



October 31, 2022

Ms. Sandra Thompson
Director
Federal Housing Finance Agency
400 Seventh Street, SW, 8th Floor
Washington, DC 20024

Re: FHFA Review of FHLB System

Dear Director Thompson:

The American Property Casualty Insurance Association (APCIA) commends the Federal Housing Finance Agency (FHFA) for its review and evaluation of the mission, membership eligibility requirements, and operational efficiencies of the Federal Home Loan Banks (FHLBs), including conducting listening tours and roundtable sessions with stakeholders. APCIA is pleased to provide the FHFA with the following overall thoughts and observations with respect to property casualty insurer membership in the FHLBs.

As you know, insurance companies have been members of the FHLBs since the system was first founded in 1932. The decision to permit insurer participation was made by Congress, which has declined numerous opportunities over the years to restrict insurer membership. On several occasions the FHFA has also explored questions of property casualty insurer eligibility, but has always wisely chosen not to recommend major changes to Congress.

Current rules appropriately require that insurers have an adequate nexus to the FHLBs' housing finance mission. FHLBs provide critical liquidity to their insurer members, and this is especially important in years like 2021 and 2022 when insurers are paying claims arising from multiple natural disasters. The availability of FHLB liquidity helps insurers avoid having to sell assets when markets are down in order to pay claims. This helps to keep homeowners insurance premiums lower and thus makes housing more affordable. We note, also, that property casualty insurer members of FHLBs contribute to the system's support of its Affordable Housing Program and HomeStart.

APCIA is aware that the FHFA's current review arises, in part, from suggestions from some quarters that the FHLBs should expand membership eligibility to include certain non-bank entities such as mortgage banks, REITS, and FinTech companies. While APCIA has no quarrel with the FHFA considering other ways in which it can support its housing finance mission, we do recommend that the FHFA tread carefully when considering whether to admit unregulated entities to FHLB membership. As you know, banks and insurers are both heavily regulated for solvency, but careful consideration must be given to the potential for new, unregulated members to destabilize the system.

Thank you for your consideration of our comments. APCIA looks forward to continuing to work with the FHFA, the FHLBs, and our joint member insurers in support of the FHLB system's important mission.

Sincerely,

A handwritten signature in black ink, appearing to read "M Vece", written in a cursive style.

Matthew Vece
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