



Mutual of Omaha Insurance Company

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31 October 2022

*The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
c/o Adam.Russell@FHFA.gov
400 7th Street SW
Washington, DC 20024*

RE: Federal Home Loan Bank System Comprehensive Review

Dear Director Thompson:

Mutual of Omaha appreciates the opportunity to share our perspective as a longstanding member of the Federal Home Loan Bank (FHLB) of Topeka on the Federal Home Loan Banks' role in today's housing finance market. We hope to demonstrate the importance of life insurer membership to the FHLB System, and to highlight some of the ways insurance companies, like Mutual of Omaha, utilize that membership to support our communities and the U.S. housing market.

About Mutual of Omaha

Mutual of Omaha is a Fortune 300 insurance company that was founded in 1909. We sell a diversified portfolio of individual and group life, health, annuity, retirement, 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.

Ongoing Role of Life Insurers in the Changing Mortgage Marketplace

Insurance companies provide direct and indirect support to over 50% of the multifamily mortgage market. 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.

Mutual of Omaha's insurance arms enjoy membership with the Federal Home Loan Bank of Topeka. We believe Mutual of Omaha's experience demonstrates that insurance company membership is critical to the FHLB System's overall mission of ensuring that the U.S. housing finance market is competitive, liquid, efficient, and resilient. The reliable liquidity provided to us from our partners at the FHLB Topeka allows us to provide everyday Americans with essential mortgage credit products in both good times and, more importantly, in times of economic stress.

During times of economic prosperity, insurance companies like Mutual of Omaha readily provide an end market for residential and commercial mortgage credit products through their investment portfolios. The vital role of insurers is further affirmed during times of economic market stress, when insurance companies are often some of the only entities providing reliable liquidity. While we maintain a strong and stable capital position, insurance premium inflows are not timed to match market stress. Our FHLB membership gives us the ability and confidence to continue providing liquidity regardless of market conditions. Without it, mortgage credit would be tighter and housing more expensive for the everyday Americans who are renting an apartment or purchasing a home.

FHLBanks interact extensively with insurance company funding. This longstanding, deeply effective, and symbiotic relationship between FHLB and insurer provides a stable base on which both sectors rely. The insurance industry specifically seeks out longer duration securities to match our long duration liabilities, making Mutual of Omaha and its industry peers core purchasers of long-term investments like mortgage securities and housing-related assets. Reciprocally, life insurer utilization of FHLB advances provide the FHLB with a secure base of revenue to support the System's infrastructure. The symbiotic activity of FHLBanks and insurers ensure sustainability and provide needed liquidity to the US housing market.

FHLB Membership Supports Mutual of Omaha's Commitment to Affordable Mortgage Finance

Mutual of Omaha holds \$7 billion of mortgage loans and mortgage-backed securities, representing 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 \$102 million in low income housing investments as of September 30, 2022. In 2021, Mutual of Omaha's investment management loan division originated \$356 million of multifamily commercial loans, the full amount of which we retain.

Mutual of Omaha's FHLB membership makes possible, in part, our ownership of Mutual of Omaha Mortgage. The reliable liquidity provided by FHLB Topeka gives us the opportunity to provide Americans with essential mortgage credit products, even during times of economic stress. Through our membership with FHLB Topeka, Mutual of Omaha has been able to provide our mortgage-originating subsidiary with the additional liquidity necessary to meet the unprecedented surge in demand for mortgage loans in 2020 and 2021.

Mutual of Omaha Mortgage has originated almost \$25 billion of residential mortgages to 84,000 borrowers since 2020. The dependability of FHLB funding allowed us to continue originating mortgage credit products during the height of the broader financial market stress in 2020, when many other lenders had paused their production. FHLB Topeka's impact on our ability to continue providing competitive products is a clear demonstration of the FHLBanks' integral role in the sustainability and resiliency of the housing market through the credit cycle and periodic episodes of market stress.

Further, the liquidity provided by FHLBanks plays a vital role in addressing the affordable housing needs of financially underserved communities. FHLB funding helps make it possible for Mutual of Omaha Mortgage to serve borrowers from all socioeconomic backgrounds across the United States. Since January 2020, 55% of Mutual of Omaha Mortgage loans were issued to borrowers earning less than \$100,000. Similarly, the average annual income of our reverse mortgage borrowers is \$61,000, and 98% of our reverse mortgage loans are issued to borrowers earning less than \$100,000 annually.

Conclusion

Mutual of Omaha takes seriously its role in the housing finance ecosystem. We will continue to offer products that meet the needs of Americans from all socioeconomic backgrounds. We appreciate the importance of stable, affordable housing in the communities where our employees and customers work and live. Giving back to those communities is also at the core of our values. The Mutual of Omaha Foundation aims to break the cycle of poverty through grants to local nonprofit organizations. The Foundation invests in projects that strengthen the community in which our employees and customers live, awarding millions of dollars to organizations that make a demonstrated difference.

We hope our comments help demonstrate the purpose and efficacy of the FHLBank System and the specific ways in which life insurer membership helps ensure that the U.S. housing finance market is competitive, liquid, efficient, and resilient. Thank you for your consideration.

Sincerely,

RICK HRABCHAK

Chief Financial Officer and Chief Investment Officer
MUTUAL OF OMAHA INSURANCE COMPANY