



Capitol  
Federal®

October 31, 2022

Sandra L. Thompson  
Director  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, D.C. 20024

Dear Director Thompson,

Capitol Federal Savings Bank (“CFSB”) is sending this letter on behalf of the Federal Home Loan Bank System (“FHLB”) and to highlight the important role it plays for CFSB and the communities we serve. CFSB is a \$9.6 billion financial institution headquartered in Topeka, Kansas. Our markets also include Kansas City, Wichita, Salina and Emporia. CFSB is a former thrift institution with a balance sheet made up of primarily retail mortgage loans. CFSB originates these loans within its markets as well as through correspondent lenders outside its footprint. CFSB is a proud member of the FHLB of Topeka, Kansas.

The FHLB is a trusted partner for CFSB as we work to provide home financing. This relationship is helpful in six ways.

First, as a portfolio lender, the FHLB has played a significant role in helping CFSB fulfill its primary objective of providing affordable housing credit to qualified borrowers in the communities it serves and beyond. FHLB advances are essential to CFSB fulfilling this objective.

Second, FHLB advances provide a source of liquidity that can be collateralized by the mortgage assets that CFSB originates and purchases. Quarterly reporting and audits by FHLB ensure our collateral meets their requirements.

Third, the FHLB helps CFSB reduce risk and comply with regulatory guidelines. FHLB advances provide CFSB with access to long-term funding sources that better match the inherent interest rate risk that is created as a mortgage portfolio lender. Repurchase agreements (“repo”) can be used as an alternative to FHLB, however, repo markets generally do not provide long-term funding options that are essential to managing CFSB’s interest rate risk profile. Advances play a significant role in CFSB’s business strategy and risk mitigation. In addition, repo markets require investment securities for collateral which would significantly reduce the amount of liquidity available for lending and increase CFSB’s liquidity risk profile.

Fourth, while we predominately fund lending with our deposit portfolio, being able to borrow from FHLB allows us to lend to more borrowers than if lending was only funded by deposits. Removing this constraint enhances our ability to provide affordable housing. Mortgages have been originated and sold on occasion. CFSB always retains the servicing and believes that keeping mortgages in our servicing portfolio provides customers with a better servicing experience, especially in times of financial stress or weather-related insurance claims processing for our borrowers.

C A P I T O L F E D E R A L ®

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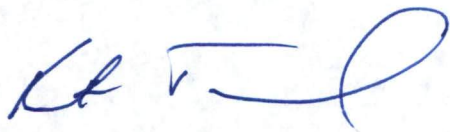
CFSB uses FHLB to facilitate collateral for our municipal deposit customers. CFSB provides a safe source of deposits for municipalities with excess liquidity in the markets we serve. CFSB collateralizes these deposits using investment securities and the FHLB's joint custody receipts. This is another way we help our communities and allows CFSB to create additional liquidity for mortgage lending.

Fifth, the FHLB helps CFSB provide affordable access to credit for low- and moderate-income households throughout our communities. Annually, CFSB participates in the FHLB Affordable Housing Program ("AHP"). AHP is a special program that helps its members provide financing for owner-occupied and rental housing that is affordable to very low-income, low- and moderate-income households through the use of subsidized advances and direct subsidies. Currently, CFSB has four local community partners, located in Kansas City and Topeka, who we assist in facilitating five FHLB Affordable Housing Program awards. These awards offer down payment assistance and home improvement grants for low- and moderate-income families, which help extend our efforts to meet the housing and credit needs for low- and moderate-income families. CFSB also participates in FHLB Topeka's Homeownership Set-Aside Program (HSP). HSP is a partnership with FHLB Topeka that offers down payment/closing costs assistance for our first-time homebuying families.

Six, while CFSB is primarily a portfolio lender that does not typically sell mortgage originations, the Bank has from time to time, sold loans into the FHLB MPF program. This program is preferred by CFSB because it allows us to underwrite a mortgage with a qualified borrower and share in the ongoing credit success of the borrower through credit enhancement payments received over the life of the loan. CFSB prides itself on having a strong credit culture and the MPF program allows CFSB to recognize that when loans need to be sold.

As noted above, CFSB is a proud member of the FHLB of Topeka. Not only does CFSB utilize a variety of the products and services offered by FHLB of Topeka, they have been a trusted partner to CFSB for many years by providing education and other resources that help CFSB remain competitive and up to date on changes in the market place. CFSB believes that without the FHLB, we would not be able to serve our communities as effectively. Without them, we believe that access to mortgage credit would be diminished, or more expensive, especially in low- to moderate-income communities.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Kent Townsend', with a large, stylized flourish at the end.

Kent Townsend  
Executive Vice President and Chief Financial Officer