



FACT SHEET: FINAL RULE ON FEDERAL HOME LOAN BANK HOUSING GOALS

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BACKGROUND

The Federal Home Loan Bank Act requires that the Director of the Federal Housing Finance Agency (FHFA) establish housing goals with respect to the purchase of mortgages, if any, by the Federal Home Loan Banks (FHLBanks). The goals should be consistent with those for Fannie Mae and Freddie Mac while considering the unique mission and ownership structure of the FHLBanks.

FHLBanks purchase mortgages through the Acquired Member Asset (AMA) program. The FHLBanks currently offer two AMA programs: the Mortgage Purchase Program (MPP) and the Mortgage Partnership Finance (MPF) program. Through these programs, the FHLBanks generally purchase 15- to 30-year conventional mortgages in addition to loans guaranteed or insured by a department or agency of the U.S. government. FHLBank System-wide AMA purchases are roughly 1 percent of the secondary market (Chart A).

PREVIOUS REGULATION AND PROPOSED RULE

FHFA issued a final rule in December 2010 that established housing goals for any FHLBank with AMA purchases that exceed a volume threshold of \$2.5 billion in a given year. FHFA evaluates yearly goals performance by comparing the proportion of FHLBank mortgage purchases that were affordable with the proportion of all mortgages originated in its FHLBank district that were affordable, as reported in Home Mortgage Disclosure Act (HMDA) data. The regulation established three single-family owner-occupied purchase money mortgage goals and one single-family refinancing mortgage goal applicable to each FHLBank's purchases under its AMA program. The goals for purchase money mortgages covered loans to 1) low-income families; 2) families in low-income areas; and 3) very low-income families. The goal for refinancing mortgages covered loans to low-income families.

FHFA issued a proposed rule in November 2018 seeking public comment on amendments to the FHLBank housing goals.

SUMMARY OF FINAL RULE

The final rule amends the FHLBank housing goals to:

- Set a single prospective mortgage purchase housing goal as a share of each FHLBank's total AMA purchases;

HIGHLIGHTS

FHFA has amended the regulation governing the FHLBank housing goals.

All FHLBanks that purchase mortgages through AMA programs are subject to the housing goals.

The housing goals encourage greater availability of home mortgage financing for underserved borrowers.

The new housing goals set meaningful and achievable targets for each FHLBank in line with the AMA program.

In addition, the final rule encourages participation by smaller institutions which have been more likely to serve low-income borrowers and families in low-income areas. This furthers the member-service benefit of the AMA program while also increasing access to affordable mortgage financing.

The new housing goals take effect in 2021. During the three-year enforcement phase-in period, FHFA will measure and report performance but will not impose a housing plan on FHLBanks that do not meet housing goals.



- Set a new small member participation housing goal for participation by small institutions;
- Eliminate the volume threshold;
- Allow FHLBanks to propose different target levels for the goals for mortgage purchases and small member participation, subject to public comment and FHFA approval;
- Simplify and clarify the eligibility criteria for the goals; and
- Allow federally backed loans that are sold to the FHLBanks by small institutions to count for goals purposes.

Prospective mortgage purchase housing goal: The target level for the prospective mortgage purchase housing goal is 20 percent of AMA purchases, measured by number of loans. The goal includes purchase and refinance mortgages for low-income families and very low-income families, as well as mortgages in low-income areas, regardless of family income.

The final rule limits the extent to which a FHLBank can rely on mortgages for higher-income families in meeting the prospective mortgage purchase housing goal. The rule provides that no more than 25 percent of the mortgages a FHLBank uses to qualify for the prospective mortgage purchase housing goal may be to borrowers above 80 percent of area median income (AMI) in low-income areas. This cap allows FHLBanks to provide significant support for low-income areas, including minority census tracts and designated disaster areas, while ensuring an overall focus on low-income and very low-income borrowers.

Small member participation housing goal: The small member participation housing goal, with a target level of 50 percent of AMA users, is designed to encourage use of the AMA program by smaller institutions (called community-based AMA users in the final rule) that often lack other connections to the secondary mortgage market and that are statistically more likely to serve low-income borrowers and families in low-income areas. This goal is intended to further the member-service benefit of the AMA program while also increasing access to affordable mortgages.

FHLBank proposed alternative target level: To ensure that the goals are meaningful and achievable for all FHLBanks, the final rule allows FHLBanks to propose alternative target levels for either of the goals established in the regulation. FHFA will review each FHLBank proposal to determine whether: (1) the target level in the regulation is infeasible for the FHLBank; (2) the alternative target level proposed by the FHLBank is achievable for the FHLBank; and (3) the alternative target level proposed by the FHLBank demonstrates a meaningful contribution to affordable housing. FHLBank proposals will be posted on FHFA's website to allow for public comment.

Expand eligibility: The final rule allows government-backed loans (also called non-conventional loans) that support financing for low-income and very low-income households to count for goals purposes, but only if they are sold by a community-based AMA user with total assets below \$1.224 billion, a threshold to be adjusted annually for inflation.

Phase-in of enforcement: FHFA will measure and report on housing goals performance beginning in 2021 but will not impose a housing plan remedy for the first three years, even if a FHLBank does not meet a housing goal.

KEY CONSIDERATIONS AND IMPACT

All FHLBanks purchasing mortgages through AMA programs will be subject to the housing goals, as a result of removing the volume threshold. from the regulation. FHFA set the target level for the prospective mortgage purchase housing goal to ensure that the target level demonstrates a meaningful contribution to affordable housing while also being feasible given the structure of AMA programs. The 20 percent target level takes into account the national need for affordable housing, as well as the past performance of the FHLBanks (illustrated in Chart B). By setting the target levels for the

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housing goals in advance, the final rule provides certainty for the FHLBanks and allows them to monitor their own performance and take steps as necessary to ensure that they comply with the housing goals. FHFA also established a new small member participation goal to encourage FHLBanks to support small members and small housing associates. Improving the ability of small institutions to connect with the secondary market has the potential to benefit borrowers in rural communities and places of persistent poverty where borrowers have less access to credit.

CHARTS

Chart A: In 2018, FHLBank System-wide AMA purchases totaled \$16 billion, which represented just 1 percent of the secondary mortgage market activity. In comparison, Fannie Mae’s purchases totaled \$470 billion, Freddie Mac’s purchases totaled \$308 billion, and Ginnie Mae’s guarantees totaled \$435 billion.

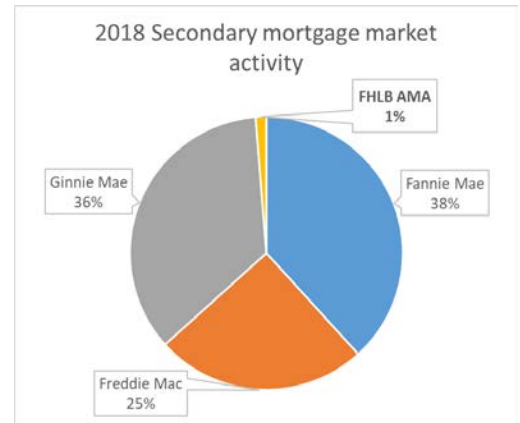


Chart B: Historically, most of the FHLBanks have exceeded the 20 percent target level. The chart shows a time series of each FHLBank’s total percentage of loans meeting the prospective mortgage purchase housing goal over the period 2011 – 2018. Note that the tables and charts in the final rule mask the identity of individual FHLBanks to maintain confidentiality of FHLBank data.



