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July 12, 2024

Via electronic submission

Federal Housing Finance Agency, Division of Bank Regulation
400 7th Street SW, 7th Floor
Washington, D.C. 20219

Re: Request for Input- Federal Home Loan Bank Core Mission Activities and Mission Achievement

FHFA Director and Management:

Thank you for the opportunity to comment on the Federal Home Loan Bank System's mission, activities, and value.

Catalyst Corporate Federal Credit Union (Catalyst) is a wholesale credit union serving over 1,100 member credit unions and their affiliates as a payment processor (FedNow, ACH, Wires, Checks, P2P), settlement account, liquidity source, as well as investment and risk management services. Catalyst is a long-standing member of the FHLB Dallas and 341 of the credit unions we serve are also FHLB members. As a wholesale corporate credit union, we do not provide mortgages directly to the public though we are owned by and serve the credit union industry which has \$713 billion of mortgages on-balance sheet in addition to the \$25 billion of mortgages sold in the secondary market (12/2023 NCUA 5300 data). In addition to Catalyst providing the payment processing and settlement to support these mortgage transactions, Catalyst is an active mortgage securities investor with \$729 million of agency debt and mortgage-backed securities.

In our experience working with the FHLB system and the credit union industry, FHLB has been a highly effective liquidity resource supporting the financial institutions that directly and indirectly make mortgage lending possible.

Catalyst utilizes numerous sources for external liquidity, including the Federal Reserve Discount Window, collateralized repo facilities and fed funds lines with broker/dealers, in addition to our line of credit with FHLB Dallas. The most flexible of all these sources is the FHLB Dallas as they have a wide array of advanced structures, easy online access, and competitive pricing. None of the other external liquidity sources are currently equipped with the necessary loan products and infrastructure to support the diverse needs of financial institutions. Further, during periods of market stress the FHLB system has proven a constant and reliable liquidity source.

The commentary provided in the Request for Input states the mission of the FHLBanks as *"provide[ing] . . . financial products and services, including but not limited to advances" to members to assist in the*

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“financing of housing, including single-family and multi-family housing serving consumers at all income levels” and “community lending.”

The commentary further quotes the Safety and Soundness Act as assigning the FHFA Director “*the duties to ensure that the operations and activities of the FHLBanks foster liquid, efficient, competitive, and resilient national housing finance markets, that the FHLBanks carry out their statutory mission only through activities that are authorized under the Bank Act and consistent with the Safety and Soundness Act, and that the activities of the FHLBanks and the manner in which they operate are consistent with the public interest.*”

Catalyst’s observation of the FHLB system’s current structure and activity as absolutely supporting this mission and directive.

The Request for Input introductory remarks states “*the composition of FHLBank membership has shifted away from institutions with a strong focus on mortgage lending, and eligible collateral has broadened to include non-housing-focused assets*” and further quotes the 100 Year Review statement that “*Over the course of the FHLBank System’s existence, its membership base, the types of collateral that can be pledged to secure advances, and the FHLBanks’ product offerings have expanded. As these changes have occurred, the FHLBank System’s connection to housing and community development has become less direct.*”

While the FHLBanks structure has evolved and is different from Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), and Government National Mortgage Association (GNMA), the FHLBanks structure, acceptable collateral, and membership enables critical liquidity and support for the financial institutions that provide and fund the mortgage industry.

In contemplation of the Request for Input Mission Question 1 “How should the mission statement for the FHLBanks reflect the connection between the liquidity provided by the FHLBanks and their support for housing and community development?” and Mission Question 2 “Are there components in addition to providing liquidity and supporting housing and community development that should be included in the mission statement?”, Catalyst would encourage the FHFA to not restrict the FHLBanks to a more narrowly defined mission, membership, and collateral definition, but instead more clearly update their mission to encapsulate the current activities the FHLBanks execute to support the mortgage lending financial institutions and the eligible member organizations that support these financial institutions and provide the investments that funds these mortgage lending activities.

Catalyst commends the FHFA for collaborating with the financial industry while determining the future mission and permissible activities for the FHLB system and appreciates the opportunity to share these



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points for your consideration. Should you have any questions or need additional information, please feel free to contact me.

Sincerely,

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