



March 23, 2023

HomeStreet Bank (“HomeStreet”) has been a member of the Federal Home Loan Bank system (or FHLB) since 1986 and for over 100 years we have been a mortgage lender focused on conventional, conforming and government mortgage lending as well as multifamily construction and permanent mortgage lending through our portfolio and as a Fannie Mae DUS lender. Our association with the FHLB has allowed us to support the communities we serve through their lending and support for affordable housing. Without these programs, HomeStreet would not have been able to make the volume of loans and offer many of the products and services that have benefitted our customers and communities. Over the years, we have been a significant lender to low to moderate income borrowers. Just in the three years ending in 2021 we made over \$800 million in home loans to over 3,000 low to moderate income borrowers. Also, over that time we made over \$3 billion in multifamily construction and permanent loans. A large proportion of those loans were on properties in low to moderate income areas.

Additionally, the FHLB plays a critical role in providing liquidity to the banking system. This was never more evident than during the Great Recession, when other traditional sources of liquidity to community banks were no longer available. Because of the strong relationships with member banks the regional FHLB banks were able to support community banks through a difficult period. This support was a critical factor in avoiding many potential liquidity driven bank failures at that time. In fact, HomeStreet Bank was one of those potential failures due to an unfortunately high level of residential construction lending prior to the financial crisis. And here at HomeStreet we will never forget the pivotal role our FHLB Bank played in helping us maintain strong levels of liquidity to demonstrate to our customers our ability to continue to be there for them. Today HomeStreet is a thriving successful institution having grown fourfold since that time.

And now we find ourselves in another period of liquidity challenges for many Banks as a result of the historical increases in interest rates by the Federal Reserve. Today Banks compete for deposits with the Treasury given the high interest rates available in Treasury Bonds. Temporary borrowing from the Federal Home Loan Banks allows many Banks the time for investment securities and loans to reprice so that Banks can compete with higher deposit rates.

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Some have criticized the use of the FHLB system by the large Banks. In fact, the higher volume created by the large Banks make the system more efficient and lowers the overall funding cost. Additionally, the FHLB system supports daily funds management and helps smaller Banks compete with larger Banks. Competition is good for everyone, in particular for customers and it lowers the cost of capital and improves service.

Critics have argued that the public is not getting an adequate return for the value of the government guarantee of the FHLB debt and the non-taxable status of FHLB earnings. While it is possible to make a theoretical calculation of the value of these benefits, it is challenging to calculate the immense public benefit of a strong stable Banking system that has come to rely on the liquidity and support of the FHLB system.

And since joining the FHLB, HomeStreet has made extensive use of FHLB advances that support its growth which has allowed HomeStreet to continue to fund single family and multifamily loans during periods where loan demand has outpaced deposit growth. This access to funding and liquidity has been a critical to community banks such as HomeStreet allowing us to continuously serve and support our communities.

Thank you for the opportunity to speak to you today about the benefits of having the FHLB system available to institutions like HomeStreet Bank.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Mason". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark Mason

Chairman, President & CEO