Federal Housing Finance Agency

RE: Comment addressing the FHLBank Core Mission Activities and Mission Achievement

Thank you, FHFA, for opening up the System at 100 proposals to public comment. I am concerned about the direction that you seem to be heading in this process and appreciate the opportunity to express my concerns.

First, as was overwhelmingly mentioned in the first round of comments, it is important that you “do no harm” to the incredibly effective FHLB system. The 92-year history of the system shows a proven record of providing liquidity to its member institutions supporting housing finance and community reinvestment. Tinkering with the mission beyond what congress approved is an unacceptable risk that could undermine what congress intended. The system in place today has proved to be effective in helping financial institutions and the economy through both good and stressful times.

Second, smaller institutions, like mine in Western Montana, use the FHLB to play a critical role in ensuring liquidity, especially during economic downturns. Changes to the mission could introduce instability in smaller banks and credit unions impacting the housing finance market.

Third, Congress, not the FHFA, is responsible for our mission. What congress has specifically authorized is our mission as outlined in the Federal Home Loan Bank Act. It is clear the System is to provide liquidity to our members in support of housing and community development.

As you consider changing the mission, the country is going to have a presidential election in November. What is to stop the next FHFA politically appointed director from reversing the changes you are considering if a new director is appointed in 2025? It seems prudent that the FHFA stick with the congress approved mission and not begin changing mission statements depending on who is president and each new director who is appointed.

Fourth, is the disturbing commentary in your RFI that discusses discriminating against members of the FHLB in terms of dividends and advance rates if new criteria you are considering is not met. This is a bad idea, unauthorized and not intended by congress. This idea, if implemented would likely cause great damage to the FHLB business model and hurt our ability to support housing and community development.

Fifth, congress imposed a requirement to fund housing with 10% of a FHLB’s profits. You have concerning language in your RFI requesting comments on how voluntary program contributions should be reflected in “mission achievement measures.” This would seem to be an end run around congress intent to only mandate 10% contributions by regulatory coercion. The FHLB’s have shown in the last couple of years that when profits are high, they are quick to make voluntary contributions, but when advance demand is low, this proposal may be so burdensome as to challenge the viability of the FHLB business model.

Finally, your Member Incentive Program Question Six, asks, “should there be requirements that ensure members who obtain the benefits of such programs are not engaged in conduct inconsistent with the public interest…” This appears to indicate the FHFA is considering forcing the FHLB’s to act more like a Prudential regulator of member institutions. This is not the role the FHLB’s should be forced into as they are not authorized for such a role and it is way beyond the scope of what congress intended. The FHLB’s should not be in the business of trying to punish members who may be working through issues with their Prudential regulators. The role congress intended, and that has worked, is for the FHLB to stay in its congress approved lane and let the prudential regulators exam and enforce discriminatory or unfair practices laws and regulations.

Thank you for the opportunity to comment.

Joe Kesler

Director First Montana Bank

Member Director FHLB Des Moines