



October 12, 2022

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

RE: FHFA Review of the Federal Home Loan Bank System

Dear Director Thompson:

Thank you for the opportunity to provide feedback as your agency evaluates the current and future role of the Federal Home Loan Banks in our national housing finance system.

We have been a member of the Federal Home Loan Bank of Atlanta (FHLBA) since its inception. Roxboro Savings Bank, SSB is a \$290,000,000 asset mutual institution operating in Person and contiguous counties in north central North Carolina. Founded in 1923, we are a state chartered institution that has evolved from a Savings and Loan into a full service Community Bank with a focus on residential mortgage and construction lending.

FHLBA provides us an immediate and reliable source of liquidity. Their advances also serve as fixed cost funding that we have used to hedge interest rate risk, and parlayed into affordable financing to support our community. Without the valuable resources (advances) available to us through membership in the FHLBA we could be compromised in the face of a liquidity challenge. Without fixed rate and future start borrowings from the FHLBA we will be unable to deliver maximum financial benefit to our local economy.

Small community banks have limited access to capital. Capital markets are unreliable and inefficient for raising small quantities of funds from either the issuance of equity or debt. Mutual banks have no means to access capital markets due to our ownership structure. The concentration of our assets in portfolio residential mortgages limits our options for generating liquidity—we offer mortgages secured by rural properties that are not eligible for sale on the secondary market, but are critical to the health of

our local real estate market. Membership in the FHLBA addresses these liquidity challenges for our bank and thousands of others with a similar profile.

According to the Council of Federal Home Loan Banks the enterprises supported their members with \$165,400,000 in liquidity at the onset of the pandemic. These funds were ultimately replace by other forms of monetary and fiscal provisions, but the volume and expediency of the advances issued by the Federal Home Loan Banks demonstrates their critical role as a primary source of stabilizing liquidity for their member institutions (and by extension the broader financial markets).

The ability to manage interest rate risk is a challenge for small banks who lack the resources and expertise to execute derivative trades and complex hedging strategies. Limiting the maturity of our assets allows us to manage our rate exposure, but often at the expense of losing credit opportunities. Fixed rate and future start advances are simple effective tools offered by the FHLBA that have allowed us to secure business with borrowers who require extended rate commitments without undermining our interest rate risk discipline. For example, we refinanced a \$2,347,065 commercial mortgage for the Roxboro Police Department building with a 202 month fixed rate term that saves the taxpayers an estimated \$350,589 over the life of the loan. This would not have been possible without match funding the credit via fixed rate advances from the FHLBA. We have utilized the FHLBA as a source of stable fixed cost funding for loans to volunteer fire departments and other community agencies. Future start advances provide for the additional benefit of allowing us to secure a fixed cost of funds for construction projects months prior to their groundbreaking.

Please accept my gratitude for the opportunity to offer these comments. I hope I have effectively elucidated the value the FHLBA offers our bank in the form of the liquidity and interest rate management tools they provide. Please consider these observations as you oversee the evaluation of the Federal Home Loan Banks' role in our contemporary financial system. The loss of these valuable resources would be detrimental to fulfillment of our mission as a small "main street" bank focused on housing and community development.

Sincerely,



Keith Epstein

Community Banker

Executive Vice President & CEO

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