Dearborn Federal Savings Bank is a strong proponent of the Federal Home Loan Bank System. The Federal Home Loan Bank of Indianapolis (FHLBI) continues to be an invaluable partner in the daily operations of our Bank. Our partnership has lasted since 1937 and is essential for maintaining liquidity and our investment portfolio. There is no other institution that has been in our marketplace so consistently, with contacts who are always quick to respond. Although they can conduct business virtually, whenever Bank management feels the need to meet face-to-face, we can schedule a personal meeting at a moment’s notice. The FHLBI’s hub in downtown Detroit allows our contacts to be available with only a short drive to Dearborn. This type of personal service is important but is endangered by the prospect of consolidation or replacement of the Home Loan Bank System.

Dearborn Federal Savings Bank (DFSB) is a federally chartered mutual savings bank, located in Dearborn, MI. The Bank has assets of approximately $274 million, and its revenues are derived primarily from 1-4 family residential mortgage loans. DFSB has a $120 million line of credit with the FHLBI, secured by the Bank’s mortgage loan portfolio. This line of credit is for liquidity and funding the mortgage loan operations of the Bank as needed. For example, in 2015, when the bank experienced higher than anticipated loan volume, the FHLBI provided the Bank with a $15 million advance. By simply picking up the phone, DFSB could rest assured that funding and liquidity could be maintained in a safe, prudent, and affordable manner.

In addition to credit advances, DFSB also makes use of the FHLBI’s investment products. A critical part of the Bank’s investment strategy is to invest in laddered certificates of deposit. In the face of weak loan demand, the Bank’s investment portfolio, in part facilitated by the FHLBI, contributes significantly to the Bank’s bottom line.

DFSB also participates in the FHLBI’s Affordable Housing Program, in partnership with the Cass Corridor Neighborhood Development Corporation. The re-development of two historic downtown hotels paved the way for 40 units of affordable housing in the City of Detroit, targeted specifically toward moderate income individuals. The FHLBI provided training and guidance to DFSB on how to effectuate an Affordable Housing Grant and the ongoing monitoring that is required. The opportunity to provide housing for low and moderate income individuals would be curtailed without assistance from the FHLBI and their mission of providing affordable housing through Affordable Housing Grants.

Additionally, the FHLBI acts as a clearing house for DFSB’s ACH activity. DFSB’s transit return items clear through the FHLBI.  Anything related to the Federal Reserve for DFSB goes through the FHLBI. The Bank uses the FHLBI for all domestic wire transfers and international cables.

The FHLBI’s Member Symposiums also serve to keep DFSB’s management apprised of economic trends and solutions for various challenges facing the banking industry. DFSB finds value in the speakers and presentations put forth by the FHLBI. Of particular importance is the focus on issues faced by community banks. The FHLBI has always placed an emphasis on community banks but treats all of their customers, both large and small, with the same level of professionalism, customer service, and support. The FHLBI also partners with industry trade groups at the state level by participating in events hosted by the Michigan Bankers Association and the Community Banks of Michigan. The FHLBI’s support includes everything from sponsorships of events to supplying panelists who share their knowledge about a variety of economic and banking industry topics.

Should the FHLBI disappear from the extremely competitive environment we face, the results would be very detrimental to DFSB. Our wire transfer, bank investment, liquidity and funding activities would all need to be placed with new vendors. As stated above, the close working relationship that DFSB enjoys with the FHLBI is a true benefit to our Bank; a relationship that cannot be easily replaced.

DFSB prides itself on being a true community bank; founded in 1936 to provide savings accounts and mortgage loans to the public during the Great Depression. The Bank is both a mutual savings institution and a portfolio lender. One of the goals of the FHLBI is to promote home ownership. DFSB shares that same goal, promoting home ownership in the local communities we serve. We are fortunate to have a partner with a common vision. Without the FHLBI, the ability to fund loans when liquidity is tight would be severely impaired. A new vendor would be unproven and may cover a wide geography. They most likely would not be able to replicate the close working relationship we enjoy with the FHLBI. The Bank has faced a similar situation in dealing with the providers of its core processing system. Promises made when a bank is a prospect often are broken once a bank is a customer. The emergence of Fintech companies as industry vendors, sometimes partners, other times competitors, is a story fraught with mergers and acquisitions, poor customer service and a general lack of responsiveness. This situation has never been a concern with the FHLBI. The value of consistency and stability, provided by the FHLBI in a rapidly changing world, cannot be overstated. It translates into consistency and stability for DFSB’s customers. Just as individuals value a local lender, so too does DFSB.

The de-centralized approach of the Federal Home Loan Bank System continues to serve its members well, in an era of consolidation when bigger is seen to be better and smaller institutions, such as DFSB, are often left to fall between the cracks. With over 4,300 community banks in the United States, not to mention the number of credit unions and insurance companies that are members, the 11 Federal Home Loan Banks in the system do an outstanding job of connecting with their customers, giving the members a local partner they can depend on.

Put plainly, the implications of not having the FHLBI as a partner are all quite negative. We would lose a partner we have come to depend on for the many reasons stated above. The upheaval DFSB would experience in searching for new sources of liquidity, bank investment, affordable housing and ancillary services would require significant time and effort. This would require a diversion of DFSB’s own resources, away from putting our customers first. There are no guarantees that new vendors would be able to provide the same products and the level of customer service currently enjoyed by DFSB. What is not needed is an overhaul of the Federal Home Loan Bank System that would leave the system smaller in span, with fewer resources to bring to bear. Both DFSB and the FHLBI exist to promote home ownership. DFSB is hopeful that that the review of the entire System will only strengthen the bonds between members and the 11 FHL Banks, and not result in consolidation leading to a decrease in the effectiveness of the Federal Home Loan Banks.