

October 20th, 2022

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



Submitted electrically:

Re: FHLBank System at 100: Focusing on the Future

Dear Sir or Madam:

The Ohio Bankers League (OBL)¹ appreciates the opportunity to provide public comment on the Federal Housing Finance Agency (FHFA) listening tour review of the Federal Home Loan Bank (FHLB) system. Of the 170 members of the OBL 98% of them are members of the FHLB of Cincinnati and take part in every program the bank has to offer.

Generally, OBL, on behalf of our members, believes the FHLB system is working as intended, designed to provide critical liquidity to banks of all sizes in all market conditions, with advances growing in times of low deposits and shrinking when banks have increased deposits. The cooperative structure of regulated institutions allows the system to operate in a safe and sound manner. Consumers are protected from the harshest impacts of economic volatility due to the liquidity backstop provided by FHLB. This system has been tested many times over FHLB's 90-year history and it has proven time and again to work under unprecedented economic conditions.

Membership in the FHLB System:

The OBL urges extreme caution in considering any changes that would introduce unnecessary risk to the health of the system. Crucial to the banking industry is the stability of the home loan bank system. The nature of the system is premised on the fact that all current members of the system are highly regulated, examined institutions. Any proposed changes to membership will upset the safety and soundness of the current structure. Non-bank entities have long advocated for membership to the FHLB system. We believe until those lenders have similar capital and regulatory requirements, their entrance into the system will make the system less safe. Inviting unregulated entities who are subject to none of these same standards into the FHLB system under the auspices of increasing access to credit would undermine those inherent safeguards and risk, repeating the mistakes which led us to the last financial crisis and the conservatorship of other government sponsored entities. Financial markets are experiencing a once-in-a-generation effort by the Federal Reserve to tamp down inflation. This effort will have an unknown impact on the US economy and adding unnecessary risk to the FHLB system now is something we can avoid. Membership is set by statute, and any significant changes in membership of this system would have to be made by Congress.

¹ The Ohio Bankers League ["OBL"] is a non-profit trade association that represents the interests of Ohio's commercial banks, savings banks, savings associations as well as their holding companies and affiliated organizations. OBL has over 170 members which represents the overwhelming majority of all FDIC-insured depository institutions doing business in this state. OBL membership represents the full spectrum of FDIC-insured depository institutions from small mutual savings associations owned by their depositors, community banks that are the quintessential locally-owned and operated businesses, up to large regional and multistate holding companies that have several bank and non-bank affiliates and conduct business from coast to coast. Ohio depository institutions directly employ more than 70,000 people in Ohio. We are the only trade association in Ohio that represents all segments of FDIC-insured depository institutions. www.ohiobankersleague.com

Regional Bank Structure:

There has been some discussion during the listening tour about reducing the number of regional banks in the system to achieve efficiencies. While that may be true, we believe a centralized system will harm some of the other stated goals of the system, such as better addressing affordable housing. Ohio has a unique economy, from major metro areas, sprawling rural farmlands, and expansive Appalachia. We have individual needs that should be considered when addressing homeownership and economic inclusion.

The idea of discarding the regional structure for the sake of efficiencies would all but ensure the affordable housing investments overlook the individual needs of local communities. It would be impossible for a centralized program to know more about local communities than the current regional system. The current regional system remains a better way to assess and meet the needs of their unique regions and communities.

Affordable Housing Investments:

The FHLB of Cincinnati has invested almost \$1B into their affordable housing program to develop more than 102,000 affordable housing units. Some commentators have discussed the need to increase the statutorily required percentage of FHLB proceeds to the AHP. While we believe everyone should be doing more to address the critical problem of affordable housing across the country, we caution FHFA in increasing that percentage without thinking about the unintended consequences. AHP funds come from FHLB member's dividends, these are funds that would otherwise be paid out in member dividends. If it is increased to an undue level, it could dissuade membership in the system, thereby shrinking the actual funds that would be available for affordable housing. We do believe that there should be a review of the administration of the AHP, and perhaps more efficiencies could be achieved, but we still believe that the regional nature of the system is important to address the actual local housing needs.

Conclusion

The OBL believes the Federal Home Loan Bank system is working as it was designed and intended to work. It has a long history of success, and any changes to the system can have unintended consequences that can exacerbate difficult financial situations. OBL members rely on the FHLB programs, and through them consumers and their communities benefit.

Sincerely,



Evan Kleymeyer
Ohio Bankers League
Senior Vice President, External Relations