

**Hearing of the Subcommittee on Capital Markets, Insurance and
Government Sponsored Enterprises**

March 8, 2005

Testimony of Jan A. Miller

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Thank you for this opportunity to testify before the Subcommittee this morning on the Federal Home Loan Bank System. My name is Jan Miller, and I'm President and CEO of Wainwright Bank & Trust Company in Boston. I also serve as an elected director on the board of the Federal Home Loan Bank of Boston.

Wainwright is a \$750 million socially responsible commercial community bank with 9 branches throughout the metropolitan Boston area. The Bank's progressive agenda includes a commitment to affordable housing, community development, social justice, environmental issues, women's rights and the gay and lesbian community. We take pride in our mission of socially responsible banking, and we're equally committed to all our stakeholders, including employees, customers, and the communities and shareholders we serve. The 22 languages spoken among the employees at the bank reflect the diversity of the communities we serve. It is our commitment to affordable housing and community development that is a cornerstone of the organization. We have provided over \$400 million in financing for these over the last decade. Currently approximately 40% of our commercial loan portfolio is to community development and non-profit lending, including homeless shelters, special needs housing, food banks, AIDS

housing and services, breast cancer research, wilderness preservation, community health centers, and other service organizations.

I ran for a seat on the Boston Bank's board because the Federal Home Loan Banks are a critical partner for community banks like Wainwright. We rely on the Federal Home Loan Bank of Boston as a vital source of liquidity and asset-liability management.

But equally important, the Boston Bank has been enormously helpful in our efforts to address the need for affordable housing in the extremely dense, high-cost metropolitan Boston area. Each Federal Home Loan Bank commits 10 percent of its net profits to the Affordable Housing Program, which awards grants and subsidized, below market-rate loans to fund affordable-housing developments for very low-, low-, and moderate-income individuals and families.

Wainwright has been fortunate enough to win funding for 24 such projects. We simply could not have funded these developments — which have resulted in 775 units of much needed housing — without the nearly \$6 million in AHP grants and \$12 million in subsidized advances. Whether it's transforming an empty city school into affordable assisted living for the elderly, or creating first-time homeownership opportunities for hardworking families, or providing quality housing for special-needs populations, the homeless, and the disabled, the Affordable Housing Program has been an important vehicle for Wainwright to fulfill its mission and strengthen our community relationships.

In addition to the subsidized advances we have used more than \$60 million in other term advances to assist us in providing financing for the construction of more than 2,000 other units of

housing throughout the Boston area. We would not have been able to provide long term fixed rate financing without the FHLB Boston.

The Federal Home Loan Banks are as relevant today as they were when Congress created the Bank System in 1932. If the members of the Subcommittee believe it is important for this nation to have diverse, locally based financial institutions serving our communities, and not just a handful of very large banks, then it is vital that we keep the Federal Home Loan Bank System strong and vibrant. Moreover, if you believe as I do, that private financial institutions have a key role in addressing the tremendous need for affordable housing across the nation, the Federal Home Loan Banks are critical.

Congress was wise to establish the Bank System as a regionally based cooperative. The Federal Home Loan Banks are well positioned to meet the unique needs of the multifaceted communities in our nation. The housing and community-development-finance needs could be very different in New England than those one would find in Chairman Baker's district in Louisiana, or in Ranking Minority Member Kanjorski's district in Pennsylvania. The local Federal Home Loan Bank knows the laws and regulations and also the people in the public sector and who to turn to for assistance. They are attuned to any changes or new requirements. The people at the Federal Home Loan Bank of Boston are committed to affordable housing and become our partner in the project. The Affordable Housing Advisory Council brings members of the housing community together frequently to discuss issues, the Bank's programs and the needs within the region. It is my belief that the Bank System would not be nearly as effective if it were a "one size fits all" operation.

The directors of the Boston Bank have considered at some length the potential for reforming the regulatory structure for the Federal Home Loan Banks, along with Fannie Mae and Freddie Mac. As a director and a shareholder, I support having a strong and respected regulator for the Federal Home Loan Banks.

The Boston Bank, as a member of the Council of Federal Home Loan Banks, supports the guiding principles for legislative reform Mr. Hehman has described in his testimony. More specifically, the board of directors of the Boston Bank believes any GSE reform legislation should have the following elements:

- The new regulator must be independent, outside of the Department of the Treasury, and dedicate a separate division to oversee the Federal Home Loan Banks.
- Independent directors must continue to be appointed to the boards to maintain representation of the public interest. Directors from outside the industry have brought great value to the Banks, and can provide expertise that is extremely useful, given the current environment and sophistication of the Banks.
- And we believe the current cap on director compensation must be removed in order to retain and attract qualified directors, particularly in light of the increased demands and responsibilities placed on them. I applaud the members of the Financial Services

Committee for addressing this issue in the regulatory relief bill during the last session of Congress.

Finally, the Boston Bank would strongly oppose the following in any GSE reform legislation:

- We would be against any efforts aimed at minimizing the Banks' current GSE status that could lead to privatization.
- We would oppose any provisions aimed at fostering consolidation in the System.
- We would not support the imposition of additional financial burdens on the Banks. As cooperatives, the Federal Home Loan Banks already operate on very narrow margins.
- We believe the Federal Housing Finance Board has sufficient authority to oversee the safety and soundness of the System's mortgage-purchase programs, and thus would oppose any limits placed on these programs by legislation.
- We would also oppose any limits placed on large members' access to the Banks. Large members give the Federal Home Loan Banks the critical mass necessary to be a strong partner to smaller financial institutions and an important source of affordable-housing financing.

- We firmly believe that directors of the Federal Home Loan Banks need to have the same authority as directors at any other company, as a matter of good governance. Thus we would strongly oppose any restrictions on board governance that were granted in Gramm-Leach-Bliley.

Mr. Chairman, I appreciate this opportunity to testify this morning. On behalf of Wainwright Bank and the Federal Home Loan Bank of Boston, I look forward to working with you and your colleagues to craft a sound and thoughtful regulatory structure for the Federal Home Loan Banks.