

SAFETY IN NUMBERS

Securing public unit deposits with the FHLBank letter of credit



SUZAN SAVILLE

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Suzan grew up in a small community bank, joining FHLBank in 1991. She worked as a regional account manager, in the Lending area and as our marketing manager before moving back to Lending to lead the department. She is now the Director of Sales.

Find out more about Suzan and our funding specialists at **FHLBTOPEKA.COM/INTELLIGENCE.**

Both member financial institutions and the public unit depositors who are beneficiaries of the letter of credit appreciate the convenience of the product.

The Bank in Oberlin, Kansas, has used FHLBank's letter of credit to secure the deposit accounts of a myriad of local entities for many years. Currently, they have over a dozen letters of credit outstanding to local school districts, a county hospital, the local community college and several county treasurers.

Brandon Oien, CFO and Cashier for The Bank and Layn Bruggeman, the Thomas County Treasurer, shared their thoughts on using the popular product.

Q: WHAT DO YOU LIKE ABOUT THE LETTER OF CREDIT?

Brandon: I appreciate the freedom the letter of credit provides with our investment strategies. We don't need to exclusively rely on our investment portfolio to secure deposits.

It's also easy and flexible. I don't have to pledge and release bonds. This is especially beneficial for large county accounts during tax time. A county may have dramatic swings in their balances, and we can make the letter of credit term match that timing.



Brandon Oien



Layn Bruggeman

continued on back

Layn: I like the ease of the letter of credit. Brandon takes care of the details on the back end, and I get an email confirmation. I don't have to make several phone calls or sign off on a lot of pledges, but I still know I'm covered.

Q: WHAT DO YOU SEE AS THE BIGGEST BENEFIT TO YOUR DEPOSITOR OF SECURING THEIR FUNDS WITH A LETTER OF CREDIT?

Brandon: The number one benefit we hear about from our depositors is how fast it is. Bonds can take up to three to five business days to get a safekeeping receipt. With the letter of credit, they get immediate verification upon issuance.

Q: DO YOU SEE A BENEFIT TO YOUR LIQUIDITY RATIO?

Brandon: Yes, the letter of credit helps us keep a higher level of on-balance sheet liquidity because we can pledge loans to collateralize the letter of credit. It also allows us the flexibility to invest in other higher-yielding securities we wouldn't otherwise have been able to invest in.

Q: WOULD YOU RECOMMEND THE LETTER OF CREDIT TO OTHER DEPOSITORS?

Layn: Yes, the letter of credit is so easy. There's not a lot to worry about once it is issued. About a third of our deposits are backed by the letter of credit.

FIVE EASY STEPS TO ISSUE A LETTER OF CREDIT

1. Member completes the short, two-page application (member must sign one-time agreement that governs all letters of credit issued) detailing the specifics of the letter they want issued.
2. Member emails the application to fhlb.lending@fhlbtopeka.com (deadline 3:30 CT).
3. FHLBank's Lending department acknowledges receipt of the application.
4. Lending issues the letter of credit within an hour or two of receipt.
5. Immediately upon issuance, the depositor (beneficiary) and member receive an email notifying them that the letter has been issued as well as an electronic copy of the letter.

To learn more about the FHLBank letter of credit, contact our Lending Desk at FHLB.Lending@fhlbtopeka.com or 800.809.2733. You can also find more information online at www.fhlbtopeka.com/letters.

ACCEPTED FAR AND WIDE

Letter of Credit Beneficiaries

A few examples of depositors who accept FHLBank's letter of credit

- State Treasurer of Kansas
- State Treasurer of Oklahoma
- Nebraska Investment Council
- State of Colorado, Division of Banking, PDPA
- School districts
- City and county treasurers
- County hospitals
- Utility boards – water, sewer, electric
- Fire protection districts
- Public libraries
- Community and technical colleges
- Housing authorities

Contact Lending today to see how our products can work for you.

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