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**NCBankers.org**  
Since 1897

October 21, 2022

The Honorable Sandra Thompson  
Director  
Federal Housing Finance Agency  
Constitution Center  
400 7<sup>th</sup> Street SW  
Washington, DC 20219

Re: FHFA Review of the Federal Home Loan Bank System

Dear Director Thompson:

On behalf of the North Carolina Bankers Association (NCBA), which represents banks and their 90,000 employees in communities all across the State of North Carolina, we are writing in response to FHFA's review of the Federal Home Loan Bank System (FHLBanks). In our experience, the FHLBanks serve a vital role supporting housing finance, providing a low cost source of liquidity for financial institutions, offering correspondent banking services, and assisting with community investment. Many of the NCBA's bank members work frequently with the Federal Home Loan Bank of Atlanta (FHLBank Atlanta), which is well-managed, knows this state's unique characteristics and needs, and provides an excellent range of services and assistance. If we have one message as part of your review of the system, it is that the current regional model works quite well. The FHLBanks and their members should be allowed to continue to operate within consistent and stable guidelines.

To give you a better sense of the importance of the FHLBanks, and FHLBank Atlanta, in particular, in serving this market, here are some state statistics on bank participation. Over the last decade, total advances taken down have totaled over \$635 billion in our state. For calendar year 2021, total advances outstanding totaled \$18.7 billion with 27 of our banks participating. Our North Carolina banks continue to be very active in utilizing the FHLBank Atlanta Affordable Housing Program as well. Since 1990, the Bank has distributed over \$143 million to help build or rehab more than 21,000 units of housing in North Carolina. For calendar year 2021, affordable housing investments totaled over \$3.9 million in communities across this state and helped support 366 owner and rental units of affordable housing.

Due to the vital role of the FHLBank System, current members need to continue to have access. Any changes to membership should only be considered if they enhance the value and importance of the FHLBanks to members and the communities they serve. While it is unclear from a review of the announcement what specific changes are under consideration, please note that banks have made significant investments of capital in the FHLBanks. We would view with significant concern if changes are made to membership criteria to grant access to less regulated entities, or those with insufficient collateral

to cover their borrowings. Similarly, we would be concerned about new mission mandates or criteria being imposed that would divert the FHLBanks from their mission and purpose.

That is not to say that all is perfect with existing rules. We joined in a recent letter urging FHFA to modify its rules to look at Tier 1 capital, rather than tangible capital, in assessing a commercial bank's creditworthiness for purposes of obtaining advances from the FHLBanks. That change would bring FHFA's regulations into alignment with those of the prudential regulators. We regard this as a needed clarification and change. We distinguish conforming changes like this one from wholesale realignments of the FHLBanks' critical mission and purpose.

Thank you for reviewing these comments. Aside from the clarifying and conforming change noted above, we do not see the need for further changes at this time. The FHLBanks serve a vital role. We believe that FHFA shares that viewpoint and will continue to recognize the need to preserve and protect the FHLBanks' role in our economy. If you have any questions, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter K. Gwaltney". The signature is fluid and cursive, with a prominent initial "P" and a long, sweeping tail.

Peter K. Gwaltney  
President & CEO

A handwritten signature in black ink, appearing to read "Nathan R. Batts". The signature is cursive and somewhat stylized, with a clear "N" and "B".

Nathan R. Batts  
SVP, Counsel & Director of Government Relations