

July 12, 2024

Joshua Stallings
Deputy Director
Federal Housing Finance Agency (FHFA)
Division of Bank Regulation (DBR)
400 7th Street, S.W.
Washington, DC 20219

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

Deputy Director Stallings:

The Insurance Institute for Business & Home Safety (IBHS) is pleased to offer the following comments for your consideration in response to FHFA's **Request for Input: Federal Home Loan Bank Core Mission Activities and Mission Achievement**.

We strongly urge FHFA to recognize climate resilient housing as an essential and existing outcome of the FHLBank System's mission and core mission activities to finance affordable housing. We also strongly encourage FHFA to further incentivize FHLBank System member investments in climate resilient housing through the proposed member incentive program. FHLB Dallas's investment in resilience through its Affordable Housing Program and FORTIFIED Fund offer examples of how FHLBank System members are already making significant investments in financing climate resilient affordable homes across the country.

We would welcome the chance to discuss these topics more in-depth as you finalize updates to the FHLBank System's mission and consider ways to further advance climate resilient housing in the FHLBank System's work moving forward.

Thank you for considering our comments. If you have any questions, please do not hesitate to contact me at mnewman@ibhs.org.

Emphasize climate resilient affordable housing as a key mission outcome

Climate resilient building practices are essential to the FHLBank System's core mission activities of housing, economic development and community services—particularly housing. Homes not sufficiently resilient to withstand knowable risk from severe weather pose financial risk to the homeowner and the FHLBank System members that finance the properties. Further, investing in resilience for affordable housing helps ensure that people are not only housed, but that they *remain* housed following natural disasters. Affordable housing that withstands severe

weather allows working families to return home following natural disasters, which in turn supports local economies and economic revitalization by preventing businesses from closing from low demand and want of workers, protecting the local tax base.

Housing is also not affordable unless it provides savings to the resident not just on the day of purchase (or lease signing), but on an ongoing basis as well. Investments in climate resilient building practices provide ongoing savings to residents. Generally, risk reduction results in avoided damages from severe weather and insurance price considerations reflect this reduction in risk. For example, Alabama [requires](#) all insurers provide residential and commercial policy holders with discounts, once their structures have been built or retrofitted to IBHS's FORTIFIED standards. [Discounts](#) range from 35 percent to 60 percent on the hurricane portion of a policyholder's premium and discounts from 20 percent to 35 percent on the other wind portion of the premium. Price considerations for FORTIFIED designations are or will soon be required in Louisiana, Minnesota, Oklahoma, and Kentucky and are available from certain insurers voluntarily in many other states.

Existing FHLBank programs, such as the Affordable Housing Program, can be strengthened and better serve consumers and communities if they incorporate resilience. For example, the FHLB Dallas invests in housing built or retrofitted to IBHS's FORTIFIED program through two mechanisms: as part of the scoring criteria for its [Affordable Housing Program](#) and through a new [FORTIFIED Fund grant program](#). FHLB Dallas's Affordable Housing Program incentivizes projects by awarding seven points for projects built to FORTIFIED Gold. The Bank's FORTIFIED Fund helps income-qualified homeowners to obtain a FORTIFIED roof with grants of up to \$15,000 for a roof replacement on an existing home and up to \$7,500 toward a roof on a newly constructed home. FHLB Dallas allocated \$4 million to the Fund in 2024 and fully allocated the funds by the end of May, indicating both the need for and popularity of such programs.

Emphasizing the role of resilience in these core mission activities will spotlight the availability and importance of existing solutions for climate resilient housing.

Incentivize further investments in climate resilient affordable housing

To further advance the FHLBank System's mission, we encourage incentives for FHLBank member investments in climate resilient housing. The risk posed by severe weather and climate change requires significant change—and significant investment. Grants, such as those available through the Affordable Housing Program, are critical but insufficient. Additional private financing—by, for example, FHLBank members—is needed to construct new housing and retrofit existing housing with resilient construction practices so they can withstand severe weather.

Incentives for FHLBank members could encourage those institutions to make financing available, perhaps at advantageous rates, for resilient construction. These incentives could be pegged to the degree of resilience incorporated into the construction or rehabilitation project, much like the FHLB Dallas's AHP scoring criteria differentiates between different levels of IBHS's FORTIFIED standard, offering the highest score (7 points) for the highest level of resilience (FORTIFIED Gold).

About IBHS and FORTIFIED

IBHS is a 501(c)(3) organization enabled by the property insurance industry's investment to fund building safety research that leads to real-world solutions for home and business owners, helping to create more resilient communities.

Severe weather disrupts lives, displaces families, and drives financial loss. IBHS delivers top-tier science and translates it into action so we can prevent avoidable suffering, strengthen our homes and businesses, inform the insurance industry, and support thriving communities. The perils we study at IBHS are part of the natural world in which we live, but social and economic disasters occur when these perils meet human populations that live or work in harm's way. To break the cycle of destruction, it is essential to address all aspects of the building performance chain: where you build, how you design and construct, and how well you maintain and repair. As a building science institute, IBHS focuses on the ways that weather behaves, what makes homes and businesses vulnerable, and how our buildings can be more resilient. We exist to help ensure that the spaces where people live, learn, work, worship, and gather are safe, stable, and as strong as the best science can equip them to be.

One of the ways we translate our science into action is through **FORTIFIED™**, a voluntary construction and re-roofing program designed to strengthen homes and commercial buildings against specific types of severe weather such as high winds, hail, hurricanes, and even tornadoes. Based on decades of lab- and field-based research, FORTIFIED is available for single-family, multifamily, and commercial structures. To date, more than 68,000 structures have been designated by the FORTIFIED program across the country.


FORTIFIED provides property owners with the ability to achieve three increasing levels of resilience:

FORTIFIED Roof is the foundation of FORTIFIED because an estimated 70 to 90 percent of catastrophic homeowners' insurance claims include roof damage, and damaged roofs can lead to water intrusion that significantly amplifies damage. FORTIFIED Roof provides a system that strengthens the roof through (i) more and stronger nails, (ii) locked-down edges, and (iii) a sealed roof deck, which work in concert to keep the wind and rain out.

FORTIFIED Silver adds increased levels of resilience through requirements on windows, doors, and siding.

FORTIFIED Gold adds requirements related to a continuous load path from the roof to the foundation.

Studies following Hurricane Sally (in Alabama) and Hurricanes Matthew, Florence, Dorian, and Isaias (in North Carolina) concluded that FORTIFIED designated homes are less likely to have an insurance claim and, for those homes with insurance claims, claims that are smaller on average.



The value of FORTIFIED has also been explored in a 2022 [study](#) from the University of Alabama's Culverhouse College of Business, which concluded that building or retrofitting to FORTIFIED has relatively minimal costs and a strong rate of return. The study found that property owners could realize an 8.1 to 72 percent internal rate of return on a marginal cost increase of no more than 1.5 percent of total cost of construction for constructing a property to the FORTIFIED Gold level. For investments in retrofitting an existing multifamily building to FORTIFIED Roof, a property owner could realize an 8.3 to 35 percent internal rate of return on the investment in the necessary retrofits.

Thank you for your consideration of these comments. We look forward to continued work and collaboration with the FHFA and the FHLBank System.

Regards,



Michael Newman
General Counsel
Insurance Institute for Business & Home Safety