

**Federal Home Loan Bank (FHLBank) Housing Goals Proposed Rule (83 Federal Register
55114 (November 2, 2018)) (Proposed Rule)
Consumer Lender Roundtable sponsored by the Consumer Federation of America (CFA)
January 24, 2019**

Summary: On January 24, 2019, FHFA staff participated in a teleconference sponsored by the CFA, during which FHFA staff gave a presentation on the proposed rule to various attendees. The presentation materials are appended to this summary.

Division of Housing Mission and Goals



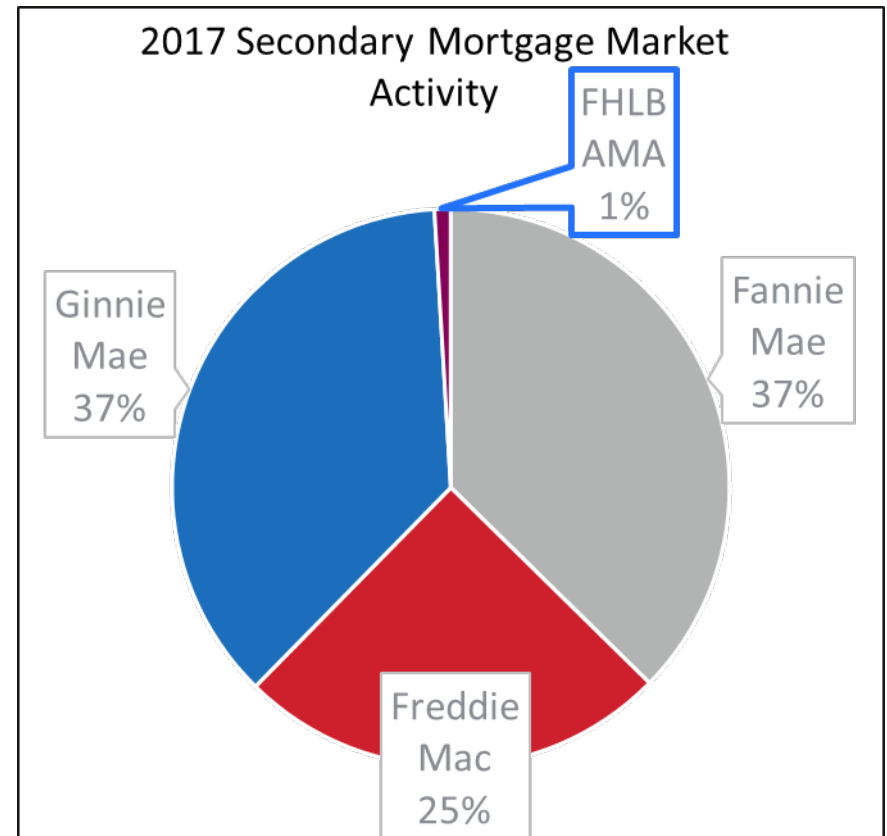
FHLBank Affordable Housing Goals

Consumer/Lender Roundtable | January 24, 2019

Contact: Ethan Handelman, OHCI

AMA Program Overview

- Acquired Member Assets (AMA) allows FHLBanks to buy mortgages from members
 - Members keep much of the credit risk
 - FHLBank takes the interest rate risk, holds loan in portfolio
- AMA is voluntary, so FHLBanks can choose to buy mortgages or not and can opt in or out of the program
- Active programs: MPF, MPP
- Small overall volume: 55,990 loans in 2017



Statutory requirement

SEC. 1205. HOUSING GOALS.

“(a) In General.--The Director **shall establish housing goals** with respect to the purchase of mortgages, if any, by the Federal Home Loan Banks. Such goals shall be **consistent with the goals established under sections 1331 through 1334 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.**

“(b) Considerations.--In establishing the goals...the Director shall **consider the unique mission and ownership structure of the Federal Home Loan Banks.**” 12 U.S.C. 1430c

Current FHLBank Goals

- If the FHLBank exceeds the \$2.5 billion volume threshold, goals take effect.
- Each FHLBank must meet or exceed the market share within its district for four separate goal categories:
 1. Low-income households, purchase
 2. Very low-income households, purchase
 3. Low-income areas, purchase
 4. Low-income households, refinancing
- Market share is based on HMDA data released ***the following year.***

Challenges in Current Goals Regulation

- Data lag prevents FHLBanks from knowing goals target in advance.
- FHLBanks keep AMA purchases below the volume threshold.
- AMA is voluntary, so FHLBanks can choose whether to participate.
- FHLBanks are uncertain about the consequences of failing to meet goals.
- FHFA has not imposed a housing plan on FHLBanks exceeding the volume threshold any of the three times this has occurred.
- Loan purchases including out-of-district loans are compared to in-district only market measures.

Aims of the Proposed Rule

The proposed rule aims for FHLBank affordable housing goals to be:

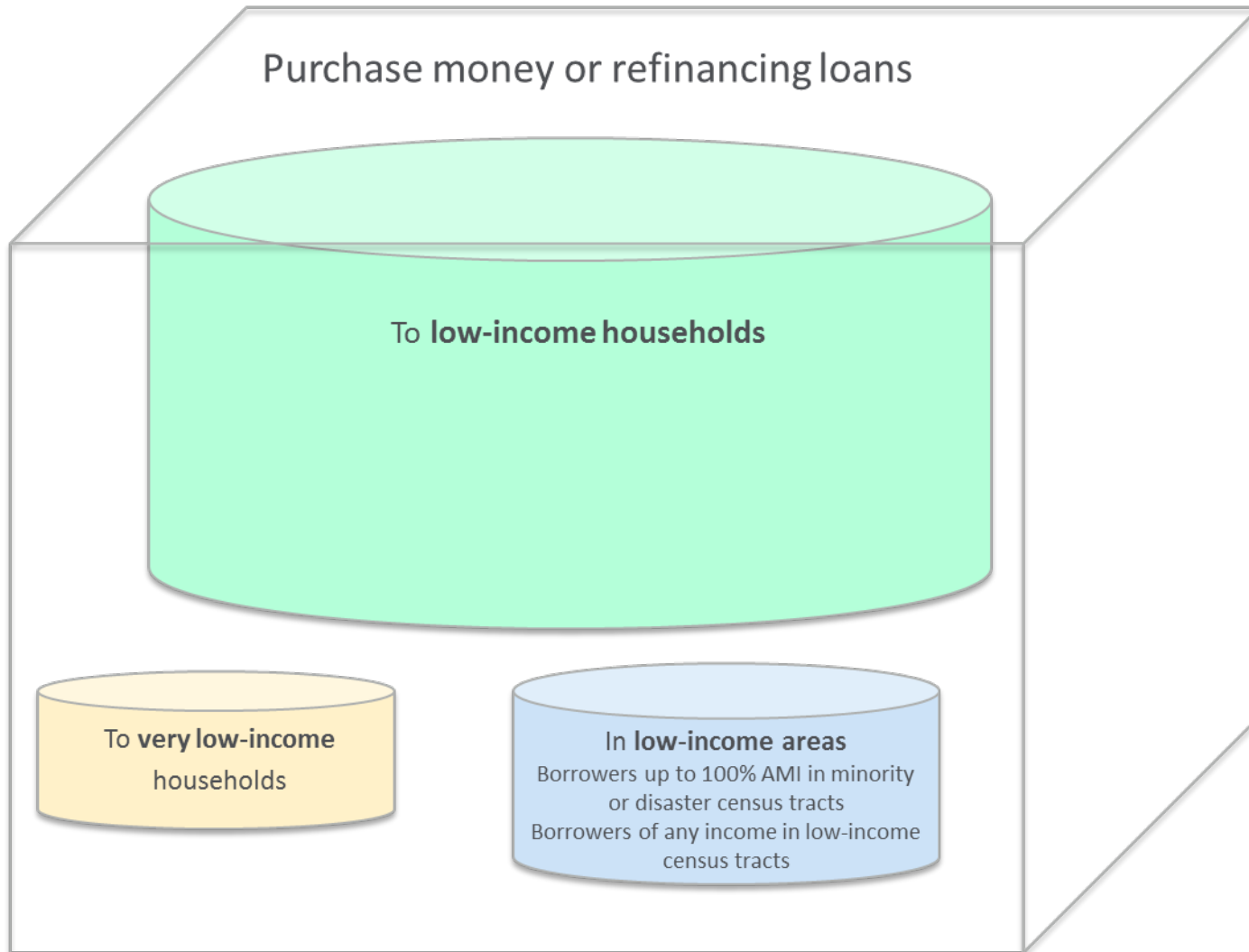
- **Meaningful**, in that they encourage net new affordable home lending to households in need
- **Achievable**, so that the FHLBanks will continue with AMA
- **Forward-looking**, so the FHLBanks know how to aim their activities within AMA
- **Adaptable**, to fit the needs of different FHLBank districts

Successful affordable housing goals should lead to the FHLBanks making affordable housing part of their business plans for AMA.

Proposed Rule in Summary

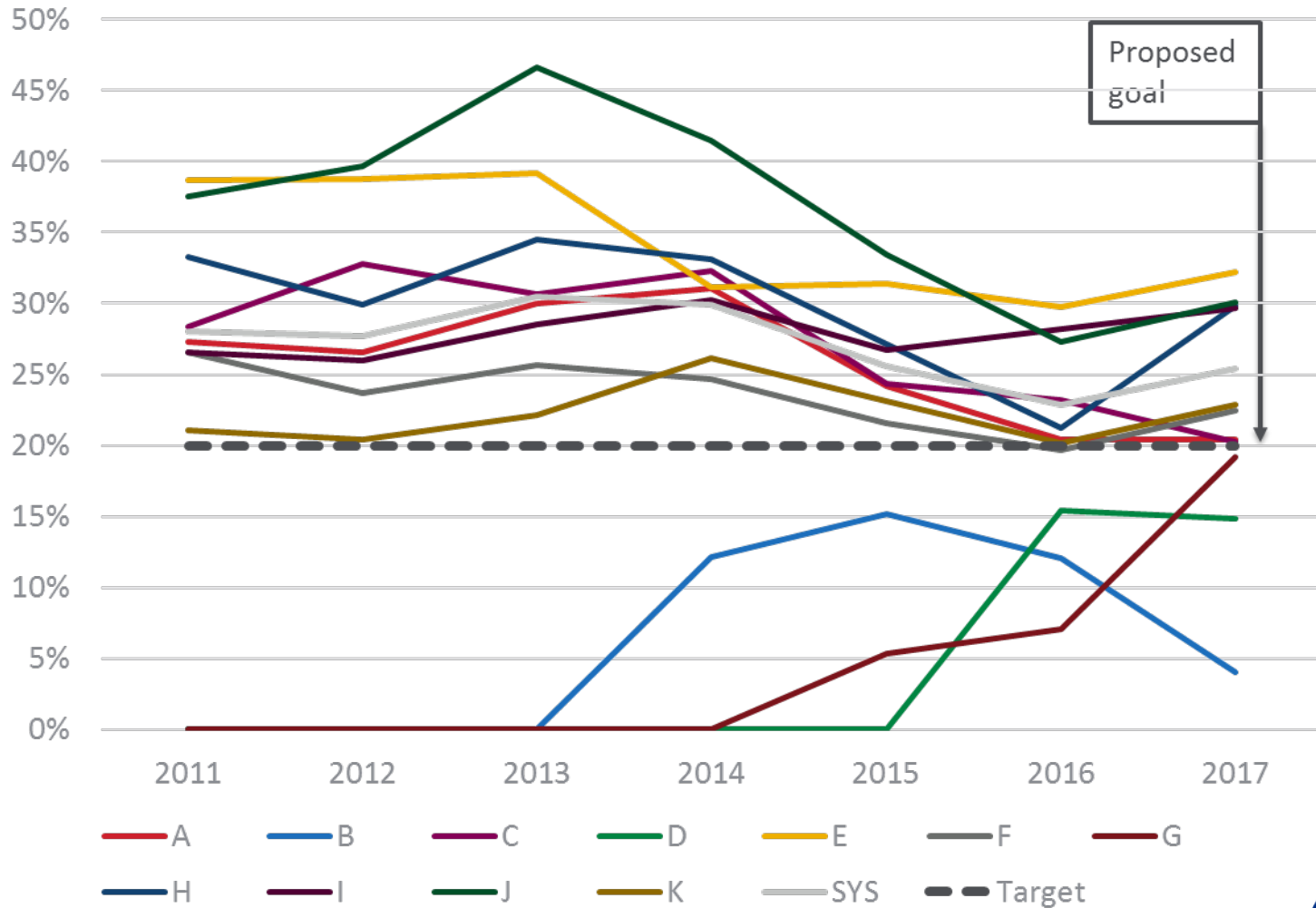
- **FHFA would establish two goals for AMA purchases:**
 1. **Prospective mortgage purchase housing goal:** 20% of each FHLBank's AMA single-family mortgage purchases must be affordable by any of several criteria.
 2. **Small member participation housing goal:** Small members (below \$1.173B in assets) should be 50% of AMA users. Annual progress is sufficient if a Bank is below.
- **FHLBank could propose target levels:** Any FHLBank, for either goal, could propose its own target level(s), with justification, for **FHFA approval**. The levels established by FHFA take effect unless a FHLBank proposes an alternative for approval.
- FHLBank proposed target levels would **replace the volume threshold**.
- **Simplify and expand eligibility:** AMA loans, including FHA, VA, and USDA loans, would count toward goals.

What Would Count for Affordable Housing Goals



Past Performance on Proposed Goal

Percent of AMA loans to LI or VLI or eligible LIA borrowers each year, 2011-2017



Small Member Goal: Purpose and Definitions

- Small institutions are central to the FHLBanks' mission as cooperatives
- FHLBanks report that small participating financial institutions (PFIs) value AMA for the high level of service
- Small PFIs, defined as community financial institutions (assets < \$1.173B), produce more low-income home loans
- **Small member participation housing goal:** Small members should be 50% of AMA users
- **Annual progress:** If a FHLBank is below 50%, it can show sufficient progress by increasing the percentage of small members by 300 bps

Compare using 2017 data

21% of the loans **small** PFIs sold through AMA were to low-income or very low-income borrowers.

17% of the loans **large** PFIs sold through AMA were to low-income or very low-income borrowers.

Recent AMA Use by Small Members

Bank	Small members as percent of AMA users	Additional small member AMA users if needed to meet 3% incremental progress in 2018	Comparison: Small AMA users as percent of all members
A	67%	met target	1%
B	33%	1	1%
C	91%	met target	13%
D	95%	met target	23%
E	33%	1	0%
F	95%	met target	13%
G	91%	met target	10%
H	76%	met target	20%
I	84%	met target	17%
J	82%	met target	14%
K	75%	met target	9%
System	87%	met target	10%

Note: Bank E purchased AMA loans from only a few AMA users in 2017, so the percentage of all members rounds to zero.

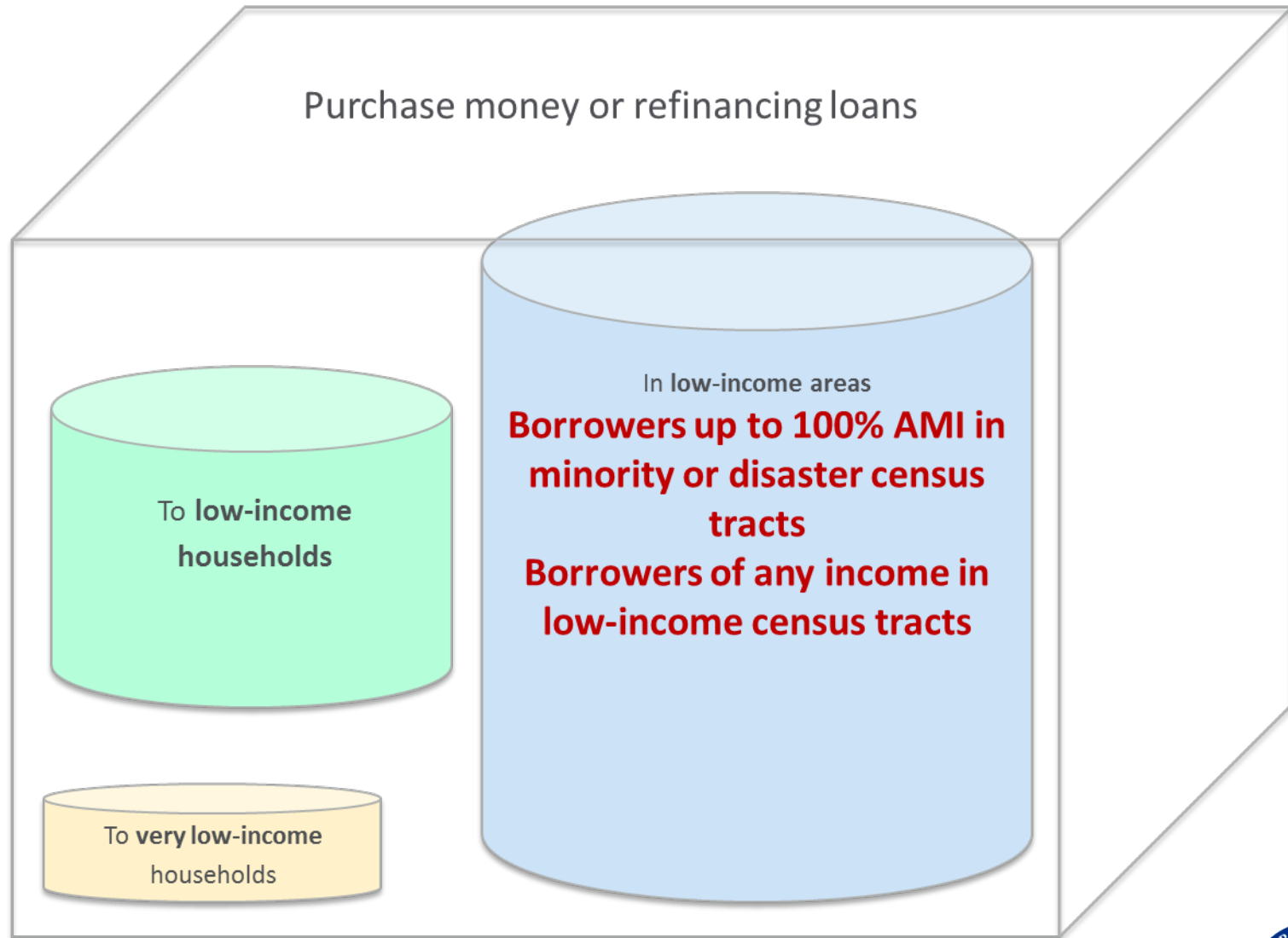
Target percentage	50%
Data year	2017

Other Proposed Changes

Retooling the FHLBank housing goals requires some adjustments and creates an opportunity for improvements:

1. FHLBanks would be better able to meet the goals if they can count FHA, VA, and USDA loans they purchase. The proposed rule would allow federally backed loans to count.
2. The rule would eliminate the confusing current treatment of out-of-district loans.
3. Low-income area loans could overwhelm the prospective mortgage purchase housing goal, unless we limit loans to higher-income borrowers from counting toward the goal. So, the rule proposes a cap on the number of loans to higher-income borrowers that can count toward the goal.

Cap on Loans to Higher Income Borrowers



COMMENTS

COMMENTS ARE DUE BY:

JANUARY 31, 2019

Comment at:

<https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Federal-Home-Loan-Bank-Housing-Goals-Amendments.aspx>

