



March 17, 2023

Federal Housing Finance Agency  
400 7<sup>th</sup> Street SW  
Washington, DC 20024

Re: *FHLBank System at 100: Focusing on the Future*

Dear Sir or Madam,

The Conference of State Bank Supervisors (“CSBS”)<sup>1</sup> appreciates the opportunity to comment on the Federal Housing Finance Agency’s (“FHFA”) comprehensive review of the Federal Home Loan Bank (“FHLBank”) System. This review requests input on multiple facets of the FHLBank System including its general mission, membership eligibility requirements, and operational efficiencies. CSBS supports the mission of the FHLBank System and the critical funding it provides to the banking industry, particularly community banks. As the FHFA considers the future of the FHLBank System, state regulators encourage you to keep in mind the substantial benefits that FHLBank liquidity provides to community banks, and how that liquidity fuels homeownership and economic development in communities across the country.

State banking supervisors have a significant stake in the organization and role of the FHLBank System. State regulators charter and supervise more than 3,700 banks, accounting for 79% of all U.S. banks and more than \$8.5 trillion in total assets. According to the most recent FHLBank membership data, state-chartered institutions account for over half of FHLBank members, many of which are small community banks.<sup>2</sup> State regulators promote a safe and sound financial system, consumer protection, and local economic development. Recent events and stresses in the banking system show the essential source of liquidity that the FHLBank System provides for institutions across the country.

The FHLBank System serves as a key source of stable funding for community banks, which in turn helps these institutions meet the mortgage credit and other credit needs of their communities. Community banks contribute significantly to financing homeownership, providing homebuyers with greater access to mortgage credit and personalized mortgage loans. Their local focus and knowledge allows them to support housing finance through relationship-based mortgage lending, tailoring loans and services to meet the needs and preferences of local consumers and borrowers who may not meet a standardized credit profile. According to the most recent Home Mortgage Disclosure Act data collection, community banks with less than \$10 billion in total assets represented 44% of financial institutions offering mortgage loans to U.S. consumers. In 2021, these institutions provided 13.7% of home purchase loans

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<sup>1</sup> CSBS is the nationwide organization of state banking and financial regulators from all 50 states, American Samoa, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. CSBS supports the state banking agencies by serving as a forum for policy and supervisory process development, by facilitating regulatory coordination on a state-to-state and state-to-federal basis, and by facilitating state implementation of policy through training, educational programs, and exam resource development.

<sup>2</sup> *FHLBank Membership*, 13 December 2022. Microsoft Excel File. Available at:

<https://www.fhfa.gov/DataTools/Downloads/Pages/Federal-Home-Loan-Bank-Member-Data.aspx>



and 9.6% of refinance loans to members of their local community.<sup>3</sup> Moreover, community banks' relationship-based lending model is an enormous benefit to small businesses as well, which is why they consistently provide roughly half of small loans to businesses in the United States.

During your comprehensive assessment, state regulators encourage the FHFA to consider the significant benefits that the FHLBank System provides to community banks and the overall economy. The community banking system, and the homebuyers and small businesses served by these institutions, should continue to directly benefit from the stable liquidity provided by the FHLBanks.

Sincerely,

A handwritten signature in blue ink that reads "James M. Cooper".

James M. Cooper  
President & CEO

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<sup>3</sup> See "MBA Chart of the Week: 2021 HMDA Respondents." Mortgage Bankers Association, 25 July 2022. Available at: <https://newslink.mba.org/servicing-newslink/2022/july/mba-servicing-newslink-tuesday-july-26-2022/mba-chart-of-the-week-2021-hmda-respondents/>