

 **Pacific National Bank**

Carlos R. Fernandez-Guzman
President and Chief Executive Officer

October 30, 2022

The Honorable Sandra Thompson
Director Federal Housing Finance Agency Constitution Center
400 7th Street, SW
Washington, D.C. 20219

RE: FHFA Review of the Federal Home Loan Bank System

Dear Ms. Thompson:

Chartered in the mid-1980's, Pacific National Bank (PNB) is a \$1.1 Billion dollar community bank primarily serving the Miami-Dade, Broward, and Palm Beach County markets Florida. PNB also recently opened a Loan Production Office in New York to supplement the Florida footprint as well as seed our national expansion model. Our Charter is a National Bank Charter from Office of the Comptroller of the Currency, we are one of thirteen banks under a Wholesale Community Bank Act designation as our business model focuses on commercial lending activities. The Bank currently operates three retail branches in Miami-Dade County and will soon open a fourth brick-and-mortar facility in Palm Beach County. We do not offer any consumer lending products or services.

I would like to extend my sincerest appreciation for the opportunity extended to all FHLB member banks to express their thoughts on the invaluable role of the FHLB in supporting our community banking model. Your exemplary leadership and keen oversight will ensure that the FHLB banks remain a reliable funding source and strategic partner for banks like ours for years to come. This opportunity to provide feedback, is proof of your interest in the long-term viability and sustainability of the FHLB model.

The value of the FHLB banks' function as a more efficient and effective alternative conduit to accessing funding from the capital markets is invaluable. Without the FHLB, mid to small community banks who serve the greater majority of the Nation's Small Businesses would lend less profitably and willingly. One could easily argue that eliminating the FHLB conduit could easily place these community banking entities solely at the mercy of middlemen that will markup access to a variety of indexed structures (IRR) and efficient pricing (SOFR + reasonable spreads) severely hampering their role as a competitive lenders in Commercial Real Estate transactions as well as Commercial and Industrial middle market lending activities.

Additionally, and in spite of our Wholesale CRA designation, PNB repeatedly earns and "Outstanding" CRA rating from our primary regulator. The Bank is very actively involved as a civic leader in developing moderate, low and extremely low income housing units to serve those in the < 60% of AMI brackets and aggressively seeks to finance housing inventory projects targeting the > 80% of AMI project. Here too the role of the FHLB cannot be undervalued. Either through targeted programs, consultative support or acting as a seed for collaborative housing initiatives, the FHLB system has been a key player in bringing affordable housing units out of the ground in markets where financing for same would otherwise not be available. It is important to ensure that the role of the FHLB in affordable housing is viewed as more than a funding or grant conduit, the Organization's strategic and tactical contributions for workforce housing initiatives has been invaluable as well.

1390 Brickell Ave. Miami, FL 33131
Phone: 305-539-7500
Fax: 305-539-7600
www.pnb.com

Unit 3: The History of the United States

The United States has a rich and diverse history that has shaped the nation into what it is today. From the early days of exploration and settlement to the present day, the United States has experienced many significant events and changes.

One of the most important events in the history of the United States was the American Revolution, which took place between 1775 and 1783. This was a war fought by the thirteen original colonies against the Kingdom of Great Britain, resulting in the colonies' independence and the formation of the United States of America.

Another major event in the history of the United States was the Civil War, which took place between 1861 and 1865. This was a war fought between the Union and the Confederate States of America, primarily over the issue of slavery. The Union emerged victorious, leading to the abolition of slavery and the preservation of the United States as a single nation.

The United States has also experienced several periods of economic growth and development. One of the most notable periods was the Industrial Revolution, which began in the late 18th century and continued through the mid-19th century. This period saw the rise of factories and the mass production of goods, leading to significant economic growth and the emergence of a middle class.

Another period of economic growth was the Great Depression, which began in 1929 and lasted until the mid-1940s. This was a period of severe economic hardship and unemployment, which led to the implementation of New Deal policies by President Franklin D. Roosevelt. These policies helped to stabilize the economy and create a social safety net for the American people.

The United States has also played a significant role in the world, particularly in the 20th century. It was a leading power in the formation of the United Nations and the North Atlantic Treaty Organization (NATO). The United States also played a key role in the end of World War II and the subsequent Cold War.

Pacific National Bank

Currently PNB's investment in the FHLB system is a total stock purchase of \$3,531,500. Our borrowings typically range in the \$0-80 Million range and our current Borrowing Capacity is \$105,074,811. We clearly leverage the FHLB extensively and find the options offered for alternative funding strategies to be robust, diversified and aligned to our Baseline Strategic Plan needs.

Lastly, given the current economic environment, it is imperative that we properly weigh the importance of the FHLB as an alternative funding mechanism. Community banks must avail themselves of every arrow in the quiver to manage interest rate risk and any consideration and eventual action to removing the FHLB arrow from that quiver would be catastrophic to the system.

Thank you again for the opportunity to provide our thoughts on the importance and values of the FHLB system for community banks.

Sincerely,

