



Scott C. Harvard
Chief Executive Officer
sharvard@fbvirginia.com

1835 Valley Avenue
Winchester, VA 22601

540.465.6121 ph 540.665.9847 fx
fbvirginia.com

October 21, 2022

Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street, S.W. Washington DC 20024

Attention: Comments/FHLBank System at 100: Focusing on the Future

Dear Director Thompson:

I have been a community bank CEO operating in Virginia since 1985. My early career was in a savings and loan, which at the time was regulated by the Federal Home Loan Bank system. As I transitioned to commercial banking, I was able to continue as a member of the Federal Home Loan Bank of Atlanta thanks to the expansion of membership to commercial banks and credit unions.

Over the years my financial institutions have utilized the Atlanta FHLB for term borrowings that enabled long term fixed rate home lending, long and short-term advances for managing interest rate risk and liquidity, affordable housing products, including set aside programs and low-income project development, and as a resource building my bank's risk management practices, strategic planning, and more recently their thought leadership on diversity, equity, and inclusion.

I served on the board of directors of the Federal Home Loan Bank of Atlanta from 2003-2012, and as board chair during the financial crisis. I rejoined the board in 2017 and currently am serving in my second term representing financial institution members in Virginia. Those members include banks and credit unions under \$100 million in assets to the largest credit unions in the country, as well as small and mid-sized insurance companies.

My perspective on the system may be deeper and longer than many of your interested parties. While recently some have expressed concerns about size, scale, and relevance, due to low advance levels in the system, I have watched the system expand and contract over many economic cycles, just as it was originally designed to do. In fact, we are beginning to see that very phenomenon now with liquidity beginning to leave the economy, increasing the need for our members to access the system.

It seems like there are some who dislike the largest banks in the country representing such a large percentage of the advances in the system, yet their participation is what enables small financial institutions like mine to have access to a wide variety of advance structures and pricing at the most favorable terms.

October 21, 2022

Page 2 of 2

It is critically important to preserve the cooperative structure of the system. That structure not only ensures equitable treatment across all members, it also has been at the core of the safety and soundness of the system. Over the almost 100 years of its existence, no bank in the system has lost one dollar on advances. During the financial crisis, the system provided liquidity at a time when the Federal Reserve was moving slowly, seeing a dramatic expansion in balance sheets as advances almost doubled. Yet unlike Freddie Mac and Fannie Mae, the system saw no losses on its debt instruments and no losses on their advances as hundreds of banking members failed or were merged away. The model worked then and continues to work now.

We should also not forget, that thanks to the system's financial strength, the banks through their member owners were able to help pay for the bonds issued to solve the savings and loan crisis of the last century, finally paying the last of those bonds in full several years ago, ahead of schedule.

As you consider the many comments being provided, please start by doing no harm to the cooperative structure of the system and be very mindful of safety and soundness when considering expansion of membership.

Our community financial institutions are part of the fabric of large and small communities across the country, enhancing economic vitality in those communities by promoting and financing home ownership and small businesses while also providing human and other resources to non-profits in our communities that enhance the safety net for the less fortunate among us. Access to the Federal Home Loan Bank system as currently constituted helps ensure the viability of our members and their communities.

Thank you for providing leadership in the discussion about the future of our Federal Home Loan Bank system.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott C. Harvard". The signature is fluid and cursive, with a large loop at the end.

Scott C. Harvard
Chief Executive Officer