October 12, 2022

Federal Housing Finance Agency

400 7th Street, SW

Washington, DC 20024

RE: FHLBank System at 100: Focusing on the Future

I’m Michael P Pell President/ CEO of First State Bank in Winchester Ohio. First State Bank is a state-chartered institution with assets of $850 million whose roots dating back to 1884. We proudly serve the rural communities of Southern Ohio and Eastern Kentucky. We work hard to provide financial products that benefit our local communities and the customers we serve.

In 2023, I will celebrate my 40th year in the banking industry. A lot has changed in my career. We no longer need proof machines to run checks. We don’t balance loan systems with miles of green screen printer paper. We close our loans with 100 pages of loan disclosure documents rather than a simple note, mortgage, and security agreement. We have expensive appraisals to justify loan values on homes that we have watched sell multiple times in our local markets. We have embraced the change, even though it has not all been positive.

*Focusing on the Future Initiative* sounds exciting. We can do most of our banking from our phone which fits in our pocket. We send images of bank statements and checks each month. We have long term fixed rate options for potential home owners through FHLB. We have enjoyed the flexibility of the FHLB MPP program, where we have been able to provide great rates to local borrowers, and have been given the tools we need to compete with our larger peers.

The largest depositors in the rural markets of Southern Ohio and Eastern Kentucky are typically local municipalities and school systems. We could not bid or attract these deposits without the Letter of Credit options that FHLB systems supplies us. These deposits assist us with the liquidity to re-invest loans in our local communities.

As I write this letter in the fall of 2022, liquidity in the banking system is at an all time high. We have sufficient liquidity today for our immediate loan demand. I also understand, after a 40-year banking career, this may not always be the case. We are frequent users of loan advances which gives us the confidence to expand, invest in our communities, and support housing in our local markets. The efficient system we enjoy from FHLB, is necessary for small community banks. Our larger peers continue to close locations in small markets, plus have access to other liquidity options. We do not. We need the FHLB advance window to continue to support our communities.

Please be careful as you Focus on the Future of the FHLB system.

The mission of the FHLB is to provide reliable liquidity to its member institutions to support housing finance and community investment. My small bank needs its FHLB partner, and its tools, to keep our small communities strong.

Sincerely,

Michael P Pell

President / CEO

First State Bank