

October 14, 2022

Re: FHLBank System at 100: Focusing on the Future

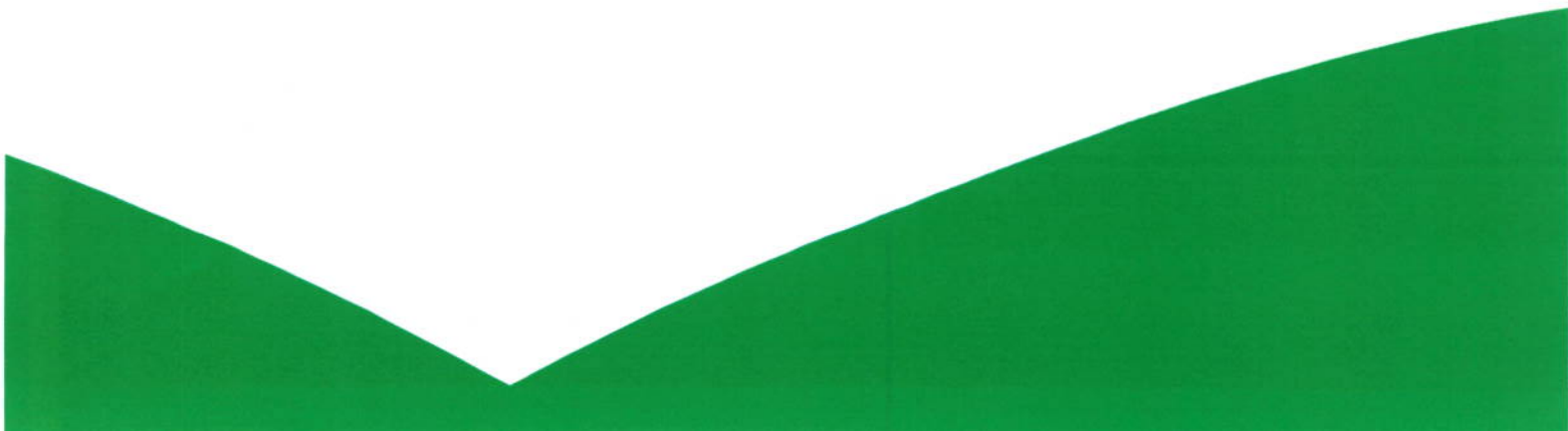
Dear Director Thompson

WaFd Bank appreciates the opportunity to comment on the future of the Federal Home Loan Banking system. WaFd Bank is a mid-sized regional bank that is a member and a very active user of the FHLB Des Moines.

As we think about the future of the FHLBank System it is also important to recall its past. While the recent long business cycle of strong credit and liquidity may make it feel like the Great Recession was a long time ago, we believe that period to be highly informative as to the value of a strong FHLBanking System comprised only of highly regulated members. During the Great Recession the FHLBanking system was talked about around the world as an institution that stabilized and supported our Country's financial system, and for good reason. FHLBanks were already set up to have strong collateral and credit line management practices with Member Banks. Further, the FHLBanks maintained a status of having the highest credit ratings throughout the crisis, enabling the FHLBank System to continue to access funds and channel them to Regional and Community Banks that would likely have otherwise faced liquidity crises.

From our view it is essential that no FHLBank has ever taken a loss on an Advance and that member stock in the individual FHLBanks has never been impaired or otherwise traded below par value. During the Great Recession many securities were written down significantly and those write-downs severely impacted capital in the banking system, it was vital to the stability of the banking system the FHLB's Member stock withstood this test! These essential structural elements of the FHLBanking System enabled many community banks to work through that difficult period of the Great Recession, and by doing so kept many members of our communities employed and housed. Adding any Members that are less financially stable would greatly erode the value and the essential purpose of the FHLBanking System.

More recently at the outset of the Pandemic WaFd bank was able to access \$1billion in funding from the FHLB Des Moines. WaFd placed this liquidity on its balance sheet and made a public announcement that it had done so to reassure our communities that we had the resources to be able to lend to them and to help them through the economic trial that ensued. Since borrowing those funds from the FHLB Des Moines every dollar has been lent out to our communities, resulting in significant support for housing, businesses, and jobs. These funds were also an important element of supporting our customer's needs to delay payments to stay in secure in their housing during the harshest times of the Pandemic.



The economy is cyclical, and there will be times when deposits are plentiful and borrowings from the FHLBanking system will be relatively low. Even during these times, the FHLBanks are an important asset for its members and for the economy. The security of having funds available on short notice and at fair rates enables us to lend out more of our customer deposits, promoting job creation and providing a stabilizing influence on the economy as a whole.

The Banks are a critical element of the nation's financial infrastructure and their unique business model has ensured they are here for us and our communities in all economic cycles – in both critical and stable times. That is the purpose of the System.

Thank you,



Brent Beardall, President & CEO



Date



Vince Beatty, CFO



Date

