Karen Burk: Good afternoon, and welcome Day Three of FHFA's Listening Session on Federal Home Loan Bank System at 100, Focusing on the Future. My name is Karen Burk, I'm Associate Director of Safety and Soundness Examinations in the Division of Bank Regulations.

Before we move forward with our agenda, I have a few important reminders. During today's session FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in rulemaking on any matters discussed at this meeting, the rulemaking document would establish the public comment process. And you would need to submit your comments, if any, in the course of the submission instructions in that document.

FHFA may summarize the feedback gathered at today's meeting in a future rulemaking document if we determine that a summary would be useful to explain the basis of a rulemaking.

Also, please keep in mind that nothing said in this meeting should be construed as binding on, or final decision by the agencies or their staff.

Finally, we are recording this session and will also prepare a transcript of the meeting including your names and organizations that you represent. We'll post the recording and the transcript on the FHFA website and YouTube channel along with any materials that our presenters use today.

Each speaker today will have six minutes to speak. When it is your time to speak, please turn on your cameras and unmute yourself. We ask that when you're not speaking, please mute and turn off your video. I will remind you at the five minute mark that you will have one minute remaining. We will need to be mindful of other people's time, so if you go over time, I will unfortunately have to interrupt you.

Thank you for your cooperation and for sharing your perspectives with us today. Our first speaker this afternoon is Richard Mroz, the Director of Federal Home Loan Bank in New York, who will be followed by Ryan Comins from Mutual of Omaha.

Richard Mroz: Thank you and good afternoon, and for the opportunity to speak today's session. My name is Richard Mroz, and I'm an independent Director on the board of the Federal Home Loan Bank of New York.

I first joined the New York bank in 2002, and now I believe I'm the longest serving member in the entire system. But my tenure concludes this year when my current term ends, and I have seen our bank in the system in good times as well as times of crisis.

During my tenure I've served on all major committees of the board executive, audit, compensation was an inaugural member of our governance committee and currently serve on the technology, strategic planning, and I'm chair of our housing committee.

Now separately from the bank, I serve on other corporate boards and have been an advisor in governance matters. And I'm a certified director through the National Association of Corporate Directors. As my service to this cooperative draws to a close, I'm proudly doing what the FHFA is doing with this initiative, looking back on strong performance of this and the critical impact of the Federal Home Loan Banks. The purpose of this initiative as my personal reflections are now turning, is to look forward and focus on the future of these vital institutions.

Today, let me keep focus though on three important aspects of the banks in the system. First, the system has a flexible critical infrastructure that provides liquidity to Main Street America. Two corporate governance and the risk management of these enterprises in the system. And third, the important level of investment the system makes in affordable housing.

Regarding the system in its growth, the year I joined the bank in 2002, system advances stood at around $450 billion, $58 billion of which was at the New York bank. In 20 years, I've seen the system advances reach as high as $928 billion and the New York bank advances surpassing $122 billion. The system number came in 2008 at the onset of the financial crisis. The New York -- in New York we hit an advances record in 2020 at the onset of a global pandemic.

In both instances at the start of such crises when other funding sources dried up, and uncertainty was waning, local lenders across our district and across the country looked to the Home Loan Banks. In both times of crisis the Federal Home Loan Banks were able to meet the unprecedented funding demands from members when their communities needed it most, just as the banks have been -- have done as they were originally conceived.

I have also been a director long enough to realize that there are cycles of advances activity. Such was what happened with the system experiencing last year, which led to a small number of critics to question the system's relevancy.

But this is exactly how the Federal Home Loan Banks are designed to act and work, seamlessly to expand or contract based on its members’ needs. And this is accomplished by the nature of our capital structure provided by our member shareholders unlike other government sponsored enterprises, the very nature of our system is driven by purpose, not profit.

Just as we were able to meet the unprecedented advance demand experienced at the onset of the pandemic and the global financial crisis in 2020, so too were able to handle the significant declines that have followed, as prolonged federal stimulus and record levels of member deposits eased the need for funding.

Today we're able to meet the steady increase in advance levels experienced across the system throughout the first half of 2022. As members across the nation look to reliable liquidity partnering amid an increasingly volatile environment.

Over 90 years, the Federal Home Loan Banks have served the needs of their members in all operating environments. The Home Loan Banks are critical during times of crisis, stable during calm markets, and dependable during all economic cycles.

Now governance is very much a central focus for us. Having served on the Corporate Governance Committee, I can tell you that there's a strong attention to governance practices and processes that are given throughout this institution.

The Bank, as reinforced by the board, has a critical duty to our members who invest in their Home Loan Bank. And each Home Loan Bank is a steward of its members' capital. And unlike other enterprises, and liquidity sources, these banks are also responsible to manage a balance sheet and do so with robust governance and risk operations. With a focus on protecting this capital through a conservative low risk approach.

I know that every director, whether a member director, who has put up capital into the bank, or as an independent director --

Karen Burk: One minute remaining.

Richard Mroz: -- like myself, takes the stewardship very seriously. Now housing is also a critical important part of our work in the system. The Home Loan Banks of New York, for example, in 2021 had supported nearly 2,000 projects, and $860 million in grants with its affordable housing program.

At the Federal Home Loan Bank in New York, we know that a home is a foundation that we can grow as individuals and families and communities. But we, with our 10% amount of income that we put to the Affordable Housing Program (AHP), has expanded beyond that with additional investments in other programs such as disaster relief funding.

As I conclude my tenure, it is with great appreciation that I understand the impact that these cooperatives have had for the last 90 years. So now I offer a few suggestions for you to consider --

Karen Burk: Thank you. Our next speaker is Ryan Comins from Mutual of Omaha, who will be followed by Eric Stachler from the Huntington Bank.

Ryan Comins: Good afternoon, I'm Ryan Comins, Senior Vice President at Mutual of Omaha, a fortune 300 insurance company founded in 1909. First and foremost, thank you to the FHFA for hosting these listening sessions and giving members such as ourselves an opportunity to share our perspectives as you begin your comprehensive review of the Federal Home Loan Bank System.

We have been long standing members of the Federal Home Loan Bank of Topeka through two of our insurance entities, Mutual of Omaha and United of Omaha. As an owner of a residential mortgage originator, and a holder of $7 billion of mortgage loans and mortgage backed securities representing 20% of our insurance general account, we feel we are uniquely positioned to provide insights during your review.

We can say firsthand that the reliable liquidity provided to us from our partners in Topeka, have allowed us to provide everyday Americans with essential mortgage credit products in both good times, and more importantly in times of economic stress.

Our insured -- our experience as members of the Federal Home Loan Bank of Topeka points directly to how insurance company membership is critical to the overall mission of ensuring a competitive, liquid, efficient and resilient housing finance market.

Recent data from the Mortgage Bankers Association (MBA) shows that life insurance companies hold 15% of all mortgage -- multifamily mortgage debt through direct originations. But when you factor in other financing channels, such as commercial mortgage backed securities and agency and government sponsored entity portfolios, as well as RMBS, insurance companies provide direct and indirect support to over 50% of the multifamily mortgage market.

Additionally, because of mortgage regulations following the great financial crisis in 2008, nearly two thirds of all residential mortgage originations are now made by nonbank lenders who don't have the balance sheet to retain the mortgages and must first seek reliable alternative financing options to competently provide competitive mortgage credit products.

Insurance companies have stepped in to provide this financing through purchases of residential whole loans, as well as through the agency and non-agency residential mortgage backed securitization market.

While insurance companies such as Mutual and United of Omaha provide an end market for residential and commercial mortgage credit products in good times, more importantly, we are a consistent and reliable lender in times of economic and market stress.

While we have a strong and stable capital position, the timing of large premium inflows may not perfectly match the timing of these market stresses. Therefore, our Federal Home Loan Bank membership gives us the ability and confidence to continue providing liquidity to the market in the interim.

What we have found in many cases such as today is that insurance companies are the only ones providing reliable liquidity during these periods of market stress. And our Federal Home Loan Bank membership plays a critical role. Without the reliable liquidity from the Federal Home Loan Bank, mortgage credit would be tighter and more expensive for the everyday Americans who are renting an apartment or purchasing a home.

Additionally, as a result of the sale of a subsidiary bank of ours in 2020, we became the owners of a mortgage origination firm now known as Mutual of Omaha Mortgage. Through our membership with the Federal Home Loan Bank of Topeka, we have been able to provide our new subsidiary with the additional liquidity necessary to meet the incredible surge in demand for mortgage loans. Having originated almost $25 billion of residential mortgages across 84,000 borrowers since 2020.

The dependability of the Federal Home Loan Bank gave us confidence to continue originating mortgage credit products during the height of the broader financial market crash during March of 2020, when many other lenders had paused their production. And we can continue to provide competitive products today when many other nonbank mortgage originators are struggling to stay afloat.

Thank you for the invitation to speak today. I hope I've helped shed some light on how insurance companies, such as Mutual of Omaha, play a critical role in the mortgage finance market, and how we rely on the availability and dependability of liquidity from the Federal

Home Loan Bank System to support originations and purchases of critical mortgage credit products in even the most challenging economic environments.

Without this reliable liquidity offered to insurance companies. I am confident mortgage credit would be tighter and more expensive for the everyday Americans who are renting an apartment or purchasing a home. Thank you.

Karen Burk: Thank you. Our next speaker is Eric Stachler from the Huntington Bank, who will be followed by Jonathan Welty of Ohio Capital Finance Corporation.

Eric Stachler: Good afternoon. My name's Eric Stachler. I'm the Federal Bank Program Manager for Huntington Bank. Huntington Bank shares is $179 billion regional bank holding company, headquartered in Columbus, Ohio with more than 1000 branches in 11 states. Huntington is a member of the Federal Home Loan Bank of Cincinnati, and I've been the primary contact for affordable housing programs since 2007.

My first AHP award was in 1993. Huntington as an active user of FHLBank products and services, including advances, letters of credit, the mortgage purchase program as well as multiple programs to address affordable housing and targeted community needs, including the AHP, Welcome Home Down Payment Assistance Program, Carol Peterson Housing Program, and the Disaster Reconstruction Program.

Since the AHP's inception in 1990, Huntington has utilized over $80 million to support more than 4,300 units of affordable housing with an additional 2,000 households served through a combination of other programs. One of the factors that makes the AHP and other Federal Home Loan Bank programs so important is the partnership approach to every project.

Whether Huntington takes the lead or is one of multiple partners an AHP grant often figures into a project's funding formula. The AHP program is known and respected for reliability and accountability. The rigorous application process rewards the most impactful projects.

In 2019, 18 tornadoes devastated homes for 30 miles in and around Dayton, Ohio. The majority of the damage was done in low to moderate income neighborhoods where many homeowners lacked attic get insurance or the means to rebuild. Huntington participated with a coalition of Federal Home Loan Bank members and nonprofits, and together were able to complete repairs to 147 homes using $2 million from the Disaster Reconstruction Program.

This program is funded by the Federal Home Loan Bank outside of the regulatory requirement and offers grants up to $20,000 per household for repairs. Additional funds were used to provide down payment assistance to renters impacted by the disaster.

Last year, Huntington successfully nominated a nonprofit for a community partnership grant. This is another funding source provided by the Federal Home Loan Bank beyond the regulatory requirements. The grant was possible in part due to the relationships developed over time between Huntington, the Federal Home Loan Bank, and its network. The grant was to the Cincinnati based HER, which operates a scholar house providing a safe living and learning environment for single parents and their children, while the parents attend post-secondary classes.

The Welcome Home program has provided down payment assistance allowing Huntington to support over a 1,000 first time homebuyers, while the Community Mortgage Program (CMP) provided over 800,000 in assistance for emergency home repairs, for low to moderate income senior homeowners or those with disabilities.

In recent years, I've worked with Federal Home Loan Bank of Cincinnati to establish partnerships with smaller or less experienced members that do not have the capacity to support projects on their own. This includes community banks, insurance companies and Community Development Financial Institutions (CDFIs). This collaboration allows Huntington to serve more households and enables more members to support projects they wouldn't otherwise.

Since embarking on this approach, Huntington has obtained $29 million in AHP grants for our partners, in addition to the $80 million obtained directly. Many of our partners have gone on to independently support AHP projects and participate in other Federal Home Loan Bank programs.

The regional structure the Federal Home Loan Bank of Cincinnati is beneficial to Huntington and helps our bank establish broader networks and reach more households. It also allows the Federal Home Loan Bank to develop lasting relationships with members and housing providers.

It's this type of innovation, network building and access to quality affordable housing programs that makes the Federal Home Loan Bank of Cincinnati an important partner to Huntington. Aligned with one of our core values to improve the communities we serve.

With the system's successful history. My only recommendation is to consider allowing more flexibility to coordinate underwriting requirements with other funders such as Community Development Block Grant (CDBG), U.S. Department of Agriculture (USDA), and Low Income Housing Tax Credit (LIHTC)programs, which would leverage program dollars more efficiently to meet shared housing goals.

The AHP program provides critical capital for affordable housing. Allowing the program to better align with other funding sources breaks down barriers to the ultimate goal of creating much needed affordable housing. It also increases the ease of use, enabling additional developers and members to participate. On behalf of Huntington Bank, thank you for the opportunity to comment.

Karen Burk: Thank you. Our next speaker is Jonathan Welty from Ohio Capital Finance Corporation who will be followed by Diana Devine from Native American Connections.

Jonathan Welty: Good afternoon. My name is John Welty. I am President of Ohio Capital Finance Corporation (OCFC) located in Columbus, Ohio. I've been working in the affordable housing industry since 1998 as a syndicator and lender when OCFC was created and certified as a Community Development Financial Institution (CDFI) in 2002 and serves the low income populations of Ohio and Kentucky.

OCFC has provided over $800 million in financing for the creation or preservation of affordable housing, totaling 36,000 units. In 2012, OCFC became the third CDFI to become a member of the Federal Home Loan Bank of Cincinnati. As one of the early CDFI members OCFC knew and greatly respected the value of its membership.

As the only elected CDFI member director, I hold a unique position within the Cincinnati Bank, as well as the system. I view this as an example of the FHLB system's evolution to include diverse perspectives, and cooperative partners to help address the serious housing finance challenges we all face in our communities.

I've been warmly welcomed by my fellow directors and currently serve as the chair of the bank's Housing and Community Development Committee. Our FHLB serves the fifth district of Ohio, Kentucky, and Tennessee. Approximately 63% of our 600 members participate in one or more FHLB programs, including advances, the Mortgage Purchase Program, and Housing and Community Investment Programs.

Since 1990, the Cincinnati Bank's strong membership activity has resulted in over $829 million in affordable housing program grants and subsidies towards the creation of 103,000 affordable housing units.

Our members play a pivotal role in each of these housing units, from partnering with nonprofit sponsor organizations to creating large scale housing solutions for vulnerable populations, including the elderly, disabled individuals, and homeless veterans.

Additionally, the bank provides homebuyers with the opportunity to purchase their first home through the Welcome Home Down Payment Assistance program. This model remains dynamic through the implementation of various voluntary programs across the FHLB system. The Cincinnati board in consultation with our Affordable Housing Advisory Council identified specific needs for the repair and rehab of homes owned by low income elderly and our special needs families, allowing them to age in place.

In 2010, the board, after thoughtful consideration, responded and established the Carolyn Peterson Housing Fund for these purposes. This voluntary offering has provided over $14 million in grants to benefit over 2,500 families.

Additionally, the voluntary Disaster Reconstruction Program, or DRP, has been used to help communities recover from natural disasters. Since its inception in 2012, the bank has provided over $6.2 million in DRP funding with input from our community bankers and from over 55 insurance company members. We have a true understanding of how to coordinate relief through the DRP to assist families in rebuilding.

As a financier of affordable housing the Affordable Housing Program (AHP) is critical to the development of affordable housing. Since becoming a member, OCFC has applied for and received on behalf of sponsors nearly $10 million in AHP funds creating over 1,700 affordable housing units.

By way of example, Hubcap Housing, located in the Appalachian region of southern Ohio was awarded $750,000 of AHP funds for the development of 43 units for families with incomes around $31,000 per year. The AHP funds were the critical gap filler within the $6.3 million capital stack.

OCFC also utilizes the Zero Interest Fund Program. This program allows us to borrow up to $100,000 at zero percent, which we relend to nonprofit developers with no markup. This funding is greatly needed to reduce the interest expense of many projects.

I attribute the diversity of the success of the FHLB housing systems in large part to the number of institutions that comprise an Affordable Housing Partnership, from small and large asset members to credit unions and insurance companies, into CDFIs like mine. In combination with federal and state programs, it truly takes a cooperative effort to assemble the capacity needed for successful outcomes.

Additionally, the regional structure of the FHLB Cincinnati is key to our ability to coordinate meaningful, timely and targeted responses. For example, some of the FHLB's are focused on serving tribal communities. The Cincinnati Bank is focused on serving Appalachian communities within the district.

With the system's successful history, I offer a recommendation to consider providing flexible feasibility in administering the AHP. For example, allowing the FHLB banks greater discretion to align their underwriting requirements and cost caps with other funders, including the Federal Housing Administration (FHA's), the USDA and the Department of Housing and Urban Development (HUD).

Additionally, I request the FHFA to provide the regulatory authority to allow for the expansion of our programs, including the AHP Set Aside, as well as maintain the flexibility of our voluntary programs. This would allow the bank to serve the greatest number of households by --

Karen Burk: One minute remaining.

Jonathan Welty: -- timely targeted assistance.

Finally, as you consider the future at the FHLB banks, I urge you to preserve the regional structure of the district offices to continue the successful cooperative business model that has been successful and is effectively serving the community lenders and their customers for 90 years. Thank you very much for hosting this important discussion.

Karen Burk: Thank you. Our next speaker is Diana Devine from Native American Connections, who will be followed by William Marsh of the Farmers National Bank of Emlenton.

Diana Devine:

Good afternoon. My name is Diana Yasi Devine, CEO of Native American Connections, a nonprofit community development organization located in Phoenix, Arizona.

I am a member of the Federal Home Loan Bank San Francisco Affordable Housing Program Advisory Board representing Arizona. The FHLB San Francisco members use the bank's financial products and services to lower funding costs, reduce interest rate risk, manage liquidity, and offer a wide -- wider range of credit products to the customers of institutions in Arizona, California, and Nevada, including many community lenders that do not have access to other sources of low cost funding, especially in stressed market conditions.

The FHLB banks are a foundational element of the nation's financial infrastructure, helping smaller community financial institutions in both rural and urban markets gain access to funding options available to larger institutions. Providing much needed financial services for individuals and family in rural low income and communities of color.

The Federal Home Loan Bank of San Francisco Community and Economic Development grants are designed to support affordable housing and economic development activities that make a difference in rural, tribal, and urban neighborhoods that Native American Connection serves.

American Indian, Alaskan Native, and tribal communities use the bank's community investment programs to address affordable housing and economic development needs. Tribal Lands make up over one-third of the land base in Arizona and are some of the most isolated and rural areas of the state, and home to 23 federally recognized tribes.

COVID-19 brought attention to the extreme housing shortage and overcrowded living conditions families experience within the Navajo Nation and other Arizona tribal communities. Contributing to the highest COVID positive testing hospitalization and death rates in the United States in June of 2020.

The health pandemic also exposed the lack of much needed water, sewer, electricity, and road infrastructure is needed for both Housing and economic development, with numerous examples of food deserts, lack of fresh water and assessable medical care.

In addition, the lack of digital connectivity in tribal and rural communities kept them from accessing some of the more successful ways of receiving services virtually during the pandemic, with the digital divide that continues today.

The –FHLB-San Francisco's AHP grants are a flexible funding source to help develop and rehabilitate single family and multifamily projects targeting tribal, rural, and low income households.

Since 1990, the bank has awarded over $15 million in AHP funding in partnership with its members and other government programs such as LIHTC and HUD Indian Housing block grant programs to provide over 1,400 new rental and homeownership units for American Indian and Alaskan Native households in Arizona, California, Nevada.

In 2020, the bank created an AHP scoring category and retention documents for American Indian and Alaskan Native affordable housing projects to make the program more accessible. Since the AHP was created in 1990, the Federal Home Loan Bank San Francisco has awarded over $1.25 billion in AHP dollars to support the construction, rehabilitation, or purchase of approximately 148,000 homes for lower income households in Arizona, California, Nevada, and other areas served by member banks.

The AHEAD Economic Development grants delivered through the bank members working with local community or organizations helped nonprofits provide innovative job programs or delivered much needed educational, social services in our underserved communities.

Since 2004, the bank awarded $675,000 in AHEAD funding for 24 American Indian, Alaskan Native Economic Development projects, in each of the three states, with over $22 million awarded to more than 700 innovative projects during the same time period.

In addition, the Federal Home Loan Bank San Francisco is working to ensure racial equity in home buying, making $2 million dollars available from the bank and member institutions to expand access to housing counseling services to narrow the black homeownership gap.

The bank and Urban Institute are partnering to create solutions to narrow the racial homeownership gap and reduce racial wealth disparities by exploring alternative underwriting standards, identifying eliminating models and tools that are biased in --

Karen Burk: One minute remaining.

Diane Devine: -- the homebuyer and financing process, addressing student debt and helping borrowers through an interim financial crisis to reduce losing their homes.

As you may know, Phoenix has become one of the least affordable housing markets in the country with a 40% rise in rents and home prices in the last three years. From 1996 to 2022, Native American Connections has received 22 grants, leading to the leveraged development of 1,013 housing units for low income and homeless individuals and families in Arizona.

NAC is a real example of how the Federal Home Loan Bank System can change lives and create healthier communities. I want to thank the Federal Housing Finance Authority -- Agency for sponsoring this listening session and for the opportunity to provide comments.

Karen Burk: Thank you. Our next speaker is William Marsh from the Farmers National Bank of Emlenton, who will be followed by Elizabeth Albano from Artisans' Bank.

William Marsh: Good afternoon. Thank you for the opportunity to provide comments for this Federal Home Loan Bank System At 100 Listening Tour. My name is William Marsh. I'm the Chairman, President and Chief Executive Officer of the Farmers National Bank of Emlenton, a national bank with over $1 billion in assets, 150 employees operating through 19 offices across nine counties in western Pennsylvania.

I'm also the Chairman of the Board of the Federal Home Loan Bank, Pittsburgh, and have served as a member director on this board for nearly 11 years.

Farmers National Bank was founded in 1900 and serves primarily rural communities. In many locations, we are the only bank in town. As a community bank, we enjoy the privilege of being a member of the Federal Home Loan Bank, Pittsburgh, and our bank utilizes essentially all of the available products and services that the Federal Home Loan Bank provides. Including advances, the Mortgage Partnership Finance program, letters of credit and correspondent banking services.

Farmers National Bank has been involved with affordable housing through the Federal Home Loan Banks Front -- First Front Door program and as regularly enjoyed the benefits of the commercial lending program funding product to invest in small businesses, commercial real estate development and other infrastructure projects.

The Federal Home Loan Bank of Pittsburgh has not only been a partner in my community bank's continued growth, but they have been critical to our success. The liquidity backstop that is provided by the system, along with the opportunity to partner on affordable housing and community reinvestment that our bank alone would not otherwise have the resources to pursue, has been instrumental in maintaining the safety and soundness and local support that is paramount to managing an effective financial institution with deep rural roots.

During my long standing tenure as Chief Executive Officer (CEO) and a Chief Financial Officer (CFO) before that, the Federal Home Loan Bank Pittsburgh staff have been trusted advisors with balance sheet management, assisting of funding strategies designed to meet the local demand from time to time -- local loan demand that from time to time was not sustained by customer deposit growth.

Meeting liquidity targets necessary for the safe and sound management of the bank and to support regulatory liquidity requirements. Utilization of letters of credit and supporting municipal and nonprofit funding. The Mortgage Partnership Finance program which supports interest rate risk and funding strategies. Promotion of homeownership through the First Front Door First Time Homebuyer program and depository safekeeping and other correspondent banking needs.

Many of the speakers on this listening tour, and particularly my community bank peers, have discussed how the Federal Home Loan Bank System provides a liquidity backstop through the borrowing capacity provided to member banks. In assessing the systems future, the importance of this protection cannot be looked upon lightly. Virtually all community banks and credit unions have their Federal Home Loan Bank line of credit as an integral part of liquidity and contingency funding strategies.

Potential changes to this aspect of the system support of smaller financial institutions should be deeply reviewed by financial institution regulators.

In addition to the regulatory considerations of possible system changes, it is important to note that community bank, Federal Home Loan Bank advanced credit lines, support daily funding management, funding for residential, multifamily, and commercial mortgage loans when deposit funding is scarce. The ability of community banks to compete effectively with larger institutions, and as mentioned liquidity and contingency funding strategies.

In short, Federal Home Loan Banks help smaller community financial institutions serving both rural and urban markets with funding options available to larger institutions. This supports financial services for individuals and families in traditionally underserved areas.

There is no question that we're in a consolidating industry and that does and has posed the question as the need for 11 Federal Home Loan Banks across the system. I'm not certain what the right number is or will be. Hopefully the marketplace will provide the landscape for respective Federal Home Loan Bank boards of directors to evaluate this over time.

However, I will stress that the more local the individual Federal Home Loan Bank’s purview, the more direct connection to affordable housing investment, community and support and related employment will be.

The Federal Home Loan Bank, Pittsburgh's motto, as posted on our website is, serving members, strengthening communities. This service and community commitment is not something to be evaluated lightly or based on questions from those who have not been directly involved in lending to and investing in small businesses and individuals that look to community financial institutes --

Karen Burk: One minute remaining.

William Marsh: -- for support. Perfect. Thank you to the board and management of the Federal Home Loan Bank of Pittsburgh, to the board and staff of the Farmers National Bank of Emlenton, and for the chance to speak here today. Thank you.

Karen Burk: Thank you. Our next speaker is Elizabeth Albano from Artisans’ Bank and she'll be followed by Kristin Faust of Illinois Housing Development Authority.

Elizabeth Albano: Thank you, Karen. Good afternoon, everyone. I'm Beth Albano, President and CEO of Artisans’ Bank and past chair of the Delaware Bankers Association. Thank you for the opportunity to speak this afternoon about Artisans’ membership and invaluable partnership with the Federal Home Loan Bank of Pittsburgh.

Founded in 1861 Artisans’ is the second oldest bank in Delaware and it is our mission to fill the critical role of a local community bank. Of important note today is the fact that Artisans’ is the only mutually owned bank in the state of Delaware. This corporate structure is what differentiates us from other community banks.

As a nonpublic business entity, we are not beholden to the influences of our shareholders, nor driven by short time -- short term profits. Our mutuality provides us the unique opportunity to prioritize customers and communities while accomplishing long term corporate goals.

Our membership and partnership with the Federal Home Loan Bank of Pittsburgh are significant components of the bank's success and core contributors to our mission of meeting the needs of our community.

Access to FHLB’s suite of products at reasonable rates supports our balance sheet and interest rate risk management, provides investment safekeeping for the institution. It allows us to compete with financial institutions much larger than ourselves. And overall assist us in the operation have a safe and sound community bank regardless of economic cycle, and operation under our mutual ownership structure.

As a mutual institution, Artisans’ does not have access to capital markets. And we actively utilize FHLB advances as our main liquidity source beyond core deposits to support our lending efforts and ensure our ability to meet depositor cash flows.

If mutually owned community banks like Artisans did not have access to the Federal Home Loan Bank as a reliable liquidity source, we would have to reduce our mortgage, small business and commercial lending and maintain higher levels of core deposit liquidity to satisfy regulatory requirements.

The liquidity and letters of credit we obtain from the Federal Home Loan Bank provide us the ability to expand our lending capacity within the community, which generates homeownership and business opportunity and therefore of course, employment and economic development.

An equally important part of our partnership with the FHLB system is our engagement with the Federal Home Loan Bank of Pittsburgh in their role in promoting affordable and sustainable housing and community investment, as we leverage FHLB's community investment programs to further support those we serve.

For example, the bank uses the Affordable Housing Program to identify and build relationships with many sponsoring nonprofit and housing organizations, which in turn results in the bank providing additional financing and support to those very organizations. We also leveraged the First Front Door program to provide down payment assistance to new homebuyers in need of assistance.

Additionally, the Federal Home Loan Bank of Pittsburgh provides unique voluntary programs that allow us to help underserved communities. For example, FHLB Pittsburgh's blueprint communities helps with capacity building and planning. Artisans participated on the blueprint team that created the now staining 501(c)(3) umbrella organization to support the continued revitalization of the Washington Heights community in Wilmington.

The bank has also partnered on FHLB's voluntary Home for Good initiative that helps organizations combat homelessness through flexible grants.

We are grateful for the FHLB mission of funding these types of housing and community development initiatives that go well beyond bricks and mortar in helping change lives and communities. FHLB programs supporting liquidity, lending and the community are unique because they are tailored to meet the specific needs of member banks and the local communities that we serve.

Building communities is a partnership. It takes community partners, the local Federal Home Loan Bank, and banks like Artisans to make an impact.

With that, I will conclude by asking that as you continue your review, and as changes are considered, that you truly consider the benefits and critical value the Federal Home Loan Banks provide to mutually owned community banks throughout the country who do not have access to capital markets, and whose success is directly tied to their membership and active partnership with their local Federal Home Loan Bank. Thank you again for the opportunity to speak this afternoon.

Karen Burk: Thank you. Our next speaker is Kristin Faust from the Illinois Housing Development Authority, who will be followed by Stephen Cross from Alvarez and Marsal.

Kristin Faust: Thank you. My name is Kristin Faust, and I am the Executive Director of the Illinois Housing Development Authority, an HFA, or a Housing Finance Agency. Our mission is to finance the creation and preservation of affordable housing. IHDA has worked with the Federal Home Loan Bank programs for decades in various professional roles.

Currently, I have the opportunity to interact with the Federal Home Loan Bank Chicago in several different capacities, as I'm positioned in three unique ways to consider the bank's role and value. First as a housing associate customer. Federal Home Loan Bank, as you have heard, provide needed liquidity for affordable housing and community development, outside of AHP. Such as advances standby, letters and warehouse lines of credit. And IHDA is one of 18 HFA's that utilize standby bond purchase agreements.

I also interact as a strategic partner, the leader of another institution. Together we collaborate to support affordable housing, equitable access to sustainable homeownership in the district, in the Illinois Wisconsin region.

And third, as a community investment advisory council member. We inform Federal Home Loan Bank Chicago's understanding of the district's unique community investment needs.

There are two important characteristics that I encounter in this role about the structure and mission of the banks. These are key sources of value and strength.

First is the regional structure of the Federal Home Loan Banks. This regional structure positions them to be responsive to the unique community needs. It enables each bank to create innovative and customized products and services tailored to the markets they serve.

While it's true that community development and affordable housing have commonalities across the US, different communities have different needs depending on other resources available, the market dynamics, demographics, and history.

In fact, the term Community Development and Community Investment is inherently about listening to the voice of the community, about what they want and what they need to strengthen their community. The farther away an institution is located from those communities, the harder it is to hear and understand those voices.

This is why the regional structure of the Federal Home Loan Bank is so important. The regional structure allows programs to evolve and respond to local needs.

The second key feature is the ability to have both regulatory and voluntary programs to facilitate innovation and customization, to support each district's needs around community investment.

The fact that the Federal Home Loan Bank allocates 10% of its profit to community investment in AHP each year is a rare and unprecedented feature of the system. It ensures the district will have access to a reliable resource for affordable housing. Other funders, members and community partners know this and rely on it.

I've been involved with AHP since almost the beginning. As a Chicago banker applying for some of the earliest AHP grants, I've watched that program become more formalized and more regulated. And nonetheless, it is still an invaluable resource, but not the full answer to meeting the community investment needs of the district.

The latitude to develop voluntary programs is therefore critical. It enables each bank to address needs and gaps in the marketplace that are not possible to prescribed regulatory programming.

For example, in 2020, our advisory council began a deep exploration of equity in homeownership and barriers to access for minority and low income homebuyers. The recommendations that came out of this exercise directly led to the bank's creation of a new voluntary program, the Housing Counseling Resource Program. This program which the districts two FHAs helped to administer is providing $6 million to housing counseling agencies in the district over the next three years.

The advisory council identified an equity issue upstream from the bank's regulatory programs. It identified that in addition to 30 year fixed rate mortgages and down payment assistance, which the bank provides, additional outreach and financial education and HUD certified homeownership counseling delivered by trusted partners in the community for the community was another key part of the supply chain necessary to build a robust homeownership pipeline.

The advisory council identified the need and the bank put voluntary resources toward increasing access. It is this kind of connection with the needs of the local community joined in unison with the resources and mission of the regional Federal Home Loan Banks that makes it a FHLB systems such a valuable and innovative partner.

The Federal Home Loan Bank System has become a very important partner in delivering financial resources to under resources -- under resourced communities across the US. We have a complex affordable housing finance system in this country, and we need some --

Karen Burk: One minute remaining.

Kristin Faust: -- thanks. We need sophisticated and strong institutions like the 11 FHLB's that bring financial strength and local knowledge to create healthy communities everywhere. Thank you.

Karen Burk: Thank you. Our next speaker is Stephen Cross from Alvarez and Marsal, who will be followed by Don Benziger from First Bank of Richmond.

Stephen Cross: Good afternoon my name is Stephen Cross. I served as head of Federal Home Loan Bank regulation at the Federal Housing Finance Board, and then the Federal Housing Finance Agency from 2002 until 2013. I appreciate the opportunity to speak with you today. The remarks I'm about to give represent my views, they do not represent the perspective of any organization with which I may be affiliated.

The Federal Home Loan Bank System was created in 1932 at the depths of the Great Depression. The Home Loan Banks were intended to provide a stable source of mortgage funding, with the goal of enabling many Americans facing foreclosure to retain their homes.

At the time, savings and loans, or S&Ls, were the preeminent source of housing finance in the country. However, Savings and Loan (S&Ls) were small local institutions, and as economic conditions deteriorated in 1930 and ’31, hundreds of them were forced to close as customers withdrew their savings, horded their money and defaulted on loan payments.

S&Ls that remained open during that time made few new loans, and often had to call outstanding loans to have enough cash on hand to satisfy withdrawals. Millions of homeowners experiencing reduced wages or lost jobs and accelerated repayment of debt faced foreclosure, financial and mortgage markets spiraled out of control.

In response, President Hoover proposed in 1931, that Congress authorize the creation of a system of Federal Home Loan Banks with a mission to provide a reliable source of low cost funding for mortgages. Hoover's goal was to stabilize mortgage and housing markets by providing mortgage lenders greater liquidity and enabling millions of Americans access to funding allowing them to keep or purchase their own homes.

The Federal Home Loan Bank System was the solution to systemic market failure brought about by illiquidity in banking and mortgage markets.

The question today is whether the Federal Home Loan Banks are still needed as an antidote to the market failures associated with bank runs and illiquidity. The creation of the Federal Deposit Insurance Corporation (FDIC) and FDIC deposit Insurance has largely eliminated bank runs. The establishment of Fannie Mae, Freddie Mac, and active secondary mortgage markets has substantially enhanced the liquidity of mortgage assets.

In this context, are the Home Loan Banks a solution to a problem that no longer exists? The Home Loan Banks may no longer be essential for stemming bank runs. But the housing collapse in 2008 shows that the Home Loan Banks can still help to stabilize chaotic markets. At a time of great distress, the Home Loan Banks infused needed liquidity into mortgage markets by increasing advances to members more than 40% between the middle of 2007 and the middle of 2008.

By the end of 2008, advances exceeded $900 billion and represented almost of two thirds of Home Loan Bank assets. By way of comparison, Home Loan Bank advances today are just $350 billion and amount to less than half of Home Loan Bank assets.

Home Loan Banks were able to substantially grow and then later shrink their balance sheets in response to the needs of member institutions because their members must buy Home Loan Bank stock to capitalize their new advances.

The self-capitalizing feature of the bank's core business is one of the system's unique strengths, especially during a period of financial stress. Whatever the future may hold, member borrowing should remain self-capitalizing and member borrowing through the advances window should remain the core function of the Home Loan Banks.

Mortgage purchases, letters of credit and investments and mortgage backed securities are not core functions for a Home Loan Bank, and they should be used only to better manage risk, not augment earnings.

For most other financial institutions, capital is capital and retained earnings serve no unique capital function. At a Federal Home Loan Bank, however, retained earnings are critical because by law, member institutions are entitled to purchase and redeem capital stock at par. The requirement that capital be redeemed at par means that only retained earnings can absorb losses, while preserving the par value of capital stock. This principle was ignored by the Home Loan Banks until at least 2001. But due to the supervisory pressure, the Home Loan Banks have substantially increased retained earnings over the last 20 years, from approximately $1 billion in 2001 to nearly $28 billion in 2020.

Karen Burk: One minute remaining.

Stephen Cross: That provides substantially more cushion against losses but at 3.1% of assets even today's levels of retained earnings may be considered low compared to capitalization among other financial institutions. Whatever the future may hold, Home Loan Bank retained earnings should increase further.

Finally, the Federal Home Loan Banks do a good job of advancing affordable housing through its affordable housing program. However, considering the GSE subsidy, an even greater commitment to affordable housing is warranted including through homeownership among low and moderate income households, and affordable multifamily rental housing. Whatever the future may hold, standards should be established to increase the proportion of advances collateralized by mortgages to Low to Moderate Income (LMI) households and in LMI geographies. Thank you very much.

Karen Burk: Thank you. Our next speaker is Don Benziger from the First Bank of Richmond, who will be followed by Thomas Vartanian of Financial Technology and Cybersecurity Center.

Don Benziger: Thank you and good afternoon. I'm Don Benziger, CFO at First Bank Richmond, Richmond, Indiana. I'd like to thank the FHFA for giving me the opportunity to provide brief comments today regarding the Federal Home Loan Bank System.

First Bank Richmond has been a longtime member of the Federal Home Loan Bank System. This morning I mentioned to someone at the bank about this particular listening session and was emailed a letter that we received from the Indianapolis FHLB in 1937.

Currently, we are a $1.3 billion asset institution celebrating our 135th year of serving communities in Indiana and Ohio. We utilize the FHLB as a stable funding source and outlet to sell mortgages and also to participate in its grant programs.

The FHLB is a vital piece of the puzzle of interest rate risk management. It provides a stable funding and liquidity that is not always available in the retail market at a competitive cost. This allows us to better manage our interest rate risks through sometimes volatile environment, one of which we are currently experiencing.

As a result of this, we can continue to provide competitive services and products to homeowners and small business owners in our communities throughout the ups and downs of economic cycles.

I believe that we are very similar to thousands of other community financial institutions that rely on the FHLB for funding for balance sheet management. Over the years, our balance sheet has changed just as the balance sheets of other community banks, savings and loans and credit unions have changed.

Because of that, looking to the future, I would ask for the FHLB work to update or modernize its policies and procedures in order to allow us to both continue, and to expand the services and products that we offer. Modifying the pledging process, specifically broadening eligible collateral such as participated loans and municipal securities, would further enhance access to the Federal Home Loan Bank. This would also ultimately benefit the homeowners and the small business owners of the communities where we live.

The FHLB has been a vital partner with First Bank and other community financial institutions. Streamlining its processes and broadening eligible collateral definitions will only make it easier for it to continue to serve its member institutions.

Again, First Bank thanks the FHLB for its efforts and partnership over the years, and we look forward to continuing that strong relationship. And thank you to the FHFA for the opportunity to provide input to this listening session.

Karen Burk: Thank you. Our next speaker is Thomas Vartanian, from the Financial Technology Institute and Cybersecurity Center, who'll be followed by Charles Hammerman of the Disability Opportunity Fund.

Thomas Vartanian: Thank you very much. I appreciate this opportunity to provide my personal views of the Federal Home Loan Bank System, which I think may be somewhat unique.

Over the last 40 years, I've spent that time either regulating the Federal Home Loan Bank System or representing it. I have worked on their Gramm-Leach- Bliley Capital plans, membership issues, the Mortgage Partnership Finance (MPF) program, including the litigation of it, registration of the system and various Federal Home Loan Banks with the Securities and Exchange Commission (SEC). Formal enforcement actions brought by their regulators. And I was with them through the crisis in 2008 and thereafter.

During that period of time, I've had the opportunity, whether I wanted it or not, to review every single statute that has ever been written since 1932 that applies to Federal Home Loan Banks, and every single piece of legislative history that applies to those statutes.

I have seen the Federal Home Loan Banks at their largest. I've seen the system at its smallest. I've seen it at its best. And I've seen it at its sometimes what you might call its worst.

And the interesting question is, why is it that nobody knows who the Federal Home Loan Banks are? Why is it outside of this small circle of people in Washington and throughout the system? Really nobody knows who they are? And the answer to that question is, frankly, they've never messed up. They have never been the cause of a financial crisis. Instead, they have been the stability behind each financial crisis since 1932.

So, with that, let me offer just a few points that I think I've walked away with over my career about the Federal Home Loan Banks. Number one, the structure of the system is brilliant. And it represents the most successful federal program in the last 100 years.

Think about that. The Federal Home Loan Banks are the most successful federal program in the last 100 years. And the structure is really brilliant. It's a cooperative system. Everybody's got skin in the game. And all the decisions are made at ground level, by local feet on the local ground.

As a regulator of the Federal Home Loan Bank System back in the '80s in the savings and loan crisis, I remember how they worked tirelessly to stabilize the markets. And to help us with the 1,100 savings and loans that we had to get out of the marketplace, either through receivership or merger.

And the other thing about the Federal Home Loan Banks I think is important is that they haven't had a loss since 1932 on an advance. They've never lost a dime on a loan they made. There's not a financial institution in the country, not a lender in the country that can say that.

We've had 400,000 failures nearly, of banks in this country and savings and loans. We've got Fannie and Freddie in conservatorship. And frankly, the Federal Home Loan Bank System represents the most successful story we can tell about the financial system in the last 100 years.

They have fulfilled their mission laid out by Congress to the tee. It's a system that scales. It goes larger one when the country needs it. It becomes smaller when it doesn't need it. So you can't criticize the Federal Home Loan Banks for being too small when that liquidity is not needed, because it will be there because of the scalability of their capital and the scalability of their ability to make advances throughout good times and bad times.

Next, I think it's very important to understand that they provide a role that no other liquidity provider provides in this country. You can borrow from the Federal Home Loan Bank, without the taint of going to the Federal District the Federal Reserve Board's discount window. And that has been extraordinarily important over the years, particularly when financial institutions feared going to the Federal Reserve might signal that they were in trouble. But they could go to the Federal Home Loan Bank System.

I would offer one point of caution. I know that there are people who believe the system it's too big, it's too small, doesn't do enough and want them to be elements of social change. I would warn in that regard that every time, over the last 200 years, we have tried to use federal instrumentalities, banks, or the economy as a means of social change, we end up creating some distortion in the marketplace, which causes a financial panic or financial crisis.

So I think in that regard, we have to be very cautious. And I would say the same thing to Congress, who would be the one who would redesign and redevelop the Federal Home Loan Bank System -

Karen Burk: One minute remaining.

Thomas Vartanian: So in the end, what I think what I would say is, Congress may decide that it's worth enlarging this system. The system looks nothing like it did in 1932. Maybe mortgage lenders of different types should be included, as long as they are also prudentially regulated.

So in closing, I would say, let's put our priorities behind the kinds of problems that we have in the financial system, not the success stories. And the Federal Home Loan Bank System has been one of the most effective and efficient success stories in the last 100 years. Thank you very much.

Karen Burk: Thank you. So our next speaker is Charles Hammerman from Disability Opportunity Fund, who will be followed by JR Buckner of First Federal Bank of Kansas City.

Charles Hammerman: Thank you, Karen. My name is Charlie Hammerman. And I'm President and CEO of Disability Opportunity Fund. DOF is a leading CDFI in the United States, which commits 100% of our resources to improving the lives of people with disabilities and their families through financing economic development projects.

Due to family connections to disabilities in 2005, my wife and I left our respective careers in transition planning for high school students with disabilities and a Wall Street career to start DOF de novo as a CDFI.

For those who may not know, CDFIs are financial institutions with a goal of tackling public sector issues with private sector thinking. In our case, DOF is a not for profit CDFI. And in our first year of operations, we finished 2008 with $390,000 in total assets. As we enter Q4 of 2022, DOF has over $70 million in total assets.

For the last 16 years we have used these resources to change public policy in these six focus areas, which complement each other in the disability market, housing, employment, education, healthcare/life sciences, technology/products, and socialization.

As of the second quarter 2022, our impacts include 2,800 -- over 2,800 units of affordable, accessible, and safe housing, the creation of over 2,800 jobs, 94% of which pay a living wage, the creation of over 1,600 student seats, and the creation of over 80,000 square feet of healthcare facilities serving over 50,000 unduplicated patients, 96% of those recipients low, very low or extremely low income persons.

We have financed over 140 projects in 32 states. In 16 years we have never experienced a loss. We work closely with other CDFIs and conventional financial institutions who have participated in some of our transactions and/or become the takeout financing.

We are honored to include in our credentials being a member of the Federal Home Loan Bank of New York since April of 2019. The Federal Home Loan Banks' array of products and programs are attractive to a not for profit CDFI like DLF.

First and foremost the mission alignment on increasing affordable housing solutions, which also includes people with disabilities, provides a foundation for the relationship between the Federal Home Loan Bank System and CDFIs like DOF.

Next, the commitment to the overall community through small business grant recovery program, exemplifies how the Federal Home Loan Bank in New York expands beyond affordable housing. In the same manner CDFIs view its work.

And third, the Federal Home Loan Banks and CDFIs are financial organizations Yes. But also, they are focused on the greater good. Thank you for these few minutes to express our appreciation of the Federal Home Loan Bank in New York and its programs.

Specifically, DOF successfully participated in the Small Business Recovery Grant Program not once, not twice, but three times between 2020 and 2021. The Federal Home Loan Bank in New York staff managing this program were efficient in its execution and provided excellent support to quickly get these funds into the recipients' hands. In all three rounds, it took us less than ten days, let me repeat that, less than ten days, not weeks, from the moment our paperwork was approved to distribution of the funds to the end users.

In our case, we were able to distribute $286,400 to a combined 33 small businesses and not for profit organizations in New York. The beauty of this program was 100% of the proceeds went to recipients, and DOF did not retain any administrative fees.

Some examples, as we all know, COVID shut down the wedding and party planning industries. Through this program we helped a wedding dresser, dress designer, a party planner, a hairdresser, a dry cleaner, and a clothing shop pay off their rent and staff. Each have told us that we literally saved their lives.

In another case, we almost actually caused a heart attack. A shoe repairman who had been operating his shop in town for over 30 years was in tears and uncontrollably emotional when presented a $10,000 check, which constituted over three and a half months of income. His daughter cannot thank us enough and explained that this was Manna from heaven.

We helped a rescue squad increase resources to respond to COVID emergencies. Schools have additional funds to obtain partitions and other COVID mandated equipment, which was not in their original budgets. And the most important, the food pantry and Nassau County responded to --

Karen Burk: One minute remaining.

Charles Hammerman: -- demand. Please know that membership has value in both directions, attracting additional CDFIs and expanding its product offerings should be a focus of the Federal Home Loan Bank System as it celebrates its 90th anniversary and looks towards the future.

In turn, CDFIs with similar missions of Federal Home Loan Bank System should consider applying for membership. DOF's Board of

Directors unanimously supported our Federal Home Loan Bank membership, which required a financial and organizational investment. In the last three years not only has DOF been rewarded with an annual dividend, but we have also expanded our reach into the community due to Federal Home Loan Bank membership.

At the risk of patronizing the Federal Home Loan Bank in New York, please know that the entire staff are exceptional professionals. Calls and emails are promptly responded to, quarterly reporting is easily -- and when help is needed, staff jump in with no problems.

I will wrap up with this. My remarks will conclude with an action item --

Karen Burk: Thank you.

Charles Hammerman: -- which we hope this body will embrace. CDFIs which are Federal Home Loan Bank members --

Karen Burk: Thank you. Our next speaker is JR Buckner from First Federal Bank of Kansas City, who will be followed by Greg Zagorski from the National Council of State Housing Agencies. Thank you.

JR Buckner: I want to thank the FHFA for the opportunity to speak today and applaud you for hosting these listening sessions, I believe that are critical to the successful strategic planning process. I am JR Buckner, President, and CEO of First Federal Bank of Kansas City, a $900 million, 88 year old mutual thrift in Missouri.

Like our other mutually owned peers, we rely heavily on the FHLB for our success. Our success is not driven quarter to quarter or solely based on earnings, or the changing political policies. Our success is much longer in nature.

We are changing family's lives for generations through sound financial education, savings tools, and most importantly, by offering home loans. First Federal Bank of Kansas City has been focused on helping families improve their financial wellbeing since 1934. And the Federal Home Loan Bank has been a critical part of our story and success from the very beginning.

Today 20% of our funding comes from advances. These advances supply much needed liquidity and interest rate management tools that allow us to help individuals and families realize their dream of homeownership. First Federal Bank has relied on the availability of these advances as a primary funding source. And just as importantly, as a contingency liquidity source.

Introducing any new programs or members that could disrupt this could negatively impact our ability to plan for the future and serve the housing needs of our communities.

In addition, we have taken advantage of the MPF program freeing up much needed balance sheet capacity to allow us to continue to extend even more home loans. The FHLB's grant programs have allowed us to help even more low and moderate income individuals realize the dream of homeownership. The success of these programs have inspired us to start our own grant programs allowing us to give away over $300,000 to support homebuyers over the last few years.

Both the FHLB grants alongside ours are long term investments in communities that need it most. These grants are dependent on the safe and sound and profitable nature of the Home Loan Bank System.

The Home Loan Bank System has been a success story for housing for over 90 years, it has weathered a number of financial housing crisis because of its strong focus on safe and sound practices and its unique ownership structure, which is supported by regulated financial institutions.

Evolution is necessary for any business to sustain itself and I would encourage the Home Loan Bank to continue to evolve. For example, the adoption of digital signatures would improve the efficiency of the banking system and its members.

However, I would not encourage the bank to evolve in ways that would jeopardize the safety and soundness of the system. Our ability to continue to serve the housing needs of our communities for the next 88 years is dependent on a strong FHLB system. And allowing unregulated entities into the system could jeopardize its success. Thank you.

Karen Burk: Thank you. Our next speaker is Greg Zagorski, from the National Council of State Housing Agencies (NCSHA), who will be followed by Daniel Siciliano from Stanford University.

Greg Zagorski: Thank you, Karen. And thank you to FHFA for holding this listening session and for the opportunity to speak. For the 90 years that they've been in existence, the Federal Home Loan Banks have played a crucial role in our nation's housing finance system, serving as a reliable source of credit and liquidity that has allowed its banking -- banks and other clients to offer affordable mortgage loans to working family and support other affordable housing and community development needs.

NCSHA looks forward to participating in this conversation moving forward by how the Federal Home Loan Banks can continue their critical missions in the years to come.

Just little background, NCSHA represents the state housing finance agencies, or HFAs for all 50 states, DC, Puerto Rico, the Virgin Islands and New York City. And while HFAs vary in structure, they all share the common goal of finding affordable options for those who needs it. Our membership does include the Illinois Housing Development Authority, whose Executive Director Kristin Faust, you just heard from really quickly earlier.

As part of their affordable federal housing mission, many HFAs have partnered with individual Federal Home Loan Banks, those -- over their jurisdiction and some out of their jurisdiction. And many HFAs have also joined their Federal Loan Banks as nonmember housing associations, which helps the Housing Finance Agencies (HFAs) access needed liquidity for their affordable housing programs, both within the Affordable Housing Program and without it.

In fact, 2019 survey of HFAs indicated that each of the 11 Federal Home Loan Banks have partnered with HFAs in some capacity in recent years and the most common forms of HFA - Federal Home Loan Home Loan Bank partnerships which Kristin touched on in her remarks as well, include FHLB advances to HFAs' bond purchase agreements, Federal Home Loan Banks providing liquidity for HFAs for bond swaps and Federal Home Loan Banks serving as warehouse lenders for FHAs. And Federal Home Loan Banks serving as a good source of liquidity for HFA down payment assistance programs, which are really critical to our HFAs homeownership efforts.

In addition, HFAs also serve in leadership roles under local -- for Home Loan Banks. Today there are two current or recently retired HFA leaders serving on their Federal Home Loan Banks board of directors and 10 HFA executive directors who serve on their Federal Home Loan Banks affordable housing advisories or community development committees, including Kristin, who just recently spoke.

For the rest of my remarks, I want to focus on two areas that I wanted to identify, and we want FHFA to consider as they look at reforms to the system. Number one, it touches on the regionalization issue. We also believe that regionalization has been key to the Federal Home Loan Banks' success. Regionalization means that these banks are allowed to kind of acquire and focus on the specific needs of their districts which do vary, market by market and this is important in just the broader lending market in general and also with affordable housing and community development activities.

And second, you know, we want to focus on two areas that FHA -- FHFA identified as part of their review, which is kind of the bank's role in promoting affordable, sustainable, equitable and resilient housing, and community investment, and addressing the unique needs of rural and financial vulnerable communities.

And I think, you know, I don't think I have to tell anyone on here that we are facing an affordable housing crisis in this country and the Federal Home Loan Banks have played a role in supporting affordable housing, including through the Affordable Housing Program.

We just want, you know, FHFA and the Federal Home Loan Banks to consider how these efforts can better interact with the existing affordable housing infrastructure that's out there, by which I mean the various federal, state, and local programs.

And one good example is the Low Income House Tax Credit or Housing Credit, as I'll call it for the rest of this presentation. This by far, the Housing Credit is the largest source of financing for affordable housing that we've had since it was created in 1986. It's financed more than 3.6 million apartments, and it adds about 120,000 affordable units to the inventory each year.

One of the things that the Affordable Housing Program has done occasionally has served as gap financing for Housing Credit projects that critical need that the funding that gets the projects across the finish line.

But maybe not as much as you might expect. And the need for this gap financing is even more critical in the current condition, where construction cost and inflation has really been meant that gap financing is more critical than ever.

In fact, recent NCSHA report have found that affordable housing projects have experienced unexpected cost increases averaging 30% recently. It's been amazing -- funding gaps ranging from $145,000 to $5.7 million.

That all being said, in 2020, AHP only provided gap financing in seven -- for 7% of Housing Credit projects. And one of the things that we've learned from talking to HFAs is some of the reasons are just things like the AHP funding cycle doesn't sync up with the Housing Credit application cycle, which makes it very difficult to do.

Also, there's some sort of collateral requirements. These are things that are more on the detail. But I think the larger issue we want to get into is that we want FHFA and Federal Home Loan Banks to please kind of take a look at how the FHLBs can better work within these type of affordable housing programs to Housing Credit being we think a good example.

One thing that we really appreciated was FHFA --

Karen Burk: One minute remaining.

Greg Zagorski: -- Thank you. Is FHFA putting together a final rule in 2018 that modernized Affordable Housing Project and give each Federal Home Loan Bank more flexibility and addressing the precise needs of their communities.

And it also aligned AHP reporting and monitoring requirements with those for the Housing Credit and a number of other federal housing programs.

What we would urge FHFA to do is consider, as they said they would do in that rule, is how you can align those requirements with other affordable housing requirements, including the HOME Investment Program, and other likeminded state and federal programs, which would make things more efficient. And again, increase the opportunity for HFAs and Federal Home Loan Banks to partner on affordable housing initiatives and for the Federal Home Loan Banks to support current affordable housing programs.

Thank you again for the chance to join this critical conversation and we look forward to the continued discussion.

Karen Burk: Thank you. Our next speaker is Dan Siciliano from Stanford University. And after he speaks, we will have a short break. Thank you.

Daniel Siciliano: Great, thanks. I don't want to stand between everyone and the break. So thanks for the opportunity. Good afternoon to the representatives of FHFA and to other people, institutions participating. And thanks for taking the time to conduct the listening sessions and giving us an opportunity to express our appreciation for and our thoughts about the Federal Home Loan Bank System.

I am Dan Siciliano, I'm the co-founder of Stanford University's Rock Center for Corporate Governance. I was its previous Faculty Director, and during my 20 years plus at Stanford, I taught finance, corporate finance and related classes and ultimately was a professor of the practice and associate dean at the law school.

I currently serve on various boards, including chairs of the Nonpartisan American Immigration Council, and the Latino Corporate Directors Education Foundation.

Importantly, probably I serve as an independent Director of the Federal Home Loan Bank System with San Francisco -- or Federal Loan Bank of San Francisco. I'm the prior chair of that board and the current Vice Chair, and I'm also the Incoming Chair of the Council of Federal Home Loan Banks.

My comments are intended to share my personal view informed through my various roles, that the Federal Home Loan Bank System and the individual Federal Home Loan Banks first continue to effectively provide critical and differentiated liquidity to the US financial system in a way that I think is dynamic and complementary to the other components currently in place.

And two, that they make a material difference in affordable housing, through the system's long standing programs that are amplified through its members and specifically direct efforts on the ground. People with much deeper and better expertise who've spoken prior to me, and I think we'll after, so I won't dig too deeply into those.

But I do want to highlight that I think one view that the FHFA might be well served in taking is that the system can evolve carefully and incrementally to be even more relevant and impactful in both of these spheres.

With that in mind, I'll focus on a couple of important aspects that perhaps only a recovering finance professor would find particularly compelling. But hopefully not, we'll see.

The largely well informed comments so far had been really insightful and compelling. And I crossed off lots of things as the talk went on so as not to be too redundant.

But one observation is that the comments so far seem to break into three very rough categories. One is, you know, the system works really well. And please leave it largely alone. Another might be system would benefit from change or expansion, particularly as focusing on who's allowed to be members. And then third AHP, such a critical part of the mission should perhaps be expanded.

And lots of other important points, of course, but those three points come up with some consistency. I want to point out, first, that a system with a strong emphasis on safety and soundness should by design not be expected to adapt to changing times quickly or smoothly, but can instead on reflection, evolve carefully.

I highlight this, because there seems to be a critique that the Federal Home Loan Bank hasn't changed all of a sudden, a whole bunch in the last ten or 20 years. And I don't think it's designed to be that way. But I think there is an opportunity now, where we find the Federal Home Loan Banks able to reflect and perhaps change. And I think the slowness to change, and they need to reflect is a feature, not a bug. And you can proceed with incremental changes. So I hope that that's the approach that the FHFA and other relevant bodies take.

I would point out that Mr. Morris, Chair of the Federal Home Loan Bank of Pittsburgh already emphasized the liquidity backstop role played by the system and each bank. Mr. Cross in turn, highlighted the ebb and flow the nature of the bank's balance sheets, both during crisis and during the time between, systemic liquidity issues.

So I just want to highlight one key point in this regard. Looked at another way, the Federal Home Loan Bank serve as a critical liquidity crisis circuit breaker with a unique advantage in that they bring a regional focus and expertise in the form of underwriting and credit standards informed directly by in district knowledge. So 11 banks, 11 somewhat unique and better informed sources of expertise.

You know, Mr. Vartanian already highlighted the remarkable no harm ever done history of the banks function in this regard. But it's easy to lose sight of the fact that there is no other mechanism in our varied financial system that has the balance incentives of private capital in the form of the co-op. Without the sometimes dangerous incentives a publicly traded financial institution that has a stock price, for example, that might move based perhaps on more risk taking, something that is not a problem with the Federal Home Loan Bank System as currently structured.

In other words, private capital carefully and strongly supervised by a powerful agency with the ability to draw on capital enabled by Government-Sponsored Enterprise (GSE) status, without the temptations of growth at any cost, or risk taking to drive value in a public -- in a publicly traded financial entity is sort of a design masterpiece. Mind you, it's complicated to be sure, but it is uniquely stable and useful structure to add diversity to our financial system.

And in so doing, it creates a sort of resiliency as evidenced throughout the history of the system. And even on top of that, I would suggest taking a similar view to AHP, you know, if that program were to expand or be broadened, perhaps even more flexibility could create differentiation across the Banks, which would allow some experimentation about what works better and what works best, but also unique adaptations to regions and differences.

So in that regard, one more observation somewhat technical, but during times of crisis, unlike --

Karen Burk: On minute remaining.

Daniel Siciliano: There were previous comments. The Federal Home Loan Banks do not somehow divert interest payments from being made to depositors because member banks take advances and pay interest from Federal Home Loan Banks. But rather, they provide a liquidity function, which in turn enables the depositors and consumers to better weather ups and downs in the economic cycles, as evidenced by a lot of the comments that came before.

And I want to point out that governance of the Federal Home Loan Bank System has also evolved over time, particularly since 2008. The boards are now more diverse, more expert more engaged. And this change strengthens the system and enables supervision through the, through the FHFA.

So in conclusion, the System has been succeeding for 90 years and I think we do need to reflect on its relevance, effectiveness in the future. And I'm glad we're in a position to do so carefully, incrementally and after an analysis of what works and doesn't work. Thank you for the chance to make these comments.

Karen Burk: Thank you very much. So we are now going to take a break. The listening session will resume at 2:10 p.m. When we return from break, we will first hear from Nick Mitchell-Bennett coming to us from come dream. come build. Thank you.

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Welcome back to the second half of day three of FHFA’s Public Listening Session on Federal Home Loan Bank System at 100: Focusing on the Future.

As a reminder, we are recording this session and will also prepare a transcript of the meeting, including your names and organizations that you represent. We'll post the recording and the transcript on the FHFA website and YouTube channel along with any materials that our presenters use.

Our next speaker is from come dream. come build Nick Mitchell-Bennett, who'll be followed by Dayna Matsumoto from Central Pacific Bank. Okay. Nick, we're -- I think we're having trouble hearing you.

Nick Mitchell-Bennett: Okay. How's that?

Karen Burk: That's better. Thank you.

Nick Mitchell-Bennett: Hello, my name is Nick Mitchell-Bennett, I'm the Executive Director of cdcb, come dream. come build. We are a nonprofit organization and leading provider of affordable housing development and financing in Texas.

As part of our mission to help an underserved communities build wealth, we have developed and expanded our Community Development Financial Institution, or CDFI, the Rio Grande Valley Multibank, which is a member of the Federal Home Loan Bank of Dallas. It is on behalf of the Rio Grande Valley multibank as well as over 30 other CDFI members of the Federal Home Loan Bank System from across the nation that I comment today.

The purpose of this listening session is to assess the purpose of the Federal Home Loan Bank System and the modern financial ecosystem, originally established as the pipeline of liquidity for homeowners frozen out of the system. The question before us is, has the Federal Home Loan Bank drifted from its original purpose? Leading some to question its role moving forward?

I'm here to state unequivocally that the Federal Home Loan Bank has been a major source of capital for the Rio Grande Valley Multibank, in the past. However, we believe it has even more untapped potential to be an essential source of capital and liquidity for historically neglected communities across the country.

This can only be done by working in partnership with CDFIs and expanding on some of our already established frameworks and products. The Federal Home Loan Banks are in a unique position to take a leading role in and undoing the damage of decades of systemic inequality in the communities we serve.

The simple truth is that the Federal Home Loan Bank System has the ability to provide access to capital to CDFIs and communities where other banks will not go. Through offerings such as CIP, the Community Investment Program, the Federal Home Loan Banks generate opportunities for community growth and wealth, building through flexible low cost capital use for affordable housing project -- projects.

Additionally, the design of the Federal Home Loan Bank System leads it particularly well suited to working with local communities and CDFIs. Primarily, it's reaching out and making productive partnerships.

For example, the Rio Grande Valley works with the Dallas Bank, and the Dallas Bank understands all things Texas, the opportunities, the challenges, and the best practices for moving money in the Lone Star State. Like its fellow banks and the Federal Home Loan Bank System, the Dallas Bank speaks the language of its region. This is built in advantage that cannot be matched by other federal entities.

However, this is a strength that is not being fully utilized across the Federal Home Loan Bank System. For these reasons and others, it does not take much imagination to see the Federal Home Loan Bank System successfully rejuvenate its legacy of providing capital to those that need it when others will not.

Even more encouraging things that we are not starting from ground zero. CDFIs from around the country and the Federal Home Loan Banks have already had discussions on how to best work together and have the Federal Home Loan Bank System reach its full potential in this place.

In 2020, the bank's CDFI, Federal Home Loan Bank working group with Housing Partnership Network met with representatives from the Federal Home Loan Bank in Chicago where we found common ground on several improvements. Among these were ideas with the possibility of development of standardized products designed specifically for CDFIs that would be available in every region.

There was even talked about moving forward with pilot programs. All 11 banks agreed with the preliminary ideas put forward in this -- on this front. Unfortunately, COVID hit and things slowed down. Today, the CDFI members of the Federal Home Loan Bank recommits itself to this relationship and we ask the Federal Home Loan Banks to join us in picking up where we left off.

Another avenue of low hanging fruit that could prove mutually beneficial for CDFIs and the Federal Home Loan Bank System is the development of and facilitation of matchmaking opportunities between CDFI members and its member banks in need of

Community Reinvestment Act (CRA) credit. And not just with AHP, but with debt for CDFIs to rely on for affordable housing.

The Federal Home Loan Banks are uniquely situated to serve this role. And this action would be an indirect but hugely beneficial way to move capital into communities in need.

I cannot leave today without also addressing the issue of haircuts. While there is much goodwill between CDFIs and the Federal Home Loan make system, one consistent obstacle to a productive partnership is the unnecessarily prohibitive cost of haircuts for CDFIs.

In our region, the Rio Grande Valley Multibank faces a 30% haircut. Four years ago it was just 10%. The reason for this change is unclear. In other region haircuts can be as high as 90%. This is not -- this is simply not a sustainable partnership. We ask that the Federal Home Loan Banks, along with the FHFA, reassess their policies on haircuts for CDFIs and reconcile the need for such burdens with the foundational mission of the Federal Home link System.

Let us face the facts of the current economic moment, the path forward for low to moderate individuals to build wealth and for historically, neglected communities to grow is only going to get harder.

Karen Burk: One minute left.

Nick Mitchell-Bennett: We know from history that these are populations which will withstand the worst of what comes from interest rate hikes, and the resulting economic slowdowns, historically. Historically, the Federal Home Loan Bank System was designed specifically to mitigate the worst effects of exactly these sorts of moments. We in the CDFI community know through our working partnership with them, that the banks of the Federal Home Loan Bank System still have the capacity, and it will be needed more than ever in the years to come. We look forward to being part of the solution.

Once again, I'd like to thank the FHFA for the opportunity to provide my assessment of the -- of this system and its role in working with CDFIs now and in the future. I would also like to thank Director Senator Thompson specifically for bringing fresh energy to these questions. We look forward to a productive dialogue and the actions that follow.

Karen Burk: Thank you. Our next speaker is Dayna Matsumoto from Central Pacific Bank, followed by Greg Mitchell, of First Tech Federal Credit Union.

Dayna Matsumoto: Thank you for the opportunity to speak this afternoon. My name is Dayna Matsumoto, and I am currently Group Senior Vice President and Controller at Central Pacific Bank, a $7 billion asset community bank in the state of Hawaii, where I have worked for the last 16 years.

The state of Hawaii banking space consists only of employee based community banks and credit unions. There is no national large bank presence. My Institution, Central Pacific Bank, was founded 68 years ago by Japanese-American veteran heroes who came home from fighting in World War II, and were driven to solve the problem of a lack of banking services available to the many lower income individuals and small businesses.

They started Central Pacific bank to serve the large, underserved population that existed in Hawaii. Today, our mission remains the same. We strive ourselves on providing residential mortgage loans to help make the hardworking local people's dream of homeownership a reality.

That reality is extremely tough. I can speak for it myself as someone locally born and raised who has had to work extremely hard to purchase a home in Honolulu, where the median home sales price is currently $1.1 million. And I consider myself lucky.

Many others in the community either have to live in a multi-generational home, work multiple jobs or live far outside the city and endure very long commutes. The need for more affordable housing in Hawaii is greater than ever.

Central Pacific Bank's mission is also to support small businesses in Hawaii. This comes from our founding and continues to be a key focus area for us today. There are over 135,000 small businesses in Hawaii, which represents over 95% of all businesses here. Central Pacific Bank supports our small businesses by providing necessary financing tools and guidance, enabling them to get their businesses off the ground and expand when the time comes.

Small businesses are the backbone of our local economy and can only continue to grow and function with the help of community banks like us. I have personally witnessed one of our small business clients, a local doctor, who invited me to the grand opening of his expanded new office location where he expressed sincere gratitude to Central Pacific Bank for supporting him and enabling him to grow his business over the years.

At that moment, I realized the impact that we are making on our community and the critical role that banking and the broader system plays in our state economy.

Supporting my bank's success, continued growth and viability is our membership in the Federal Home Loan Bank of Des Moines. The FHLB has supported us to provide the necessary liquidity, which enables us to finance residential mortgage, small business, and other loans, and consistently meet the needs of our community through various market environments and challenges.

While our funding comes generally from a large stable core deposit base, there have been times in history, and even today, where the supplemental liquidity provided by the FHLB has helped fill our funding needs for current and potential liquidity contingency situations.

During the great financial crisis in 2009 to 2010, our institution was hit hard and near the brink of failure. During this time, I was in charge of managing liquidity for the bank and the FHLB stood by us even as our capital deteriorated, and our deposits were challenged. While of course, more restrictions were put in place during this time, our available FHLB borrowing lines were not taken away. Such action would have most likely driven our regulators to shut down our bank, which would have been devastating to our community.

Again, there is no national mega bank presence in Hawaii, our state's liquidity sources are limited and the FHLB plays a critical role in supporting our financial institutions and the broader community here.

Finally, the FHLB's Affordable Housing Program is successful in helping to address the affordable housing crisis in Hawaii. Central Pacific Bank has worked with local nonprofits to apply and successfully be awarded three grants which total over $1.7 million from the FHLB.

Two of those grants were for a senior affordable housing rental complex on Maui, which is now completed and housing over 60 seniors who otherwise may not be able to find housing that they can reasonably afford.

The third grant was for an 84 unit complex of affordable live-workspace for low income artists in Honolulu. The complex also has space for nonprofit partners, community events, and a cultural center to promote native Hawaiian traditions, none of which would have been made possible without the grants provided by the FHLB.

To conclude, the FHLB plays a vital role in the successful functioning of the Hawaii economic community. Central Pacific Bank has a long 68 year history of supporting our local Hawaii community. And I plan to continue to help drive that mission forward and beyond for many years to come. The FHLB is a key partner of ours and critical to the future of our institution and the state of Hawaii. Thank you for your time.

Karen Burk: Thank you. Our next speaker is Greg Mitchell from First Tech Federal Credit Union, who will be followed by Cassie Hudson of Partnership Housing Inc.

Greg Mitchell: Good afternoon. And thank you for providing me with an opportunity to share some thoughts with the Federal Housing Finance Administration. And I want to give a special tip of the hat to Sandra. Over the last six to nine months, maybe longer, she has been actively engaged in chatting with us and other financial institutions throughout the country that are really focused on affordable housing and finding opportunities to remove barriers that limit the ability of community banks and credit unions, like First Tech, to serve the needs of its customers and members.

The Federal Home Loan Bank is personal to me, as an individual. I had the great privilege of working with the Federal Home Loan Bank more than 35 years ago, as an analyst. And I've kept in touch with a lot of my coworkers from the early days and have watched them grow and evolve as -- into leaders within the financial services space.

So not only are the Federal Home Loan Bank Systems doing a great job extending credit and providing financial institutions with an opportunity to extend more housing credit, but they're doing some great things to develop leaders across America. So thank you to the system and the FHA for your support of the Federal Home Loan Banks.

A little bit about First Tech, we're a $16.5 billion credit union that has the privilege of serving the employees of some great American brands like Nikes and Microsoft and HP and Amazon and Intel and Cisco and many others, about 900 different technology and specialty brands across the United States.

And the naive thinker consider that the employees of those organizations are super wealthy folks, they're software developers, they're engineers, they're folks that can't need assistance from a credit union or a community bank as it relates to housing. But the truth is many of those workers live and work in markets, and they work in a distribution center. Or they will work in a Levi's retail store or a Nikes retail store, or they're working on a production line somewhere across America.

And there's a need for credit unions like First Tech and community banks that participate in Federal Home Loan Bank Program, to be there for those organizations, and to be the source of strength that allows them to get into that first home.

Importantly, the Federal Home Loan Bank serves as a resource to allow credit unions like First Tech to provide some assistance through subsidized advances, through a series of grant programs that make a real and profound difference in the lives of those employees within those subgroups. So we're grateful for that.

So is the system relevant and does it drive value today as it did 100 years ago? Absolutely. And more so today than ever before. And we see it in the form of advances and we're a heavy borrower of the Federal Home Loan Bank, we're using about $2 billion in overnight advances for affordable housing initiatives, for multifamily initiatives, for residential initiatives, as we support our annual production goals of more than $3 billion in residential mortgages.

And predominantly, our mortgage production is for purchases of homes for many of those employees that I characterized earlier. So we are a portfolio lender as well as a participant in the secondary markets. And that would not be possible without the support and assistance of the Federal Home Loan Bank and the accessibility of affordable funding.

Getting back to the more sort of current and personal side, you know, the Federal Home Loan Bank on the community, and the economic development grants has been significant. In a prior life of a CEO of California National Bank in Los Angeles, and Bank of California in Orange County, the level of support that we received from the banks to provide affordable housing assistance in areas that were historically disadvantaged, was significant.

And the impacts were profound in communities like Maywood, East Los Angeles, and other communities that are often overlooked by financial institutions, because they don't see an opportunity to generate the level of profit. With the assistance provided by the Federal Home Loan Bank of San Francisco, we were able to do that.

AHEAD Program grants, you know, I have the privilege of serving on the board of a number of community organizations. And they are benefiting from these AHEAD grants. Stone Soup as an example, we serve very low income children in eastern Los Angeles, Gilroy, Monterrey, families of immigrants who have limited choices as it relates to education. As a result of a grant from the Federal Home Loan Bank of San Francisco, we were able to provide tuition assistance to some kids who would otherwise be denied access to education. So some really good things there.

And then on the empowering homeownership and opportunities for the Federal Home Loan Bank and the Federal Home Loan Bank System going forward, we know from the Great Recession several years ago that many people of color were forced out of their homes --

Karen Burk: One minute remaining.

Greg Mitchell: -- and subsequently had some limitations on their ability to stay in their homes as a result of the hardships and economic conditions. We know that population is in need of support and assistance in staying in their home. Once they get it there's high levels of vulnerability from disruptions in jobs or disruptions in family affairs.

And we see an opportunity for the Federal Bank Home Loan Bank and the broader system, to lean into some programs aimed at providing potentially first loss protection for low income housing, or some sort of subsidized fund that might provide the borrowers with the capacity to continue to make payments until their financial conditions were stabilized.

So again, we thank the Federal Home Loan Bank of San Francisco and the broader system, and most importantly, the Federal Housing Finance Administration for your support of this vital resource. So thank you.

Karen Burk: Thank you. Our next speaker is Cassie Hudson from the Partnership Housing, Inc., who'll be followed by Ryan Gremillion from African American Alliance of CDFI CEOs.

Cassie Hudson: I do want to apologize I don't have camera access. So all you will be able to hear me speaking. But good afternoon. My name is Cassie Hudson and I'm the Executive Director of Partnership Housing, serving residents in rural Owsley County, Kentucky, with safe, affordable, and decent housing.

Owsley County, just to give you some stats, we have just over 4,000 residents county wide and we are located in the eastern coalfield region of the state. Thirty one percent of our county wide population of over 4,000 is living below the poverty line, being the second highest in the United States.

Our main programs are building single family homes, homeowner rehabilitation and developing affordable units. Since I came on board at Partnership Housing in 2012, we have completed 350 rehabilitation projects. Those range from $5,000 rehabs to $65,000 rehabs. We've completed 48 single family homes and we also have developed, own, and manage 26 affordable rental units.

We partner with dozens of local state and regional public and private partners including Federal Home Loan Bank of Cincinnati, and its community of lenders. The se networks are very vital to our ability to serve our rural population.

To give you a little bit of, of how I'm associated with FHLB of Cincinnati, I've been a member of FHLB Cincinnati Affordable Housing Advisory Council since 2021. The council offers a valuable network of best practices and resources from leaders in the industry ranging from rental to homeownership to special needs.

Equally important that this council offers a platform to voice our experiences with the regional financial community through engagement with the FHLB’s board of directors. Partnership Housing has participated in five different FHLB Cincinnati programs throughout the ten years, resulting in total grants of more than $1.5 million and $600,000 of zero interest loan funds. These funds combined help us serve hundreds of residents which has a huge impact as a percentage of our county's population.

You heard, you heard a great deal about the roles and importance of AHP from other speakers. And those are AHP is a critical source of grant funds. I will focus on other programs that FHLB Cincinnati provides. Most of them go beyond their mandated requirements.

The Carol M. Peterson Housing Fund. It's one of these programs that we have applied for ten consecutive years. It supports primarily our home rehab program, and it helps elderly or disabled residents safely stay in their homes, and it also provides them energy efficient upgrades.

This program specifically helps keep people out of nursing homes, it helps keep -- allows them to age in their homes, which here in rural Kentucky especially people get tied to their homes. So we try to focus keeping the residents in place. They’re multi-generational homes, and they have deeply ties to the land. So this gives our people to keep their belief in their culture to stay at home. It gives them more quality of life. This program allows them to do this.

And also, we do energy efficient upgrades with this funding. And sometimes elderly are on such low income they have to pick between paying their utility bill or buying their medicine. So if we can take this fund in and do energy upgrades, which makes their utility bill lower, it allows them to purchase their medicine or to have a better quality of life.

Also, the Disaster Reconstruction Program, again it helped our residents rebuild after natural disasters. In 16 months Owsley County has had two natural disasters. This money has -- has helped us and assisted and has been very critical in building our community back. In some instances, I can say that people would have not received the help or been able to be rebuild if we had not had access to this funding.

So the only really recommendations that I would have is if there will be more flexibility in the underwriting analysis. This would allow Partnership Housing, and I know other rural places, it would allow us to build more affordable rental units, in Kentucky and all over --

Karen Burk: One minute remaining.

Cassie Hudson: -- in the United States. Federal Home Loan Bank is, I have to say, is more than a funding source for us. It is a network of subject matter experts, financial partners and diverse community leaders working together to identify and address local and regional needs.

As you consider the future of the Federal Home Loan Banks, I urge you to preserve the regional nature of the district offices, recognizing that the banks do not just administer the mandated programs, but they really work to understand the needs of the local communities and tailor their funds and programs to meet those needs.

I truly urge you to think about the rural America and how things work differently here and how sometimes we need a little extra to make housing work. Thank you for the opportunity to participate in this important discussion. Thank you.

Karen Burk: Thank you. Our next speaker is Ryan Gremillion from the African American Alliance of CDFI CEOs, who'll be followed by David Schroeder of Community Bankers Association of Illinois.

Ryan Gremillion: Good afternoon and thank you for the opportunity to speak today. My name is Ryan Gremillion, and I'm the Policy and Research Director of the African American Alliance of CDFI CEOs.

As financial leaders directly serving diverse communities, the Alliance is a membership driven intermediary organization of 67 Black Led CDFIs, which aims to build the capacity of member organizations, expand access to capital from member organizations and build power in Black communities by challenging and influencing financial sectors to operate more equitably.

Alliance members reach historically underserved communities in all 50 states, by providing financial services in the small business, affordable housing, and commercial real estate development sectors. Currently, ten Alliance members are FHLB members.

In my testimony today I will highlight the challenges and operational issues faced by Alliance members that are also FHLB members and provide recommendations for increasing program access and usefulness for our members and other non-depository CDFIs across the country.

The racial wealth gap is larger today than it was when the Fair Housing Act of 1968 was signed into law more than 50 years ago. In large part this can be attributed to the significantly lower rates of homeownership and black communities, relative to its White counterparts. According to the National Community Reinvestment Coalition in 2018, only 42% of Black people owned homes compared to 73% of White people during the same time period.

Additionally, the denial rate for mortgage loans for Black Americans is nearly double that of Whites. Consequently, by the time Black Americans reach retirement age, they have accumulated about $1.1 million less than their White counterparts.

However, there are initiatives underway in both the public and private sector to increase minority homeownership and property values. Further, CDFIs, through their commitment to serve communities, often neglected by traditional banks can be instrumental in spurring Black economic prosperity throughout -- through homeownership.

The FHLB system presents another opportunity for CDFIs to increase the development of and expand access to affordable housing for very low to moderate income households. The system affords CDFIs access to flexible, low cost wholesale funding for contingent daily and strategic liquidity needs, the ability to pledge eligible securities and mortgage collateral to secure borrowings, and the ability to leverage a membership in the cooperative to network with other CDFIs as well as banks, credit unions, insurance companies and housing authorities.

However, challenges continue to persist for smaller non-depository CDFIs, particularly those Alliance members that are also FHLB members as they try to maximize the potential of the FHLB. Collateral requirements which must be met to obtain advances tend to disproportionately discourage non-depository CDFIs from seeking FHLB membership, or to pursue FHLB's low interest advances.

Specifically, our members cited steep haircuts and availability of eligible collateral as the primary challenges to obtaining advances. Further, some non-FHLB members cite the collateral requirements as a disincentive to seeking FHLB membership because they do not feel as though they would be able to take full advantage of advanced benefits of leadership.

To that end, we recommend the FHLB system consider alternative mechanisms aimed at increasing access to capital and FHLB advances for non-depository CDFI members. CDFIs are by and large limited in their borrowing from FHLB due to the amount and type of collateral pledged. On the other hand, non-CDFI FHLB members have substantial access collateral -- excess collateral, through which they can alleviate some of the capital needs of CDFIs.

By fostering partnerships between CDFI and non-CDFI FHLB members, the two entities may mutually benefit. And CDFIs through increased access to capital, non-CDFIs potentially through Community Reinvestment Act credit.

We also believe there should be a great deal more coordination between FHFA and the CDFI Fund. We believe that FHFA should consider allowing capital from the CDFI Fund to be used as leverage to provide guarantees or credit enhancements to the FHLB. This would in turn allow additional capital to make its way to CDFIs, and by extension to the communities that have historically been shut out of traditional finance.

We would also like to see non-depository CDFIs be treated as equal partners in the system. Fortunately, in the dozen years since the final rule authorizing CDFIs certified by the CDFI Fund to become FHLB members, CDFIs, particularly non-depository CDFIs, continue to receive unequal treatment within the FHLB system, evidenced by the fact that FHLB banks still earn less than 0.05% of their available capital to finance the

Karen Burk: One minute remaining.

Ryan Gremillion: CDFI members despite those institutions comprising 1.03% of total FHLB memberships.

Other recommendations are we'd like to see FHFA and FHLB make a commitment to increase CDFI representation on governing boards. As these see the community development focus leaders can be instrumental in developing policies that increase access to capital for low income communities. Currently only nine of 183 board members represent CDFIs and six of the 11 FHLB boards have zero CDFI representation.

We encourage other FHLBs to -- I'm sorry, heirs property is another issue we would like to see addressed, in the review of FHLB. A large percentage of heirs' property is found among racial and ethnic minority groups, low wealth, low income households, rural and distressed urban communities, other vulnerable populations. And this has led --

Karen Burk: Thank you.

Ryan Gremillion: Thank you, and we look forward to submitting comments later on this month.

Karen Burk: Thank you. Our next speaker is David Schroeder from Community Bankers Association of Illinois, who'll be followed by Charles Leyh of Enterprise Bank. Thank you.

David Schroeder: Good afternoon. My name is David Schroeder. I'm the Senior Vice President of Federal Governmental Relations for the Community Bankers Association of Illinois. CBAI exclusively represents the interests of nearly 300 Illinois community banks, the overwhelming majority of which are members of the Federal Home Loan Bank of Chicago.

The FHLB system is a GSE formed by Congress in 1932 to support housing and economic development activity. The system is designed to work cooperatively with its members not to compete against them. The FHLBs should serve as a model for how a government agency can work constructively with community banks.

Throughout the decades, the FHLB's have been singularly focused on serving the needs of the members of their member owned cooperatives. A wealth of ideas from their elected boards of directors and management have enabled the FHLBs to design products and services, which help their members best serve their customers and communities.

The regional structure of the FHLB further supports the individual banks in meeting the unique needs of their regions. Board leadership is drawn from individual districts and this local knowledge is important to understand and respond to the needs of different parts of the country.

We're very concerned that the benefits of this regional structure will be lost by centralization, or of ownership and management of the system for the sake of operational efficiency.

The FHLB's provide advances to members which support lending and for asset liability management purposes, which assist in the lending function. These advances enable members to make loans in rural, suburban, and urban communities.

During the previous financial crisis, providing liquidity in the form of fully collateralized advances to its members was truly a lifeline. Back then other sources of liquidity disappeared, which threatened the continued existence of many community banks.

During those troubled times, advances increased dramatically, but then returned to normal levels as economic and financial conditions improved. Most recently with the government's various COVID support programs, community banks have seen their deposits dramatically increase and that coincidentally advances have declined.

Some may view this decline as a reason to question the continued relevance of the FHLB's, but we could not disagree more. This is not a problem with the system. The ebbs and flows and advances are solid proof that the system is doing precisely what it was designed to do, to support its members, the stability of the financial system, the broader economy, and consumers.

The FHLBs provide other service too -- other services to their members, including the Mortgage Partnership Finance (MPF), program. This valuable program allows banks to originate residential mortgages in their communities and then participate those opportunities with the FHLB's. This partnership allows community banks to replenish their lendable funds to make new residential mortgages available to their customers in their communities.

The FHLBs contribute a percentage of their income to affordable housing and community development. The amounts contributed have been significant enough to, I believe, qualify the FHLBs as the largest single contributor to affordable housing in the nation.

However, great care must be taken to balance the amount contributed to these worthy causes with the needs for the FHL's income to be retained to begin to build capital to continue to serve their members, and also provide a reasonable return on investment to the member owners of the FHL banks. CBAI believes that the appropriate equilibrium has been achieved.

I would also like to touch on a very recent issue, an FHFA regulation which is impacting community bank's ability to access new and renew existing advances. Limitations are being imposed because of the impact on bank capital ratios from unprecedented increases in interest rates.

CBAI strongly urges the FHFA and fellow banking regulators to find a reasonable solution to this problem. Lest community banks are forced to deal with completely avoidable and unnecessarily difficult liquidity issues.

In conclusion, CBAI recommends that after this comprehensive review has been completed, policymakers should do nothing that would disrupt the regional and cooperative structure, the special functions, and the unique purposes of the FHLB's.

Also policymakers should not impose additional membership requirements that would undermine the certainty of continued membership --

Karen Burk: One minute remaining.

David Schroeder: -- or require any additional income distributions from the FHLB's that would reduce their capital, which supports the important services that they provide.

Thank you for this opportunity to provide our input. CBAI looks forward to continuing dialogue with policymakers as the FHLB system heads towards its 100th anniversary and beyond. Thank you very much.

Karen Burk: Thank you. Our next speaker is Charles Leyh from Enterprise Bank, who’ll be followed by Deron Burr from People's Bank of Seneca.

Charles Leyh: Good afternoon. My name is Chuck Leyh, I'm the President and CEO of Enterprise Bank, and a past chair of the Pennsylvania Association of Community Bankers. I’d like to thank the FHFA for the opportunity to comment on the Federal Home Loan Bank System, and specifically the Federal Home Loan Bank of Pittsburgh and how we've worked with them.

For some background, Enterprise Bank was formed in 1998 as a small business community bank in western Pennsylvania. I’ll give you a flavor of what we're about, the mission statement says that we're to deliver superior ethical service and value to the small business clients, shareholders, and staff.

The thing that's unique about Enterprise Bank is we solely focus on small business startups and small businesses experiencing financial distress. It creates a very unique set of circumstances. The bank has created subsidiary organizations to assist small businesses in their marketing activities, bookkeeping and accounting activities, IT security, business insurances, etc.

We've grown over the last 24 years to about $450 million in size. And we've helped over 1,000 small businesses start and mature over this short period of time.

One of the unique things about operating in a small business niche is your source of funding. And the small business clients and participants of the bank, fund approximately one-half of our liquidity and on our -- for our operational needs. The remainder comes from wholesale deposits of which the Federal Home Loan Bank System is an, is an integral and important part for us.

We went through the Recession after 2008 and many of our wholesale markets froze up. And it was the Federal Home Loan Bank that, that stood -- stood behind us and helped us through that, that rough period of time.

The size of the Federal Home Loan Bank, the backing, structure allows us to get a cost of funds and marketplace that a small organization just would not be able to do and to compete in the industry.

On the other hand, the value of the structure by having regional banks is so very, very important as some of the speakers have said. In our particular circumstance, you could imagine the uniqueness of having a bank that's working with some startup businesses and businesses experiencing distress.

As a practical matter, things like Texas ratios and delinquency rates, our numbers are very, very high compared to others. And most of the financial markets shut us out of funding sources. The locality and the size and just the, the wonderful management of the Federal Home Loan Bank of Pittsburgh, those people took the time to actually look at our operation, underwrite the operation. And when you really look at us and our history, you find that our actual write offs are half of what the federal peer group is, and half of what the state peer group is.

So we've obviously been able to operate in an environment in a very safe and sound manner. The Federal Home Loan Bank of Pittsburgh's one of the only organizations that we experienced that actually looked through the operations and provided funding to us. So the value of having a very large organization, yet the taint of having smaller regional banks, just makes a perfect combination of success, and in enabling us to help people.

It's a very unique situation. The Federal Home Loan Bank of Pittsburgh has a banking on business program where they basically reinvest in businesses, partnering with us, where the, the bank risk is very high. This has been instrumental in making numerous success stories of small businesses that wouldn't have had the opportunity otherwise.

It's really not in my purview to comment a lot in the other aspects because we don't have a lot of direct experience. But in the context of small business, we couldn't pull off our business plan if it wasn't for the way the Federal Home Loan Bank of Pittsburgh has supported us.

And to kind of conclude my comments I'll, I'll make a comment to try to summarize what I think Mr. Vartanian and a few others have said, and it's a comment my father told me a long time ago, and it's basically if it's not broke, don't fix it.

We, we really have a --

Karen Burk: One minute remaining.

Charles Leyh: -- tremendous value and support in the Federal Home Loan Bank of Pittsburgh and hope it's able to continue as it has in the past. Appreciate the opportunity to make comment.

Karen Burk: Thank you. Our next speaker is Deron Burr from People's Bank of Seneca, who'll be followed by Aaron Kness from Iowa State Bank and Trust Company.

Deron Burr: Thank you, and thanks for this opportunity to, to convey our, our, our story. I'm Deron Burr, I'm President and CEO of People's Bank of Seneca. We're a $360 million bank, in Seneca, Missouri.

What makes our bank a little bit unique is that we're majority owned by the Eastern Shawnee Indian Tribe of Oklahoma. So I'm going to give you just some bullet points. And just a few stories here.

You know, I, I've been in this role for 16 years. And over the years, we've had tons of vendors and others who, who use the term partnership fairly loosely. I can tell you without a doubt, the Federal Home Loan Bank of Des Moines, who we work with, is a true, true partner. They have been instrumental in our bank's survival, instrumental in our bank's growth, and instrumental in what we're now doing which is thriving.

Sixteen years ago, when I came to this bank, one of the things we were -- we were a $25 million bank, and we were trying to grow into a larger market. And we, we really didn't have the products to offer to, to compete. And our rep with Federal Home Loan Bank talked to us about the MPF program. We had already used them for advances and other tools. And we signed up for the MPF program. And 16 years later, I can tell you it provided us immediate credibility in our market with the realtors, the ease of use with it. Our clients loved it. And we continue to, to be the biggest cheerleader Federal Home Loan Bank has for their MPF program.

We've now grew from $25 million to, to almost $400 million now. And I can tell you the MPF program was, was a catalyst behind that. It provided us with credibility with the realtors and with our marketplace, which then led over into commercial lending and other opportunities.

Our reps with the Federal Home Loan Bank worked closely with us on our balance sheet. They worked closely with us on helping us matching off funds to offer long term fixed rate financing on commercial projects as well.

The part that I don't want us to lose sight of is, is the safety net also that the Federal Home Loan Bank provides us and continues to provide in terms of liquidity. And I know that here recently, we've all been flushed with a lot of cash. And so that doesn't come to light quite as much.

But with the rising in interest rates, right now is a perfect example. We have this rising rate environment, which is therefore made our securities portfolios much, much less valuable, and the -- and showing substantial losses on our balance sheets as a result.

Right now, if I had any kind of a deposit runoff, the last thing I would want to do is sell any of those securities at, at a substantial loss and, and in the fact that we have that backstop with the Federal Home Loan Bank and the opportunities for the advances and the liquidity that they provide us is, it's invaluable.

We've also, over the years, worked closely to, to be a sponsor, with several local Native American tribes, as well as some groups that, that specialize in low income housing and elderly housing. And we've, we've sponsored them, they've received grants that have truly made a difference in our communities.

I want to, again, thank you for this opportunity. And, and I'm just going to reiterate what the gentleman before me just said, and that is, if it isn't broke, please don't fix it, because they provide an invaluable service to communities like ours. Thank you.

Karen Burk: Thank you. Our next speaker is Aaron Kness from the Iowa State Bank and Trust Company who'll be followed by Hilary Lopez, City of Reno Housing Authority.

Aaron Kness: Hi, I'm Aaron Kness with Iowa State Bank in Fairfield, Iowa. I'm also the past Chair of the Iowa Bankers Association. Like Deron, I manage a smaller bank, around $200 million in assets in a rural community. So mostly rural communities in southeast Iowa.

On behalf of all Iowa banks, thank you for the opportunity to speak today. The liquidity that's provided by the Federal Home Loan Bank and we work with the Federal Home Loan Bank of Des Moines, is absolutely essential to us completing our mission, whether it's providing funding for small businesses or using the dollars to address critical needs, like childcare and housing in the communities that we serve, the Federal Home Loan Bank is just an incredibly important partner to us, and many other banks in Iowa.

There are 237 Iowa banks with the Federal Home Loan Bank System, that makes up about 75% of the membership in the Moines banks membership. Because of that partnership, Iowa institutions are able to utilize about $26 billion in advances, which funds housing and small business loans in our communities. It provides a secondary market outlet for $4.5 billion in mortgage loans. And it allows us to obtain that $912 million in letters of credit.

These contributions are all in investment in Iowa's future and they're all essential to the operation of the banking system in our state.

We all know it's a rapidly changing marketplace. And it's very important to us, especially here in rural Iowa, in rural America to maintain the Federal Home Loan Banks mission and membership requirements.

The Federal Home Loan Banks provide reliable liquidity and the key word there is reliable. They're providing federally insured depository institutions that support housing and like you said community investment. These regulated institutions, which I represent, ensure that consumer data and dollars are protected. And I can attest personally to the fact that Federal Home Loan Banks are functioning as designed.

There's a cooperative nature. The system holds each individual Federal Home Loan Bank accountable to the mission, and there's definitely proper risk management from my observation.

Banks are committed to community investment and economic growth. Iowa banks contribute an estimated $50 million in community donations every year. In addition to those donations, Iowa's nearly 300 community banks are the economic engines of their communities. We provide consumers of all income levels and all types of businesses small and large with financial services.

The stability that the Federal Home Loan Bank provides us allows us to continue to meet the needs of of our communities and help ensure positive outcomes during these challenging economic times.

The Federal Home Loan Bank helps us provide liquidity when on demand outpaces deposits and helps us offer affordable products. We are grateful to the Federal Home Loan Bank, especially having one located in Des Moines, it's a great asset.

Bank management at the Federal Home Loan Bank Des Moines has a vested interest in our state's economy. They understand the current barriers impacting Iowans. So as an Iowa banker, I very much appreciate the importance of relationships. It's at the center of my own business model. And our relationship with Federal Home Loan Bank has provided endless opportunities for our bank to continue serving communities across southeast Iowa.

One example of such an opportunity is the Jackson County Kids Cambridge Little Achiever Center. I don't expect anyone to know what that is other than me, but it is a new childcare center that my bank is helping construct right here in Fairfield, Iowa. Like many places across the country, Fairfield is struggling to provide enough options for parents in need for quality childcare. Current facilities are full, and parents are having to make a difficult decision about working or staying home or driving long distance for childcare.

So we identified this critical need and Iowa State Bank took the lead in financing construction of a new facility that will accommodate 185 children. Using a Federal Home Loan Bank community investment advance we're able to price the, the funding for the nonprofit -- building the entity significantly below what market rates are.

And an estimate that saves that facility about $45,000 annually in interest costs. And this is an environment obviously where small business or businesses are battling inflation and other rising costs, there's employee shortages. So every dollar saved in interest can impact the families who will eventually utilize the new facility.

I could go on but I --

Karen Burk: One minute remaining.

Aaron Kness: -- I know my time is limited. I just want to say that, that my bank, like many others, rely on Federal Home Loan Bank, and in this case the Federal Home Loan Bank of Des Moines to serve all the communities across the state. The partnership works, we greatly appreciate the value the Federal Home Loan Bank brings to our, our bank, our state, our local economies. I just echo what the other folks have said, it's not broke, let's not try to fix it. Thanks for your time.

Karen Burk: Thank you. Our next speaker is Hilary Lopez from City of Reno Housing Authority, who'll be followed by Jim Amundson from BankIn Minnesota.

Hilary Lopez: Good afternoon, I'm Dr. Hilary Lopez, Executive Director of the City of Reno Housing Authority, and I am also a member of the Federal Home Loan Bank, San Francisco's Affordable Housing Advisory Council.

I've been working in affordable housing and community development in various public and private roles for over 20 years. The mission of the Reno Housing Authority is to serve Washoe County in Northern Nevada. And it's a premier housing provider in our area, providing fair, sustainable, quality housing in diverse neighborhoods that offer a stable foundation for low income families to pursue economic opportunities, excuse me, become self-sufficient and improve their quality of life.

An integral part of meeting our mission is accessing lower cost financing and grants to leverage other resources and help propel our projects forward.

With that in mind, my comments today focus on the bank's ability to meet the unique needs of rural and financially vulnerable communities. Federal Home Loan Bank San Francisco members use the bank's financial products and services to lower funding costs, reduce interest rate risk, manage liquidity, and offer a wider range of credit products to the customers of institutions headquartered in Arizona, California, and Nevada.

Federal Home Loan Banks play a vital role in moving affordable rental housing, homeownership, and economic development projects forward, and are a key element of the nation's financial infrastructure. This can be seen through the impact of its various programs.

Federal Home Loan Bank, San Francisco's AHP Grant serve as an important source of gap financing in our region to help develop and rehabilitate single family and multifamily projects, primarily targeting very low income households.

Since the AHP was created in 1990, Federal Home Loan Bank, San Francisco has awarded over $1.25 billion in AHP monies to support the construction, rehab, or purchase of approximately 148,000 homes, affordable to lower income households in the three state district of Arizona, California and Nevada and other areas served by member institutions.

The Housing Authority has direct experience with this program, receiving an AHP grant in 2018 for its Willie J Wynn Apartments, which houses very low income seniors in the Reno Sparks region. This, but for funding, helped to create additional units for seniors priced out of the rental market, and allows them to age in place comfortably in a community with modern amenities.

Additionally, to help Nevada better meet its affordable housing challenges, the bank's board of directors committed $500,000 in discretionary funding in 2022 for a Nevada capacity building program to support emerging housing developers in Nevada, as well as the growth and experienced local developers into new types of housing development.

As part of this effort, the bank completed an agreement with the Nevada Housing Coalition to administer the program. Further, the bank plans to implement an AHP targeted fund for Nevada in 2023, in an effort to increase its impact in the hardest hit state with significant housing need.

Tools like these are essential. They allow the bank to partner with its district and tailor programs to meet specific needs, and ensure more even distribution of funds across its service territory.

Aside from the AHP program, the banks that had economic development grants, delivered through bank members working with local community organizations, helped nonprofits in our area create innovative job programs, or deliver vital educational and social service services in underserved communities.

More recently, during the COVID-19 Pandemic, the bank was very nimble and created new programs in response not only to the pandemic, but as well as to recent wildfires in Northern California. Again, demonstrating that the bank could be nimble and quickly respond to emergent needs in its district.

Unfortunately, these types of events are becoming more frequent. Having the Federal Home Loan Bank System develop programs that help financially vulnerable communities build the necessary infrastructure and climate resilience would reap long term economic and community development benefits that accrue not only to those directly impacted, but spill over to positively impact neighboring areas.

In closing, I want to thank the Federal Home Loan Bank San Francisco's leadership for supporting innovative solutions such as the Nevada Targeted Fund and embracing the need to create new programs which best meet the different requirements of financially vulnerable communities and its territory.

Their good work, as a parent, and the ability of the Federal Home Loan Bank System --

Karen Burk: One minute remaining.

Hilary Lopez: -- adjust to the changing needs in its district is a strength. However, as the affordable housing crisis continues and traditional funding sources remain limited, providing more funding for Federal Home Loan Banks mission programs would enable financially vulnerable communities to move the needle more quickly by leveraging more funds into specific projects or jettisoning more projects forward.

Many financially vulnerable, rural, and tribal communities in Nevada also need infrastructure to enable a variety of economic development and housing projects to proceed.

As mentioned, having the Federal Home Loan Bank System play a greater role in financing for these projects can bolster efforts and improve more low income residents’ quality of life. Efforts to expand programs can be further strengthened through encouraging new members and allowing for different types of financial institutions to gain membership more easily to the Federal Home Loan Bank System.

This would be especially impactful in places like Nevada --

Karen Burk: Our next speaker is Jim Amundson from BankIn Minnesota, who'll be followed by Chris Krehmeyer from Beyond Housing.

Jim Amundson: Good afternoon. My name is Jim Amundson, and I'm the President and CEO of BankIn Minnesota. We are a trade association that represents the interest of community banks in Minnesota. And we affiliate with the Independent Community Bankers of America on a national level. I'd like to thank the FHFA for the opportunity to provide a few comments today.

Minnesota has a long and proud history of community banking. We currently have the third largest population of community banks in the country with approximately 275 charters. Two hundred and twenty one community banks in our state are members of the Federal Home Loan Bank of Des Moines and most of those banks are community banks.

The Federal Home Loan Bank System of banks is extremely important to community banks. The primary benefit is the role played in providing liquidity and balance sheet funding. The Federal Home Loan Banks offer diversity in the funding of a community bank's balance sheet, given the availability of short and long term advances, which allows community banks to compete more effectively with large financial institutions and manage interest rate risk.

Our members are also key players in the building of strong communities and many of them play important roles in the financing and support of affordable housing in their communities. The collective work of many has led to nearly 18,000 homes and $120 million in grants in Minnesota since the inception of the Affordable Housing Program.

Affordable Housing and other FHLB mortgage programs allow community banks to be active participants in providing mortgage loans in their communities.

For these reasons, and many more, we respectfully ask that any changes to the Federal Home Loan Bank System do no harm to community banks. This request would include the preservation of the regional structure of the system, and also current membership requirements. The risk in the system has been very well managed and any reforms should only look to enhance the value and importance of Federal Home Loan Banks in the future.

While I have the floor, I would like to also mention a very current issue, which others have raised as well. But due to the rising interest rate environment, the bond portfolios on many bank balance sheets are showing large unrealized losses.

Our member banks are expressing real concern with the FHFA regulation that says the Home Loan Banks can't make any new advances to a member with negative tangible capital, without written authorization from their regulator.

The definition of tangible capital includes the unrealized loss, which is inconsistent with other regulatory capital calculations. We urge the FHFA to work on a solution that includes a change to the calculation of tangible capital to avoid large numbers of regulatory appeals and/or funding challenges for community banks.

Thank you for the chance to speak today in support of the Federal Home Loan Bank System and the Federal Home Loan Bank of Des Moines specifically, and on behalf of community banks in Minnesota. Thank you.

Karen Burk: Thank you. Our final speaker today is Chris Krehmeyer from Beyond Housing, who'll be followed by Deputy Director Joshua Stallings who will provide some closing remarks.

Chris Krehmeyer: Thank you. And I, I know I'm blessed to give comments so I'm going to try to be as brief and succinct and follow up so many of all the folks that have in front of me. Chris Krehmeyer, a longtime presence here at Beyond Housing in St. Louis, Missouri.

We have partnered with the Federal Home Loan Bank of Des Moines for many, many years in our work. Over the last ten years, we've been focusing on a targeted community here in the St. Louis region that has a high degree of poverty.

And we have a campaign that's called Once and for All, and what we're trying to do is take a comprehensive look at the many challenges that so many communities, not only in St. Louis, but across the state and across the country are facing.

What we've come to realize is that the problems are interrelated and interconnected. And if we don't focus on all the issues, from housing, to education, to health, to economic development, to jobs, to public infrastructure, those challenges of people in place are never going to get any better.

We've been a proud partner with the Federal Home Loan Bank of Des Moines and our local banks here from Midwest Bank Center, Enterprise Bank, Commerce Bank, Carrollton Bank, and others. And again, doing great work here.

In particular, using the AHP program, we have been able to invest well over $10 million in renovating over 1,000 owner occupied homes in our targeted geography.

When we think about our work, and when we think about making real life change to families and communities, it's about scale. To have a long term partnership with the Federal Home Loan Bank of Des Moines and our banking partners, to allow us to rehab that many homes for mostly seniors in our community who have raised their kids there, their kids have now grown and moved out. And these seniors want to stay in their community and want to stay in their home, but they don't have the economic capacity to reinvest in their home and in their community.

These so critical dollars that come to us and then we again allocate it to them and facilitate the rehabilitation of their homes, are so vitally important. Not only for those seniors for the blocks that those seniors live on and for the broader community.

We do this work in addition to doing new construction using low income housing tax credits, doing economic development work with new market tax credits, we have staff embedded in the school, we have community health workers on staff. Our model of comprehensive community building is relatively unique in terms of all the facets of what we do.

But the one thing that we've been able to really get to scale it is our partnership with the Federal Home Loan Bank of Des Moines. The system works. I think the [inaudible] I heard through some of my predecessors, if it's not broke, please don't fix it. I will echo that refrain. The system works fantastic. It is one of the true partners that we can count on that, that again delivers, again resources to needy communities that holds us and everyone else accountable in the process. And it's a good use of dollars.

So I thank the FHFA for this opportunity and look forward to continuing the partnership with the Federal Home Loan Bank of Des Moines.

Karen Burk: All right, with that we will turn it over to Joshua Stallings, Deputy Director of the Division of Federal Home Loan Bank Regulation.

Joshua Stallings: Thank you, Karen and to all who have spent the better part of three days with us. And a special thank you to our speakers. If there is anything we have learned from this first step of the Federal Home Loan Bank System at 100: Focus on the Future Initiative, it is that interest is high.

We appreciate the feedback we have received and encourage everyone to continue to make your voices heard. One way to do that is through written, written comments which we are accepting through October 21st. Details on submitting written comments can be found on our website.

I also want to extend a thank you to everyone that helped behind the scenes to make this such a great event. Again proving the FHFA is made up of remarkable people.

As the Director said in her opening remarks, this event was the start of a comprehensive review of the Federal Home Loan Bank System as we must ensure the banks are well positioned to serve the needs of today and tomorrow.

We asked specifically for feedback in six key areas, and we heard about those topics and more. We will next take this discussion into regional roundtables. The planning for those roundtables has started in earnest. The round tables will be smaller groups of stakeholders gathered to discuss a subset of topics, including local issues and concerns. And we anticipate discussing different topics at each location.

The topics being discussed in each location will drive who we ask to participate. While these events will not be open to the public, our intention is to post transcripts from each roundtable for public consumption so that everyone will know what was discussed.

As the regional roundtables draw to a close, we will hold one additional listening session before we close the public phase of this initiative.

Be on the lookout for information on the recordings, transcripts, and speaker materials from this listening session. We will be posting them to our website soon.

We will also be sharing additional information in the coming weeks on our first of several roundtable discussions. Thank you again for your interest and for joining us this past several days.