

*Michael Lovendusky*  
*Vice President & Senior Associate General Counsel*

30 March 2023

Sandra Thompson, Director  
The Federal Housing Finance Agency  
c/o [Adam.Russell@FHFA.gov](mailto:Adam.Russell@FHFA.gov)  
400 7th Street SW  
Washington DC 20024

RE: Federal Home Loan Bank System Comprehensive Review

Dear Director Thompson:

We commend you on the FHFA's 100-year review of the Federal Home Loan Bank (FHLB) System, given the System – and the mortgage and capital markets – have evolved considerably since 1932. The life insurance industry also has changed its business practices in response to the evolution in market conditions. What has not changed is the critical role that life insurance companies play in providing financial protection to millions of American families when it is needed most.

The American Council of Life Insurers (ACLI)<sup>1</sup> has appreciated the broad input of interested parties in assessing the future of FHLBanks. We have listened to the opinions that have been raised and discussed them with our members who are also members of FHLBanks. Our conclusion is that the System is strong and successfully supports housing finance and community development, though there are opportunities to make the System even better.

We would also like to take this opportunity to focus on the importance of our members' participation in the System and why our members have a long and continuing record of contributing to the System's success:

- Life insurer investments have a role in creating liquidity in the housing market which makes our membership complementary to the mission of the System. Collateral pledged to the FHLBanks by our members is largely comprised of housing related assets that our members have purchased in the market. In fact, ACLI members typically maintain an inventory of housing related assets well beyond what is pledged to their FHLBanks to ensure they will have sufficient collateral even when market conditions are volatile. It should be noted that our members tend to hold abundant long-dated mortgage related assets (such as RMBS), contributing to downward pressure on overall residential mortgage rates.

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<sup>1</sup> The ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. Ninety million American families rely on the life insurance industry for financial protection and retirement security. ACLI member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94% of industry assets in the United States.

- Membership in the FHLBanks also aligns well with the role that life insurers play as providers of financial security to their policyholders through their insurance products, helping keep policyholders and their beneficiaries in their homes during times of financial stress resulting from an insurable event.

The FHFA has been clear that the focus of its review is to enhance FHLBank support for housing finance and community development. The ACLI supports this goal and the reforms listed below:

- The ACLI strongly supports FHLBanks increasing their voluntary contributions to affordable housing meaningfully above the mandatory, statutory requirement.
- The ACLI recommends that the FHFA publish data regularly to show how much each FHLBank contributes to efforts to support affordable housing and community development initiatives, thus making it easier for their members and the public to evaluate such commitments by the FHLBanks.
- ACLI recommends that the administrative process for pledging collateral be simplified and standardized for municipal bonds supporting infrastructure, including those financing state housing finance agency projects.

As the FHFA considers the appropriate course of action based on its comprehensive review, ACLI urges careful consideration of any dramatic revisions of the System, which could have unintended, harmful consequences.

As noted in our October 2022 comment letter, life insurance companies are subject to robust statutory capital, reserving and other regulatory supervision requirements, and they adhere to corporate governance and risk management best practices which, in turn, assures their continued operation and position as a stabilizing force within the System.<sup>2</sup> To the extent that the FHFA seeks any changes which might impact Home Loan Bank membership eligibility, we strongly encourage the FHFA to consider whether an industry is subject to regulatory scrutiny and robust capital holding requirements similar to those for existing members such as insurance companies and depository institutions.

Insurance companies welcome the opportunity to serve as a resource to the FHFA as it considers potential reforms, including how to promote further investment in housing (including affordable housing and community development). Ideal solutions should achieve sufficient scale, allow for efficient administration, and provide sufficient returns so as not to discourage participation. The ACLI and its members also look forward to working collaboratively with the FHLBanks to advance

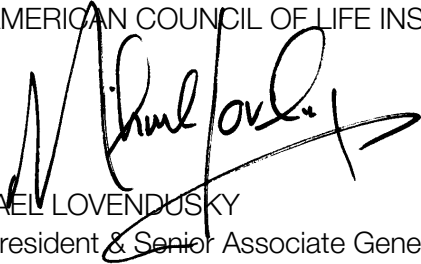
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<sup>2</sup> The ACLI first commented upon the FHFA Review on 20 October 2022 and this letter can be viewed by visiting the FHFA [Request for Input submissions page](#) and selecting “FHLBank System at 100: Focusing on the Future” from the dropdown menu at the top of the page and then going to 10/20/22 submissions or upon request to [michaellovendusky@accli.com](mailto:michaellovendusky@accli.com).

the mission and improve the System in supporting housing finance, community development, and increased support of affordable housing. Thank you for your consideration.

Sincerely,

THE AMERICAN COUNCIL OF LIFE INSURERS

A handwritten signature in black ink, appearing to read "Michael Lovendusky", written over the printed name and title.

MICHAEL LOVENDUSKY  
Vice President & Senior Associate General Counsel