

The FHLBank System Reimagined

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FHFA FHLBank System at 100: Focusing on the Future
Wrap-Up Listening Session

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- Long-term: Consolidate and transition FHLBanks to a Guarantor and Securitization model
 - Reorients and reinvigorates FHLBanks' mission
 - Significantly amplifies the impact of FHLBanks on housing finance and community lending
 - Increases competition in the US residential mortgage secondary market
 - Reduces systemic risk to US taxpayers
- Intermediate-term: Process and structure evaluation & transition preparation
 - Restructure – charter and consolidation
 - Recapitalize – financing and capital plans
 - Revitalize - operations & systems, risk management & controls
- Short-term: Enhanced status quo: stability and community lending focus
 - Prohibit nonbank membership
 - Restrict Advances to direct mortgage lending with emphasis on affordable housing

Why reform?

- FHLBank system is an anachronism borne out of a 20th century financial crisis in search of a 21st century mission
- FHLBanks have strayed and morphed over the last 100 years from their community-focused mission on housing
- Disproportionate emphasis on large lenders
- Systemic risk exposure
- Secondary market issues remain unresolved and are imperfect

- Increased competition in the mortgage secondary market benefits US taxpayers, homeowners, lenders and investors
 - Duopoly a less competitive model and systemically riskier
 - Multiple guarantor/securitizing model has been widely supported by a number of housing market organizations, including the [Mortgage Bankers Association](#)
- FHLBanks uniquely positioned to transition to this model
 - Experience in credit risk assessment and risk-sharing arrangements via Mortgage Partnership Finance (MPF) Program
 - Introduction of the Common Securitization Platform (CSP) for mortgage securitization

- Restructuring plan
 - Consolidate 11 FHLBanks into 2-3 larger guarantors/securitizers for scale
 - Charters of current GSEs and new ones gain explicit guarantee
- Recapitalization plan
 - Financing
 - Capital
- Revitalization plan
 - Operational and systems capabilities and enhancements
 - Risk management and controls

- FHLBanks have seen their focus and impact erode over time in supporting community-based mortgage lending and affordable housing
- Current fragmented housing finance system would never have been designed as it stands today
- Long-term restructuring of the FHLBank system while not an easy path forward provides the best solution for the entirety of the US housing finance system