

**“An Economic Ecosystem for Real People in Real Places”**

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Good afternoon. I'm Steve Rosenbaum, Chairman of the Council of Federal Home Loan Banks. Welcome to the 10<sup>th</sup> annual Council-sponsored Directors Conference.

For a decade now, the Council has held this gathering for directors of the Federal Home Loan Banks. Each year, participation has grown. And each year, we are pleased to bring you and your colleagues together, so that you can get to know each other even better and share your experiences as directors.

I would like to make mention this morning of the 25<sup>th</sup> anniversary of the Federal Home Loan Banks' Affordable Housing Program. This year we celebrate 25 years of Federal Home Loan Bank members and their partners putting AHP funds to work everywhere in the U.S.

AHP is the nation's largest single, private source of funds for affordable housing and community development --- providing close to \$5 billion to our communities since the program began. We are very proud to make AHP a part of what we do and we look forward to keeping AHP an important tool for those serving affordable housing across the country.

On behalf of the Council and members of the Federal Home Loan Banks, I would like to give a very special welcome to our distinguished guest, the Honorable Melvin L. Watt. May I also extend a warm welcome to Director Watt's staff colleagues from the Federal Housing Finance Agency who have joined us here today.

I have a quick story for you. It's about a man named Sir Arthur George Tansley who lived in the early part of the last century. Arthur Tansley was a British botanist. He specialized in the study of ferns. In fact, Sir Arthur was a founding member of the "Central Committee for the Survey and Study of British Vegetation". That's a mouthful. It makes "Federal Home Loan Banks" sound like a household name!

Tansley's contribution to science was this: He introduced the concept of the "ecosystem" into biology. He defined an ecosystem as a community of living organisms ... plants, animals, microbes ... that exist in conjunction with the other components ... such as air, water and soil ... all interacting and reliant on each other as an entire system.

It's how we all naturally view the environment today. But before Tansley, that's not so much how science saw it. Until our friend Arthur came along, the whole picture wasn't viewed as so interactive. Things were seen as operating independent of one another. Well, that's the story of Sir Arthur Tansley and ecosystems.

Why am I sharing it with you? I promise, you'll see in a moment. First ...

The Federal Home Loan Banks have been a unique and fundamental part of the nation's financial system for more than eight decades. So let me ask you what would seem to be a simple question: "Why do the Federal Home Loan Banks exist?"

As with many questions, the answer depends upon the angle from which you looking. Here's how I would answer it, as a community banker from Illinois.

First of all, it was Congress that created the Federal Home Loan Banks. More than anything else, that fact should always be the touchstone from where we begin to answer the question of why we exist as Federal Home Loan Banks. The fact that we are chartered by Congress indicates that the intention of our existence is to benefit the United States and all her citizens.

Further, Congress relies on the Federal Housing Finance Agency to make sure we properly carry out that intent. So let's take a look at what FHFA says on the subject. In its most recent performance plan report to Congress, our regulatory agency stated that the Federal Home Loan Banks ... and this is a direct quote ... "serve as a reliable source of liquidity and funding for housing finance and community investment."

It's enormously important to note the phrasing there by FHFA: "*liquidity for housing finance and community investment.*"

From our individual perspectives, as lenders, we often think about the Home Loan Banks in the context, first and foremost, of how these cooperatively owned, regional, wholesale banks are reliable sources of liquidity for our own institutions. Federal Home Loan Bank members consider uninterrupted access to liquidity as the single most important aspect of their membership.

And that's just as FHFA has said --- at least in the first part of the agency's answer to the question of why we exist.

However what I would suggest is this: When we are answering that question ourselves ... the question being: “Why do the Federal Home Loan Banks exist? ... we must always give equal emphasis to the second part of what our regulator wrote in its report to Congress. That is, the core mission of the Home Loan Banks is to provide reliable liquidity for members *in support of housing finance and community investment*.

To use even more direct language, one could say it this way: “The Federal Home Loan Banks support real people in real places.”

It’s a system like no other. As member institutions of the Federal Home Loan Banks, we work with Congress, as its private sector partners, to carry out very specific public purposes.

When we look to our Home Loan Banks for attractive financing, both long term and short term, to fulfill our own business needs, for enhancing income or managing interest rate risk ... well, that’s strengthening our individual institutions so that we can support housing finance and community investment. For real people in real places.

We participate in Home Loan Bank mortgage programs to provide liquidity for the mortgages our institutions generate, to provide access to the secondary market ... so that we can support housing finance and community investment.

Real people. Real places.

We take that reliable liquidity from the Home Loan Banks ... liquidity created when high-quality collateral is transformed into dollars ... we take that liquidity and we put that money to work ... by investing it in jobs, housing and economic growth in the places where we live.

That’s how we support housing finance and community investment for real people in real places.

There’s a seamless interaction going on here. It starts with congressional intent and regulatory oversight. And it continues in conjunction with thousands of financial institutions. And with hundreds of cities, towns and counties ... and with the Federal Home Loan Banks themselves ...

... working for millions of American consumers and businesses. It all comprises what our friend Sir Arthur Tansley might have called an *economic* ecosystem.

It is an economic ecosystem for people and places with real needs ... and private financial institutions serving those needs ... an environment nurtured by a steady flow of liquidity and funding ... along with Congress and regulation ... all interacting together and reliant upon each other.

So that question I posed: “Why do the Federal Home Loan Banks exist?”

The answer: The Federal Home Loan Banks *exist* because the United States needs a system to provide reliable liquidity to member institutions in support of housing finance and community investment.

How does that idea take shape --- how does it have meaning --- in the lives of Americans?

Because in the end, that's what it's about.

Take a look at the screen.

*["Got a Minute?" [video](#) plays. Last line of video, referring to local lenders, is: "They invest in our communities."]*

That's what your institution back home does. No matter what kind of Federal Home Loan Bank member you are, you invest in your community. The lending you do helps keep housing affordable and helps keep your local economy vibrant. We want everyone's economy to be recovering and staying strong in these United States. Your institution, with the support of your Federal Home Loan Bank, is working hard each day toward that goal.

It's as important as ever to remind folks of the extraordinary role your institution and your Federal Home Loan Banks play in the nation's financial system. As a Federal Home Loan Bank director, there's a message I would ask you to please help us communicate. It's the message that's behind our determination to sustain this entire economic ecosystem.

The message is: The Federal Home Loan Banks and their members make a positive difference in every community of the country every day.

Finally, a word of thanks.

The road ahead in the world of banking and housing is full of changes, challenges and uncertainty. That's making the job of a Federal Home Loan Bank director more and more demanding.

Thank you for all that you do, all that you do for your Federal Home Loan Bank, for your institution back home, for your community, and for the nation and all Americans.

Now I would like to welcome and present our keynote speaker, the Honorable Melvin L. Watt.