



July 15, 2024

Director Sandra Thompson  
Federal Housing Finance Agency  
Division of Bank Regulation  
400 Seventh Street, SW, Seventh Floor  
Washington, DC 20219

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

Dear Director Thompson:

Thank you for the Federal Housing Finance Agency's (FHFA) ongoing work to implement recommendations resulting from the Agency's comprehensive review of the Federal Home Loan Bank (FHLBank) System. We appreciate the opportunity to comment on this RFI related to FHLB core mission activities and mission achievement.

For over 45 years, the Neighborhood Reinvestment Corp. (doing business as NeighborWorks America®), a Congressionally-chartered, national, nonpartisan nonprofit, has worked with our network of local and regional housing and community development organizations to create opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and safe, affordable rental housing, increasing financial capability, and promoting community and economic development. These comments have been formed based on the ongoing work of NeighborWorks America with our network of nearly 250 NeighborWorks-chartered nonprofits working in urban, suburban, and rural communities across the country. In 2023, NeighborWorks organizations (NWOs) leveraged nearly \$9.95 billion in direct investment in their communities, creating 16,300 new homeowners, owning/managing 204,600 high-quality rental homes, providing homeownership education and counseling for over 111,600 families and individuals, and much more. Please note that these comments have not been submitted to, or approved by, NeighborWorks America's board and do not necessarily represent the views of its board members, either collectively or as individuals.

**Introduction**

NeighborWorks and our network organizations have been partnering with the FHLBank system and Federal Home Loan Banks (FHLBs) since our creation to serve both our mission and theirs. Through all these 45 years, we have maintained that partnership at the national, regional and local levels, with numerous NeighborWorks staff and NWO leaders serving on FHLB Advisory Committees and Boards over the years. At least thirteen NeighborWorks organizations are FHLB members, as are Community Housing Capital (CHC) and NeighborWorks Capital, two affiliated capital corporations that serve the NeighborWorks network. Further, NWOs across the country have been nonprofit recipients of Affordable Housing Program (AHP) funding and other

competitive programs at each of the FHLBs, creating or preserving thousands of affordable rental units and homeownership opportunities over the years.

With that in mind, NeighborWorks greatly supports the work of the FHFA as described in this RFI to update the mission, measurement of mission, and incentivizing of mission at the eleven FHLBs. Mission modernization is needed to reflect the changing membership of the FHLBs and the changing and diverging nature of those members, ranging from banks and credit unions to insurance companies and community development financial institutions (CDFIs). FHLB membership should have a clear and required nexus with the mission and the FHFA should be examining the eleven banks with that top of mind. Our nation's housing needs are critical and require increased resources, flexibility and commitment from both the FHLBank System and FHFA.

In response to FHFA's request for feedback on key questions, NeighborWorks is pleased to offer the following comments:

**Mission Statement Question One. How should the mission statement for the FHLBs reflect the connection between liquidity and support for housing and community development?**

NeighborWorks supports a clear and bold connection in the mission statement for providing measurable liquidity specifically for housing and community development organizations' products and services. Supporting housing markets and providing affordable, sustainable and attainable products and services to members, their partner nonprofits and their communities should be the bread and butter of the FHLBs and their members. The Affordable Housing Program (AHP) and other targeted programs could be seen as effectuating mission success through robust funding, in tandem with advances characterized by beneficial terms around collateral and haircuts.

**Mission Statement Question Two. Are there components in addition to providing liquidity and supporting housing and community development that should be included in the mission statement?**

NeighborWorks recommends lifting the mission of the Banks as being broader than merely providing liquidity while further defining what support to housing and community should look like. Additional components should include service to underserved areas and populations. For example, the statement could note specifically that support for housing and community must include support for the rural areas, tribal areas and persistent poverty census tracts. That list could also incorporate support for areas not served by insured depository institutions, often called Community Reinvestment Act (CRA) deserts, that include native lands and peoples and urban areas as well. Housing and community development should be defined to include housing developments, community services, economic development, single family homeownership, workforce rental homes, LIHTC and other income-restricted rental homes, mortgage lending, but not exclusively the purchase of mortgage-backed securities. Service to mission could also be defined as active engagement in tailoring grant or other programs to enhance or complement advances.

**Measurement Question One. Are there characteristics other than those listed that FHFA should consider in development measures of mission achievement? Please provide the rationale for consideration of any other characteristics.**

NeighborWorks supports the characteristics – objective and clearly defined; data readily available; reasonably comparable across the FHLBs and over time; and, publicly available (transparent) – listed in the RFI. A useful addition to these metrics and thresholds would be a scale – or grading system – that would also be publicly available and could promote transparency and accountability.

**Measurement Question Two – Should all activities in the CMA regulation qualify as core mission activities? Are there items that should be added to or removed from the list of core mission activities? Please provide the rationale for any additions or deletions.**

NeighborWorks supports adding additional activities that could qualify as core mission activities, in particular activities that support housing and community development. Examples would include:

- Activities that work to increase CDFI membership in any given FHLB as well as increasing advances to CDFIs. Currently, CDFIs are more often treated as risky entities as opposed to strategic partners for advancing mission. Recognizing the collateral and required haircuts are problematic, activities that work to remove regulatory or other credit barriers should also be considered core mission activities. This should include the use of retained earnings to provide credit enhancement or other supports to CDFI members.
- Activities that work to provide capacity building for Native CDFIs while also increasing their membership and advances should receive additional consideration as a core mission activity.
- Activities that supply affordable or subsidized property and casualty insurance products for affordable single family and multifamily homes. Insurance company members access low cost, flexible wholesale funding from the FHLBs as well as multiple forms of liquidity and could be providing a minimum level of affordable insurance products for mission partners.

**Measurement Question Three – In developing multiple measurements, what additional aspects of mission achievement should FHFA assess? What additional measurements should FHFA adopt to assess support for housing and community development, including support of for lower income households and other groups with identified needs? Should some core mission activities be weighted differently from others? Should all FHLBank advances count as core mission activities? How should a FHLBs AHP contribution that exceeds statutory minimum or voluntary program contributions be reflected in the mission achievement measures?**

NeighborWorks supports setting additional mission measurements and would support weighing core mission activities – separate from liquidity – on a scale with the provisions of liquidity to members, as a potential way for the FHFA to show that not all FHLB advances are core mission activities. Other aspects that could be measured at each of the Banks include examining

representation of community development or affordable housing nonprofits on the FHLBs' boards. Do they have leadership roles on their advisory boards? Banks could also be assessed on the extent to which they are providing capacity building services or place-based training to their nonprofit partners in their regions. Efforts to engage in meaningful outreach (as well as a metric gauging the success of this outreach as evidenced by meaningful partnerships) could also be measured.

As to the question of a FHLB's contributions to AHP that exceeds their statutory minimum, it is quite logical that those contributions should be reflected in mission achievement measures. That said, similar contributions outside of the strictures of AHP could also be weighted advantageously in order to encourage innovation and flexibility. Rural, Native and other hard-to-serve populations have often found it difficult to compete for these funds. More targeted programs outside of AHP could increase a Bank's focus in partnership with its members on increasing housing supply, providing downpayment or counseling assistance, or funding single family housing rehabilitation outside of rigid funding rounds.

### **Member Incentive Program Questions**

NeighborWorks agrees that FHFA should reward members with a clear and demonstrable connection to affordable housing finance and community development and that incentives should not be given to members who engage in predatory, discriminatory, unfair or deceptive practices. An incentive program could encourage collaboration among CDFIs and other member banks. Innovative leveraging should be encouraged and incentivized outside of the AHP and other current formal programs. Incentive programs to alleviate concerns about risk through credit enhancement could help reward members who are--or work with--CDFIs.

### **Conclusion**

As a stakeholder to the FHLB System, NeighborWorks America is appreciative of the opportunity to provide our input as the FHFA begins to implement mission achievement changes as part of its comprehensive review and focus on the future. Incorporating mission in the fundamental underpinnings, focusing achievement in the FHLBank examination process, and following it up with a public report card/scorecard, could be transformational.

As FHFA's announcement of the review and the listening sessions noted, in addition to being a source of liquidity for its members for the past 90 years, the FHLBanks serve as supporters and partners to community development and affordable housing nonprofits like NeighborWorks, NWOs and CDFIs through their services to members and their programs such as the AHP and the Community Investment Program. We strongly encourage FHFA and the FHLBanks to laser focus on mission by increasing resources, innovation and commitment to serving under-resourced communities through affordable housing and community investment with CDFIs, nonprofits and intermediaries both now and in the future.

One of NeighborWorks' unique strengths is our ability to convene and create forums for deep connection and collaboration among a range of public and private entities. We would welcome

the opportunity to leverage our convening power to serve FHFA and help increase engagement with CDFI stakeholders. If you are interested in exploring this possibility, please do not hesitate to reach out to me and my staff. We look forward to continuing to work together throughout this regulatory process.

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'K' and 'J' followed by a horizontal line and a small flourish at the end.

Kirsten T. Johnson-Obey

SVP, Public Policy and Legislative Affairs  
NeighborWorks America