



BANKEASY

July 9, 2024

Federal Housing Finance Agency (FHFA)  
Sandra L. Thompson, Director  
400 7th St SW  
Washington, DC 20224

Re: FHLBank System at 100: Focusing on the Future – Request for Input

Dear Director Thompson,

As member-owned cooperative financial institutions that are under the oversight of the Federal Housing Finance Agency, the Federal Home Loan Bank System's (FHLB) key mission is to deliver financial products that help its members as providers of safe funding solutions to support the lending, economic development, and affordable housing activities in the communities that its members serve. On the behalf of First Bank & Trust, located in Brookings, SD, and the Federal Home Loan Bank of Des Moines (FHLBDM), we remain appreciative of the opportunity to provide input on the FHLBank System's role in continuing to provide the member financial institutions, like ours, with affordable and accessible liquidity and funding so we can effectively and efficiently serve the families, farming operations, and businesses in the communities that we serve.

First Bank & Trust (FBT) is a family and employee-owned community-focused financial institution that has been a member of the Federal Home Loan Bank of Des Moines since our acceptance for membership by the FHFA in December of 1991. In that 30+ years since becoming an FHLB member, FBT has been able to strategically grow our footprint to now serve 17 communities in South Dakota and Minnesota. With the benefit of the available funding options and product offerings provided by the FHLB of Des Moines, FBT has been able to grow in a safe and sound manner as an institution, all while supporting our mission of delivering community banking services to our customers and remaining dedicated to giving back to our communities. Access to the various liquidity and funding options is a key factor in our capability to make the types of loans that our customers desire. The funding options that are available through the FHLBDM are a critical component of our bank's liquidity plan.

As you and your team continue to formulate your action plan related to the FHLBank System at 100: Focusing on the Future initiative, we again ask you to please consider that not only our institution but the employers, farmers, school districts, municipalities and non-profits that rely on our employees' expertise and credit products are also meaningfully impacted by our ability to access liquidity and funding source efficiently through the FHLBDM.

In your May 2024 request, you have asked for input to specific questions regarding (1) Updating the FHLBank System's mission to reflect its appropriate role in the housing finance system; (2) Developing metrics and threshold

to evaluate the mission's achievement; and (3) How the FHLBanks could incorporate incentives for members in connecting with FHLBank's mission. Considering your request, we respectfully offer our reply to the FHFA's public input questions that have been raised.

Although it is clear the FHFA is key to the supervision of the FHLBank System's mission, it is our view that Congress is primarily responsible for the mission of the FHLBanks, rather than the FHFA. Therefore, it would seem appropriate that any potential revisions to this mission should be directed by Congress. That being said, it would be our belief that any updates to the mission would remain mindful of the original true mission of the FHLBank System and would allow for FHLBanks to continue to provide the member financial institutions with affordable and accessible liquidity and funding so we can effectively and efficiently serve the families, farming operations, and businesses in the communities that we serve.

While the liquidity funding that we utilize on a regular basis from our FHLBank may not be specifically designated for purposes of financing residential housing, the FHLB is a key source meeting our daily funding commitments associated with the support of housing and other community development activities. As a rural community financial institution, every day we are supporting the lending, economic development, and affordable housing activities of our customers in the communities that we serve...that is the business we are in. As market conditions and core funding options fluctuate, the funding and liquidity that is provided by the FHLBanks is vital to our efforts in serving our communities. The availability of funding from the FHLBank system will continue to be a vitally important source for our bank's liquidity risk management, especially as the banking industry continues to experience a transformation with maintaining and growing, if possible, its primarily source of funding with Customer Deposits due to increased competition, technology, and availability from both large financial institutions as well as non-banking institutions.

Measurement of achievement against a well-defined mission is a realistic expectation. Although we support the process of defining the metrics for this measurement, we would again believe that Congress should lead any efforts to develop any metrics to which FHLBanks would be measured and evaluated related to their achievement of the FHLBank mission. Relative to the measurement of achievement to the FHLB mission we would encourage these metrics to support continue growth in the types of collateral available for borrowing by member banks and not be limited by specific general collateral types, such as a restrictive mortgage test as a percentage of assets or similar restrictions. We would also encourage continued communication with the Federal Reserve Banks to develop a safe and sound plan for liquidity risk management and availability during times of liquidity stress.

Further, in the FHLB Act, Congress has authorized the types of institutions to be eligible for membership and the requirements for them to access the essential liquidity and other products made available by the FHLBanks. As such, it should be in the hands of Congress to affirm all aspects related to membership eligibility. Though we would agree that all FHLBank members should have a strong and demonstrable connection to the FHLBank System's mission, we would be opposed to any type of percentage of balance sheet measurement for determining a member's eligibility and or enhanced benefits in the FHLBank System, which may result in FHLB members having restricted access to FHLBank products that may be available to other members due principally to dissimilar lending markets.

We thank you for the opportunity to provide input to be consider. In your process of clarifying the FHLBank's mission, please continue to keep in mind that the FHLBanks are a critical element of the nation's financial infrastructure. Their unique business model and partnership with community banks has ensured they are here for us and our communities through all economic cycles. We feel that is the primary purpose of the FHLBank System. Therefore, we encourage the FHFA to continue to promote the growth and development of the FHLB System and

support ways to bolster the System's value to their members and the communities their members serve through enhanced programs and forward-looking initiatives that would allow FHLBank membership to better serve those communities even further. Removing or significantly limiting availability to FHLB funding, could critically increase the liquidity risk profile of our bank as well as increase the cost of liquidity from alternative sources that would negatively impact both earnings and capital. Our ability to continue to meet our mission of providing effective and efficient products and services, including housing and community development, for the communities that we serve throughout the Midwest would be greatly reduced as a result of limiting or losing all together this primary source of liquidity.

Best regards,



Kevin Tetzlaff  
President/Chief Executive Officer  
First Bank & Trust