



March 30, 2023

The Honorable Sandra L. Thompson  
Director  
Federal Housing Finance Agency  
400 Seventh Street, SW  
Washington, DC 20024

**Re: Comprehensive Review of the Federal Home Loan Bank System**

For more than 100 years, the Arizona Bankers Association has been the voice of Arizona's banking industry. With more than 50 banks and credit card operations, our financial institutions operate throughout the state. Our mission is to engage our members in issues impacting the banking industry, including providing government relations advocacy; dispersing relevant, accurate and timely information to our members; offering value-added products and services; and providing a forum for open and candid discourse on banking issues and policies.

The Federal Home Loan Bank System, through our regional Federal Home Loan Bank of San Francisco (FHLBank San Francisco), has been an instrumental partner in our efforts to serve the people of Arizona by investing in our communities and helping families and individuals enjoy the American dream of homeownership. In March alone, the FHLBank System advanced more than \$304 billion to member-financial institutions across the country, with Arizona banks benefiting significantly. This funding comes at a time when some of America's banking institutions are under stress resulting, at least in part, from a higher interest rate environment.

The Arizona Bankers Association welcomes this opportunity to provide comments on the Federal Housing Finance Agency's (FHFA) comprehensive review of the Federal Home Loan Banks, as well as to document many of the ways that FHLBank San Francisco contributes to our success and enhances the quality of life for the residents of Arizona.

**The FHLBanks' General Mission and Purpose in a Changing Marketplace**

The FHLBank San Francisco has been critical to the banking needs of our member-financial institutions by providing funding for short term liquidity; mortgages and asset-liability management; and additional funds for housing finance and community development. Our members have received long and short-term advances from FHLBank San Francisco. Those advances are securely collateralized by residential mortgage loans, and government and agency securities.

During the nation's devastating financial crisis in 2008 FHLBank San Francisco was able to advance \$147 billion in funding to Arizona financial institutions from Q1 2008 through Q4 2009, a time when alternative means of funding was difficult to obtain. By doing so, and with its more routine advancement of funding, FHLBank San Francisco has successfully executed the mission of the Federal Home Loan Banks: providing liquidity to their member-financial institutions without taxpayer assistance in both good and bad economic times.

In fact, the Federal Home Loan Banks have provided this funding for nearly a century without any losses or defaults on advances to their member institutions. We expect the FHLBank San Francisco to continue to be a reliable source of contingent liability liquidity. Moreover, the FHLBanks could also play a role in supporting infrastructure projects funded through the Infrastructure Investment Jobs Act of 2022 with the reauthorization of their ability to credit enhance tax exempt municipal bonds.

### **FHLBank Organization, Operational Efficiency, and Effectiveness**

We are extremely pleased with the products and services our member banks receive from FHLBank San Francisco. The fact that it is a regional institution is very important because it allows them to be more responsive to our specific regional and local needs and concerns.

### **FHLBanks' Role in Promoting Affordable, Sustainable, Equitable, and Resilient Housing and Community Investment.**

FHLBank San Francisco is one of the leading contributors to affordable housing funding in Arizona. Since 1990, FHLBank San Francisco has provided \$99.3 million in Affordable Housing Project (AHP) grants to Arizona. Those grants have assisted 225 projects that have bolstered affordable housing, including 7,805 new or rehabilitated rental units and 2,670 ownership units. In so doing, FHLBank San Francisco has expanded housing opportunities for countless vulnerable families and individuals. AHP grants are contributing to the development and rehabilitation of single-family and multifamily housing in Arizona, including for the homeless, seniors, veterans, at-risk youth, people overcoming addiction, and people living with disabilities. Grants are facilitated through FHLBank San Francisco member institutions, which include several of our members.

### **Addressing the Unique Needs of Rural and Financially Vulnerable Communities**

The regional nature of the FHLBank System is critical to their ability to identify and support the needs of individual communities, including those on tribal lands and in rural areas.

### **Member Products, Services, and Collateral Requirements**

We believe that a key part of the success of the Federal Home Loan Banks has been the regional structure that allows each FHLBank to determine what products, services and collateral requirements are right for their regions, and the communities in their district. Yet, the cooperative structure of the 11 FHLBanks and their members creates an appropriate environment that does not place undue risks on any individual FHLBank or the System. In 2021, the FHLBank San Francisco worked with the State Legislature to pass stay and preference legislation that allowed insurance companies, which are members of FHLBank San Francisco, to access more liquidity on standard terms.

We appreciate this opportunity to provide you with our impressions of the work of the FHLBank System as well as the chance to express our gratitude for the services that FHLBank San Francisco provides to financial institutions in our state. We also applaud FHFA for undertaking this comprehensive review of this vital pillar of housing finance as it turns 91 years young this year. We look forward to reviewing the report at the conclusion of your review.

Sincerely,

Paul Hickman  
President & CEO  
Arizona Bankers Association