



Federal Housing Finance Agency

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Roundtable Recap: FHLBank Membership Eligibility and Requirements, Collateral, and Safety and Soundness

Philadelphia, PA | December 15, 2022

The *FHLBank System at 100: Focusing on the Future* regional roundtable in Philadelphia, Pennsylvania brought together participants from a cross-section of the housing and community development spectrum. Most of the discussion revolved around membership eligibility and requirements. There was strong interest among some participants in expanding membership to entities such as independent mortgage banks, publicly traded mortgage REITs, and certain insurance company affiliates that exhibit strong alignment with the housing mission of the FHLBanks, despite the lack of prudential regulation for these non-bank entities. Participants emphasized that non-banks are critical to the housing finance system and provide the preponderance of mortgage loans to the most vulnerable borrowers.

A suggestion was made to add a twelfth FHLBank with its membership comprised solely of non-banks. Also mentioned was the important role CDFIs play in community economic development through their education and awareness initiatives and that small businesses are a big part of community economic well-being. When queried whether there should be a common set of safety and soundness eligibility criteria for membership, participants did not necessarily find this compelling. While some participants expressed support for an on-going asset test for FHLBank membership, others expressed a single asset test at time of membership application is appropriate.

The conversation included consideration of mortgage servicing rights (MSR) as eligible collateral, and participants acknowledged that MSR haircuts must reflect the volatility in valuation. It was also proposed that Small Business Association loans should not lose their guarantee when taken as collateral. There was an acknowledgement that different collateral haircuts and advance pricing should be considered to compensate for risks.



Photo courtesy of Esperanza

In conjunction with the Philadelphia roundtable, FHFA staff participated in a site visit hosted by Esperanza, a nonprofit organization serving the Hunting Park section of North Philadelphia. The site visit featured a tour of Esperanza's campus, pictured on the previous page and below.



Photo courtesy of Esperanza

FHFA prepared this roundtable recap to summarize key discussion points. Please [visit the website](#) to view the full roundtable transcript and video recording.