



268 State Street #300
Salt Lake City
Utah 84111

July 15, 2024

Federal Housing Finance Agency

Office of the Director

400 7th Street, SW, 9th Floor

Washington, DC 20219

Re: Federal Home Loan Bank Mission

Dear Director Thompson,

On behalf of Celtic Bank, I am writing in response to the Federal Housing Finance Agency's (FHFA) request for input on the Federal Home Loan Bank (FHLB) Mission. Celtic Bank is one of the top SBA lenders nationwide and has a history of providing financing to small businesses, thus helping sustain and develop communities. The FHLB provides Celtic Bank with an important liquidity tool, a contingency funding secured line of credit. Regulatory changes that would limit our FHLB membership or change the assets that are eligible to be pledged could disrupt, in a material way, Celtic Bank's ability to originate SBA and other loans to businesses.

Responses to the specific RFI questions are summarized below.

Mission Statement for the FHLBank System

Mission Question 1. How should the mission statement for the FHLBanks reflect the connection between the liquidity provided by the FHLBanks and their support for housing and community development?

The Mission of the FHLBanks is already in statute – the FHLBank Act. While the FHLBs have a dual mission to provide liquidity and support affordable housing, it is by providing liquidity that makes it possible to meet the affordable housing mission. Regulatory changes must not come at the expense of members' ability to access FHLB liquidity as long as they meet the existing collateral and membership requirements.

Mission Question 2. Are there components in addition to providing liquidity and supporting housing and community development that should be included in the mission statement?



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No. The dual mission of the FHLBs is clear, and Congress, not the FHFA, has the authority to change the FHLBanks' mission.

Measurement of Mission Achievement

Measurement Question 1.

Are there characteristics other than those listed on pp. 9-10 that FHFA should consider in developing measures of mission achievement? Please provide the rationale for consideration of any other characteristics.

Since the FHLBanks can only do what Congress has authorized them to do, then everything a FHLBank does is in fulfillment of its mission. All FHLBank liquidity, affordable housing, and community investment activity should be factored into measuring how the Banks fulfill their mission.

Measurement Question 2.

Should all activities in the CMA regulation qualify as core mission activities? Are there items that should be added to or removed from the list of core mission activities? Please provide the rationale for any additions or deletions.

No changes are needed to core mission activities.

Measurement Question 3.

In developing multiple measurements, what additional aspects of mission achievement should FHFA assess? What additional measurements should FHFA adopt to assess support for housing and community development, including support for lower income households or other groups with identified needs?

Measurement should focus on the underlying purpose of the FHLB System – the provision of liquidity to member institutions. The mission achievement of the FHLBanks is already thoroughly reviewed and regulated. Any additional metrics should not encourage, incentivize, or adversely impact a FHLB's ability to meet that core mission of providing reliable liquidity to member institutions.

a. Should some core mission activities be weighted differently from others? For example, in assessing support for housing and community development, should advances or other activities involving members with a stronger mission focus be given greater weight?

No. Eligible members should not be treated differently, and eligible activities should not be weighted differently. Doing so would run counter to the primary function of the FHLBs to provide liquidity to all eligible members. So long as members have collateral to support their

borrowing, they should be able to borrow on equitable terms. Distinctions should not be made based upon a mission focus that is somehow determined by FHFA.

Further, there has never been a loss from an advance in the history of the FHLB system, and the FHLBanks provide a valuable liquidity tool to community banks that do not have the same access to capital markets that larger institutions enjoy. The potential unintended consequences to liquidity for these smaller institutions would likely result in a negative outcome for the core mission that the FHFA is trying to protect.

b. Should all FHLBank advances count as core mission activities, or should there be limits or exclusions for advances (or other activity) involving members that have only a limited connection to housing and community development? How might this be measured? Should the type of collateral securing an advance be considered in evaluating advances? (Alternatively, this type of approach could be used for calculating one or more additional measurements.)

The existing requirement that members have eligible collateral to pledge for advances is an effective measure of mission adherence. If a member does not lend for mission related purposes, they will have less eligible collateral to pledge for further borrowing. Limiting or excluding advances to eligible members with collateral to back their borrowing would be an improper exercise of power by the regulator that would run counter to the statute.

c. How should an FHLBank's AHP contributions that exceed the statutorily required minimum or voluntary program contributions be reflected in the mission achievement measures?

Efforts to distinguish excess contributions would likely lead to higher expectations of the FHFA and result in a shift in focus away from the main liquidity mission of the FHLBanks.

Measurement Question 4.

As discussed in the System at 100 Report, the FHLBanks receive certain advantages from their status as GSEs. Another approach to assessing mission achievement could tie measurement to the value of GSE status. If FHFA were to pursue this approach, how might the value of the GSE status be measured and how should mission achievement be compared to that value?

The FHLBs were granted their GSE status through statute. The FHFA's role is to ensure that the GSEs are safely and soundly carrying out the roles assigned to them, not valuing their worth. Furthermore, the FHFA's report fails to capture the full benefits of the FHLB System to the taxpayer. The aggregate sum of dividends, the value of the FHLBs to act as a "circuit breaker" in times of financial stress and the value of the stability to the broader financial system from the FHLBs' ability to continue to provide liquidity even in times of stress are all of significant value to the taxpayer.



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Member Incentive Program

Member Incentive Program Question 1.

What factors should FHFA and the FHLBanks consider in determining each member's commitment to housing finance and community development under a member incentive program?

The FHLBank Act requires the FHLBanks to treat all members fairly and impartially, taking into consideration the creditworthiness of their members and the safety and soundness of the FHLBank. Congress has already provided incentives by allowing community financial institutions to pledge a broader range of collateral. FHFA action to create an incentive program goes beyond its statutory mandate.

Conclusion

The FHLBank Act already articulates the mission of the FHLB. Congress, not FHFA, has the authority to change the FHLBanks' mission. FHLBanks have delivered on their mission throughout their history. The connection between the FHLBanks' mission and the liquidity they provide is supported by the collateral pledged by members. Absent clear directive from Congress that changes are needed to the mission of or incentives provided to the System, the FHFA should focus on supervision within the boundaries set by statute.

Thank you for your review and consideration of our input.

Regards,

A handwritten signature in blue ink that reads "Reese S. Howell, Jr." in a cursive script.

Reese S. Howell, Jr.

CEO and Chairman of the Board