Re: FHLBank System at 100: Focusing on the Future

Dear Director Thompson

Thank you for the opportunity to comment on the future of the Federal Home Loan Bank (the Bank) system. As the Treasurer of a community financial institution that uses the Bank, I’d like to share the pivotal role it plays in the way we serve our members and community.

Our institution is member-owned and has a mission to offer tools to assist our members achieve financial success, like the Banks themselves. Our partnership with the Banks has given us access to products and services that help us to carry out that well-aligned objective.

The Bank has been a key liquidity source for us during periods, whether short or extended, when organic deposit growth was tough. The Bank offered funding that allowed us to continue to lend. Without it, continuing to serve our members in a lending capacity would have been considerably constrained.

At times, we have even used the Bank as an on-balance sheet hedge against rising rates, in lieu of having derivatives authority. By utilizing advance products like a symmetrical prepayment or forward start option, we were able to manage risks we faced, whether looking for an offset to investment portfolio devaluation or locking in funding prior to a known upcoming need.

In addition, we are one of the largest mortgage originators in the city in which we operate. Our institution manages a good portion of the risk (liquidity and convexity) that comes with mortgages, by selling them. The MPF program has been a key outlet for us in that regard. Furthermore, the Bank uses lender specific historical loss metrics to uniquely tailor their Master Commitments and associated risk pricing to the BANK member; FHLMC and FNMA do not individualize their credit risk fee (G-fee). Thus, a more conservative lender like us is better served with the risk-sharing program that the Bank offers, as opposed to paying the higher (national average) G-fee charged by FHLMC and FNMA. Selling to Bank equates to a much better risk/reward trade-off for us and pushes additional mortgage sale income to our bottom line.

Our partnership with the Bank has also inspired us to be creative in how we develop and provide

products to help support and rebuild the community, especially in low-income areas. The Bank offers various products to assist, like Affordable Housing and Community Investment programs. We have used these programs in the past and are currently working to put together a robust downtown revitalization project, with a large developer, charity, and the city. We expect the Bank to be a key component of our design of this new project. Together we will help re-vitalize troubled areas of our city and allow under-served borrowers to experience the accomplishment of home ownership for the first time.

To our institution, the Bank is a critical element of the nation’s financial infrastructure. The Banks unique business model provides strength and stability to the financial system and community, in all economic cycles. Please consider this as you conduct your review of the Bank system. Without the Bank, we, and the communities we serve, would lose access to invaluable products and services that help us thrive.

Thank you,

Michael H. Garrett

Treasurer

CommunityAmeria Credit Union