



RESOLUTION

In support of renewing authority of the nation's Federal Home Loan Banks to offer credit enhancement to municipal bond offerings

- WHEREAS,** State and local governments rely on the issuance of tax- exempt bonds or other tax-advantaged bonds to finance the construction of critically needed infrastructure; and
- WHEREAS,** The preponderance of our nation's basic infrastructure is furnished by state and local governments; and
- WHEREAS,** Congress authorized the use of Federal Home Loan Bank letters of credit as a credit enhancement mechanism in the Housing and Economic Recovery Act of 2008 (HERA) passed in 2008; and
- WHEREAS,** The 11 regional FHLBs are government-sponsored enterprises designed to support mortgage lending and related community investment through advances to member financial institutions; and
- WHEREAS,** The authority granted the Federal Home Loan Banks by HERA has since expired; and The critical need for infrastructure investment has never been greater; and
- WHEREAS,** Reauthorizing the authority of the Federal Home Loan Banks to provide such letters of credit is especially critical at a time when smaller projects may not access the \$4.0 trillion municipal bond market as efficiently as larger issuers; and
- WHEREAS,** Community banks, credit unions, and community development financial Institutions are key players in the extension of credit to smaller businesses serving constituents that may be overlooked by larger institutions, thus promoting the diversification in the U.S. banking system, reduction of systemic risk in our banking system, and providing necessary capital financing to small businesses; and
- WHEREAS,** Now is not the time to raise the cost of borrowing by compromising the demonstrated success of the tax-exempt municipal bond market or by reducing federal aid for infrastructure.

NOW, THEREFORE BE IT RESOLVED, that the National Association of State Treasurers fully supports the following principles for supporting credit enhancement designed to support small business, affordable housing, and community-based lenders.

1. NAST supports the efforts of community banks, credit unions, community development financial institutions and lenders rooted in the communities they live and work in to finance small businesses and affordable housing in their local economies.
2. NAST supports efforts that lower the cost of borrowing while opening up access to the \$4.0 trillion municipal bond market for smaller issuers.
3. NAST supports efforts to facilitate more tools that can be utilized to promote diversification in the US Banking System while reducing systemic risk in the system, and providing necessary capital financing to small businesses
4. NAST supports the legislative initiatives currently pending in Congress aimed at restoring the Federal Home Loan Banks' prior authority.

BE IT FURTHER RESOLVED, that the National Association of State Treasurers urges Members of Congress and the Administration to adopt these principles as it crafts new and important infrastructure policies, regulations, legislation and laws.

*This resolution shall remain in effect until amended or rescinded.