



City Bank

October 26, 2022

Sandra Thompson
Director, Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Thompson:

I serve as the President & CEO of a regional bank in the five-state Ninth District. My responsibilities are centered on the management of a variety of risks. Funding of our institution is of key importance, whether direct funding on a daily basis, contingent funding on a daily basis or economic event-driven stress scenarios.

I cannot overstate the critical importance of the Federal Home Loan Bank System to our banks, insurance companies and to the banking system. The Federal Home Loan Banks (FHLBanks) uniquely provide a safe, stable and readily available source of liquidity to depository institutions of all sizes that helps us manage our balance sheets, mitigate risk and operate in a safe and sound manner. In turn, due to the support of the FHLBanks, we are better able to support growth and economic development in the communities we serve.

Structural Benefits of the System:

- **The Federal Home Loan Bank System provides a safe, stable, effective and efficient source of liquidity** that mitigates the challenges of funding loan growth through deposits. The system represents a significant primary strategic source of funding for many of us and a secondary source of liquidity for virtually all depository institutions. Essentially, the system serves as a “just-in-time” liquidity provider capable of supporting a variety of member needs in virtually all economic scenarios.
- **The System is geographically diverse** from a local economic perspective, which strengthens the joint and several obligations of the banks on System-issued debt, protecting the System from regional economic downturns. The regional nature of the System provides FHLB Dallas management and members the ability to maintain an active dialogue regarding local/regional knowledge and the unique needs of the areas in which any one FHLBank is located.

Cory T. Newsom
President-Chief Executive Officer
cnewsom@city.bank

5219 City Bank Parkway
PO Box 5060
Lubbock, TX 79408
(806) 792-7101 Main
(806) 771-4535 Fax
(806) 771-3227 Direct
(800) 687-2265 Toll Free
city.bank

- **During times of economic crises, the FHLB System is designed to be elastic, to expand rapidly to provide liquidity** as other sources freeze up, as we saw during the COVID-19 pandemic in 2020 and the 2008 financial crisis. As crises pass, the System can contract without disrupting its capacity to remain a liquidity provider. The System provides access to credit and funding markets that may not be readily available to anyone other than a government-sponsored enterprise in times of economic uncertainty or economic stress.
- **While the Federal Reserve System (Fed) may activate borrowing facilities during times of financial stress, it has historically been viewed as a “lender of last resort;”** as such, there is a certain negative stigma associated with borrowing from the Fed at any time. Since the Fed does not actively participate in lending activities, its products, services and responsiveness aren’t generally tailored to quickly meeting our needs.

Economic Benefits of the System

- **The Federal Home Loan Bank System provides all its members with access to worldwide capital markets.** Without it, small, medium-sized and regional banks would be at a competitive disadvantage to the nation’s largest banks. The System provides the ability to access capital markets in a more cost-effective and efficient manner than we would be able to on a standalone basis.
- **By utilizing FHLB Dallas products and services, we are able to achieve savings and efficiencies we would not otherwise be able to achieve.** A key component of the System is that all members have equal access to products and services. Thus, if all members can gain the same efficiencies, competition will dictate that much of that benefit will be passed through to consumers and small businesses, thereby strengthening the local economy.
- **Generally speaking, the System is the most cost-effective way of having a just-in-time liquidity source** that is vital as a secondary source of liquidity. For any one bank or group of banks or any individual insurance company or group of insurance companies to create such a liquidity pool would be impossible.
- **The System has also been extremely responsive to local housing needs through the Affordable Housing Program, as well as through voluntary programs, such as the disaster assistance, veterans’ assistance and grants to community organizations our institutions’ support making it a true partner in our local communities.**

On Expansion of FHLBank Membership

- We are in favor of any initiatives that may strengthen and deepen the System’s ability to serve its current members and communities. **However, we are not open to expanding membership to entities that are less stringently regulated than we are.** We believe the limited nature of the co-op and its membership are two key reasons for success of the

System. Lowering the bar on membership standards to accommodate special interest groups could ultimately pose a safety and soundness risk to the System and jeopardize the very reason for its existence.

In conclusion, the current structure of the FHLB System strengthens the nation's financial system and supports our efforts to serve our customers and help our communities prosper. It is difficult to imagine how the vast number of regional financial institutions in this country would be able to exist without it.

Thank you for this opportunity to provide written comments as part of the listening session process. We look forward to future opportunities to be part of the dialogue.

Sincerely,

A handwritten signature in black ink that reads "Cory T. Newsom". The signature is written in a cursive, flowing style.

Cory T. Newsom
President/CEO