July 11, 2025

The Honorable Sandra L. Thompson
Director
Federal Housing Finance Agency
400 7th St NW
Washington, DC 20024

Dear Director Thompson,

We appreciate the opportunity to submit this letter in response to the Federal Housing Finance Agency's (FHFA) Request for Input on the purpose of the Federal Home Loan Banks (FHLBanks). We understand this effort is intended to provide the Agency with a better understanding of not only the FHLBanks' purpose, but how to best achieve that purpose through potential future rulemakings. We strongly support these efforts and appreciate the opportunity to provide detailed information related to our firm, Point.[1]

Introduction to Point

Founded in 2014, Point makes Home Equity Investments (HEIs), providing homeowners with a lump-sum cash payment today, with no monthly payments, for up to 30 years. In exchange, Point shares in the home's future appreciation up to a predetermined limit. Point has expanded its operations to 28 states and has helped more than 11,000 homeowners access the equity in their homes. We're a 150 plus person (and growing) team, with our headquarters in Palo Alto, California.

Point's HEI is structured as a non-recourse, real estate option purchase agreement. Point provides a homeowner a sum of cash on day one in exchange for a share of the future appreciation or depreciation of the home's value over the following 30 years. There is no interest rate charged on the money provided, and the amount repaid depends entirely on the change in the home's value. Consumers can exit at any time during the term with no penalty, and exits are typically the result of a refinance or the voluntary sale of the home. Since this is an equity sharing arrangement, it is possible for a homeowner to repay Point less than they received if their house has depreciated (with

[1] https://point.com/

some possibility of Point's return falling to zero in the event of extreme depreciation). As a result of the future-appreciation based structure of Point's HEI, homeowners have no monthly payments or interest obligations. Homeowners are provided with further protection through Point's proceeds cap, which establishes the maximum amount Point may be entitled to no matter how much value the home may increase by (There is no equivalent cap on losses. Point will always take its full share of any home price depreciation).

Point HEIs are available to a wider range of homeowners than are served by traditional home equity products because underwriting is based on the future anticipated value of the home and not the credit profile of the homeowner[2]. This level of financial access offered by HEIs greatly benefits homeowners who might otherwise be disqualified from debt products because of strict income and credit score requirements. As a result, HEIs are available to a wider swath of consumers and for many, may be the only way to utilize the equity while remaining in the home.

With almost ten years of operating history at Point, the impact of the financial access brought by HEIs is quantifiable. The average Point customers use funds from their HEI to reduce their non-mortgage debt by 30 percent; this debt reduction is durable and is observable when the HEI contract is executed, indicating that homeowners' financial wellness can be improved dramatically.[3] Additionally, 75 percent of Point homeowners see a FICO score increase across the lifetime of the investment, with an average increase of over 53 points as measured from origination through exit.[4] This is the result of a fundamental difference between HEI and other forms of home financing - HEI are explicitly *equity* interests in the home and are not new debts incurred that require periodic servicing. In effect, Point becomes a limited partner with the homeowner in the equity value of the home while securing the interest with well-understood lien structures that preserve the homeowners' property and occupancy interests in the home.

As a recently developed financial product, HEI products face a somewhat uncertain regulatory landscape. However, Point has made a strategic decision to proactively engage with both state and federal financial regulators. At the federal level, we've had continuing conversations with the CFPB concerning our product's features and market development, and how HEIs are considered under applicable federal consumer financial

[2] Based on an analysis of California fundings between 2015 and 2021, 18% of Point's originations were in low-to-moderate income census tracts, which is 60% higher than equivalent HELOC lenders. In addition, 54% of were in majority minority census tracts, a rate 42% higher than HELOC lenders generally and 90% higher in majority Hispanic and African American tracts.
[3] Data is on file with Point.
[4] Data is on file with Point.

law. At the state level, regulatory approaches vary but we continue to spend time with state regulators and legislators discussing why we do not believe that HEIs are mortgages.

Updating the FHLBanks' Regulatory Mission Statement

Currently, the FHLBanks' mission "is to provide liquidity to their members to support housing finance and community development through all economic cycles."[5] At Point, we contend that the mission of the FHLBanks ought to be explicitly targeted toward fostering a liquid, efficient, resilient, and competitive housing market.

Specifically, the mission of the FHLBanks must reflect the unique role that these banks play, separate from not only that of Fannie Mae (Fannie) and Freddie Mac (Freddie), but also distinct from the role of the private housing finance market.

As you know, FHLB members operate in the primary mortgage market and, as such, the mission of the FHLBs ought to focus on supporting their members to provide credit in the primary market in ways intended to improve the overall operation and efficiency of the market for buyers or other market participants.

For example, the FHLBanks operate similarly to corporate and warehouse lending operations. The critical vulnerability in these private markets, however, is the ability of warehouse lenders to terminate lines or walk away from commitments on fairly short notice. This creates significant market volatility during times when interest rates rise or when economic uncertainty arises, leaving consumers with fewer, more expensive options as market participants lose access to capital sources. It is critical that the FHLBanks mission reflects their key value proposition of being a steady source of countercyclical liquidity that is available for the housing market during downturns.

Additionally, a key component of the FHLBanks' mission must focus on fostering innovation. As society's needs change, its institutions must be flexible enough to meet the needs of the moment. Over the last several decades, the housing finance and community development industries have seen significant increases in efficiency, because of innovative solutions, products, or tools available in the market. Furthermore, since depository institutions have reduced their footprint in the housing finance sector in recent years, innovative products, such as those offered by non-banks, are key to ensuring sufficient access to credit for Americans seeking to purchase a home. Indeed, if the FHLBanks intend to promote efficiency within these markets, they too must

[5] https://fhlbanks.com/mission/

continue to adopt and foster innovation. New, innovative products can be used as both a countercyclical force and a standards driver toward more resilient financing arrangements in the future (e.g., longer holding periods, broader sources of collateral, longer notice requirements before lines can be called or curtailed).

Finally, it is vital that the FHLBanks mission reflects its goal of benefiting the overall housing market. FHLBanks must ensure that their services allow their members to fill the gaps going unserved by the private market, benefiting the housing sector writ large.

Developing Metrics for Mission Achievement

Achievement of the FHLBanks mission should be measured by both financial commitments and actual fundings, in both value and quantity, regardless of where the assets are held long-term. For instance, the Banks can track the used and unused lines offered under existing and well-understood mortgage acquisition (such as MPF/MPP) and balance sheet financing facilities. And in a separate exercise, the Banks could acknowledge risks in the market (e.g., the ability of WH banks to rapidly exit positions and reduce liquidity to homeowners), design products to address these risks (e.g., longer-duration facilities or longer notice requirements before the lines can be canceled) and track their market adoption, including relative performance. Indeed, this would leverage the unique strengths of the eleven FHLBanks as member-owned and member-supporting institutions to focus on the most impactful areas for innovation while adding a layer of transparency and risk management. Additionally, having separate metrics would enable the Banks to better prioritize activities by allowing business as usual and innovative activities to be assessed on their own merits rather than under a one-size fits all framework.

FHLBank Incentives for Mission Focused Members

If the FHLBanks can sufficiently modernize their mission, then the membership should naturally evolve to reflect that change, assuming a mission that opens the FHLBank system to businesses originating residential real estate finance products while prohibiting or restricting their use by those with little or no connection to residential real estate finance. A modernized mission, however, must reflect the changing nature of the housing market overall. As such, the FHLBank system should ensure non-bank lenders, and their suite of products, have access to stable sources of capital.

It is vital that the FHFA explicitly acknowledge that the FHLBank capital has the power to impact the entire housing market and act to remove any prohibitions or disincentives for members to act as “conduits” to non-member institutions. Alternatively, or in conjunction with those changes, the FHFA could extend more flexibility around the types of products used by members that exceed expectations in funding residential real estate finance. For example, the FHLBank top performing members by volume or number of originations in residential real estate products could be given more freedom to offer non-traditional products through non-member institutions. Overall, FHLBank capital should not be cordoned off from alternative housing finance products that are supporting the market. The FHLBank system must be the standard setter for members who are seeking to expand their impact on their local housing market by partnering with non-bank institutions to meet the needs of their community with non-traditional housing products.

In fact, the FHFA could further bolster their mission by taking active steps toward fostering new and modernized products within the housing finance sector. In the midst of a historic contraction in housing affordability, it is clear that traditional housing finance options are failing to meet the needs of many in this country. Non-traditional housing finance products, however, offer additional resources to those communities who often are priced out or fail to qualify for alternative products. FHFA ought to provide members of the FHLBank system with clear incentives to expand their partnerships with non-bank institutions offering a more diverse product set. For example, despite the challenges in today's housing ecosystem, homeowners are sitting on record amounts of equity, yet despite the acknowledgement that home equity is a significant source of familial wealth, it is as hard to access as ever. New products, such as HEIs, could offer these homeowners access to the equity in their home. Yet, because of the current policies, HEI are forced into illiquid, highly priced capital arrangements that stall growth and, ultimately, penalize average American homeowners who are denied access to the product offering.

The FHLBank system needs to be innovative in both capital commitment structures and in facilitating new products. In doing so, the FHLBank system can replicate what Fannie Mae and Freddie Mac do for standardization in the whole loan - securitization, and credit risk markets - while acknowledging that the primary market is far more individualized and therefore requiring of a more flexible approach

Conclusion

Point appreciates the opportunity to submit these comments. We look forward to serving as an ongoing resource on this important and complex topic. Please do not hesitate to

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reach out to our Associate General Counsel Matthew Windsor at mwindsor@point.com if you have questions. Thank you for your time and consideration of this matter.

Sincerely,

/s/ Matthew Windsor

Matthew Windsor