



July 15, 2024

By electronic submission via www.fhfa.gov

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20024

Re: Federal Home Loan Bank Core Mission Activities and Mission Achievement

Dear Director Thompson:

We write on behalf of the Insurance Coalition (the “Coalition”), which is a group of insurance companies that share a common interest in federal laws and regulations impacting the industry. The group was formed during congressional negotiations on the Dodd-Frank Act and continues to represent a diverse cross-section of life and property & casualty insurance companies. The Coalition has an interest in the Federal Housing Finance Agency’s (“FHFA”) comprehensive review of the Federal Home Loan Bank (“FHLBank”) System (“System”), given the important role of insurers in the System and their commitments to promoting and providing financial security for American households.

The Coalition appreciates the opportunity to address the role of insurance companies in the FHLBank System. It is critical that insurers retain access to the FHLBank System, as they are critical to facilitating both liquidity and affordability to the U.S. housing market, including maintaining the availability of the 30-year fixed rate mortgage.

Insurers have been participants in the System since its inception in 1932. In crafting the bill, Congress recognized that insurance companies originated or purchased mortgage loans to match their long-term liabilities. That dynamic remains true today. Life insurers are amongst the primary purchasers of mortgage-backed securities (MBS), holding more than \$510 billion in MBS as of 2022¹. Additionally, as described in the 2023 Annual Report of the Federal Insurance Office:

Mortgage loans have remained the second largest investment class held by the L&H sector, averaging close to 12 percent of cash and invested assets annually since 2013. Consistent year-over-year growth resulted in total mortgage loan holdings of \$679.5 billion in 2022, rising from \$625.9 billion and \$587.2 billion in 2021 and 2020, respectively.²

To be eligible to become a member of a Federal Home Loan Bank, an insurance company must demonstrate a commitment to financing mortgages or holding mortgage-related assets.³ The 580 insurance members of the System have made this commitment.⁴ When these companies

¹ [ACLI 2023 Life Insurers Fact Book](#)

² [Annual Report on the Insurance Industry \(September 2023\), Federal Insurance Office, p. 32.](#)

³ [12 C.F.R. § 1263.6\(c\).](#)

⁴ [2021 Report to Congress, Federal Housing Finance Agency, p. 19.](#)



obtain advances from an FHLBank they must pledge government, mortgage, and housing related collateral. These companies make significant investments and contributions to affordable housing and community development activities, including the low-income housing tax credit amongst other investment and philanthropic vehicles, which align insurers with the FHLBanks' own community commitments.

Insurer membership in the FHLBank System remains mutually beneficial to the housing market, the insurance industry, and the banks themselves. As primary purchasers and long-term holders of MBS, life insurers help ensure mortgage products remain affordable and available for homebuyers, even during periods of high interest rates. Doing so aids the FHLBanks in meeting their mission of advancing the availability of affordable housing and liquidity in the housing market.

FHLBank System Mission Statement

As the FHFA considers potential changes to the FHLBank System, it is important to recognize the drastic changes in the housing market since the inception of the System. The housing market has become significantly more complex and intertwined with both direct and indirectly related parts of the financial system. Further, the need for affordable housing has only grown since the inception of the FHLBank System and goes beyond traditional residential, single-family housing to include commercial, multifamily housing and related community infrastructure development to promote community resiliency. All of these elements need to be appropriately considered and incorporated into any updates the FHFA makes to the FHLBank System's mission statement and core mission activities.

Incentives

While the Coalition does not oppose new incentives for members whose activities strongly align with the FHLBank mission goals, we urge that FHFA take care to ensure that any changes truly serve as incentives, rather than imposing new criteria for the FHLBanks and their members. The FHFA should not seek to force—either directly or indirectly—these parties into participating in certain programs or activities, as the Banks and members are best suited to determine how best to support their communities and portfolios.

As discussed above, the housing market has changed dramatically since the development of the FHLBank System. FHFA should consider appropriate updates to the incentives to support the growing need for multifamily housing and the evolution of indirect investments which fuel liquidity and affordability within the U.S. housing finance system.

Conclusion.

The Federal Home Loan Bank Act rightly establishes insurers as being eligible for membership in the FHLBank System. Insurers' balance sheets are particularly well-suited to holding long-duration mortgage assets that enhance insurers' financial strength. Insurers' investments in mortgages and mortgage-backed securities in turn help support mortgage market liquidity and stability in the housing market. Given the important role insurers play in supporting both liquidity and affordability in the mortgage market, we oppose any potential restrictions on insurer participation.



As the FHFA considers possible updates to the FHLBank System, we also urge that the agency remain mindful of the state-based system of insurance regulation established under the McCarran-Ferguson Act. The state-based system has served the insurance industry well and Congress has been deliberate in not impinging on this system. While the FHFA plays an important role in overseeing the FHLBank system and its members, it should avoid actions which would place it as an additional regulator of the insurance industry.

In summary, insurance company membership in the FHLBank System helps to enable the System to meet its mission. Insurers have been partners with the FHLBanks since the inception of the System, and the Coalition urges FHFA to recognize and maintain this relationship as it conducts its comprehensive review of the System.

The Coalition appreciates the opportunity to comment on this important topic. We would be happy to provide additional information and look forward to continuing to engage on this issue as your work progresses.

Sincerely,

Lisa Peto and Chris Brown, The Insurance Coalition