



Mutual of Omaha Insurance Company

3300 Mutual of Omaha Plaza  
Omaha, NE 68175  
mutualofomaha.com

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*By electronic submission via [www.fhfa.gov](http://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:

As a longstanding member of the Federal Home Loan Bank of Topeka, Mutual of Omaha appreciates the opportunity to share our perspective on the Federal Housing Finance Agency's Request for Input: Federal Home Loan Bank Core Mission Activities and Mission Achievement.

**About Mutual of Omaha**

Mutual of Omaha is a Fortune 500 insurance company that was founded in 1909. We sell a diversified portfolio of individual and group life, health, annuity, investment and mortgage products. As a mutual insurance company, we are owned by our policyholders, not shareholders. Our priority is to ensure that we are positioned to meet our obligations to our policyholders in both the long and short term. Mutual of Omaha, and its subsidiary United of Omaha, have been proud members of the Federal Home Loan Bank of Topeka for nearly two decades.

Mutual of Omaha appreciates the opportunity to highlight the role of insurance companies in the FHLBank System. Mutual of Omaha holds \$10 billion of mortgage loans and mortgage-backed securities, representing over 20% of the company's insurance general account. Also within our general account portfolio, Mutual of Omaha supports affordable housing development in the United States with \$95 million in low income housing investments as of September 30, 2023. Since 2021, Mutual of Omaha's investment management loan division originated over \$600 million of multifamily commercial loans, the full amount of which we retain. Mutual of Omaha also operates a mortgage originator which has originated \$20 billion of residential mortgage loans since 2021, including \$3.6 billion of reverse mortgage loans that are becoming increasingly important to financing retirement within the senior community that is otherwise struggling with fixed incomes and high inflation.

Insurers have been participants in the FHLBank System since its inception. In designing this System, Congress recognized that insurance companies originated or purchased mortgage loans to match their long-term liabilities. That dynamic remains true today. Life insurers hold 15% of all multifamily mortgage debt through direct originations, and also support this market via additional financing channels such as commercial mortgage-backed securities and agency and GSE portfolios. Life insurers are amongst the primary purchasers of mortgage-backed securities (MBS), holding more than \$510 billion in MBS as of 2022.<sup>1</sup> Given their stable balance sheets and ties to their communities and policyholders, insurance companies are natural partners to the FHLBanks in their support of housing finance and community investment.

### **Mission Statement for the FHLBank System**

Congress is responsible for setting the mission of the FHLBank System. Since the FHLBanks' creation, Congress has repeatedly expanded their mission to include more member types, additional collateral types and increased product offerings to better serve community financial institutions. This activity has had the effect of expanding (as opposed to restricting) member access to FHLBanks. If changes to the mission are necessary, Congress should be responsible for making those changes.

Mutual of Omaha maintains that the current Core Mission Activities Regulation appropriately defines the FHLBanks' mission. As recently captured in the Housing and Economic Recovery Act, the FHLBanks' mission includes promoting financial stability by providing a reliable, cost-effective source of liquidity to their members, supporting housing for consumers at all income levels and supporting community lending and development efforts throughout the nation.

The housing market has become significantly more complex and intertwined with both direct and indirectly related parts of the financial ecosystem, and the need for affordable housing has only grown since the inception of the FHLBank System. Insurance companies both originate and hold residential loans and bonds as part of their own mission of stewarding capital for the broader US financial system. In addition, we as an industry are stable providers of capital to the broader US real estate market, ensuring its resiliency. Insurers' efforts have become crucial following the recent pullback by both the banking system and securitized markets in their support of our country's necessary real estate infrastructure. This includes not only our previously mentioned holdings of residential mortgage loans and mortgage-backed securities, but our further support for the multifamily housing market, which is integral to help in curing the epidemic of inequitable housing in America. The insurance industry's support of the broader set of community investments, including warehouses, retail centers, transportation systems, and other essential services to the housing community make it one of the great promoters of our country's civic infrastructure. This activity directly links the FHLBanks' role in providing liquidity for their members to activities that support housing and community development.

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<sup>1</sup> 2023 ACLI Life Insurers Fact Book

We support the FHLBanks' recognition and advancement of these lending goals and would advocate further acknowledgement by broadening the scope of mission assets in the FHLB system to real estate investment in their pursuit of the well-defined mission from Congress.

### **Measurement of Mission Achievement**

The FHLBanks, and in particular our partner in the FHLBank of Topeka, already limit our advances via requiring their collateralization by mission assets. In particular, FHLB Topeka aids us in financing further investment in residential mortgage loans, commercial mortgage loans and mortgage-backed securities by providing reliable liquidity for those assets. FHLBank activity allows those assets a comparative advantage as we seek to best serve our policyholders and maximize the use of the capital they have provided to us. The FHLBanks' support of the country's housing market has been a core tenet in our case for further involvement investing in its mission assets.

Mutual of Omaha, as well as the broader insurance industry, would caution against any reactionary effort to limit the acceptance of these mission and community assets in an attempt to further limit the FHLBanks' activity into a narrowly defined, purely statutory reading despite Congress' clear intent for the System over its near century of existence.

### **Member Incentive Programs**

Existing member incentive programs, including community investment programs, remain relevant and appropriate. The FHLBank Act requires the FHLBanks to treat all members fairly and impartially, taking into consideration members' creditworthiness and the safety and soundness of the FHLBank.

While Mutual of Omaha can support additional incentives for FHLBank members whose activities strongly align with FHLBank mission goals, we urge that FHFA take care to ensure that any adjustments to these programs truly serve as incentives, rather than imposing new criteria for membership. Further, individual FHLBanks should remain responsible for activities that motivate their membership to participate in programs that promote affordable housing, community investment and provision of liquidity to members. Individual FHLBanks are better positioned to determine what activities will most benefit their communities.

Additionally, we recommend both direct lending and indirect activities, such as originating/holding securities as well as impact investing activities that meet core criteria, to be considered for meeting the activities thresholds for both membership and incentives. We would also recommend avoiding unnecessarily complex attempts to measure the activity of individual members carte blanche over the FHLB system. Instead, we recommend reliance on the expertise of individual FHLBanks and their members to best determine the priorities of their respective regions. Onerous additional reporting and validation mechanisms would likely do more to hamper the FHLB System's mission than enable its furtherance.

## **Conclusion**

Mutual of Omaha takes seriously its role in the housing finance ecosystem. We appreciate the importance of stable, sustainable housing in the communities where our employees and customers work and live. Giving back to those communities, and our policyholders that comprise them, is at the core of our values.

Insurance company membership in the FHLBank System helps to enable the System to achieve its mission. Insurers have been partners with the FHLBanks since the inception of the System, and Mutual of Omaha encourages FHFA to recognize and maintain this relationship as it considers the System's Mission.

Mutual of Omaha 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,

**RICK HRABCHAK**

Chief Financial Officer

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