to position an additional $1 billion of liquidity and entering into a hedge to fix the cost of future rollovers. Of that $1 billion for ten years. We then put out a press release saying that we had done this and that we stood ready to support our customers and communities. That was even prior to the introduction of the payroll protection program. In order for WaFd Bank to be able to do this, we had to have confidence that the renewal of these advances would continue without any interruption whatsoever for the next ten years and at a relatively constant spread to short term benchmark interest rates. This is a requirement to get the hedge accounting that we needed in order to be able to provide fixed rate loans to us to our customers. And it is commonly used by members to hedge their interest rate risk. Reliable funding was also key to WaFd. Having the confidence to lend that money out to meet our customer needs. And we did in fact lend all of those funds out, helping support housing and jobs during a critical time. This was a great impact that Wofford and the Federal Home Loan Bank had during a significant time of stress. But the ability to do this and the willingness of members to rely on the Federal Home Loan Bank to do it should not be taken for granted. What are some ways in which this confidence could be impacted? First, reliable access to capital markets by the Federal Home Loan Bank system is enhanced by the regular access limiting the membership of larger banks or placing too restrictive. A cap on total advances per member could cause material decrease in debt issued by the system. This could in turn lead to a shift where money market funds and other investors look to place their funds elsewhere. This is because the size and regularity of system issuance creates price transparency and liquidity and in my important in my opinion, is an important element of the system. If fund managers reduce FHB app appetite, it could adversely impact even small and midsized members by jeopardizing the relative price stability and certainty of certainty of access to advances which would hurt both liquidity and interest rate risk management.

Restricting or partially restricting advances to target affordable housing could also have unintended consequences. Using the Wofford example, liquidity was obtained in anticipation of lending. Which exact loans will be made could not be known at the time, and it is both prudent and common for banks to manage liquidity in this fashion? Collateral Requirements. The Federal Home Loan Bank already tie usage tightly to housing. Further restricting usage to affordable housing has a potential to adversely impact interest rate risk management and liquidity management by limiting proactive activity. Since funds are fungible, it can also become a reporting exercise which would increase costs rather than as direct link as would be hoped to be lending. Members also count on the system to not add to their credit risk. Currently, stocks purchased by members is accounted for a par value without any substantive valuation being performed. This is very unique for an equity security and is created by the perfect track record of no losses on member capital and the frequent purchases and redemptions of par. Even a small loss on member stock could spoil the treatment and change both number and creditor opinions about the risk and stability of the federal Home Loan Bank system. Members especially would need to worry about the risk mark to market swings in stock value. How could this be triggered? Well, number one, by seizure of retained earnings. This would not only in the first instance, increase the risk of the stock, but it would also encourage federal home loan banks to reduce their retained earnings buffer and thereby increase the risk to the member stock. Also, limits on federal home loan bank income or high taxes or affordable housing assessments could also trigger a similar risk. It would encourage banks to reduce their income in order to shift the benefit to products rather than come in through dividends. That, in turn, will increase their risk profile to the stock and could damage the long-term credit of the INS of the FHA system. Also, the introduction of less regulated, nontraditional members. This would increase the risk to the perfect track record of losses, of no losses on advances which could hurt the credit ratings of the system, as well as expose all members to additional risk and thereby reduce their appetite to purchase stock and participate in the system. Adding less regulated members could also increase the costs of FHA base to manage credit as well as the costs to properly regulate them. I know I could go on, but I'm out of time. I just want to add that having a regional FHB bank system with the system debt being their joint obligation creates risk diversification and peer pressure for healthy practices, a benefit that current events have brought into high focus. Thank you very much.

Karen Burk: Thank you. Our next speaker is Michelle Griffiths from Arch Community Housing Trust Inc will be followed by Maureen Yapp from National Fair Housing Alliance.

Michelle Griffith: Thank you. I'm Michelle Griffith. I'm the executive director of Arch Community Housing Trust. We're a small nonprofit housing developer in Blaine County, Idaho. In spite of our size, we've delivered 25% of the affordable housing units in Hailey, Idaho, which is the largest city in our service area. I mention this because Arch is not unique. Small grassroots organizations nationwide have a tremendous impact, but we are significantly affected by regulatory environments. We have small staffs. We work on limited budgets, and we do this intentionally so that we can drive as much funding toward housing development as possible. Funding opportunities from the Federal Home Loan Bank system are crucial for organizations like ours, and there is tremendous opportunity, particularly if programs were simplified. For example, if H.P. could function as a grant measured by delivered units. Our organization and others like us could spend more time delivering more housing. HP is rarely the only funding source in a capital stack. It is critical there are housing units that wouldn't be here without it. But if Federal Home Loan Bank could rely on other federal funders for oversight, organizations like ours could focus our capacity on delivering more housing. An example of a simplified program is the phenomenal new voluntary program announced by the Des Moines Bank. It's $10 million for capacity building, and it is a simple program. It's three pages, one of which is a signature page. It funds capacity building. And most funders don't allow for capacity building. People want to build housing, but they don't necessarily want to fund the cost of operations in order to deliver that housing. And thirdly, it can be stacked. A variety of different member banks can all fund one or many nonprofits. That's the good news. The bad news is it does highlight that problem, which is the regulatory environment which constrains us. Member banks are key partners in this and other programs. Large member banks are the source of significant revenue for HP and other funding programs and small community banks.

In addition to providing revenue to the Federal Home Loan Bank system are partners. There are relationships there. Banks like WAF, Ed and Dale Evans can take advantage of these voluntary programs quickly, and they also do other things like provide introductions and support organizations through reduced fees for certain services. Thank you for taking the time to improve the Federal Home Loan Bank system and to ensure that it continues to meet the needs of communities they serve.

No other agency with a footprint in housing is working. This hard. Not HUD, not Brasserie, not USDA. There is a huge opportunity here for the federal Home Loan Bank systems and the regulatory agencies to lead the way and to simplify the program, give home loan banks flexibility, and to ensure that members continue to see value in membership. This will produce measurable results which could lead the way for other regulatory agencies to also simplify and improve their programs.

Thank you so much for taking the time and for giving me the opportunity to speak.

Karen Burk: Thank you. Our next speaker is Maureen Yapp from the National Fair Housing Alliance. Will be followed by Brian West from the Joplin area, Habitat for Humanity. In the meeting. All right, Thank you.

Maureen Yap: Hi. My name's Maureen Yap, and I'm a senior counsel at the National Fair Housing Alliance. We want to thank the Federal Housing Finance Agency and Director Thompson for hosting this important event. Next slide, please. To go over six areas for improvement for federal home loan banks. Next slide, please. First, given the substantial public subsidies and the enormous private benefits to the federal Home Loan banks and their members, we think that the Federal Home Loan banks need to do substantially more to ensure that the Home in Federal Home Loan Bank actually means something. That is, the federal Home loan banks should compete against each other to well exceed rather than just meet the 10% statutory threshold for affordable housing. This should also include investments for climate resiliency, particularly for consumers and communities of color. Also, as required under the Fair Housing Act, the Federal Home Loan Bank must fulfill their obligation to affirmatively further fair housing by ensuring all its programs, policies, products, advances, and procedures do not foster or facilitate discrimination and segregation.

Next slide, please. So, the Federal Home Loan banks should educate their members on using their advances to promote access to credit for underserved markets. The Federal Home Loan banks can conduct in-person and virtual outreach posts on their websites and hold webinars. These educational materials can cover critically important tools for homeownership, including special purpose credit programs, first generation down payment assistance, small dollar mortgage programs, language access initiatives, and other programs.

Next slide, please. Third, to promote fair housing, the Federal Home Loan banks should condition advances for multifamily rental housing and requiring source of income protection, such as for use of housing vouchers or Social Security disability insurance. The Federal Home Loan banks should require members receiving such advances to require acceptance of all lawful sources of income as rental payment and protect against any evictions on the basis of the renter's source of income.

Next slide, please. Or Federal Home Loan Bank should condition membership, approval, and access to long term advances on the candidate's fair housing and fair lending record, including whether the institution or its management is subject to a fair housing or fair lending action. In addition, for CDF IES, with assets greater than 1 billion federal home loan banks should condition membership and long-term advances on the existence of a community benefits agreement to ensure that underserved communities of color continue to have access to the institutions deposit and lending services.

Next slide, please note public trust and ensure that the Federal Home Loan banks better serve the whole of the community, including communities of color. Better Home loan banks should add more public interest directors, including those with fair housing and fair lending experience. Next slide, please. Finally, to enhance transparency and build public trust, the Federal Housing Finance Agency should publish a detailed analysis for. Each Federal Home Loan Bank as a public support and private benefits received as compared to the public benefits derived delivered. FHA should also annually publish a detailed report for each Federal Home Loan Bank describing the activities related to fair housing. Fair lending affirmatively furthering fair housing and affordable housing. Finally, FHA, they should require the Federal Home Loan banks to annually publish equitable housing finance plans.

Next slide, please. So, we want to thank you for your time, and we look forward to continued collaboration on this important matter. Thank you.

Karen Burk: Thank you. Our next speaker is Brian West from the Joplin area. Habitat for Humanity. He'll be followed by Cheryl Reale a rebuilding together. Saint Louis.

Bryan West: Good afternoon. My name is Bryan. I'm with the Joplin area, Habitat for Humanity, and the community development director for our affiliate here locally. And can I talk briefly about our experience with Federal Home Loan Bank AHP program and how that's greatly benefited communities and the homeowners in our areas or how we target that that particular need through the aid program. So, since 2018, we have partnered with and have received the Federal Home Loan Bank, AHP funding for critical home repair needs and necessities here in our service region. We have been able to at this point provide 60 critical home repair projects in that five length, five-year period for folks or major, major repair replacement needs, such as roof replacement, window replacement, heating air replacement, just large scale what you would think of as financially burdensome. A lot of times, things that homeowners actually aren't easily able to meet for various reasons. So, we created our critical home repair program in 2018. We recognize the need for additional services above and beyond what we could provide prior to that. We did have and still do have our Brush with Kindness program, which is a significantly smaller scale housing rehab program, which you can kind of think in terms of maybe $200 in type programs and life scale needs for the exterior of a home. So again, with our initiative to become involved with the Federal Home Loan Bank AHP program, and since then we've been able to tackle a lot of these homeowner's various needs that again, otherwise they would not be able to provide on their own. Again, I'd mentioned previously we have completed 60 total critical home repair program projects since 2018 and an average of approximately $25,000 per project. So, you can kind of envision the impact that that can have for these homeowners and going in and being able to do address these things that a lot of times caused them a lot of stress, anxiety, worry. And we've been we've been happy and just grateful to be able to be in the position to do this for these folks are a critical home repair program with our initiative and our mission. With that program, we primarily focus on elderly and or physically disabled homeowners as our main priority sector for those needs. So, since 2018, it's becoming it's become increasingly popular, so to speak, program and service of ours. As you all know, Habitat is primarily known for building residential, single-family homes for qualified individuals and, families. And that remains that remains to be our main program service. But as the need for rehabilitation continues. Our critical home repair program has followed closely behind that and has actually allowed us to travel outside of our typical service region and try to reach those folks that are in our neighboring counties that don't have any other housing resource needs available to them. So that's something that we're slowly looking to expand upon. And as funding continues to become available and be available and anticipate, hopefully able to help outside of our region more and more with these AHP funds. Again, the Joplin Habitat for Humanity affiliate is very grateful for the opportunity that is provided through the Federal Home Loan Banks program and is a lot more engaged with the ability to provide these types of critical repairs and address things that would otherwise again go unaddressed because of various challenges and hurdles that each of these homeowner’s face.

We appreciate the benefits of the program and our communities and even encourage the Federal Housing Finance Agency to strongly consider this when facing any types of challenges or policy changes to the AHP program. As our communities and homeowners will continue to require these opportunities to maintain the structural integrity of their properties, to remain in their homes for as long as possible.

So, thank you for your time and I appreciate the appreciate your invitation to be able to speak today.

Karen Burk: Thank you. Our next speaker is Cheryl Reale from rebuilding Topeka or excuse me, Rebuilding Together, Saint Louis, who will be followed by Darren Burr of People's Bank of Seneca.

Cheryl Reale: Hi, my name is Cheryl Reale, and I am with Rebuilding Together Saint Louis. And what we do is we provide free home repair to low-income seniors, persons with disabilities and veteran families. And Federal Loan Bank has been a large part of our success. We have been partners with Federal Home Loan Bank for over ten years now and have done a multitude of homes that truly a difference in someone's life and allows them to remain in their home safely and with dignity.

We do anywhere from repairing a roof without securing the integrity of the home. With the roof, the whole structure can be at risk, and we do a lot of modifications as well. Bathrooms and ramps and things of that nature, which really makes a difference for every homeowner that we do. Our goal is to do about 100 homes a year and through federal Home loan, Federal Home Loan Bank, we are able to do about 40 homes this year alone through the Federal Home Loan Bank funding, which is close to 50% of our homes. So are able to get those critical repairs. We go in and assess the house and get also involved, the homeowner, to let them make those decisions as well. It's their home, which also Federal Home Loan Bank lets us make those decisions as to what's going to be best for the homeowner. And the homeowner also gets to make those is decisions as well.

We are so very, very grateful for the support and the assistance. The Federal Home Loan Bank us, and it truly is a partnership. It's a partnership with the bank as well as rebuilding together as well as the homeowner. We are guaranteed that we're going to get that funding to make sure that we can support the homeowner in need. There are many, many communities in the Saint Louis area that there's not a whole lot of trust. So, rebuilding together has to go in and gain their trust. We're telling them we're giving them free home repair. And if, as you can imagine it, it's sometimes. Yeah, right. That's really going to happen. And it does because we know the federal Loan Bank is behind us. Their staff is absolutely amazing. Mary, Joan, and Evelyn, they've been with us through the years. And they are willing and able to answer any questions that we have. If we have a tough challenge with a home to be able to make it safe and comfortable and independent for that homeowner. They're always there for suggestions and for guidance. I've been in the nonprofit world for over 30 years and with different funders there are different situations, but with always with Federal Home Loan Bank, you know that they're going to answer the phone. If they don't, they get back to you right away. Being a nonprofit, we're a very small staff, and this allows us to continue and grow and make sure that we can sustain our staff as well as help the homeowner in need.

Again, it is a true partnership. We are so grateful for there are so many and inspiring stories. One I can think of off the top of my head, which is a husband and a wife. They were in their mid-seventies, and they actually did not have a working restroom. They had to go down the street to a local gas station and then in the middle of the night they would go to their neighbors, which they had worked on a system with their neighbor that they could go to their home.

And, you know, at 2:00 in the morning, they needed to use the restroom. So, which is totally unacceptable. We were able to go in with federal home loan bank money, fixed the pipes in the floor, give them a working facility, and give them dignity back within their home. We helped a veteran who had a big hole in their roof.

These are so important to make sure we can continue to not only save the homeowner and help them remain in their home with dignity and independence and comfort, but also it affects the whole neighborhood. We're out there working on homes, rebuilding together, comes in and makes a splash, and they see our trucks and they and they see the people that are out there helping. It motivates others to go out and mow their grass and to pick up debris and things of that nature. So, it truly, truly makes a tremendous difference. Again, like I said, we worked together for ten years and only one year out of those ten years, we did not receive funding. Our board looked at everybody and said, What do we do? Because we don't have that funding and are we going to cut staff? How are we going to sustain it and how are we going to make the capacity work? Thank goodness the following time we did get it, get it back, and we hope and pray that we can continue that in that relationship. Relationship building is so important in the nonprofit world, and we are just extremely grateful for the support and the continued funding that we can give our homeowners in need.

Please know that our homeowners are grateful as well. I wish I had pictures to show you their faces when their roof is not leaking anymore and then that ramp so they can get in and out of their home. So, again, I want to appreciate and thank you for the opportunity to speak today and know that rebuilding Together Saint Louis is so grateful for the support of Federal Home Loan. And we certainly appreciate your time. Thank you. Thank you.

Karen Burk: Our next speaker is Deron Burr a People's Bank of Seneca. He will be followed by Christopher Blair of the Community Development Trust.

Deron Burr: Thank you. Deron Burr and the president of the People's Bank of Seneca. We are a minority owned bank owned by the eastern Shawnee Tribe of Oklahoma. Our home office is in Seneca, Missouri, a town of about 2000 people. And I will just tell you, we are honored and grateful to have this opportunity to discuss a facet of our business.

Federal Home Loan Bank that's vital to our bank but also instrumental to our community. 18 years ago, I had the good fortune of landing what I would consider to be my dream job other than maybe playing for the Kansas City Royals. And that was to be the CEO of a bank in a town that I grew up in and a town that I love, a town we call home. And what began? I arrived 18 years ago. The bank had assets of about 20 million. We had eight employees. And through the partnership and the relationship that we built with Federal Home Loan Bank. Today, we're at 405 million and total assets. We have 50 employees, and we cover about five different locations. Over that time, I can tell you vendors that we've worked with have come and gone. But the one constant has been our partnership and our relationship with the Federal Home Loan Bank. A few speakers ago they talked about all the different facets and the different things that federal homebuilding needs to be doing. I will just tell you, I would encourage you, if you ever question the impact the Federal Loan Bank can make, come to our town. I will walk you down on Main Street and I'm going to point to you. Business after business, the Ace Hardware, the subway, the Dairy Queen, the new apartment complex that was just recently built. The renovations of the football field, all of those are a result, a direct result of competitive rates and competitive loan structures that we were able to do that we were able to put together through our utilization of our relationship with Federal Home Loan Bank, whether it was matched up funding for the commercial deals or whether it was the MTF loans, because we are we are such a big player in the market, it makes such an impact on our small town. All of this has been coordinated through our relationship with Federal Home Loan Bank. Our risks are more than just that. They're also our friends Brad Speirs and Rich Weaver, who we've worked with over the years. They always make a point of wanting to know what's going on in your town and how can we help. And they always, at the end of every conversation, thank us for our business and the partnership that we've been able to establish to day to day.

Right now, at this moment, more than ever, the liquidity that Federal Home Loan Bank provides at low cost is crucial for not just our small bank, but for every community bank across this country. Our community banks are the heart and the soul of what makes this country so unique and so robust and so fantastic. We as people's bank or Civic, we rely on federal Home Loan bank liquidity.

This is evidenced by the $25 billion that we've borrowed over the last six months as liquidating securities in this market. And this timing would not make sense. And detrimental to our income statement and ultimately our balance sheet. Any proposal, any proposal that limits access to federal home loan liquidity or increase its cost will directly impact our town. It will impact Main Street in Seneca, Missouri.

The program that we utilize provides credibility for our mortgage lenders, with realtors in the marketplace, and it provides an avenue to compete, but also it provides a home product for affordable housing for people in a small-town of 2000 people all the way up to the town of Joplin, the size of 50,000. We utilize that impact program and it's vital to our organization. Couple last things I would just say, if you think about it, just in summary, the access to liquidity enables us to make loans, which in turn has driven homeownership, and it also drives community development, thus strengthening our local economy. And if you think about it that's why we all do what we do. We're wanting to drive home ownership and community development. We have to have the access to liquidity. The federal normal bank provides in order to do that. It's our way of taking care of our community. It's our way of putting our arms around it and in loving it. I implore you, don't mess with the good thing. It's it works. It works fantastic. Right now, our bank is a living proof of how impactful Federal Home Loan Bank can be in a community.

And I invite you to come. What Mainstreet with me any time anyone has the time. Thank you for this opportunity to speak. And we're grateful for the folks at Federal Home Loan Bank can help you make this for us. Thank you.

Karen Burk: Thank you. Our next speaker is Christopher Blair from the Community Development Trust. He'll be followed by Greg May of the Preston Hollow Community Capital.

Christopher Blair: Thank you. Hello, I'm Christopher Blair with the Community Development Trust. I appreciate FHA. VA provided me the opportunity to speak today. I wanted a chance to verbally highlight a few items and CD tees to formal comment letters to FHA Bay City where the largest non-depository community development financial institution or sidbi with over 3 billion in assets under management and over 40,000 impacting over 40,000 low- and moderate-income units in 44 states and regions across the country. We have been a member of the Federal Home Loan Bank of New York since 2013. We were their first Kd5 borrower or non-depository borrower and to date we have borrowed the most out of their non depository Kd5. Before I comment on suggested improvements, I do want to publicly state that the Federal Reserve Bank of New York has been very helpful and working with CDP to date the Federal Home Loan Bank system. It provides needed liquidity to its members, including in time of crisis that we are unfortunately well aware of today. CTT sees great opportunities and challenges within the Federal Home Loan Bank system. While the Federal Home Loan banks programs are a critical source of filling capital for many projects, even if age P dollars were doubled or tripled, that would not have any real notable or significant impact. If you look at the nation's overall affordable housing shortage. Instead, its recommendation is to first work on the low hanging fruit within the system framework, and that would be improving collateral eligibility for affordable housing and particularly to seed IFIs and community banking members. Specific We do not believe the risks of the federal bank system would increase if all 11 federal home loan banks improved their collateral requirements to affordable housing loans. In fact, both their impact and the profitability may increase. Our recommended changes are particularly crucial if larger banks and regional banks potentially reduce their support for affordable housing, should they pull back in their overall commercial real estate lending due to the financial stress that they're under today? First and foremost, our recommendation is we believe all the federal Home Loan banks should accept unrated taxes and bonds on affordable housing as collateral. Multifamily units created or preserved with tax exempt bonds are a significant portion of the 100,000 plus low-income housing units created each year under the light tax program. While the underlying loan documentation is a tad different with bonds, the collateral with the first mortgage and a tax-exempt bond structure is the same as a standard loan. In fact, if you look at the performance loans and bonds secured by light tech properties have a minuscule foreclosure rate. Of the 35 years of the light test program. The valuation also of affordable housing bonds is very similar to how one would value wells. So, if a federal home loan bank accepts loans on affordable housing, they should accept bonds on affordable housing. Secondly, well-capitalized buyers are treated as second class citizens within the federal home loan system, with lower advanced ratios, shorter advanced terms, and more limited collateral eligibility compared to banking institutions.

We recommend all well-capitalized CFI advanced ratios be equal to banking members on at least affordable housing. Collateral. The difference between the loan amount and advanced ratio must be generally made up by a member's equity capital, which hinders buyers' ability expand their community impact. We also recommend that each Federal Home Loan Bank offer advance terms of at least 30 years to well-capitalized five members that they currently provide these terms same terms to their banking buffers. Citi is a long-term lender and investor because we recognize that long term ownership benefits, affordable housing properties and overall residence having longer term robust, and advances also helps us to better match its assets and liabilities and prevents undue financial risk diversified. We should all recognize today the importance of asset liability management. Third, Federal Home Loan banks should accept second mortgages from Studio five members as approved collateral. I would say at least on affordable housing projects and of course, under proper credit parameters. Several federal home banks prevent for permit bank members to use subordinate to pledge subordinate loans as collateral, but they prevent their Studio five members from doing so. With the growing capital gaps in affordable housing development. The importance of second mortgages has never been clearer. If we cannot create more openness and consistency across the federal Home Loan Bank system on affordable housing lender lending products, we think all members should have the opportunity become a member of any federal home loan bank in any region where they live, and that best meets that member's overall affordable housing lending needs. However, we are hopeful. We do not have to get to that point with changes of the system in order to limit my time. I'm not going to discuss some numerous at numerous capital and current impact impactful opportunities that we're currently that we're currently pursuing because our cannot pursue, because the Federal Home Loan Bank does not accept taxes that bonds or second mortgages collateral or does not lend to sidbi beyond ten-year terms. In fact, we're getting CDS is getting more calls over the last couple of weeks to finance some of these projects. Should bet should banks also reduce their long-term lending to affordable housing. It's CDF

Is, its community bank lenders, and also insurance companies that have all have access to the federal government system. That will be crucial and fill in the gaps the banks pull back and particularly long-term lending. I will end that. I encourage the federal home loan banks and FHA regulators to hire experienced community development bankers to expand their writ to expand the federal bank's reach and help eliminate, would say, the right wrong belief that the Federal Home Loan banks are solely Treasury desk. We believe that community lending knowledge and experience would help the development of one.

Karen Burk: One minute remaining.

Christopher Blair: Targeted, lending programs that many commercial banks and GSEs have been able to offer their membership. Community development bankers could also help the federal home loan banks better identify and analyze well-capitalized advise that are better fit for affordable housing projects without jeopardizing the safety and soundness of the system. Also, one last thing that I don't believe that any members would see if our designation should have.

They all have very high standards, and they should not have to provide, I would say, burdensome community impact statements that maybe another predecessor adjusted. So, thank you again for the opportunity to present here, and I hope the federal Home loan banks in effect, surveillance system regulators can all see us here today as partners within the system to make it stronger.

Karen Burk: Thank you. Our next speaker is Greg May from the Preston Hollow Community Capital. After Greg May speaks, we will take a 15-minute break. When we return from break, we will hear from Mark Mason of Home Street Bank. Greg.

Greg May: Thank you. Karen Preston. Hello. Community Capital is a specialized capital provider for projects that provide long lasting and measurable social impact to local communities across the United States. We've applied for CDP five certification as a diversified loan from serving low income and minority target populations nationally. Our application is pending. The main reason we applied pursue by certification is to seek admission as a member of the Federal Home Loan Bank system. So, our status today is that of an outsider with aspirations. We hope that perspective will be useful for your process, and we're very grateful for the opportunity to contribute today. I want to make one broad thematic common and then echo and affirm some senior fire related themes I've heard others expressed. And then finally, onto one specific recommendation. First, for context, let me say a little bit more about our business at Preston Hollow, where our financings take multiple forms. But generally, we are providing capital to nonprofit and local government projects with measurable social impact along the lines of community level health care, education, infrastructure, public private partnerships of various kinds, as well as affordable housing projects for senior communities and the local workforce. The end users of our financings are the constituencies that our borrowers serve low income and underserved populations, chiefly among them. We're a balance sheet lender and investment grade issuer that directly originates and then typically holds long term. We're doing long duration 30 plus year fixed rate financings, usually in the form of municipal bond transactions. We've originated 4.7 billion since inception in 2015. We have a $2.5 billion balance sheet of these investments and is supported by $1.3 billion of permanent equity capital. We need long term consistent, low-cost funding to support our originations of our social impact investments. That's why we're pursuing federal home loan bank membership. Most of my comments today relate to the community and economic development prong of the Federal Home Loan Bank mission. That's not at all to minimize the housing mission at Preston Hollow. We finance housing and we view affordable housing as a critical part of the tapestry that makes up community and economic development.

We believe the Community Development Mission of the Federal Home Loan Bank reflects tremendous, untapped, or possibly underreported opportunity and City Advise are perfectly positioned to partner with federal home loan banks in addressing this. In either case, the Federal Home Loan Bank and other FHA regulated entities can rightfully declare victory and their original objective to facilitate mortgage liquidity. We believe this current focus on the future re-envisioning process and the implements dictations steps that will follow can help position the Federal Home Loan Bank conspicuously as the preeminent provider of reliable liquidity for the entire economic and community development space, including affordable housing.

I believe it could be done without legislation or the inclusion of new classes of membership, and it should be done because nobody else is doing it and saying this can be done without expanding classes of membership. I don't mean to prejudge that issue as part of this process. I've heard arguments for and against expanding the membership. I'd like to sidestep that issue by simply noting that we believe it's the goal of safely and reliably funding community development priorities that should matter and not what type of organization serves them.

While the increased community and economic emphasis can be accomplished without legislative change or in membership categories, it cannot be accomplished without setting clear and transparent community and economic development goals. The member banks do very well what they have continually done for decades. But is it realistic to expect them to migrate toward greater, more diverse community and economic development impact?

Without clear goals being constructed and that outcome, we join the chorus of voices in support of more engagement with the current CBA five membership class by the banks. We affirm what many speakers before me have said satisfies our natural partners because they are required to have a community development mission and are required to report the delivery of their products and services.

There are ways to increase advances to senior buyers without impinging upon the safety and soundness of the system. We also affirm the recommendation that has been made by, I believe, ISF and others to create a dedicated community development unit within FHA whose purpose is to assist the banks with program design and development. The main priority of this community development unit would have to be to develop a hairpin application framework that can be applied transparently and consistently across the system for CD five financing.

We appreciate that city officials in their lending transactions come in all shapes and sizes, but there are categories of easy words where loans are originated by IFIs that are investment grade issuers making covenants, heavy loans on high quality collateral that should merit clear, consistent advance treatment. Certainty of execution is important to our borrowers. So, we would make uniform and visible haircut application as we move through our underwriting process.

A final idea that I've heard through this process is the consideration of the Federal Home loan banks making equity investments and codifies oppression Hollow, where fortunate enough to be well enough capitalized not to need this kind of assistance. But we still think it's a great idea. Since ministry, many CFI are nonprofit non depository institution loans, they often don't have sufficient capital to make use of FHB advances, particularly given the way that haircuts haven't strictly been applied. It would be great if the federal home loan system could make equity investment and qualify to abide, and I hope you'll consider that. My specific suggestion is that a program could be developed to provide incentives to members of the Federal Home Loan Bank system, including well-capitalized buyers, to make these equity investments in those buys that need that kind of help in the capital stack.

This would be in addition to any direct equity investments by the Federal Home Loan Bank itself. The incentive for members could come in the form of lower cost advances and favorable advance treatment on an integrated transaction type. We at Preston Hollow could make this kind of investment in a CDFI and would enthusiastically consider doing so. The incentive to network with other, less well capitalized

Karen Burk: One minute remaining

Greg May: **W**ould be a very well-received program and would strengthen the fabric of collaboration, which is so important to any successful community development. I would like to echo preceding Speaker Christopher Blair's comments about treating all unrated municipal bonds as collateral. All of our transactions could do as either bonds or loans, and we agree the form should not dictate. This has been an extraordinary listening process. We feel honored to have been given the opportunity to participate, and we thank Federal Housing Finance Agency Director Thomas for the opportunity. Thank you.

Karen Burk: Welcome back. Today to wrap up a public listening session on the federal Home Loan Bank system at 100. Our speaker is Brian Delahanty from American Credit Union, and he will be followed by Ed Guarding of Montana State University Billings.

Brian Delehanty: Good afternoon. My name is Brian Delahanty. I am the chief financial officer at American Credit Union in Central New York. And to give you an idea of where that is, we're not too far from the Syracuse area. I appreciate the opportunity to speak today on behalf of my credit and credit unions across New York State and the country who are part of the federal home loan banking system. For the last 20 years, I've maintained an active relationship with the bank in New York while working for two different credit unions based in New York. The foundational purpose of the Federal Home Loan Bank system is its liquidity and housing finance mission. The Federal Home Loan Bank system was created to help ensure a reliable and readily accessible flow of liquidity to member financial institutions. We are seeing this very purpose in action in real time right now as the Federal Home Loan banks continue to address member needs and meet heightened demand for liquidity as members look to their home loan bank as a source of stability in the uncertain market conditions that have followed the failures of several banks. The Federal Home Loan Bank of New York has delivered over $37 billion in advances in the first week following the news of the bank failures.

As a nonprofit institution, credit unions operate under a vastly different business model than the failed banks. But We are not immune to the market conditions and fluctuations that we're seeing today. Our industry, meaning that the credit union industry has seen substantial declines in liquidity as deposit growth has slowed to levels not seen in 30 years and loan demand has remained robust. Many of my fellow credit unions, including us out America, have relied on the Federal Home Loan Bank advances to offset this decrease in deposit growth so that we may continue to offer loans to our membership by providing a stable source of funding to meet their members liquidity needs in any operating environment. The Federal Home Loan banks helped bring stability and equilibrium to the financial markets. Any efforts to position the system for the future must retain the Federal Home Loan bank's ability to continue to act on their mission to serve as a reliable liquidity provider for their members, including credit union members. The Federal Home Loan membership provides credit union members with access to capital markets. Credit union members typically use their Federal Home Loan Bank membership for funding loan growth and for contingent and strategic liquidity decisions. Credit union members, including America, continue to increase pledged collateral in order to increase potential borrowings, which will allow us to continue to lend to our communities during a period of low deposit growth. Credit unions representing growing membership component at the Federal Home Loan Bank of New York and across the system, the Federal Home Loan Bank in New York now has more than 100 credit union members and its wholesale funding. Market share in credit unions in New York has averaged 91% over the last 15 years. At the Federal Home Loan Bank of New York, credit union members are very active in the Mortgage Asset program, the affordable housing program, and especially the homebuyer dream program during the pandemic credit union, members access the Federal Home Loan Bank, New York Small Business Recovery Grant Program for nearly $5 million in grant funding.

Credit unions benefit all also benefit from an abundance of member education opportunities provided by the Federal Home Loan Bank of New York. In the past quarter alone, they've hosted webinars discussing strategies to assist with interest rate risk responses and another discussing strategies to navigate through a period of declining liquidity that we are seeing today. The banks have an important mission to provide liquidity, to support and to support housing, finance, and community investment in all credit environments.

The Federal Home Loan banks must provide competitive access to liquidity across all economic and credit cycles to privately capitalized and, cooperatively owned federal home loan banks provide a reliable source of low-cost funding for housing, finance, community lending and asset liability management, as well as short- and long-term liquidity to meet member's needs. The banks help member institutions meet the credit needs of communities through America in all economic cycles.

Without the federal Home Loan banks. It would be more difficult for local lending institutions such as America to provide credit and financial services for family's farms and businesses. Credit would be tighter, and it would be more expensive. The Federal Home Loan banks have served the needs of their members in all operating environments. They are critical during times of crisis. They are stable during calm markets, and they have always been dependable. For 20 years, for me, during times of economic turmoil and uncertainty, I view America's relationship with the Federal Home Loan Bank of New York as a partnership. They are generally genuinely interested and invested in America and our success. They want to learn about our successes, our struggles, and our needs.

They want to know how they can help interest rate risk and liquidity strategies to allow us to continue to lend to our membership. Our calling officer is in frequent contact with us at America and we meet at least once per quarter to discuss current strategies and concerns. Recently, they took the time to meet with us to discuss concerns, discuss concerns over new interest rate risk requirements and strategies to ease the IRR pressure we now face.

The Federal Home Loan Bank of New York provides frequent informational webinars or will travel to our area for an in-person session to discuss current topics. Over my 20 years in working with the bank in New York, my credit unions have used the banks advancers and excuse me, advances letters of credit, community investment advances and callable advances all as part of a broader balance sheet and lending strategy.

We have also taken advantage of the grant programs offered the affordable Housing program and the homebuyer Dream program, which is my personal favorite, where partnered with the Federal Home Loan Bank of New York to provide down payment assistance on a first home and financial education for hundreds of our members in our communities over the years. In the past, my credit unions have also been a participant in the Mortgage Partnership Finance program, and it became a very important part of our balance sheet strategy and mortgage lending strategy. In 2022, America was a participant in the business Development Advanced BDA Program, which allowed us to provide loans to small businesses, a significant rate discount during a period of higher rates. This was tremendously appreciated not only by us in America, but by our membership. I am appreciative of the appreciative of the time this afternoon, and I look forward to continuing America's relationship with the Federal Home Loan Bank of New York as a resource for liquidity, as a provider brand and business lending programs as an educational resource for America's alum committee and executive team, and as a partner in our interest rate risk and liquidity strategies. Thank you very much.

Karen Burk: Thank you. Our next speaker is Ed Garding from Montana State University. Billings will be followed. Denise Moore from First Montana Bank.

Ed Garding: Thank you, Karen, and thank you for the opportunity by way of introduction. I am a retired community banker. I've spent the actually a little over 50 years connected to the banking industry. However, for the last three years, I've been the dean at the College of Business of Montana State University Billings. And in addition to those two roles, I am also a member of the board of the Des Moines Federal Home Loan Bank. I've been on that board for about two years. I'm not going to talk real specifically about my bank. I was CEO when I retired and yes, we were a member bank and used the Federal Home Loan Bank. But I'll talk a little bit more generally and just liquidity in general. Over my lengthy career, there have been a lot of deposit cycles. And when banks are flush with deposits, it seems like our critics come out and have lots of good ideas on how to change our model or if we should even exist at all. And then if you wait long enough, there's a liquidity issue and then people are wondering what the Federal Home Loan Bank is doing to solve the problem. So, it comes and goes like that. And I've seen that many times over my career. You know, I would say that if banks need deposits, the formula is simple raise their interest rates on what they're paying. The problem with that is that the depositors don't come in the next morning. It's typically a several month times lags before the deposits come in. After The banks raise the rates. The nice part about the Federal Home Loan Bank is that that money does come in the next morning or even same day. And so, you can use those funds for your liquidity purposes until the deposits do start coming back. I, I can tell you at my bank we rarely borrowed, but we always had a line in place that we used as backup up and as our liquidity formula. I'm sure all of you have heard a lot about the affordable housing programs, the various programs. And so, I'm going to touch on just one of those that's kind of near and dear to my heart and that I've had personal experience with, and that's that. In Montana we have 12 American Indian tribes, and my bank did business with most of them. And many times, we were able to make loans on multifamily projects, senior living projects, those types of things, because the Federal Home Loan Bank helped provide the capital for those projects and that made the living in those places affordable. Another really big one was the down payment assistance program. And for Native Americans, the down Payment assistance program is $15,000 per tribal member. And I can tell you that's huge because typically these are not big fancy houses that they're building. They're there. And a lot of times in the $200,000 range and so $15,000 payment is huge. I can tell you that over about the last 25 years, just the Moyne Federal Home Loan Bank has put out about $155 million in down payment assistance. And so, again, that's just huge. While we're talking about affordable housing, I would just say that a lack of affordable housing has been a problem for my entire life and will continue to be a problem long after I'm gone. I don't think we are ever going to wake up as a nation some morning and say, Yep, we got that solved. It's kind of like alcoholism and drug addiction. It's never going to go away, but we can make a difference. And in our case, we can make a difference in the overall homeownership rate. Thanks to the Federal Home Loan Bank. I bring this up because there's always a thought that the federal Home loan banks should do more. Personally, I think I think they're doing a fantastic service job right where they're at. But I would like to see other industries and other organizations share in affordable housing projects, and I'm not sure how to get that done, but I think that we shouldn't be the only story in town. I'm going to transition from the bank to the university now so I can kind of bring that in there. And I would just tell you that at the College of Business, we teach money in banking, and we teach credit analysis. And then those courses we emphasize liquidity as a defensive strategy for our students know what that's all about and we do mention the Federal Home Loan Bank as part of the liquidity part of the liquidity solution, again, as a defensive strategy and on that subject, in addition to talking about liquidity, we also have got to think about this a minute. We also talk about interest rate gap, duration, and hedging, and we actually spend a couple chapters on that. And I just bring that up as a as a side note that that maybe the people at Silicon Valley banks should have taken classes at MSU Billings Oh, just a side note, but I had for many years during my banking career, I would give out ten reasons why homeownership is good for society. And I can tell. You that one minute remaining.

Thank you. One of those reasons was because the children do better in school and in an environment of homeownership. And I can tell you that homeownership in for Native Americans is like 50% or much less than the 70% of non-natives. And we do have our share of students that are 7% of our population are Native American. 7% of our population of our enrollment at the college are Native American.

So that matches up. But the graduation rate much lower. And I think there's a correlation between that and homeownership. I thank you for your time. And I think that the Federal Home Loan Bank is doing just what they ought to be doing.

Karen Burk: Thank you. Our next speaker is Denise Moore from First Montana Bank to be followed by Jackson Hattaway from Missouri Bankers Association. Thank you for allowing me to present Joe Kessler's message to you today. Who couldn't be with you to read this, So please bear with me while I read his message? Thank you, Director Thompson, and Deputy Director Stallings for the opportunity to give input on the FHA Shelby Bank system at 100 initiatives.

Denise Moore: My name is Joe Kessler and I'm a member director at FHB of Des Moines, representing the financial institutions in the great state of Montana. I'm also a director and former CEO of First Montana Bank in Missoula, Montana. I've spent the last 45 years primarily in the community and regional banking space, including serving as CEO of community banks for about half of my career. So, I'm very familiar with understanding how essential the FHA levee system is to community banking and other financial institutions. Let me give a few examples. When a rural critical access hospital approached us for a long-term fixed rate loan to make a necessary expansion, we were able to match fund that loan with a long-term fixed rate. FHB advance That expansion, which was made possible by the FHA advance, laid the groundwork for that hospital to expand services in an economically challenged community, and it is now thriving. Another example was a $500,000 grant we were able to secure for a homeless shelter, which allowed for a significant addition of rooms for our homeless population. Being homeless in a Montana is not where you want to be, and we were very thankful for the grant to help solve a community problem. My bank and other Montana institutions have also received the benefit of down payment assistance with a home Start program, as well as the NIH program. And just last week, Unity Investment advanced from the FHA LP. In addition to reliable liquidity, the FHA will be providing is essential to a solid liquidity plan for Montana institutions. As we have seen in recent days, Bank runs are not a thing of the past. All banks need a robust liquidity plan, and the FHA HLB is the cornerstone of not just my institution but most of the members I represent in Montana. Furthermore, I believe this liquidity directly results in more lending to homebuyers to make housing more affordable. Just some raw numbers on the FHB impact in Montana would show us serving 33 commercial banks, ten credit unions, one thrift and one insurance company. Since the inception of the Affordable Housing Program in 1990, 2639 homes in Montana have been helped through $19.3 million in grants from the competitive affordable housing program, 2354 homes have also benefited from $12.3 million in down payment product grants. I hope it's clear I in the FHA system it has been good for Montana and it's good for the country. However, my concern is that in addition to continuing these benefits, I've discussed that we also do no harm at the end of this review. Here are some of my concerns. Some have suggested adding new members that would raise our risk profile and require us to plan for losses on advances. I think the stellar credit quality of our cooperative is incredible asset. We should not compromise on pointing out to our legislators and others that the FHA has never lost money on an advanced stance in sharp contrast to other GSEs who have created problems. We should not lose that reputation because we want short term gain by admitting others who do not have prudential regulators and deposit insurance.

Secondly, some have suggested perhaps we need to raise the mandatory affordable housing contribution. Everyone is in favor of addressing affordable housing issues in Des Moines excuse me, in Des. As our advances have grown, we have been significantly raising our contributions beyond the mandatory requirement. However, conditions sometimes rapidly change. A significant increase in the mandatory contributions seems short sighted because it could make our advances noncompetitive in a less friendly environment.

Voluntary increases in AHP contributions when times are good is an excellent idea. Mandatory increases to our 10% contribution is not a good. Idea because. They could significantly impact. The viability of the FHA HLB. Business model when conditions are more challenging than they are today. Finally, I know there have been some suggestions that our officers are too highly paid. I can only speak for Des Moines, but I believe we have a very talented group of executives that have highly marketable skills. To restrict our ability as a board to pay what we need to pay to attract the most highly qualified talent available would be a mistake. I urge you to reject those suggestions so we can continue to provide the very best value-added services to our members through our talented team. It has been a privilege to address you today and you for this opportunity to speak on these critical topics to the members I represent. Thank you.

Karen Burk: Thank you. Our next speaker is Jackson Hataway from Missouri's Bankers Association. He will be followed by Tim Roy of Independent Community Bankers of America.

Jackson Hataway: Thank you for the opportunity to provide comments this afternoon. I'm Jackson Hataway, president of the Missouri Bankers Association. We represent more than 200 banks across the state of Missouri, many of whom have historic relationships with FHB, Des Moines. We are proud of the partnerships we witness with our banks on a daily basis and supportive of the FHB system across the state.

Our banks have worked with FHL be Des Moines for decades to ensure that capital is delivered to communities around our state, supporting housing and communities, stability and economic growth. During the last listening session, I spoke about the importance of maintaining the soundness and stability of the FHB system, even as FHB examines that mission in scope. I discussed how its commitment to affordable housing and growth are delivered every day by FHB member banks, who work diligently to bring capital to communities across Missouri and the broader United States.

Most importantly, I emphasize that as the only GSE that is in full sound health, we must be cautious in making fundamental changes that would introduce undue risk and potentially jeopardize the system in times when it is most critically needed. Today, I would argue that those very comments and concerns have been proven true by the events of the past few weeks as we have watched the Silicon Valley Bank and Signature Bank failures dominate news cycles.

We have all become much more familiar with the importance of liquidity to the financial services ecosystem. Unlike 2008, these bank failures had nothing do with asset quality. Silicon Valley Bank in particular was driven by mismanagement, potential regulatory lapses and most notably in the media. A mass deposit exodus. In the days that followed, banks across the country analyze their contingency funding and liquidity plans.

And many began accessing lines from FHB banks. Our banks did not do this because they were illiquid or stressed. In fact, the vast majority of banks in the state of Missouri and across the United States are healthier than at any other time in the history of our banking system. Instead, banks did this to preserve the faith and confidence US citizens have in their banks. It was a show of support, a show of strength and a demonstration of the solidarity of the banking ecosystem. We showcased how that ecosystem working in concert, able to safeguard the funds of consumers, businesses and ultimately communities. When the FHB system was founded, its primary mission was to survive to supply liquidity at low cost to banks and other providers around the country.

That mission has never been more important than it was in the last few weeks. We need the system to remain active because what we witnessed was the ability to bring to life bank requests, specifically when it was critical to do so, and the FHB system delivered. It operated as it was intended to in a time of uncertainty, and as a result, consumers were protected. I do not fault the FHA FHFA for reviewing the mission of the FHB system and for examining ways to expand affordable housing. It is an important and indeed noble goal to find ways to drive down the cost of access to housing. However, I would emphatically caution against systematic changes that introduce unnecessary risk to this vital liquidity purpose, particularly as it relates to inviting unregulated entities into the system. The lack of controls in place for these entities when compared to the strenuous regulatory requirements of provincially regulated banks such as the Community Reinvestment Act, means that risky activities which might not be identified until far too much damage has been done to the system, could cause irrevocable harm. This would jeopardize FHL banks, which, as we all are now aware, are critical in ensuring the long-term stability and confidence of our banking system. And that is no longer theory. That is fact. But beyond that potential, even the opportunity increased risk will ultimately lead to increased cost to members of the FHB system, which will in turn lead to less accessible funding for homebuyers around our state. Adding impractical requirements such as advanced usage reporting or limitations on large member activity will ultimately freeze the very activities that FHA seeks to inspire.

Less moneys will be available to all members, and uncertainty will cloud partnerships that have been reliable and sustainable for years. For these reasons, I strongly encourage FHA FE to reject any new membership opportunities for entities who lack the regulatory certainty brought to the FHB system by the banking community. We also encourage a strongly data driven approach to proposed roading reporting or usage requirements and limitations, which we believe will only confirm that the current structure of FHB programs are important and most appropriate and most importantly, sound.

What we witnessed time and time again from FHB Des Moines in particular, is a long-standing commitment extending well beyond the statutory requirements outlined by FHA, FAA, and our member banks, who themselves support the FHB system every day through their dollars and through their commitments, are also aware of the criticality of that mission. Given the fact that we continue to see growth and affordable housing access Missouri. I am proud to say that our banks we support FHB, Des Moines and more broadly the FHB system believe that in its current state it is working as intended and delivering against a mission that is vitally important. To that end, we must not lose sight of the fact that the past few weeks have demonstrated this GSE must remain sound and solvent because it sends an important message across the broader environment of economic growth here in the United States and abroad that the U.S. banking system will be stable, will be liquid, and will ensure the full faith and confidence of U.S. consumers, no matter the economic events. I appreciate the opportunity to comment today. I thank you. I look forward to hearing more about the FHA Phase Listening tour as it progresses.

Karen Burk: Thank you. Our next speaker is Tim Roy from the Independent Community Bankers of America. He'll be followed by Angela Curry from the Greenwood Floor Economic Development Foundation.

Tim Roy: Thank you, Karen. Good afternoon. My name is Tim Roy, assistant vice president for housing finance policy at the Independent Community Bankers of America, CBA. I appreciate this opportunity to participate in today's wrap up listening session to provide an underscore ECB's long held position regarding the importance of the Federal Home Loan Bank system for community banks and as a crucial component of the housing finance system for nearly a century. ICB also appreciates FHA phase and Director Thompson's thoughtful and thorough review of the Federal Home Loan Bank system, evidenced by the nearly two dozen regional roundtables and listening sessions conducted under this initiative. The vast majority, nearly 95% of ICB members, belong to the regional Federal Home Loan Bank. Many of our members participate on the Federal Home Loan Bank boards and committees.

Many would also agree that to plan for the future. One should review and understand the past and present state of the Federal Home Loan banks. Throughout the previous listening sessions and roundtables, including today, I've heard numerous stories of the positive impact that the Federal Home Loan banks have made and communities all across this country and how they are a critical source of liquidity they have made and continue to help make so many important community development projects happen.

The Federal Home Loan banks have been a crucial part in helping community banks drive economic development and housing in their communities. They serve for nearly 90 years and have been reliably there during all market conditions. ICB emphasizes that while thoughtful and targeted reforms are welcome and even necessary, we strongly urge FHA to first do no harm to the system that saved and sound and fulfills its mission today. Indeed, community banks in the federal Home Loan banks have enjoyed a long and successful relationship over the past nine years. Community banks provide the local knowledge with their contacts and relationships with homebuilders, small businesses, economic development officials and community leaders. While the federal Home Loan banks, in turn provide the liquidity needed to get these projects off the ground, the system expands and contracts as needed, depending on the level of activity and level of bank deposits needed to meet the needs of its customers.

While some have suggested the system doesn't meet the needs of today's market, our members who provide the capital to the system would suggest just the opposite. The system does work. It works very well. One of the primary reasons the Federal Home Loan Bank system has worked so well for nine years is that the federal Home Loan banks deal with insured potentially regulated depository banks, credit unions, CDF IES, and insurance companies. These are the entities that have the capital and balance capacity to hold eligible collateral, and they're all on form or in securities which can be used to secure an advance. In the case of a failure of a member or credit union. This collateral can be easily liquidated by the Federal Home Loan Bank and the advance repaid. Furthermore, in the case of a bank or credit union failure, the FDIC and the NCUA have provided the federal Home loan banks the ability to seize and liquidate any collateral that secures an advance prior to the full resolution of the troubled institution, which also in turn shields the federal Home Loan banks and its members from a loss.

Such super laden priority, the federal Home loan banks to safely and swiftly intervene as a stable source of liquidity during the heightened market circumstance, during heightened market circumstances, distress. We have seen this, especially in recent weeks, how critical it is that they are in a position to make such fully collateralized advances even during the worst of the 27 financial crisis or the savings and loan crisis of the late eighties, the recent pandemic and all the various recessions and market challenges over the last nine years. There has not been a single failure of a federal home loan bank, and taxpayers have not been asked to support the system through a bailout. Crucially, the ability for community banks to access advances during times of economic stress or when there are opportunities to increase lending or even participate in a local project, help First time homebuyers is critical to our members as they work to serve their communities.

That is why CBA is laser focused on keeping the federal home system safe and sound by dealing with only prudential regulated institutions and allowing only certain types of collateral that can be readily sold go a long way to keeping the system safe going forward. The introduction of non-real regulated entities or esoteric and volatile forms of collateral will lead to increased risk within the system, including the increased possibility of losses or a failure of a federal home loan bank, thereby increasing costs for all who use it. While those losses would be shared by all members throughout the system, the increased costs would fall hardest. The smallest community banks, small institutions that depend on the system and do not have access to the capital markets or other sources of wholesale liquidity. To that, the federal Home loan banks must remain strong, stable, and reliable sources of funding for community banks, and as such, ICB opposes any changes that would compromise the system's regional uncooperative structure, permit non depository entities which are not potentially regulated to access federal home loan bank programs or services. Consolidate the system without the grassroots leadership of its member owners or apply a mandatory threat test requiring community banks to maintain an arbitrary percentage of their assets in residential housing or initiate tracking mechanisms for advances unnecessary constrain or disrupt how members conduct their day-to-day lending and balance sheet management. And to conclude, ICB supports and urges FHA to align the capital requirements for member based Federal Home Loan Bank advances with the prudential regulators to avoid disruption and possible liquidity problems for otherwise well-capitalized community banks.

ICB also supports changes that improve the operational efficiency of the system by making it easier for bank members to pledge collateral with electronic signatures, as well as initiatives that would prudent, prudently help increase the amount of housing support in rural and small-town communities. ICB appreciates the opportunity to participate in today's wrap up listening session and look forward to working with our HFA as this review concludes and in the coming months.

Thank you very much.

Karen Burk: Thank you. Our next speaker is Angela Curry from the Greenwood Floor Economic Development Foundation, who will be followed by John Bovenzi from the Bovenzi Group. Thank you.

Angela Curry: Good afternoon. Thank you for allowing my comments today. I am Angela Curry, the executive director of the Greenwood-Leflore Economic Development Foundation. I oversee the business recruitment and retention programs for the city of Greenwood and McGraw County in the heart of the Mississippi Delta. In my 15 years as executive director of the Greenwood-Leflore Economic Development Foundation, I have worked with very small businesses, and I've worked with large corporations that are household names such as Viking Range Appliances and Milwaukee Electric to We work to improve the economic conditions in the Delta, and my background has provided me with a firsthand on the challenges faced by underserved communities throughout the Delta. In my role on the Federal Home Loan, Bank of Dallas is affordable Housing Advisory Council. Coupled with my background in economic development, I provide this unique perspective on the Federal Home Loan Bank balances impact on rural and underserved communities, specifically in the Mississippi Delta. Given my focus, the economic health of the communities in the Mississippi Delta that I serve, I'd like to see the federal Home Loan banks become more directly engaged in supporting the economic development needs of their districts.

Federal Home Loan Bank of Dallas established the Small Business boost Program in 2019. Small Business Boom Boost provides a loan via the member to help participating members provide financing for qualified small businesses by filling the gap between what the member can finance, and the loan request made by an eligible small business. Based on my Affordable Housing Advisory Council position with Federal Home Loan Bank balance, it is encouraging to know that given the success of the program through the first four years, Federal Home Loan Bank of Dallas has expanded funding for this program in 2023.

Their support for small business through this program, including those in the Mississippi Delta, is a positive step in expanding the balance bank's community investment activities. Beyond the housing scope of the AHP, additional support for job skills training and development would be welcome roles for the Federal Home Loan banks to engage in through future voluntary programing efforts. Job creation is an engine for the development of new housing that is needed in the Delta Community Investment Program and Community Investment.

Cash advance advances are helpful to members and provide some cost savings to the end recipients. But the programs do not drive significant lending by member institutions. While the Community Investment Cash Advance program is potentially useful. The regulation for this program is cumbersome and confusing. The regulation should be revisited and modernized to allow the Federal Home loan banks more opportunity to readily assist member financing of economic development opportunities in their communities. We would also recommend keeping the Federal Home Loan Bank structure intact. The Federal Home Loan banks providing vital to the capital markets for thousands of financial institutions of all sizes are vital to the well-being of their communities. Many of these institutions rely on advances as the only way to manage interest rate and liquidity risk. This has been during the financial events seen in the last few weeks.

The regional structure of the Federal Home Loan Bank system benefits our members and enables communities because it allows the home loan banks to know their members and communities, understand their needs, and deliver relevant products services and support. Consolidating the federal home loan banks may create confusion among members and their communities, as well as reduce the connections established between the Federal Home Loan banks and their members over time. Again, thank you for the opportunity to share my thoughts and recommendations as we focus on the future home.

Karen Burk: Thank you. Our final speaker for today is John Bovenzi from the Bovenzi Group.

John Bovenzi: Thank you. I'd like to thank Director Thompson and the Federal Housing Finance Agency for conducting this much needed review of the Federal Home Loan Bank system. I look forward to seeing the final report. I'm honored to be here today. I believe my background, primarily as a former long term senior FDIC official, is relevant to these discussions. That background has led me to certain conclusions. For one, I think it should be clear that the government heavily subsidized the federal Home Loan Bank system. The Federal Home loan banks do not pay federal, state, and local corporate income taxes. They have an implicit government guarantee that lowers their borrowing costs, and Congress has granted them extraordinary legal authority, especially for privately owned businesses. It also seems clear to me that the Federal Home Loan banks need to do more to support the public interest to justify those large government subsidies. That includes honoring their commitment to affordable housing and limiting lending activity that falls outside the scope of their mission. I do believe the federal Home Loan banks role is a source of liquidity to banks and credit unions is important. What I don't believe is that that role should include lending monies to failing banks. History has shown that providing liquidity to failing banks only prolongs their life and adds to the failed banks ultimate cost.

The federal Home Loan banks have abused their authority in this regard and have not served the public interest. I'll give an example. I served as CEO of IndyMac when it was an FDIC owned bridge bank. IndyMac had $10 billion in federal home loan bank advances. When the FDIC took the bank over, those advances had an average remaining maturity of two years.

The average interest rate on those advances was 2% higher than the market rate at that time. Keeping those advances in place made no sense, but the FDIC could not get rid of them, even though the bank that borrowed the money had failed. Only way the FDIC could rid itself of these high-cost funds was to pay the federal Home Loan Bank of San Francisco's penalty of 360 to $370 million. That included a $340 million prepayment penalty to compensate the Federal Home Loan Bank for foregone interest and a 20 to $30 million administrative fee for the burden that would be placed on them for having to reinvest that money. Ultimately, the acquiring bank for IndyMac absorbed those advances, but it had the same result. Indirectly, the FDIC absorbed the cost because the acquirer simply lowered its bid to offset its added cost.

The federal Home Loan banks hardly ever lose money because they have the legal authority to force losses that exceed their profits on others. And while there were many improvements that should be made to the Federal Home Loan Bank system. My proposal to Congress is a simple one. When federally insured member institutions fail all federal home loan bank prepayment penalties are waived.

This will provide the federal home Loan banks an incentive to not lend to failing banks, an incentive they don't have now, and therefore they will not profit at the FDIC in the general public's expense like they have you. Thank you for having me here. And that concludes my comments. Thank you.

Karen Burk: This concludes day two of our listening session. Please join us tomorrow at 1230 Eastern time for, our third and final day of this public wrap up listening session on the Federal Home Loan Bank system at 100 focusing on the future. Thank you.