



# VIEW*S* & VISIONS

A publication of Bowles Rice LLP

Spring 2016



## Stability in a Changing World

Patrick A. Bond, Chairman of the Board  
Federal Home Loan Bank of Pittsburgh

Patrick A. Bond is an experienced corporate director and a NACD Board Leadership Fellow. He has served on the board of the Federal Home Loan Bank of Pittsburgh, a \$90 billion wholesale bank serving Delaware, Pennsylvania and West Virginia, since 2007 and has served as chairman of the board since 2014.

Mr. Bond is a founding general partner of Mountaineer Capital LP. He currently serves or has served on the boards of Mountaineer's portfolio companies: Troy LLC and VR Inc. Prior to founding Mountaineer Capital, Mr. Bond was chief executive of Growth Management Group (GMG), a broad-based consulting firm focused on strategic and financial planning for corporate and governmental organizations. Before GMG, he was president and CEO of Atlantic Financial Federal-West Virginia and, later, CEO of Eastern Marketing Corporation, a marketer of natural gas to industries in the eastern United States.

In addition to his corporate board service, Mr. Bond is chairman of the Charleston Area Alliance, West Virginia's largest community and economic development organization.

He holds master's and bachelor's degrees in industrial engineering from West Virginia University, where he serves on both the Industrial and Systems Engineering Advisory Board and the Academy of Industrial Engineers.

Pick any aspect of the financial services industry – interest rate environment, laws and regulation, cybersecurity, public opinion, technology – and you'll see we are in a period of unprecedented change. Through my long association with the Federal Home Loan Bank of Pittsburgh, currently as chairman of the board, I've learned that a vibrant FHLBank is a rock-solid resource, especially in changing times.

If you are unfamiliar with FHLBank Pittsburgh, here's a quick snapshot. We are a \$90+ billion financial institution right up the street. We are a government-sponsored enterprise, but our funding is 100 percent private. We have no branches or retail customers; rather, we serve our members: banks, credit unions, insurance companies and community development financial institutions in West Virginia, Pennsylvania and Delaware.

We offer products and services that help make member financial institutions stronger and the communities they serve better places to live and work. We do this primarily by extending attractively-priced credit to our members, as well as offering grant and loan programs targeted to lower-income families and areas.

These activities stem from our mission statement, which is simple but powerful: to assure the flow of credit to members to support housing finance and community lending, and to provide related services that enhance members' businesses and vitalize their communities. Our ability to achieve this mission for more than 80 years derives from a unique cooperative structure and a business model that works.

### Foundation of Strength and Stability

Congress created the Federal Home Loan Bank System in 1932, in the depth of the Great Depression, to ensure a consistent supply of funds for home mortgages. The System includes 11 FHLBanks, each operating in its own geographic footprint with its own management

and board, and more than 7,300 member financial institutions.

When I think of how the financial services industry has changed since the system was formed, especially since the recent recession, I'm struck by the elegance of its business model and the stunning success the FHLBanks have enjoyed over eight decades.

The business model fosters strength and stability in three key ways:

- Each FHLBank is a co-op, owned entirely by its membership; there is not one dime of government money in the FHLBank system. Because the members are both owners and customers, conservative management is mandated.
- Credit extended to members is secured by high-quality collateral. Members can borrow up to, but not beyond, what their available collateral permits. With strong underwriting and monitoring, no FHLBank has ever incurred a loss on an advance.
- The 11 FHLBanks are jointly liable for each other's debt. Each FHLBank has a pristine stand-alone credit rating, but in the event one should ever be unable to support its debt, the others would be required to step in.

This unique structure allows the system to enjoy the highest credit rating and preferred standing in the capital markets. Because FHLBanks can tap into the most effective investors globally, they can deliver attractively-priced funding locally.

### Locally Available Credit

Access to liquidity is a central focus for financial institutions, large and small. Members borrow advances from FHLBank and, in turn, make loans to their customers for mortgages, small business lending and the needs of families. At year-end 2015, FHLBank Pittsburgh advance balances of \$74.5 billion were the highest reported in the bank's history.



*Greater Wheeling Coalition for the Homeless transformed a century-old apartment building into affordable housing for chronically homeless individuals with long-term disabilities. Wesbanco Bank supported the project with a grant from FHLBank Pittsburgh's Affordable Housing Program.*



*The Hampshire Wellness & Fitness Center in Romney serves 1,100 members from northeastern West Virginia and employs a 39-member staff. The Bank of Romney used a Community Lending Program loan from FHLBank Pittsburgh to support the project.*

Another key product is our letter of credit (LC). By using our LCs to secure state and municipal deposits, members can free their securities collateral for other strategic business purposes. Local municipalities appreciate the security backed by our high credit rating and the fact that investments made in local financial institutions are routinely reinvested back into the community. At year-end 2015, we had \$20.2 billion in LCs outstanding, our highest year-end balance ever.

### **Affordable Housing and Community Development**

It may be cliché, but doing good while doing well is baked into our business. We set aside 10 percent of earnings for our Affordable Housing Program (AHP) to help lower-income individuals and families. In 2015, AHP's 25th anniversary, we celebrated the fact that, together with our members, we've helped 40,000 households. Just think about the impact of 40,000 households: that's bigger than Charleston, West Virginia.

Another program making a difference is Banking On Business (BOB). We all know that even with a solid business plan and seasoned management, small businesses don't always have the equity or cash flow to

obtain a commercial loan. With BOB, certain loans can meet the underwriting standards of our members. Since the program was launched in 2000, working with local lenders, FHLBank Pittsburgh has provided in excess of \$56 million in BOB funding to create or save more than 7,900 jobs.

### **A Resource to the Appalachian Region**

As a rock in a changing world, a source of liquidity to member financial institutions and a supporter of economic development, FHLBank Pittsburgh is a real resource to the Appalachian region. If you know us already, I encourage you to use our products and programs in new and creative ways. If you don't know us yet, I would welcome your inquiry at any time. ▽