



March 31, 2023

By electronic submission via www.fhfa.gov

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

Re: FHLBank System at 100: Focusing on the Future

Dear Director Thompson:

We write on behalf of the Insurance Coalition (the “Coalition”), which is a group of insurance companies that share a common interest in federal laws and regulations impacting the industry. The group was formed during congressional negotiations on the Dodd-Frank Act and continues to represent a diverse cross-section of life and property & casualty insurance companies. The Coalition has an interest in the Federal Housing Finance Agency’s (“FHFA”) comprehensive review of the Federal Home Loan Bank (“FHLBank”) System (“System”), given the important role of insurers in the System and their commitments to promoting and providing financial security for American households.

The Coalition appreciates the opportunity to address the role of insurance companies in the FHLBank System. Insurers have been participants in the System since its inception in 1932. At that time, Congress recognized that insurance companies originated or purchased mortgage loans to match their long-term liabilities. That dynamic remains true today. Life insurers are amongst the primary purchasers of mortgage-backed securities (MBS). Additionally, as described in the 2021 Annual Report of the Federal Insurance Office:

Mortgage loans have remained the second largest investment class held by the L&H sector, averaging over 11.5 percent of cash and invested assets annually during the past decade. Unwavering year-over-year growth has led to total mortgage loans of \$625.9 billion in 2021, rising from \$587.2 billion in 2020 and achieving a peak for the decade. As of 2021, mortgages accounted for 12.8 percent of the total cash and investment of life and health insurers.¹

Insurers’ participation in the FHLBank System helps facilitate the industry’s role in mortgage finance.

To be eligible to become a member of a Federal Home Loan Bank, an insurance company must demonstrate a commitment to financing mortgages or holding mortgage-related assets.² Currently, over 540 insurers are members of the System and thus have made this commitment.³ When these companies obtain advances from an FHLBank they must pledge government,

¹ Annual Report on the Insurance Industry (September 2022), Federal Insurance Office, p. 29-30.

² 12 C.F.R. § 1263.6(c).

³ 2021 Report to Congress, Federal Housing Finance Agency, p. 19.



mortgage, and housing related collateral. These companies make significant investments and contributions to affordable housing and community development activities, including the low-income housing tax credit amongst other investment and philanthropic vehicles, which align insurers with the FHLBanks' own community commitments.

Insurer membership in the FHLBank System remains mutually beneficial to the housing market, the insurance industry, and the banks themselves. As primary purchasers and long-term holders of MBS, life insurers help keep rates low and ensure the availability of mortgage products for homebuyers. Doing so aids the FHLBanks in meeting their mission of advancing the availability of affordable housing.

In the Federal Home Loan Bank Act of 1932, Congress rightly established insurers as being eligible for membership in the FHLBank System. Insurers have balance sheets that are particularly well-suited to holding long-duration mortgage assets which enhance insurers' financial strength. Insurers' investments in mortgages and mortgage-backed securities in turn help support mortgage market liquidity and stability in the housing market. Given the important role insurers play in supporting both liquidity and affordability in the mortgage market, we oppose any potential restrictions on insurer participation.

As the FHFA considers possible updates to the FHLBank System, we also urge that the agency remain mindful of the state-based system of insurance regulation established under the McCarran-Ferguson Act. The state-based system has served the insurance industry well and Congress has been deliberate in not impinging on this system. While the FHFA plays an important role in overseeing the FHLBank system and its members, it should avoid actions which would place it as an additional regulator of the insurance industry.

In summary, insurance company membership in the FHLBank System helps to enable the System to meet its mission. Insurers have been partners with the FHLBanks since the inception of the System, and the Coalition urges FHFA to recognize and maintain this relationship as it conducts its comprehensive review of the System.

The Coalition 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,

Lisa Peto and Chris Brown, The Insurance Coalition