



July 12, 2024

Federal Housing Finance Agency
Division of Bank Regulation
400 7th Street SW, 7th Floor
Washington, D.C. 20219

Re: Request for Input for FHLBank System at 100 Review

The Federal Housing Finance Agency has requested comments about the ongoing role of the FHLBank system. We at Tricorp Federal Credit Union (Tricorp) appreciate the opportunity to submit this comment letter.

The FHLB system should not be changed for how it provides liquidity to the entire financial system. For Tricorp, the FHLB Boston plays a vital role in providing liquidity to our institution as well as the many member credit unions and affiliated organizations that we serve. We have a strong and viable financial institution base in New England as well as a strong Federal Home Loan Bank that has been supporting the region extremely successfully for more than 90 years. We are not aware of any credit loss or any safety and soundness issues that the Federal Home Loan Banks have experienced associated with doing business with FHLBank members.

We are concerned that any changes to how the FHLB system provides liquidity to the entire financial community would significantly affect liquidity access not just for our corporate credit union but for the entire financial institution industry. If the ability of FHLBanks to provide liquidity as it currently does is reduced, it will have a destabilizing impact on many financial institutions across the country who rely on their Federal Home Loan Bank as a stable and reliable liquidity source. This is especially true for longer-term liquidity needs as the FHLB system has unique access to the market and that is very beneficial for its member's liquidity needs.

For Tricorp Federal Credit Union (Tricorp), if there are changes to the ability of FHLB to provide liquidity as it currently does, it will inhibit our ability to fund our member credit union lending activity. Tricorp is a corporate credit union serving credit unions primarily in Maine, New Hampshire and Vermont with a few additional credit unions from Massachusetts and Rhode Island. Tricorp's primary function is to provide overnight funding, net payment settlement and correspondent financial services to its members. Just about all of our funding comes in the form of overnight deposits from our member credit unions that they use to fund their payment activities.

Credit unions in the Northeast are more heavily involved in real estate lending and have been for many years. When our member credit unions need liquidity to fund their real estate lending activity, they use their funds in their Tricorp account first because they are liquid and can be withdrawn as needed. As a result, we do experience a lot of volatility in our balance sheet and by using overnight advances from the FHLB, we are able to fund credit union real estate lending and other payment activity while maintaining a stable balance sheet. This strategy allows us to help credit unions meet their funding needs while also giving Tricorp a stable funding source during times of volatile liquidity.

The most important function that Tricorp performs for its members is to help them fund their payment activity of which real estate lending is an important component. We do so by providing them with a place to park overnight funds and in doing so, credit unions earn a market rate of return and they do not have to tie up their funds in longer maturities that can have volatile pricing if the credit unions need to turn longer term investments into cash. It keeps them nimble in meeting ongoing liquidity needs and provides them with a stable place to maintain overnight funds. In short, Tricorp's use of overnight advances from the FHLB Boston allows it and its member credit unions to properly manage their balance sheets and stay properly positioned for their ongoing liquidity needs.

Many of Tricorp's members are smaller institutions as 53% of them have assets of less than \$200 million. For those credit unions FHLB membership may not be feasible and Tricorp is their primary financial liquidity source. We are a very important partner for those credit unions in terms of providing settlement and managing their overnight liquidity. Our FHLB membership plays a very important role in allowing us to help these credit unions through the seasonal ups and downs of their liquidity needs and they can continue to make mortgage loans in varying liquidity cycles and not worry that they will not have a liquidity source. In this way, Tricorp and the FHLB Boston are partnering to serve the liquidity needs of our smaller credit unions.

Tricorp has been in operation since 1976 and serves its member credit unions as an effective and efficient correspondent financial institution. Our main mission is to be a liquidity source and resource for our members and the FHLB Boston is a very important part of our mission. Without our access to the FHLB Boston, Tricorp will be hard pressed to find another funding source that is as useful as the FHLB Boston and to our knowledge there is no other option. Traditional bank sources are either unavailable or so cost prohibitive as to make them unusable. Tricorp's ability to meet the funding needs of its members is as good as it is today because we can manage the volatility of funding an overnight balance sheet with FHLB Boston advances which is in the best interest of the FHLB Boston, Tricorp and most importantly Tricorp's members who are providing real estate and mortgage lending to their consumer members.

I want to note that Tricorp does help support the mission of the FHLBank system to provide affordable housing. We maintain our membership by purchasing a significant amount of consumer and commercial mortgage-backed securities. This helps to create more liquidity to fund ongoing mortgages, so we believe that we play an important role in the financing of mortgages while also supporting and helping our member credit unions mortgage lending.

I also want to note the FHLB Boston has proactively increased their contribution to the Affordable Housing Program. That is a very good thing for them to do but as a matter of funding that program going forward, it will be important for them to be able to provide liquidity as they currently do so in order to have the income to fund the additional contribution they have started making. Each activity helps support the other.

Sincerely,

A handwritten signature in cursive script that reads "Stephen A. Roy". The signature is written in black ink and is positioned below the word "Sincerely,".

Stephen A. Roy
President/CEO