

Federal Housing Finance Agency

400 7th Street, SW

Washington, DC 20024

Or

Via email: <https://www.fhfa.gov/AboutUs/Contact/Pages/Request-for-Information-Form.aspx>

DT: October 24, 2022

RE: FHLBank System at 100: Focusing on the Future

Farmers State Bank is a state-chartered community bank, located in West Salem, OH with assets of \$186 Mil. We have 5 other locations including Marshallville, Rittman, Wooster and 2 in Ashland. Our target market includes Ashland, Wayne and Medina counties. These counties are mostly rural with smaller communities.

We joined the FHLB in early 1990s to help with liquidity management and interest rate risk management. We were able to use MMA advances to provide funding that offset interest rate risk when we were not selling mortgages on the secondary market. Later when we began selling to FNMA, we continued to use advances when we saw the need to create "special" mortgage products that meet the needs of our community and our earnings.

Though not our major focus, we were able to use welcome home down-payment grants to some first-time home owners. We maybe did one or two a year but for some very grateful customers. As this was not used often, we appreciated the assistance we received from FHLB staff helping us through the process.

I think you can see that the products provided by FHLB helped us remain competitive by allowing us to offer housing products, that we may have not been able to do, if we could not offset some of the risk. We used modeling done by our FHLB account rep. using different rate environments to get comfortable with some of our product/advance decisions. These helped us with our decision to make the fixed rate products our customers were demanding. Because of appraisals or other criteria, many of these mortgages did not qualify for secondary market sale.

As stated, our local FHLB office not only provided education of available products and services, but support in how to use those to help our community. We recently applied for the Mortgage Purchase Program because we lost our mortgage underwriter. As we were looking for ways to keep our ability to sell in the secondary market, we felt we could get better support for a less experienced underwriter from FHLB MPP than trying to work with FNMA in Chicago.

We, like many smaller financial institutions, received a lot of deposit growth over the pandemic. Since lending was scarce, a lot of those funds went into investments that are now showing losses affecting our Total Capital ratio. As we view these as temporary, we are hoping to not lose our ability to access FHLB advances. We continue to value this option as part of our liquidity sources.

Thank you for the opportunity to comment.

A handwritten signature in black ink, appearing to read "Marlene K. Barkheimer". The signature is fluid and cursive, with the first name being the most prominent.

Marlene Barkheimer
Pres & CEO
Farmers State Bank