

Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20024

October 18, 2022

To Whom It May Concern:

Membership in the Federal Home Loan Bank System has enabled our community bank to prosper. Since 1914, State Bank of Bement has provided our community with products and services that assist both consumer and commercial customers. We are committed to our communities and the people we serve. In order to fulfill that commitment, we have leaned on the Federal Home Loan Bank of Chicago.

As our financial institution has grown, advances have helped us when liquidity was tight. We have been able to continue to meet the needs of farmers in our area and have remained competitive with Farm Credit. We have also utilized varied term advances with rates that enabled overall spreads to be profitable. We no longer rely on daily fed funds and their varied pricing. While we were flush with deposits over the past couple of years, those are starting to decrease, and our loan portfolio has picked up necessitating the need to utilize the advance system again.

In 2017, we branched into a new and growing market, Monticello, IL. Previously we had sold long-term fixed rate mortgages through a larger bank and lost the "identity" of those loans once sold. We knew we had to find a solution in our new market where we could help our customers from beginning to end. It would have been fiscally impossible to meet the requirements to sell straight to Fannie Mae and/or Freddie Mac, so we looked to the Mortgage Partnership Financing vehicle marketed by the FHLBC. Their sales team worked with us to determine which product would best fit our needs, helping us remain competitive during a time when our main competitors are now non-bank mortgage finance companies. Since launching in 2018, we have sold 154 loans totaling just under \$25m in 1-4 family real estate loans to the MPF system. Over 85% of those are new relationships which we would not have had without this program and of those, another 45% established other account relationships with us. In all we have increased our total real estate loan portfolio by 580% since opening our Monticello location in 2017.

Also in 2017, I worked with a young family who had found a house they were interested in purchasing. The mom was a long-time worker at a local McDonald's, and dad was a seasonal worker. They found a house in foreclosure and came to me for help in purchasing. Everything looked great on paper, but they did not have the funds for a down payment. They were our first customer to utilize

the Down Payment Plus program through the Federal Home Loan Bank of Chicago and were able to purchase their first home because of that program. We have had other similar stories since then and are proud to offer that as a resource to our customers.

Letters of credit have come to be a vital way for us to assist our municipalities. We utilize both the fluctuating letter of credit and the standard letter of credit. These are a convenient way to collateralize the large deposits our many municipalities keep with us and allows our government partners to feel secure in those deposits.

At the start of COVID, no one really knew what to expect. When the State of Illinois decided to shut down “non-critical” businesses, our small communities were hit hard. From dentists to restaurants and our small factories, all were unsure how they were going to pay employees, rents, mortgages, etc. With not knowing how the government program was going to work, we had to do something to help. Thanks to the 0% advance given by the FHLBC, we were able to offer low-cost lines of credit to our businesses to provide a stopgap. During a time of complete turmoil, knowing they had that available provided stability among our customers.

Knowing the stringent regulatory environment covering the FHLBanks, along with the shared ownership of the banks by their current members, we are confident in the FHLB system overall. The regional nature of the system enables them to better understand our communities and assists them in designing various products and services around that.

Overall, I feel our community bank is better able to serve our communities due to the partnership we have with the Federal Home Loan Bank System and in particular, the Federal Home Loan Bank of Chicago. We are confident in the member-owned cooperative and its reliable sources of funding as well as other products and services that enable us to meet the needs of our communities and customers.

As it continues into its 90th year of service to its members, having not been in a loss position at any time during those 90 years, I celebrate what the FHLB system brings to its members and their customers. I am thankful for the partnership and look forward to our future cooperation.

Regards,



Michelle L. Gross
Executive Vice President/COO/ISO