

## Public Input for FHLB Membership

This document provides responses to the questions raised in the RFI on Federal Home Loan Bank Membership published in February 2020.

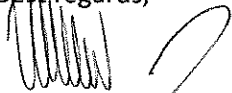
Thrive Mortgage, LLC, is an independent mortgage bank that has operated in Texas for the last 17 years. Thrive Mortgage has seller/servicer/issuer approvals with Fannie Mae, Freddie Mac, and Ginnie Mae. Organizations like Thrive Mortgage are excellent candidates to be considered for membership with the Federal Home Loan Bank because we are community lenders that take fewer risks in comparison to publicly traded companies and serve our communities by being smaller and nimbler. Access to the Federal Home Loan Bank would provide a lower cost of funds and an additional execution strategy that would allow us to better serve our communities through lower cost mortgages.

It appears that the two primary concerns of the FHFA and The Federal Home Loan Bank system, which limits access to independent mortgage banks, is liquidity and oversight. Regarding liquidity, independent mortgage banks are well capitalized relative to the daily needs of serving customers as well as handling mortgage defects. Many independent mortgage banks carry little to no debt outside of warehouse lines of credit which fund mortgage activities. These warehouse lines are directly secured by the collateral and require a "haircut" to provide skin in the game. In a liquidity event, warehouse banks can seize control of the collateral and sell the mortgages with little to no impact to the banking system, the consumer, or the secondary marketplace. Because independent mortgage banks are often privately owned by the founders, they have a large incentive to originate and fund loans that are safe and saleable in the secondary marketplace. They do not have the luxury to take careless risks which can put them out of business, harm the consumer, or harm the market at large.

The second concern regarding oversight is often misunderstood. Independent mortgage banks, particularly larger independent mortgage banks that carry agency approvals, are subject to consistent and rigorous audits at multiple levels. Not only are independent mortgage banks regulated by the states in which they operate, but they are also audited annually by any number of states. In addition to state audits, they are audited by FHA, the CFPB, independent financial auditors, warehouse banks, and must submit quarterly information to Fannie Mae via the MBFRF which provides an ongoing indication as to health and stability.

If you have any additional questions, please contact me at 512-943-6106 or [michael.jones@thrivemortgage.com](mailto:michael.jones@thrivemortgage.com).

Best regards,



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