

At 90, the FHLBNY Remains a Trusted Partner for the Empire State

By Adam Goldstein, Chief Business Officer, Federal Home Loan Bank of New York

In 1932, at the height of the Great Depression, Congress created the Federal Home Loan Bank (“FHLBank”) System – a set of privately capitalized, cooperatively owned regional banks tasked with the mission of providing liquidity to local lenders, which has since been used to support housing, small business lending and community investment in all credit environments. The 11 FHLBanks were created at the height of one crisis, and today, these vital institutions continue to provide stability amid another one – just as they have done through every market for the past 90 years.

In 2020, the Federal Home Loan Bank of New York (“FHLBNY”) launched its Small Business Recovery Grant Program to support small businesses across our region in the wake of the COVID-19 pandemic. When the pandemic took hold in New York, Five Star Bank, like so many local lenders throughout the Empire State, rallied to support their customers and communities. To bolster these efforts, Five Star utilized its long-time partnership with the FHLBNY to access Small Business Recovery Grant Program funding, awarding \$200,000 through 22 grants to local community institutions.

“Five Star Bank’s partnership with the FHLBNY and their Small Business Recovery Grant enabled us to provide some financial certainty to several of our nonprofit and local small business clients during very uncertain times,” said Justin Bingham, Chief Operating Officer of Five Star Bank. “This thoughtful grant opened the door for our lenders to add more financial options and guidance that aided our clients in maintaining their companies’ longevity through an unprecedented pandemic.”

In total, the FHLBNY worked with its members to provide \$14 million in grants to more than 2,000 small businesses and non-profits, including \$7.2 million to more than 1,100 recipients in New York alone.

This type of response to the pandemic was seen across the FHLBank System, with the 11 institutions working with their members to get grant money out into communities across the country, and working through their proven business models to provide funding to assist member efforts amid the crisis.

At the onset of the global pandemic, the FHLBanks were the lenders of first resort, stepping up to keep liquidity in the market when other sources of funding either disappeared or were slow to act. Systemwide advances – the loans the FHLBanks make to their members – shot up by \$165 billion, or 25%, over a brief period bridging March and April 2020, peaking at more than \$805 billion, truly reflecting their role as a critical element of the nation’s financial infrastructure.

System advances declined from that April 2020 peak, driven largely by federal stimulus that flooded the market with liquidity and elevated member deposit levels. But this is how the System is designed – its scalable model allows for each FHLBank to expand or contract based on member need. And this is how the System performs in a crisis, with this advance behavior mimicking the trajectory seen most recently in 2008, when member borrowing skyrocketed at the

onset of the Great Recession, then declined as government intervention injected temporary liquidity to the market, before steadily rising to more normal levels in the years in between crises. This is the purpose of the FHLBanks: critical during times of crisis, stable during calm markets, and dependable in every economic cycle.

Advances are the hallmark of the FHLBank System, and every year, the FHLBanks provide access to billions of dollars in low-cost funding to America's financial institutions. However, advances are not the only means by which the FHLBanks deliver value to our members.

At the FHLBANY, we deliver the full value of membership in our cooperative not just through our advances, but through our Mortgage Asset Program, which offers a secondary market outlet catered directly to members. Our Letters of Credit help our members secure municipal deposits, support housing and community development initiatives and strengthen their relationships with the communities we all serve. And through our Affordable Housing Program and Homebuyer Dream Program, we support our members' ability to make a tangible difference in the lives of so many by helping to create high-quality affordable housing and first-time homeownership opportunities.

Today, while the pandemic still weighs heavy on our minds, we see a steadily improving operating environment, and a region and nation ready to return to normalcy. With interest rates on the rise and federal stimulus receding from the market, the FHLBANY is well-positioned to meet the funding needs of our members with competitively priced credit products to help you manage your balance sheets, invest in your communities and grow your business.

Across our 90-year history, as our membership and mission have evolved to meet the needs of the market, the FHLBANY's defining principle – and, in fact, the defining principle of the entire FHLBank System – has remained our stability. We constantly strive to be a funding and community partner that our members can rely on in any and all environments, whether in calm markets or at the center of a financial storm.

Whether providing liquidity products, offering grant programs or supporting balance sheet management, the true value of each Federal Home Loan Bank is this stability, even in the most challenging times. For 90 years, our members have known that they have a reliable, trusted and proven partner in the FHLBANY, and we are focused on ensuring that you always will.