

Joshua Stallings:

Good afternoon. First, let me thank everyone, our round table participants for joining us today, and everyone that has shown the incredible interest in our Federal Home Loan Bank System at 100 Focus on the Future Initiative. Additionally, I did want to note that the director had intended to be here with us today. She's unfortunately ill, so she is going to be at home taking care of that, and will, I imagine, be watching the stream as we're going on and will have plenty of comments for me when this is over. This is an important initiative, and we kicked it off with a listening session just over a month ago. I was pleased with the engagement from the listening session, and we received a lot of helpful commentary to get this initiative going. Today, we're kicking off the second phase of this initiative with our inaugural round table, and this is gonna focus on the mission and purpose of the system. This is especially relevant now given the challenges we are facing. We will be asking big questions about the appropriate role of the banks in addressing housing finance, community and economic development, affordability, the unique needs of rural and financially vulnerable communities, efficiency and other related issues which will inform our actions at every step of our review as we move forward. No suggestions should be considered off the table, and we welcome bold ideas, as well as recommendations that can be implemented in the near term. A critical part of our review process includes hearing from stakeholders. So we take that input into account as we make decisions and recommendations. I firmly believe that no review of the banks will be complete without these thoughts and views. So just a few rules of engagement as we're about to engage in this discussion. First, Chris Bosland, who is sitting next to me, our Chief External Risk Officer from the Division of Enterprise Regulation, will be moderating today's event and will direct questions to the round table participants. Now, we're going to encourage you to further comment on other participants' responses, but we do want this to remain orderly. So if you will turn your placard to the side, if you want to, as demonstrated as such, Chris will know to call on you. What?

[Panelists laugh]

Chris Bosland: It should be easier than having it-

Joshua Stallings: Okay. All right, well, we'll go with Chris's idea. Turn it to the side.

Chris Bosland: It's the risk part.

Joshua Stallings: With the name facing Chris Exactly. And Chris will call on each participant in turn in the event of multiple indications of a desire to speak. We ask that everyone engage, knowing that we will likely not all agree on all points, so please be respectful, engage in a manner to enlighten rather than tear down. To ensure everyone has time to speak and we cover all topics, if someone is going long, Chris will interject to keep the conversation moving. We will have a break roughly halfway through the discussion, which is scheduled for 15 minutes. Finally, this event is meant to pull out the earnest thinking of Federal Home Loan Bank stakeholders and highlight areas for further consideration. That said, please give us your true thinking on what would be best and not just what you think is feasible. So that's it. I'll turn it over to Chris.

Chris Bosland: All right, thanks. Thanks for participating in, oh, thank you. See, that was the muting button. No. Thank you all for participating. I think we have a great and distinguished panel here. I look forward to a great discussion. I am currently the Chief External Risk Officer here, but my involvement with the Home Loan Banks goes back 20 years, both here as an Advisor and the Principal Deputy, but then way back to the old finance board. I worked for one of the chairmans after Chairman Morrison. Wasn't the most popular in all quarters of the bank system for things like the SEC registration and the first enforcement actions against the banks. But through that, all that process, I came away with an appreciation. A lot of the things, a lot of the issues around this little system of cooperative institutions and owned by members, but with a public purpose. There's a lot of interesting issues. It's certainly more interesting than I thought it would be going into it, and so hopefully we'll touch on a lot of that this afternoon. A couple of housekeeping things. Some of these may reiterate what Josh has said, but you know, again, we're looking for your best thinking. Please feel free if it's, your ideas are ambitious, you know, you don't need to give too much weight to whether they're feasible or not. We want to hear all ideas, but please, this is a family show, so let's try to keep it civil. As Josh said, I'll call on the speakers, but you can choose how you want to turn your name tag up, but that'll help us out a lot. Most importantly, I

want to thank the team that put this all together, in case we run outta time later. Those of you who've put on events like this know it doesn't happen in a vacuum, and it's not easy. People have been working very hard to put this event, as well as some subsequent events that Josh will talk about later, together. Michela Barba, Rebecca Cohen, I'm gonna forget somebody, but Amy Bogden and the team in the Bank Regulation Division, Eric Raudenbush and others in the General Council's Office, operations people and communications people. So thank you all for that. I do just want to hit pause if you'll indulge me and recognize and remember one of our colleagues here at FHFA, who we got word had passed away suddenly earlier this week, Jeanne Schroeder. Some of you may have known her, but her contributions to not only this effort, but to the agency over many, many years, and before that, I believe OFHEO, will be sorely missed. So our thoughts are with her family and loved ones. All right. Again, for the benefit of those on the streaming, let me just advise, we'll have to run through a disclaimer at the request of our legal count, so I don't wanna get in trouble. But those listening in should know that the participants were given a set of discussion prompts that we'll reference throughout the afternoon. So apologies, I'm gonna read this verbatim so I don't get in trouble. We have organized this round table to obtain your input on the mission of the Federal Home Loan Banks, including input on several specific questions that were sent to you prior to the meeting. During today's session, FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in a rulemaking on any matters discussed today, this meeting would not take the place of a public comment process. The rulemaking document would establish the public comment process, and you would need to submit your comments, if any, in accordance with the submission instructions in that document. FHFA may summarize the feedback gathered at today's session in a future rulemaking document, if we determine that a summary would be useful to explain the basis of a rule making. Anything said in this meeting, and that goes for reactions, nodding, eye rolling or anything by Joshua or myself, should not be construed as binding on or any final decision by the director of FHFA or FHFA staff. Any questions we may have are focused on understanding your views and do not indicate a policy or legal position. Participants in today's round table may have a financial interest, whether direct or indirect, on outcomes that may affect the Federal Home Loan Banks and their businesses. Today's round table will be live streamed on FHFA's website and video recorded. FHFA may also prepare a transcript of today's session, which would include the names of all speakers and the organizations they represent, if any. The recording and any transcripts prepared will be posted on FHFA's website and YouTube channel, along with any materials being presented today or otherwise submitted in conjunction with the round table. So thank you for indulging that. So we had a chance to meet and

mingle a little bit before this session, but for the benefit of those watching, let's start. I'm gonna ask you to introduce yourself briefly and state, you know, your involvement with the system, how you came to know the banks. Let's start with Barry Zigas down at the end. We'll work our way around clockwise.

Barry Zigas:

Good afternoon. Thank you. My name is Barry Zigas. I'm an independent consultant and also a Senior Fellow at the Consumer Federation of America. My career has been in housing and housing policy since the early 1970s, and I was a senior vice president at Fannie Mae for 13 years, retired from there in 2006 and opened my consulting practice. My interactions with the Home Loan Bank System have been throughout that period of time, I was actually involved in the creation of the Affordable Housing Program and FIRREA, and have tracked the bank since. They were obviously of great interest to us when I was at Fannie Mae. And since, we have, I've maintained an interest in it. CFA published a terrific history of the Home Loan Bank System, which I hope people have had a chance to see, back in 2017, and it was an anticipation of there sooner or later being a thorough conversation about the banks and their mission. I've also, in full disclosure, spoken to a couple of bank boards in the past as an informant and as a paid informant to come visit with the boards, but I don't have any other relationship with the Home Loan Bank System. So I think that's enough about me. Turn it on to Beth.

Beth Lipson:

Hello, I'm Beth Lipson. I'm the Interim President and CEO of Opportunity Finance Network. We are a network of CDFIs, Community Development Financial Institutions throughout the US. Our network has around more than 380 CDFIs right now, and in terms of connection with the Federal Home Loan Banks, we have advocated for years that CDFIs should be members of the Federal Home Loan Bank System. And we're thrilled that, you know, years ago, they, particularly loan funds, were admitted as members or could apply as membership for the Federal Home Loan Bank and have, you know, stayed connected to, you know, figuring out how CDFIs can be more active participants with the Federal Home Loan Bank and, you know, really helped the mission in being really good partners with the Federal Home Loan Bank System.

Megan Haberle:

Good afternoon, Megan Haberle, Senior Director of Policy at the National Community Reinvestment Coalition. We are a mission-based nonprofit membership organization with over 700 members in all states throughout the country. We work on behalf of a just economy in bank regulation, affordable housing policy, community

development policy, and other areas. Most of my background is as a civil rights lawyer, housing policy analyst, and fair housing expert, specifically. And so, I'm coming to this discussion as an outside advocate on behalf of community groups and affordable and fair housing. Thank you.

Ryan Donovan:

Good afternoon. My name's Ryan Donovan. I'm President and Chief Executive Officer of the Council of Federal Home Loan Banks. We're the trade group representing the 11 Federal Home Loan Banks. I wanna express my appreciation to the FHFA for, again, giving me the opportunity to stretch my experience with the Home Loan Bank System. I'm in about my 55th day on the job with the council. But I have spent the last 15 years or so as an advocate for community lenders working at the Credit Union National Association as their Chief Advocacy Officer. And prior to that, I was on the Hill working for a member of the House Financial Services Committee for about five years. Thanks.

Cornelius Hurley:

Hi, my name is Cornelius Hurley. I'm a lecturer at Boston University, and for purposes of today's meeting, my relevant experience is having served for 14 years at the Federal Home Loan Bank of Boston, leaving by virtue of statutory term limits at the end. About 11 months ago, I wrote an article pointing out that the Federal Home Loan Bank System had largely lost its relevance. I think that proposition is gaining more currency today than it did then, by witness of the number of people on this call and at your listening sessions. And I'm delighted that Director Thompson and her staff appeared to be listening to some of the suggestions that I made at that time, because I thought that the Home Loan System could do much, much more than it currently is doing. And I'm looking forward to the discussion today and ideas of how it could fulfill that role. And thank you, too, for listening and for arranging these meetings.

Rebeca Romero Rainey:

Good afternoon. I'm Rebeca Romero Rainey. I'm President and CEO of the Independent Community Bankers of America. We represent the nation's nearly 5,000 community banks who, in large part, rely heavily on the Federal Home Loan Bank to leverage within their community and meet the mandates of providing housing community development within their communities. Prior to coming to this role, I was president and CEO of a community bank in Northern New Mexico who had the opportunity to work firsthand with the system and leverage a variety of different programs to advocate and provide services on behalf of the community. So honored to be here in this conversation today as we look towards the future of the system.

Bruce Morrison:

I'm Bruce Morrison. Thank you for inviting me. I don't think I'm a stakeholder, I think I'm an interested observer. I was a member of Congress for eight years in the 1980s. From 1995 to 2000, I was director, chairman rather, of the Federal Housing Finance Board, which is one of the ancestors of FHFA. I've been interested in housing all my political life and personal life, and I was a legal aid lawyer before I was a Congressperson, so I worked a lot on housing issues then. Since leaving my chairmanship, I have a law firm that does mostly immigration work, but I do a lot of lobbying and consulting in the area of housing and housing access. So I have worked with a lot of the organizations that are represented here.

Chris Bosland:

Well, great. Thank you all. As you can see we've got an illustrious panel, so we might as well, enough of the preliminaries, and let's get into it. Just as this session is focused on the purpose and mission of the Home Loan Banks it's kind of a, as a number of you raised in your submissions, you know, it's hard to address questions outside of that unless you first address this kind of an issue. That's why this one's the first session. I don't know that we'll come to a specific answer today, but that's where we wanted to start here. And similarly, just as that's the first part of the larger initiative, I'd like to spend the first few minutes of our time here addressing what I think is sort of a foundational part of that inquiry, which is the deceptively simple question of what currently is the mission of the Home Loan Bank System? And I say it's deceptively simple because unlike say, for the enterprises where Congress has clearly given them a specific mission in the relevant statutes and amendments that Congress has made over the years to the Home Loan Bank statutes, they presume that it, that a mission exists. They refer to a mission, but they never actually define it specifically. So I'd like to cabin this beginning of the discussion to the positive question of what is the mission? We'll have plenty of time to get to the more juicy stuff with the normative question about what what should it be? But you know, so let's start with the current statute. Most recently in HERA, you know, Congress gave the banks, or referred to the banks as having a mission in two contexts, as a two-pronged mission to provide liquidity to members and to the affordable housing and community development mission. And these are listed separately. So, of course, FHFA and its predecessor FHFB have at times interpreted this as a matter of regulation. For purposes today, we don't need to consider the regulatory interpretation. Let's blue sky this a little bit. I'm happy to hear, you know, your views. So let me just begin by asking, and I'll start with Ryan, you know, how should we at FHFA think about this dual pronged mission, and, you know, what is the significance, if any, that they're listed separately?

Ryan Donovan:

Well, I actually think the act does provide a mission. It may not be stated in a declarative sentence like the other acts, but certainly the powers and the

limitations of the banks provide a really good framework to consider what the banks ought to be doing. They can't do more than what is allowed by law. They certainly should be doing what is allowed by law. And so, I mean, if you wanna level set it, you know, the Home Loan Banks right now provide short term liquidity, long term funding to their member institutions that helps unlock access to credit in communities across the country. They act as a risk mitigant in the financial system. They play a role of a shock absorber in times of crisis, as we saw in the Great Financial Crisis. And then also more recently during Covid-19. And they provide support in their communities through the affordable housing program, which is a floor on their commitment to affordable housing, as well as the voluntary programs that help thousands of people across the country each year. That's the mission, right? That's very clearly stated within the act. They can't do more than what is permitted by law and regulation. And I think what we heard at the first listening session, and what I expect we'll hear throughout the round tables is that they're fulfilling that mission, that they're providing critical access to liquidity for community banks, credit unions, CDFIs and others, that, as former director Lockhart said at the listening session, they were the unsung heroes of the global financial crisis. As we heard from AHP recipients and beneficiaries of voluntary programs, the essential resources that they provide to communities across the country. They're able to do that, we recognize, in large part, because of the structural support that they receive, their GSE status that provides best in class funding rates. A statutorily defined tight risk box in terms of membership eligibility criteria and products and services. The ability to serve a diverse financial institution membership base and operate at scale. That gives them the opportunity to be that shock absorber. And then the regional structure that allows them to stay close to the communities that they're in and the communities that their members serve, particularly helping small financial institutions. So the system's really proud of what they've done, given the powers that Congress has conveyed and the restrictions that they face in regulatory environment. We look forward to this process. We're eager participants in it, and I look forward to the conversation today.

Chris Bosland:

Does anyone have any, yeah, go ahead.

Cornelius Hurley:

Just in terms of setting the space for this discussion that we're about to have, you asked the question, what is the system's mission today? And I think there's general consensus that it's muddled, that there's no clear articulation either in law or regulation. So what Ryan described is not a mission. A mission is something that we consciously decide as a group to decide to do and go forward and do it. What Ryan is describing is a practice, that has filled the void because there is no mission. If we go way back, I think we'll all recognize that increasing housing and housing availability was the original mission. Different

membership, different times. But if we're not willing to engage in an honest exercise about mission, if we think mission has already been accomplished and is being accomplished every day, then this is a wasted exercise. And I suggest open mindedness about what the system could do, not just what it's doing today.

Chris Bosland:

No, thanks, I agree with that, and I think many of the people did here, judging by your responses, saying the first thing we should do is clarify the mission. So there's at least some question in people's minds about what that might be. Barry, did you have any thoughts on this? I know you had, that was one of your initial comments, was that we should clarify.

Barry Zigas:

It was, and I wanna join everybody else in thanking FHFA for setting this process in motion. I think it's long overdue and very welcome. I hope you can complete it by the 100th anniversary. You know, I think to start off, I think the Federal Home Loan Bank System has great value, but I think much of it from the point of view of advocates for affordable housing and livable communities, it's untapped, unrealized value. Like Con says, if you go back to the foundations of the Home Loan Bank System, they were designed to meet a very specific need, right? The lack of funding for housing in a system that had been destroyed by the Great Depression. And it was a very clever model, and it worked until other organizations and entities succeeded it. 'Til today the Federal Home Bank's role in mortgage finance is really quite minimal and has been eclipsed and overtaken by that of Fannie Mae, Freddie Mac and Ginnie Mae. And in doing, in commissioning the history I mentioned, you know, looking at the changes the bank system has gone through over the years, it's been a progression of expanding the reach and scope of their lending, and in many ways, vitiating and weakening their, in my view, their mission. It's a totality to say their mission is to provide liquidity. Yes, that's how they're structured, but the question really should be, mission to provide liquidity for what and to what end? And so, I would say, if you wanted to have a thought experiment, so let's make believe there is no Federal Home Loan Bank System, but we are getting together to say, how should the federal government meet some of the unmet urgent needs in housing, affordable housing and community development? What would that look like? How would it be set up? And what would its objectives have to be? And I think from there, we can see a clear path to taking many of the features the Home Loan Bank System has, but requiring them to be focused much more closely on fulfilling some stated objectives, some stated mission. The advances are a great tool, but if they're not directed to be used for affordable housing or affordable community development, they simply become a liquidity source for the lenders. And I'm not sure that's a justification for a government sponsored enterprise. I would argue that the needs that such an entity would, should be tasked to pursue are the needs that are not being met by other parts of the system. So this would be urgent housing and community development needs, lack of affordable housing,

support for non-profits, doing community development work around the country on a basis that's fully partnership and not punitive and not focused first on how do we make sure our risk is reduced to less than zero, but let's figure out how we can actually get results and improve the community. I think there's much room to improve what the banks are doing. I did have a role in creating the Affordable Housing Program. I think it's marvelous. I spent more than 20 years on the Mercy Housing Board, and I don't think we approved a single project in that time that didn't have AHP funding in it. And I'm grateful for it. The fact we needed it in every project is as much an indictment of the way we do affordable housing as it is an encomium to the Federal Home Loan Bank System. But I'm glad it's there, but it does not justify the level of subsidy, the level of support, I don't think, that the system has. It certainly helps, and there have been proposals to increase it. I frankly don't understand why the system hasn't voluntarily agreed to a higher assessment, when I'm told it's the most important part of your work. My question is, if it's that good at 10%, wouldn't it be fabulous at 20%? And so, I think, I think those are the kinds of questions we have to ask. And I think FHFA needs to play a role in leaning in to helping the banks identify the key priorities, adjusting your risk appetite, their risk appetite, to encourage the kind of lending that is not being provided by others or can't be provided without the kind of support that the Home Loan Banks or back in the day, Fannie Mae and Freddie Mac might have provided. So I start by thinking there's tremendous value in the system, and I applaud all the great things they've done, but I think over the years, the focus of the system has been so widened, that it's pretty much anything to everybody as long as you meet some minimum criteria. And I think it's time to start targeting them much more clearly so we can use this fabulous resource to close some very important and big gaps in the housing finance system and community development system. So thank you for the opportunity.

Chris Bosland:

No, I appreciate it, and I promise we'll get in to talking about what it could be in a little bit, but I wanna let Ms. Romero Rainey weigh in here.

Rebeca Rainey:

Thank you, and I really appreciate this question as we think about questioning the liquidity and affordable housing component and how that's currently structured. And I maybe come at this from thinking about impact and particularly from a community bank perspective, a community banker in a rural area, who may not be able to connect directly to Fannie or Freddie, where mortgage finance in that community is only provided through that community bank institution, where the liquidity component of what the Federal Home Bank provides allows for that long term mortgage financing within that rural community. And so, while I'm really excited about how we think about growing this moving forward, I think it's really important to acknowledge that this provides critical and key access to liquidity for our members to be able to

provide that level of access to funding. And when you add that affordable housing and community development perspective, it creates the leverage. So what that institution is doing locally and the financing that it may not be able to provide without that level of partnership in whatever program they may be leveraging, really creates, I think an exciting dynamic that we can continue to grow moving forward as we think about access to housing in markets of all shapes and sizes.

Chris Bosland:

Thank you. Beth, did you wanna?

Beth Lipson:

Yeah, I just wanted to add on a bit, just in terms of, you know, really agreeing with Barry in terms of the liquidity for what, and really putting those together. Liquidity and the affordable housing and community development have to go together. You know, right now providing liquidity really means offering capital to meet the housing needs in low income communities that are not being met now. And, you know, agreeing that it really has to be for, you know, things that are not getting funded with the current system. And so, you know, a big reason why CDFIs were created was to fill the gaps that are not being created, not being filled. And that's in, you know, communities of color, in rural communities, in Native communities. These are the areas that are not, that have the most severe affordable housing crisis now. And when you think about liquidity, it really has to be the right liquidity for what we're trying to solve. And you know, right now, even the Federal Home Loan Bank advances that are being provided and CDFIs that have access to the products now, are not being provided at the rates and terms that are working for them to be able to meet, you know, the affordable housing needs in their markets. And it's why CDFIs are not accessing them as much as, you know, they could be if it was liquidity that, you know, really met the needs in their markets. So, you know, agreeing with, you know, it's the for what, liquidity for what? And it's really to meet the needs that are not being met in low income and low wealth communities now.

Chris Bosland:

Thank you. Yeah. So many questions are popping in my head. I have to, but I want to let Chairman Morrison have a chance to weigh in.

Bruce Morrison:

Thanks very much. A couple of things. First, I think it's very important that at some point in this process, FHFA, as the representative of the public interest, take a more affirmative role in defining what it thinks about these questions. Because most of the people who are speaking around the table have a vested interest in something that the Federal Home Loan Bank does, whether it's good, bad, or indifferent. And those are the people you're going to hear from. But the public interest, which, the public doesn't really know much about the

Federal Home Loan Bank System, but that's who you are. That's who FHFA is. You're the people that Congress put in charge of this institution. So at some point you should have a hypothesis about what this system should look like in the future, like it does now, like it looked in 1932, or something in between. The other thing that that I think's important is in all these discussions, there's a tendency to lose sight of the elephant while people describe the legs or the tail or the trunk. I don't know anybody who criticizes the Affordable Housing Program except for its meager size, but it's a great creation. And I was one of three members of Congress who insisted that there would be no FIRREA if there were no AHP. So, you know, been there from the beginning, saw it do a lot of good things. But it's a pittance, and it doesn't justify the system, no matter how good it may be. And whether increasing the amount of AHP is an answer or not depends on whether you think that the system should basically be run for the benefit of this assessment, and you can make the assessment bigger, and then everybody who gets the assessment will want the profits of the system to be bigger and want it to expand. That may be a perverse incentive. The other thing that gets overlooked is, Ms. Romero Rainey, very astutely narrowed in on the rural community bank that has limited access to the secondary market and wants to make loans that they can't sell to the secondary market or have difficulty. That's sort of the situation that existed in the whole country in 1932. And I don't think anybody would be against the system being used in that way. That's exactly why it was created. But let's be honest, the overwhelming majority of advances in number and dollars do not go to community banks and do not go to rural community banks and do not go to CDFIs and do not go to credit unions, but go to the largest banking holding companies in the country. We'll use this system to decide whether they're gonna use deposits or commercial paper or advances to fund their activities. And that really isn't, that's liquidity. So if you think liquidity is a permissible answer to the mission question, then that doesn't get questioned. But let's always ask, when people say it should do this, how much of what it does today is this, versus this general liquidity for the banking system as a whole, which is, I think, what the Federal Home Loan Banks mostly do. And I think that is what has to be rethought. Nobody is evil for taking advantage of this structure. This is not a sin. This has been offered. But is this the public purpose for which the system was created?

Chris Bosland:

Thank you. Let me just follow up on that. I mean, you raised the least, our friends at ABA may think differently, but perhaps the least sympathetic, the policy argument for providing liquidity to the largest banks, may be the weakest of the rationales. But do I hear you, perhaps, arguing, well, let me, you're not arguing, I'm not putting words in your mouth, but what, how would you react if the outcome of this whole process was to restrict it to providing liquidity for those smaller institutions, not necessarily banks, exclusively, but CDFIs, who may not have access to, say, the Federal Reserve liquidity provided by the Fed or other sources or the secondary market or the issuing in their own right? I mean, how would you react to that if that was the outcome

Bruce Morrison: Well, first in deference to former Senator Sarbanes, who was a critic of the bank system when I was a chairman, and his staff member, Marty Gruenberg, who may still have some opinions, he thought that the system should be scaled down to a bank serving community banks, small community. I mean, what's the definition of a community bank? But the point is, small institutions on the assumption that they were the ones who really needed the liquidity support. And that was going nowhere. At that time, he was chairman of the Senate Banking Committee and he didn't really ever do anything to move that ball, but that was his view. And maybe Treasury and the Fed had a civil similar view. I think the answer to the mission question, is to go back to 1932, and ask why the system was created. It was created to provide liquidity for loans that did not have liquidity beyond what the local institution could provide. It changed the world along with other institutions that were developed in the recession, in the Depression, rather. It changed the world in terms of mortgage finance. And if, it would not bother me at all, but bothering me doesn't really matter one way or the other. But it would not bother me at all if the system looked like, you know, in 2032, looked like it did in 1932, just with respect to the kinds of loans to help in housing and community development the way it did in 1932. That would seem, to me, to be actually returning the system to its roots, not in terms of the particular assets, but in terms of the kinds of lending that ought to occur. So I think you ought to consider that. I would say you ought to consider whether the strength of the federal implied guarantee on the debt of the banks ought to be mobilized in that direction, rather than much of what is currently done.

Cornelius Hurley: Can I just make a comment on that last point-

Chris Bosland: Super quick.

Cornelius Hurley: If you don't mind. Okay. Because we're gonna talk today about AHP. AHP is a small number. It's, like, 200 million in 2021. The value of the federal subsidy that we're talking about, and by the way, taxpayers are not around this table, but the value of that subsidy we taxpayers ought to know, is about, it was about \$5 billion. \$5 billion for a \$200 million reward is not a good investment, speaking as a taxpayer.

Chris Bosland: Can you walk us through those numbers?

Cornelius Hurley: I'm just applying, it's a rough number. Okay? That's my number. But I want to have this discussion. The discussion is, what is the number? And so, I used just 50 basis points over a trillion dollars, and I didn't even include dividends, or the tax exemption that they're entitled to, or protection from the FDIC. Proportionality, housing finance, affordability, \$5 billion, let's quibble. Three, \$200 million? That's not proportional. That's not, you alluded to public purpose. That's not public purpose.

Chris Bosland: Okay, I do wanna let Megan, she's been very patient, so why don't you please weigh in and we can, we'll go to Ryan after that.

Megan Haberle: Yeah. Thank you, and I'm interested to hear more about that very interesting question, as well. I did wanna amplify a few of the threads that have been lifted up so far. So this question about the mission and liquidity and the affordable housing and community development mission and sort of knitting those together and ensuring that those aren't seen as separate and apart and liquidity as sort of an end in itself. You know, so it would really support the principle and argument that affordable housing and community development should be overlaid across the mission as a whole and viewed as the primary purpose. And also that, you know, there is this issue of the advances and where they're being flowed, where they're flowing, what they're being used for, and issues around sufficient tracking and accountability of those advances that I know Professor Hurley and others have pointed to. You know, so this sort of gets to the point of how do we really implement and sort of institutionalize this affordable housing and community development mission across this other mission of providing liquidity and across the various activities of the banks? And I know we'll get into that in more detail later, but just kind of wanted to put that out there, you know, as we set the table for the rest of this discussion. I really appreciated the point that Barry made, also, in some of his written comments about making sure that low moderate income communities are front and center and sort of explicitly noted within this mission. And also to point out that, you know, part of, you know, sort of the, you know, perhaps not the founding mission of the Federal Home Loan Bank System, but certainly, you know, part of the set of statutory obligations that should govern that system, includes the Fair Housing Act, you know, includes the Affirmatively Furthering Fair Housing obligation. And so, that's to say that, you know, consideration should also be paid as to how well are we doing in addressing issues like, you know, tenant insecurity that's felt more harshly by certain groups. The persisting racial home ownership gap and other issues like that. And ensuring that as we think about this mission, as we think about how we track advances, that those are also considerations, you know, that are clearly on the table and given due weight.

Chris Bosland: Thank you. Ryan, do you have an opinion?

Ryan Donovan: Thank you very much. Yeah, I just wanna go back to a comment that Congressman Morrison said, and with due respect, I don't think anybody wants to take the banking sector back to the 1930s. But I'm afraid, that that is what will happen, particularly to the small banks and the credit union sectors, if they lose access to the Home Loan Bank System. And I think one of the consequences of, perhaps, eliminating access for the

large banks from the system could be an acceleration of the consolidation in the banking industry. And nobody wants that. There's not a politician on Capitol Hill that wants to see the trends of bank consolidation increase. They rely on access. And in terms of how they use the banks, small banks use the Home Loan Bank System advances 1 1/2 to 3 times more, as a percentage of their balance sheets than the large banks. And for the folks that are interested in affordable housing, the large bank participation in the system helps us scale the system. It helps us increase the dollars that are going to AHP and to the other voluntary programs. So getting those institutions out of the Home Loan Bank System would be detrimental to AHP and the other voluntary programs. It would be detrimental to the small banks across the country and it would, it'd be detrimental to how we do housing finance in the United States.

Chris Bosland: All right, well, I broke my own rule and started talking about the future. So I guess that one's on me, and I apologize. No... Con, I take-

Bruce Morrison: Just a point of personal privilege, I'd like to respond, since I was specifically singled out to be, first of all, I should not be misunderstood to suggest that the banking industry should go back to 1932, but rather that we could learn from the way in which this system was created in 1932. That there is a way to think about mission that has to do with market failure and things that are not being done that need to be done. And that, in fact, when Ryan says, look at all the extra money that goes to AHP, if we have all these big institutions basically managing the liquidity through advances, that's exactly the problem, isn't it? I mean, we could run the entire country that way. We could say, well, why doesn't the federal government do this and that and the other, and then spin off a certain amount of taxes or a certain amount of assessment, and thereby justify, essentially, a subsidized, rather than a market rate, system of financing? So I would just say, we're not going back to 1932, but people who don't see the difference between what was created and what we have are missing a part of the elephant that I think we ought to focus on.

Chris Bosland: Okay, and I just wanted to go back, you know, Professor Hurley, you mentioned, you know, sort of, you were suggesting, I think, a sort of cost benefit. And I do want to back up a little bit on the liquidity point, because I do think it's, if you're gonna, we should do a cost benefit analysis to some extent, maybe not ticked-and-tied, because some of these things are not susceptible to ready value, but we wanna make sure that all the costs and all the benefits are tallied. And so, you know, AHP and the value of the subsidy, although, I appreciate you noting that was your number. I know that, you know, others may have different calculations, so I don't wanna necessarily, we're not endorsing anybody's number here. But I do want to touch on, go back to liquidity to help me, if nothing else, for my own mind... You know, is there a value in providing liquidity to institutions that don't have, you know, just, even if they did nothing else, you know, is there a public purpose? I mean, we can talk about it, how much that value is, but that these institution, the Home Loan Banks provide liquidity to community banks, particularly in times of crisis when other sources dry up. You know, Ryan, you used the

phrase shock absorber, acting like, you know, the capillary has to get money to Main Street. You know, I've heard people from the Fed talk about it that way. We can't reach these people directly. There's people we can't lend to, insurance companies, so forth. So, you know, I'm not suggesting that the sort of insurance value, if you will, of having something just for times of crisis should dictate, but I'm just trying to get a sense of, you know, what is the value of that?

Cornelius Hurley:

Window, as it were, for advances to manage their balance sheet. And I think Ryan said so in an article, and the insurance companies do exactly the same thing. So when you look at the system in terms of its mission, the mission was never to be a central bank for privately owned banks. It's nice to have a taxpayer subsidized, low cost funding facility. That's very nice. But if we're gonna have that, we need a substantial reward for our investment, whether it's 5 billion or 4 billion, we can quibble. But it's many, many times more affordable housing and there's no other public benefit in sight. And by the way, acting as a source of liquidity for private banks is a private benefit. It's not a public benefit.

Barry Zigas:

I wanted to follow up on both Con and Bruce's comments. I'm, this gets more to the point of, if the mission of the banks is X, then what is the purpose of the benefits it passes on? I believe that the mission of the banks is to support affordable housing and community development. And I think that if you go back to its, as Bruce said, to its birth, now that's exactly what it was designed to do. I'm not against large banks taking advances. I'm against large banks taking advances that aren't in any way connected to the mission of the bank, of the Home Loan Banks. So if there were more monitoring and restrictions on the use of the advances and large money center banks wanted to take advances so they could reinvest it in meeting critical housing and affordable needs and community development needs, I don't think I'd be against that. But there's no evidence that that's what happens, number one. And the largest banks that are taking the bulk of, as Bruce said, the bulk of the advances are moving out of the mortgage space. I mean, Wells Fargo just today announced that they're moving to basically only offering mortgages to their customers, which is how Bank of America has behaved since the Great Recession. I'm not criticizing. It's a business decision. But the vast majority of mortgage lending is taking place outside of the system. These advances are not going to fund mortgages by and large. That's being done by other federally supported and subsidized institutions. So the rationale for offering these banks, as I've read the history, is a combination of we need more members to have solvency in the system as so many members went bankrupt in the Great Depression. And it was a little bit of a trade off. We'll get the AHP, and we'll have more members, it'll be bigger. But I think today, it's very hard to justify having these kinds of advances and say the people who get them don't have to explain what they're using them for. They don't have to be directly tied to the mission. I understand there are collateral requirements. Those can be met in all kinds of ways. But you don't know what, and I've asked bank presidents this, "Where's the money go?" And they go, "Well, we don't know, and we don't ask, and it's not part of our responsibility." And so, again, I think you have to ask, why have the banks been empowered to access this money so cheaply? Why have they been able to access it with

the government guarantee? And I would argue there has to be a clear definition of the purpose the money is meant to fulfill. And in that case, I'm happy to have banks of any size take the money. But I don't think we should try to justify the entire system on the very small fulcrum of a minority of lending institutions in terms of volume. And the banks aren't really big providers of mortgage finance, anyway, directly to these cash windows. I mean, in the last quarter, last nine months, it was half a billion dollars. I mean, that is nothing. It's 0.004% of outstanding balances of mortgages in the country. I'm sure it was important to the bank that made the sale, but it's not a significant contributor. And on this question of small banks have nowhere to go in the GSE system, I would argue having been in a GSE, that may have been true when they were organized differently and managed differently. There are no preferential pricing opportunities anymore. There are no volume discounts anymore. There are no special provisions, and there's a cash window. And so, there are ways to get liquidity from Fannie Mae and Freddie Mac, either through other lenders, some of whom I met in St. Louis some years ago, who talked about we aggregate loans from small banks and we sell 'em. I just think it's very important to focus on the big business of this system, is the advances. And the big question is, what purpose are the advances supposed to fulfill, and have we clearly defined that in a way that can be tracked and measured?

Chris Bosland:

Well, that brings up a great point, you know, the housing nexus. And you know, again, you know, looking at, you know, current law, again, disregarding regulatory pronouncements for the moment, you know. Do the activities that are funded by Home Loan Bank advances have to have a housing nexus? And if so, are the existing requirements for collateral membership and so forth, sufficient to ensure that? I mean, that was, I mean, I take your point, at the founding, that those institutions that were members were pretty much exclusively, the source of mortgage finance. But they were also institutions that didn't get funding through some of the other creations of the Depression era, right? So changes in the marketplace, I have to acknowledge that, but I'm just trying to get a sense of, under the current, you know, are the current things that tie it, I take your answer is gonna be no, but I want to let other people weigh in. And I see, you know, Rebeca's got her, and so Rebeca, how about...

Rebeca Rainey:

Yes, so if I could back up for just a minute. So as we address what may be a smaller piece of the system, I don't wanna lose the importance in terms of what this does to provide access to mortgage funding. So, yes, we may not have the price and volume transit, but we have eligibility requirements. And in a rural community where no two properties look alike, and you're trying to fund and qualify that in the secondary market, could be very difficult. And so, I would argue undoubtedly that the impact, albeit maybe volume lower, the ability to provide that access to housing finance is absolutely critical. The stability, you know, we're coming off a time in the industry where there's been significant liquidity. Those times are changing. As we move forward, having the option and the availability to access this level of funding, particularly in times of greater challenge, to ensure a constant flow of housing financing in these communities, I think is critically important. And so, as we go through this conversation, again, as you know, back to your question, Chris, as we look at what other requirements may be needed, I

mean, just the pure fact that we're looking at collateralization based on mortgage loans within that institution to the size and scale with the larger banks, there's probably opportunity there, and I'll be the first to maybe say that there could be room to grow that. But that directly correlates in terms of what that local institution has funded in their community and what they're now trying to do in terms of having this constant form or access to these stable funds over time.

Cornelius Hurley: Rebeca, can I just put the monkey on the table?

Rebeca Rainey: Of course.

Cornelius Hurley: If your members were forced to choose between more advances under the AHP program, or on the other hand, more dividends from the Home Loan Bank, where's the value system? Which would they choose? More AHP money or more dividends from their Home Loan Bank?

Rebeca Rainey: Can I speak for myself? Well, you know, so, I think in the long run, which is what the community bank business model is based on, the ability to think creatively and have access to AHP and whether that's housing programs, I also think the community development perspective of this is another huge opportunity for us to look at. I would welcome that, absolutely. To be able to increase.

Cornelius Hurley: To increase AHP. What about dividend decrease to increase AHP? Is that a sacrifice you're willing to make?

Chris Bosland: Well, I don't know that she can speak for everyone.

Rebeca Rainey: Well, exactly.

Cornelius Hurley: But I think you've made your point. I'm trying to quantify what's- Let's ask Ryan then, 'cause I can tell he's got an answer.

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Ryan Donovan: Listen, the dividends that are set by the banks, that they pay out, are set by their Board of Directors that are comprised of the members, their independent directors. You've been in that room making those decisions, and it's a constant balance, right? You have to continue to provide value for membership. You have members that have paid in capital to the bank. They expect some sort of return on it. It is a constant balance, and it's a decision that is made in those boardrooms. It's made with public interest directors present as part of those discussions. And it's a balance that every bank makes.

Cornelius Hurley: It's a balance that every bank makes, but they always make it in favor of dividends rather than AHP.

Chris Bosland: Well, I don't know that-

Ryan Donovan: That's not true.

Chris Bosland: All right, well, let's... move on for a sec. I do wanna go back.

Cornelius Hurley: I've been in those decisions.

Chris Bosland: I would like to get back to, you know, the premise of the system was they're gonna make, they can borrow, the system raises the money, provides the advance to the, as long, and is backed by collateral. So there was this kind of implicit assumption that this was going to finance housing and other things. Right.

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Barry Zigas: It was the purpose of the system. It was to bring the housing economy out of the Great Depression. It was great, it was ingenious. And I'd say, to Rebeca's point, if that's what your members are using these advances for, I'm all for it. I'd like some proof that it is, but I'm all for that.

Chris Bosland: So do people have a view as to whether the current requirements for tying the collateral, tying, you know, recognizing that money's fungible and it's difficult to track, you know, the use of proceeds per se, but the sort of the approach of collateral and membership eligibility, is that sufficient? Beth, go ahead.

Beth Lipson: Yeah, I mean, the way it's currently set up, I mean, for CDFIs that are trying to receive advances under the system, we feel like there's an undue burden on them, because the haircuts are much larger in terms of the CDFIs trying to access this capital, because part of the, you know, there's a lot of focus on no losses ever at the banks. And so, you know, CDFIs that are doing exactly what is the purpose of the Federal Home Loan Bank System is to help the affordable housing crisis and reach the low income and low wealth communities. They are not getting access to those advances because of the collateral requirements and the haircuts on those types of loans. And so, there's, you know, there's something wrong in the system in that the lenders that can most reach those types of loans are not getting access to the advances. And from, you know, from our, you know, we at OFN have financed CDFIs for 40 years and have not had losses on our loans to CDFIs. So, you know, there's something, you know, that has to be looked at in sort of how you're evaluating the CDFI industry in terms of the risk, because we've been doing that lending. And what we're hearing is, you know, from our members is that combination of low cost capital and grant, and sort of, you know, the AHP program and the advances, is what's really needed to advance affordable housing.

Chris Bosland: Thanks. Bruce, you're up here.

Bruce Morrison: Yeah, first, just in the beginning, this was an S&L industry central bank. And that S&L industry, what they did was make mortgages. And what they used the advances for was for funding those mortgages, which didn't have a second day market outlet like they would today. So that model, there wasn't this question of is the collateral, the stuff that you're in business to do, was never a question. Today, the kinds of things that can be presented as collateral are much, much broader. Just to say a housing asset, mortgage-backed securities qualify as housing assets. And I had, during my tenure, lots of debates with Federal Home Loan Bank and member institutions telling me that the fact that they were buying MBS was somehow sustaining the MBS marketplace, which I think, you know, falls of its own weight as an argument. But I think you have to think of the collateral situation in two ways. And it's, you can't track advances without creating a monster, in my opinion. However, you can require a collateral pledge to get an advance. Now, what the banks have done is to say, well, but we want more collateral. The more

collateral the better. Especially since our collateral has priority over FDIC. So you know, the more collateral that we can gather up under our umbrella, the more likely it is, we'll never lose a dime on an advance. But you can bifurcate this. You can say you can't get an advance unless you have very specific collateral, which is being, which is funding. And then you can have a broader collateral requirement that is also a safety and soundness protection.

Chris Bosland: Can I pick up on that?

Bruce Morrison: Just let me finish. Just the point being, that collateral is the answer for purpose. You have to decide which collateral is acceptable, what funding, what produces what public benefit. And I think how, you know, however you come out on that, you can come out wherever you want, but that's what your purpose is gonna be, because that's what the system does. And if the system funds narrow collateral that has a specific need, that's gonna be a different system from one that there is now, which is very, very broad collateral that funds much broader needs.

Chris Bosland: I will note that Joshua likes collateral. Now, go, Con. Quickly, please.

Cornelius Hurley: Yeah, require some kind of a commitment. But in that regard, let me address a large and growing segment of Federal Home Loan Bank membership, which are not at this table, but insurance companies. You, Rebeca, at least, can claim a direct relationship to the marketplace itself. The vast number of insurance company members have no connection to the marketplace. So here's an idea to throw into your box of suggestions. Why not ask every insurance company member to agree to abide by CRA-like requirements with backup documentation for doing so?

Chris Bosland: Beth, you've got your... That was erroneous. All right, well, we are being mindful of time. I did start by saying there was two prongs. So we've talked a lot about the liquidity prong. I do want to talk a little bit before the break about affordable housing and the affordable housing community development prong. You know, and I'll, let's just hold off on affordable housing for the moment, 'cause we're gonna talk about that in the next section. But, you know, what does community development mean for the purposes of the Home Loan Banks? And to your point about the broadening of the mission, so to speak, are there limits to what community development means for the Home Loan Banks? I mean, obviously they have CIP and CICA programs that are... But, you know, can they do for example, you know, infrastructure funding or can they do, I mean, or do they, I know that in the past, you know, supporting mortgage bonds, you know, so any thoughts on what community development means currently?

Megan Haberle: Yeah, I can start on that. I mean, my reading of this statute is that there is pretty broad discretion granted the director to define the scope of what community development can refer to. Our recommendation in the written letter that we sent in earlier this week, was to use the CRA proposed rule as a reference point, because it lays out, you know, a slate of community development activities, but also provides criteria for ensuring that those really are flowing to LMI communities, underserved communities, and serving

community, you know, conveniences and needs to the public. And so, that was one recommendation that we had made. More specifically, we also thought, you know, support for small businesses, really critical need, especially to addressing the wealth gap. And, of course, climate response and remediation. Not a need that was anticipated, I think, necessarily in the 1930s. But clearly something that is really critical today and looking forward.

Chris Bosland: Thank you. Anyone else? How are we doing on time, Josh? Okay, I just-

Rebecca Rainey: I would just echo that piece on small business. Again, as we think about access to capital, as we think about growing community and access, well, the future growth, just an example, the Federal Home Loan Bank of Pittsburgh has a Banking on Business program. I toured a small business in West Virginia a couple months ago that was a direct beneficiary of this program that is creating high paid, high skilled jobs in rural community where folks are able to stay. And you see, I mean, you can literally see that economic base growing because of that direct investment and ability to provide, whether it's down payment, expansion funding, for these small businesses. I think it's just critical as we think about how we tie together with the full mission of what we're doing here.

Chris Bosland: All right, so now we'll... Just in a second we'll turn to the meat, the juicy stuff about what we should do. We've heard some previews of that, but before we do, let me just ask the, and this is where people get, you know, the team gets a little nervous, 'cause Bosland's going off the script again.

Joshua Stallings: I'm ready to mute him.

Chris Bosland: Is there... Are there other institutions that could perform these functions? You know, do we need the system? You know, are there other existing institutions that could perform the functions that the banks perform?

Barry Zigas: Well, that's a great question and I think, you know, you'd have to start identifying each of the specific areas you wanna ask that question. But I'd say, clearly in mortgage finance, broadly for conventional mortgages, the answer is, of course. I mean, we have an entire elaborate system that provides liquidity through Fanny, Freddy and FHA, Ginnie Mae, VA, RDA, that is very successful, very liquid, very transparent. And especially after all the reforms that FHFA has led around the GSEs, I think pretty effective. It's hard for me to argue we need another GSE for that kind of work. On the other hand, there are all kinds of gaps that those GSEs just will not fill. And part of it's because they're a commodity operation, and having been in the middle of it, it's very

hard for them to do bespoke smaller volume work. There's a constant conflict between the volume commoditization and the needs many communities and borrowers have. And I think that'd be a perfect thing for the Federal Home Loan Bank System to focus on. Where are the gaps in this financing? How can we use our special privileges to offer mortgages, to Rebeca's point, non-conforming mortgages. Mortgages that would otherwise be on a portfolio, mortgages with non-traditional underwriting. I put all this in my written response, I won't repeat it. But I do think there's a clear role for them to play in that. But I don't think we need another competitor or an organization that purports to compete with the GSEs, you know, with some very small slice of the market as a justification for all the benefits they get. I would love to see them concentrating on the things that aren't being done by the rest of the system. That would be a unique value add.

Cornelius Hurley: Can I follow up on a suggestion to his comment?

Chris Bosland: Sure.

Cornelius Hurley: Suppose you amended the mission statement or made the mission statement for the first time that the Federal Home Loan Banks should foster an adequate supply of housing through advances to member institutions who are furthering a further supply, to further supply, to increase the production of home owner. In other words, tie the mission to the supply of housing. Okay? Right now it's being used as a financial management tool, not as a housing or public purposed entity. But if you could marry the supply of housing to the finance of housing, I think, and you, I think if you think of the derivative, the downstream implications of that would be enormous in terms of collateral and who should be members, the supply chain of housing. If you bring them all around the table, you would have a fantastic discussion. But I think if you just start with that one word, supply of housing in the mission.

Chris Bosland: Well, you've-

Barry Zigas: And add Affirmatively Furthering Fair Housing, please.

Cornelius Hurley: Of course. Yes, I agree.

Chris Bosland: You've anticipated the move to what it should be, but I did notice, you know, that you had submitted that focus on the supply of housing. So maybe you could, jumping ahead a little bit, maybe you could just explain a little bit more about how you envision that working.

Cornelius Hurley: Well, I wish I had all the answers on that one. But first we have to wrap our minds around the notion that whether it's affordable housing or any kind of housing, the critical problem that we have in the country is supply, you know? And we can talk about AHP and whether it should be 200 or a billion, but the needs are just enormous out there. So if we expanded the mission to include supply, wouldn't that naturally imply, too, that suppliers, maybe developers, any kind of institution that is in the business of developing housing. Now, do you throw away safety and soundness and sustainability considerations? Of course not. And you'll always have haircuts and your own due diligence to allow you from doing that. But think of the kinds of collateral you could open up to take. You know, properties under development, naturally occurring affordable housing, which is a terminology that's gaining more currency. Suppose that was that entire industry, which is 75% of affordable housing, by the way, naturally occurring affordable housing. Suppose you opened that all up as eligible collateral and membership. So, but it all would derive from that one change, I think. A recognition, going back to what Barry was saying, about this institution in the 1930s, when it was started, was all about increasing housing, 'cause there was a dire need. Well, that need is still there.

Chris Bosland: Okay, well, we had a lot of good ideas suggested for what they should be in the submission. So, you know, Megan, you want to tell us, give everybody a chance to speak about, to the extent you haven't already. What was in your, what your go forward, I mean, as you said, to write the mission statement. What would be your go forward mission statement for the Home Loan Bank System?

Megan Haberle: Yeah, so I think again, you know, making sure that affordable housing and community development is central, and, you know, overlays, all other aspects of governance and activities, and making sure that that, you know, is sufficiently targeted to LMI communities. So picking up on Professor Hurley's remarks on supply, I think supply is really critical. So is, you know, depth of affordability. So is, you know, I think thinking in a more detailed level around, you know, best practices in fair housing, best practices in citing of new housing that's being created or that's being preserved. Again, fair housing strategies that are taking deliberate measures to address the racial wealth gap. Pushing back, I think, against some of the more harmful trends that we're seeing in the housing market today. Like the role of institutional investors and the impact that they're having on housing security, habitability and those kinds of issues.

Joshua Stallings: So can I actually follow up on that last piece? Can you talk about pushing back on the institutional investors? What do you envision when you say that?

Megan Haberle: So we signed on to a grant letter that was submitted by one of our member groups, the California Reinvestment Coalition, on the GSE's affordable housing goals recently. And

the general gist of that letter, essentially, was that, you know, properties that, you know, are essentially finances that are flowing to properties that are being acquired and often flipped by institutional investors, or their tenants are living in, you know, really unfortunate living conditions, facing housing insecurity, spiking rents, bad habitability conditions, shouldn't qualify, you know, under the affordable housing goals. So we would import that same argument and analysis, I think, into the Federal Home Loan Bank System. You know, and I think we would say, given that this is, you know, a mission serving, publicly supported entity, you know, you can argue that there, you know, that additional regulatory burdens, you know, can create some hardship on the part of the banks or the members, but I think given that there's such a large extent of public support, it really merits taking a deep, detailed look at what that support is flowing to and what we really want to be supporting. So just, you know, beyond this sort of broad question of supply that's really important, looking at the quality of that housing and making sure that it's really serving people.

Chris Bosland:

And you mentioned, vulnerable, I mean, is there other things to do that would be part of just a little bit from your submission, you know, vulnerable communities, you mentioned just now, you know, more on racial equity. So what kinds of things would you be envisioning there?

Megan Haberle:

Sure. You know, so I think strategies that are targeted to address the racial home ownership gap, be it special purpose credit programs, down payment assistance, especially for first generation households. So first time home ownership, you know, is something that is called out in the statute itself and has traveled through to the regulations as part of the community support requirements. But we think those community support requirements could be made more robust, could be expanded to look beyond the two considerations that are in there now. One of which is CRA performance. The other one is lending to first time home buyers. You know, so making sure that, again, there's a more detailed rubric in place for evaluating the members and the members' activities. On the point of fair housing, also, you know, I would add when it comes to multifamily or rental housing, putting in place some best practices or incentivizing some best practices, like preventing source of income discrimination. You know, use of criminal records screening, you know, evictions that are happening in a way that's disparate on the basis of race. You know, so there's sort of a whole slate and gamut of best practices in fair housing that I think it would make sense to institutionalize. You know, put in the regulations and put in the, you know, the forms of accountability that are being placed on the members.

Chris Bosland:

Thanks. Bruce, we'll get to you in a second. Rebeca, I wanna give you a chance to, any response? I mean, 'cause what you're already suggesting would be a more narrow targeted and similarly supply of housing focus on, I don't want to narrow it to LMI bars, but you know, that kind of a concept. So a mission that's much more targeted. How would you react to that? Or do you have a different view?

Rebeca Rainey: The community banker in me is sitting here trying to think, "Okay, how?" And thinking about compliance requirements, the documentation. You know, the concept, I think, and being able to ultimately solve for these specific needs is what I think we're all trying to accomplish. How, then, that translates into collateral eligibility and the actual process, is where my head is just spinning. And so that, I think, how we connect the dots in terms of from the financial institution's perspective of demonstrating and proving that impact is the piece I'm trying to understand how that would be enforced or even measured.

Bruce Morrison: Yeah, I want to emphasize my agreement with what Barry said about gaps. Because people are suggesting various kinds of gaps in our financial system in terms of populations and kinds of credit that are not being adequately met. So there could be many things done in that regard, and that's a very complicated process of figuring out what the right answer is and what the right balance of compliance regulation is. But that would be a whole different thought, about the current activities of the bank system. That it was focused on gaps that were left by other institutions as opposed to it was pushing its own kind of place in the financial marketplace. And I think the... the other thing would be how could you get there from here, if you wanted to do this. And I have a thought. You could establish another Federal Home Loan Bank, and you could make that Federal Home Loan Bank about gap filling, and you could figure out how to capitalize that and who could be a member of that. And you could do an experiment as to whether or not you could actually find the gaps, fund the gaps, et cetera, et cetera. And if it worked, the rest of the system would have to come along or be replaced. And if it didn't work, then all of us are, you know, smoking something, and you sort of missed the point.

Chris Bosland: Would they be a member of the council? Ryan, do you wanna weigh in here?

Ryan Donovan: Well, I think what I'd like to say is, you know, I think this is the purpose of the round table, is to get the ideas on the table. The system itself is going through a similar process. We're listening to these ideas. A lot of the questions, Rebeca, and Congressman Morrison, you've raised important questions about how you get there, right? And I think that's, that is a big concern. If you're going to rebuild the aircraft as it's flying at 35,000 feet, how do you ensure you don't crash the system? Because the consequences of crashing are catastrophic. Not just to the Home Loan Banks, but to the members they serve, the communities they serve. So the blue sky ideas, I think, are really important to get out on the table for the agency to hear, for us to hear. But that also needs to come with an understanding that every change you make comes with trade off. And big, grand ideas can be disruptive, and the consequences of that disruption, I mean, that's a big risk for the agency to take, to make huge recommendations that would make big changes to the system, because it could all go wrong. So I think having a really clear path on, you know, this great idea, how do you get there, is critically important.

Chris Bosland: I appreciate that. And although I don't play poker with Director Thompson, 'cause I don't know... I don't, I just... Moving on to Barry.

Barry Zigas: To Ryan's point, nobody wants to crash the system. So I think we all agree with that. And I would say I'm much more worried about no change ever taking place, 'cause this is a really large ocean liner. It's got a tremendous amount of inertia behind it, and we're all just a bunch of very small tugboats trying to nudge it. So absent of radical reform, I think we're talking about incremental changes. And that suggests that things will happen over a period of time. But on the specific products, I think there's a tremendous gap in capital for acquiring naturally occurring affordable housing or other housing assets to protect them for affordable housing development. So it was a quick strike money. The CDFIs that we've been talking about, if they had more capital on their balance sheets, they could make more of that available, more equity. They could be investing it better. So I think that's another gap, just to put that out there. On this question of how do you conform? You know, a couple of suggestions. One is have the members certified. That they've met the expectations of the bank, and let them be, you know, let them sign it, is one way. Having CRA examinations as part of your annual poll seems, to me, a perfectly reasonable... I understand the flaws in those and the weaknesses, that's a different conversation. But I think all of those could be brought to bear. Also, you have been leading the way, actually, here at FHFA on the enterprises. You know, in HIRO, we brought in the duty to serve, which brought a much more contextual, I call it the essay question in combination with the true, false question on the housing goals. But, you know, has been used to try to bring the GCEs into new markets. And we'll see how effective it is, but it's certainly taking a lot of people's time and energy. Similarly, the equitable housing finance plans, which ask them to put their work in a larger context and explain how they're meeting it. The banks may have this requirement, if they do, I'm unaware of it, to have their own plans, identify the needs. And I'm sympathetic to the idea that the Cincinnati Bank's needs are very different than the San Francisco Bank's members' needs. But they should be able to explain, what are the needs this bank is best suited to serve, beyond just helping our members do whatever they tell us they wanna do. It would be a more proactive response. FHFA could review them, could comment upon them, and could track performance on them. You know, these are the kinds of overlays that I think could begin to push the ship in the right direction. And Ryan, I don't think they're, you know, they're not gonna be existential threats to any of the banks. I know you know that and probably agree with that. So I would think about ways you can begin, to Bruce's earlier point, take a stand, right? Begin to lay out a path. We're offering you some suggestions about how. But I think there are ways for the banks to be brought to this work that don't involve radical restructuring or radical change. Having said that, if we can't find a way to bring more obvious and demonstrable public purpose, public benefit to this work, then I think the real legitimate question is what are they there for? Why are we doing this? So...

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Chris Bosland: Well, I don't wanna lock us-

Barry Zigas: I'm hopeful.

Chris Bosland: I don't wanna lock us into only incremental change, but I make no statement as to the outcome. Beth, you've been very patient. Again, I apologize. Go ahead.

Beth Lipson: I mean, our comments focus mostly on filling gaps. That this entity should exist to fill the gaps that are not being met in the marketplace today for affordable housing. And one way to think about it is, I mean, CDFIs exist exclusively to fill the gaps that are not being met in the marketplace today. And they might need a different set of products from the Federal Home Loan Bank than the banks that, you know, that's a piece of their purpose, but it's not the exclusive focus. So you can sort of think about institutional level capital for organizations that are really focused on filling the gaps where, you know, the advanced product is, you know, I've shared the advanced product doesn't really work for our CDFIs with the strict collateral requirements. And so, you might just think about a different set of products for institutions that are, you know, that's their primary focus is to, you know, working in the hardest to serve areas in the areas that are not being met, you know, with the current housing products.

Barry Zigas: Now, I just have to add to what Beth has said, members of the Federal Home Loan Bank System are offering better, more generous, more useful terms for capital to the CDFIs than the Home Loan Bank System is offering, right? And in fact, some of them are being asked to get behind the Federal Home Loan Bank if the Home Loan Bank provides in advance to the CDFI, to their own investments, right? Which jeopardizes other bank investment, which doesn't have all these benefits. So, you know, thinking about what's the role you can play with supporting this sector, I think is critically important.

Chris Bosland: All right, well, I think this might be a good time. We're still in the middle of this, but to take a break, the 15 minute break, and then we'll come back and pick up here. And then maybe we'll talk a little bit towards the end about governance issues, structure, before we wrap up. So this has been great. I appreciate the spirit in which this has been conducted, and let's just, we'll meet again in 15 minutes. Thanks. Yeah.

Announcer: Five, four, three, two, one.

Joshua Stallings: All right, and welcome back, everybody. Thank you for the first half of the discussion. I think we got a lot of good thoughts and details on where we can consider to think through as we're moving forward. As we kind of jump into the back half of this discussion, we are gonna kind of start off again with, you know, back to the future, I guess, right? We're gonna look, a little bit forward looking, as we continue moving forward here in terms of what the future of the banks should be as we're thinking about mission. And then we'll pivot a little bit for the remainder of the session to kind of talk a little bit more about governance and other types of concerns. But that being said, I'll turn it back over to Chris, who, I think, has been doing an okay job. So...

Chris Bosland: No one's thrown anything yet. We'll keep it until the next part. Well, you know, so keeping with, you know, Megan kindly went first and talked about what her mission statement would be. You know, let's hear from maybe someone who's more status quo oriented. You know, and I don't wanna put words in your mouth, Rebeca, but maybe, you know, what would your, if you, you know, could just write on a piece of paper, what's the mission statement that you would see? Would it look a lot like the current situation, or would you see some changes?

Rebeca Rainey: Well, I think there's always opportunity for evolution, and I think, was it Barry, that you talked about incremental opportunity here. And I think it's, it's imperative that we think about what else could be done or how we become more effective, ultimately, in meeting the goals. I guess I am just mindful of ensuring for the community bank perspective and the communities that they serve, that we, we not break what is working in terms of providing in needed liquidity and access to capital for mortgage financing, for access to affordable housing for small businesses. That that piece, that continuity remains, and that we take maybe the lessons learned from why that has worked to where the impacts have been the greatest, and how do we grow from there. And I think that's really, for me, as I reflect on this exercise, it's about getting better in terms of the ability to make that impact on the ground as we move forward. And welcoming and embracing the opportunity to continue to evolve and look at new and different ways to do this.

Chris Bosland: Is anyone anti... getting better? No, Barry, did you have-

Barry Zigas: Years ago I had someone come in to help my organization with strategic planning, and we were gonna develop a mission statement, and he said the best mission statement I ever read was from the US Army, which is, our mission is to find the enemy and kill him. And I don't know if that's true or not, but it was a great introduction to what mission statements should be. And I think they should be short, sweet, and to the point. And I don't really have one written out. But I think we've talked about, you've heard me say, I think the mission of the bank should be to provide liquidity for the purpose of advancing affordable housing, equitable community development throughout the country. Maybe it's just that simple. But I always thought that was the mission of Federal Home Loan Banks, to be honest. And I think what we're discussing is the fact that it's gotten very, over the years it's changed, it's expanded, the membership's changed, and it's without that guidance, I think, it's allowed the system to move on to areas that I think are outside of what was originally intended for it to be.

Ryan Donovan: Well, I would just comment on that. I think it has changed over time. You know, sometimes one of the things is that as someone who's relatively new to this system, I get a chuckle out of, is whenever the accusation is made that the Home Loan Banks don't wanna change or the system doesn't wanna change or stuck in your ways. You know, but the fact of the matter is, they have changed a lot over time. Congress has

directed a lot of that change, and Congress is, you know, the one that's ultimately gonna decide what the mission of the system is. They have decided that. Whether it's through the expansion of membership eligibility or you know, some small changes to collateral for community financial institutions. I mean, Congress is, it has spoken through the years and I'm sure will continue to speak going forward. I'll offer, although you didn't ask, I'll offer a mission statement. And I think it largely is, if I had to write the mission statement for the system today, this is what I would say. And I think this is as relevant today, as it will be tomorrow. Federal Home Loan Banks support the critical mission of housing finance and home ownership and contribute to the very important work of addressing affordable housing. I think that's what I see in my short time with the system. I see them doing through their service to their members, through their contribution to AHP, to the voluntary programs. You know, Beth and Megan have talked a lot about gaps and things that could be served. And I think that, certainly, the system is trending in that direction through the voluntary programs that they do above and beyond AHP. And so, that would be my mission statement.

Chris Bosland: Thanks. Con, how about you?

Cornelius Hurley: You've kind of articulated mine. Here we go. The mission of the system is to foster a supply of adequate housing for this country, and do such through financing members of the Home Loan Banks that are also doing that in their own missions.

Chris Bosland: Anything else? We talked a little bit about collateral and whether it should be more tightly or perhaps more loosely, differentially, by entity type or purpose. And I'm gonna probably regret doing this, 'cause I still have the scars from the last time we talked about membership. But... You know, as we think, I mean, Barry, you've made the point a couple of times, as have you, Chairman Morrison, about savings and loans back in the '30s. That's no longer the case. The population's different. You know, well, what should we do about membership going forward on, again, now we can ignore Congress for the moment and yeah, I mean, should we expand? The phrase infinite wisdom comes to mind. I don't know why. Expand membership or narrow membership? You know, we talked a little bit about smaller members. Any thoughts on that?

Barry Zigas: Well, I said this in my written comments. I think the question of what should the membership look like, should come after we decide what's the principle purpose of the system? And then, you know, let form follow function. I don't have a great recommendation on that. I just have the observation that the members of the bank board, of the system today, are not providing the overwhelming amount of mortgage finance. And so, if the mission statement gets focused on providing liquidity to finance affordable housing and equitable community development, then I would say any institution that wants to take the money for those specific purposes, ought to be

considered for membership. But I think we have to get the purpose of it down first, before we talk about who should be a member and who has access to the funding.

Chris Bosland: Megan, go ahead.

Megan Haberle: Yeah, so I just wanna make a specific point, which is around the role of community reinvestment obligations. And I know there's been a lot of conversation around, you know, independent mortgage companies potentially participating in the system. The fact that they don't have a community reinvestment obligation similar to the one that depository institutions have, or that, you know, CDFIs also have their own, you know, sort of community investment obligations, is really concerning because you're, you know, just providing a flow of funds to those entities that are then, you know, competing with entities that do have a community reinvestment obligation. Both with that, you know, statutory framework in place that sort of goes beyond just that floor of fair lending and even whatever you're doing to track the advances, you know, and is making sure that entities are serving their communities adequately. So that's something we really think is important to consider, you know, for any new kind of members that are knocking at the door.

Chris Bosland: Okay, so now I'm following you. So for new members, not as, I was wondering about the layering, but I see now you're talking about additional members.

Cornelius Hurley: Picking on that point, that's why I suggested earlier that we have this large contingent of members insurance companies that are not subject to the Community Reinvestment Act at all. Suppose they were, and by the way, if insurance companies were not already in the statute, there'd be no way in the world to admit them to this organization today. But they're there, and you have to deal with it. But perhaps that process of imposing CRA-like standards on insurance, could lower the barriers for entry to other non-bank participants. As Barry was saying, we have to recognize that 65, 70% of the mortgage originations are being made by non-banks that have nothing to do directly with the Home Loan Bank System. So why not use this CRA nexus, whether it's to insurance companies or to credit unions, by the way, or to other entities in the infrastructure that are out there and could contribute to improving the supply of housing?

Chris Bosland: Now, Beth, are you, your card is half and half. I don't know whether...

Beth Lipson: Oh, right. No, yeah. I mean, I agree with Barry that you need to think about the purpose before membership. But one point I did wanna make on membership and CDFIs, is there are less than 70 loan funds that are currently members of the Federal Home Loan Bank. And there's around 500 certified CDFI loan funds, and you know, most of them are the larger and midsize CDFIs. And you know, one of the points was, you know, we need to get this capital to CDFIs or to folks on the ground addressing the affordable housing crisis. And so, I think you do need to think about reaching small and large CDFIs and other institutions, as well as thinking about the different communities. If you're trying to serve, there's a lot of home ownership challenges in Native communities. Those are mostly smaller CDFIs serving those communities. And so, you do need to think about the reason they're not joining is because the products don't work for them. And so, you need to go back to, you know, why are folks not joining the Federal Home Loan Bank that are working on the ground trying to fill those gaps?

Chris Bosland: Rebeca?

Rebeca Rainey: I would echo what Megan said, just in terms of I think as we look at that CRA eligibility and ability to confirm that, you know, to best point those needs are being met through the advances. I would also say that from a membership eligibility perspective, we need to keep in mind the risk profile of that entity and what that means in terms of both their desire and why they're wanting to access the system and over the long term, does that contribute to the safety and soundness of the system.

Chris Bosland: Ryan?

Ryan Donovan: I was just gonna raise the safety and soundness issue so I don't need to repeat it.

Chris Bosland: Thank you. Bruce.

Bruce Morrison: Well, I think we have to keep in mind that this is a wholesale banking system. I mean, this is, these are banks, and there's a certain structural model. This is not a grant giving institution. It's not another kind of financial institution. And I don't think we should be talking about trying to turn it into something else. If there's something else that ought to be created, then there's something else that ought to be created. So it ought to be within the ambit of what a bank can conveniently do. That obviously has safety and soundness issues. Although it does not necessarily mean never losing a dollar on an advance, because that's not, I mean, real banks lose money on loans all the time. So the idea of never losing anything and therefore having a risk approach that's so risk averse and so collateral intensive that you don't take any risks, but you do take risks on your investments, but that's another subject. So, I think that we oughta make sure that we're sticking to that. And then the question of membership, Barry is, of course, right, that you can't really decide who should be added if you don't know what it is you're trying to get more of. But it is very important that the additions of membership are consistent with this idea of gap filling. So that if it's, I mean, people would like to join the, you know, whether it's the captives or whether it's, whether it's mortgage companies, it's a gravy train, and people would like to get on it. So

that's not the right incentive for having people join, nor is it the right incentive for having people remain members. So be careful, because this could turn into just the solution to the problem of, we want more. I mean, they're getting it, why don't we get it? And that's a very real problem in terms of the current system, because it doesn't have the gap filling focus.

Chris Bosland: So to paraphrase, the answer to corporate welfare is not more corporate welfare? Is that-

Bruce Morrison: You said it. But I wouldn't disagree.

Chris Bosland: Again, do not hold me accountable.

Barry Zigas: I know it's out of the mouth of lambs, but that's exactly what we're talking about.

Cornelius Hurley: That's exactly what we're talking about here, is corporate welfare bestowing a government benefit on private enterprises without expecting a commensurate public return. And that's, if you boil it all down, that's what it is. Corporate welfare.

Chris Bosland: Ryan, go ahead.

Ryan Donovan: I mean, Congress established the Federal Home Loan Bank System for a purpose. It is a public private partnership, and it provides public good. Ask any of Rebeca's members what they're able to do for their communities, for their customers, as a result of their Home Loan Bank membership. The impact is significant. The impact is significant through AHP. We hear it could be more. The banks have been trending in that direction by meeting their statutory obligation and by contributing in excess of that, both to AHP as well to voluntary programs. There are gaps, no question about it. That is a real value of this conversation and this process, is to hear that. But to say the system is corporate welfare, I really think does a disservice to the folks on Capitol Hill who have been overseeing this for the last 90 years, who have set the system up, allowed it to evolve, encouraged it to evolve, in so that it supports and sustains community development activity, affordable housing and home ownership. It's a critical part of it. And a few minutes ago, someone asked if we were going to start it from the beginning or would we create it this way? Not sure, but we've got it today. It's working, and I think this process is about making it better. It's not corporate welfare.

Cornelius Hurley: Well, then, if it's such a critical part of the operation, then why not make it a core part of the operation? Not an afterthought, not a percent of net income depending on whether you've had a good year or not. Bruce, to Eric, Eric to echo Bruce's comments, make affordable housing core to its mission, by all of the ways that we've been articulating today. But having it as an afterthought, leads to the gamesmanship that we were just talking about. Every time the banks are gonna vote on the side of dividends rather than affordable housing. Bring the two into balance. 50% wouldn't kill ya.

Chris Bosland: Rebeca, did you have something to add, or is your card still turned from before? It's turned. It's okay.

Barry Zigas: Yeah, I would just comment, I don't think we really spent any time yet at all about this question of the structure. I guess you're gonna move to that. But there is something inherently odd about having a federally sponsored organization that's owned by its clients, right? And who receive dividends based on the success of the operation in its business success. And I agree with Con. You know, there is always in that kind of arrangement, a pressure to both underwrite to the lowest common denominator, or highest, depending on your point of view, the safest, right, to restrict losses and to push dividends as high as possible. And those are potentially in conflict with the expectation of a public mission. And we've addressed this with Fanny and Freddy. It's not unique. But it is, in a sense, generic to government sponsored enterprises. And I think the real challenge is not to question whether there are some benefits, but to question whether the benefits, Con said, justify the revenues that the member banks get by self-governing, in effect, by being able to decide what their source of liquidity, what level of profitability their source of liquidity should have, so they can share that with me, in addition to the liquidity. Now there's an inherent conflict of interest there that I think has to be acknowledged. And I don't know how to address it, but I do think it's one of the peculiar aspects of the system. In the other GSEs, we had it with shareholders versus the companies, right? Versus their public mission. Much more diffused, in some ways, easier to manage. But then, the shareholders voted with their feet, if you will, or their wallet. These are organizations that get to control the decisions the boards make. And they're self interested in those decisions they make. That's, to me, a curious governance issue.

Chris Bosland: Yeah, no, and I think that is, that's a governance point that I'd like to take up a little bit more in a few minutes. Before we move on from what the thoughts about the mission should be, regardless of what you think the mission should be, you know, any thoughts as to how FHFA can evaluate whether they're, in fact, achieving it? I mean, if it's liquidity, or affordable housing, community development. Any thoughts on how we could measure that?

Barry Zigas: Well, I made one suggestion, which is require things like the equitable housing plans, the duty to serve, you know. Be explicit, you know, lay out the expectations for what fulfilling the public mission is supposed to look like. Ask the banks to explain how they assess that in their particular markets and what they're doing to address it. That's just one modest proposal that shouldn't be very hard to implement, I wouldn't think. It may not be the best solution.

Cornelius Hurley: At the Boston Bank, we developed a new program called Jobs for New England. And in my tenure, it created 10,000 new or preserved jobs. And we tracked that very, very meticulously, because we were very proud of it. And I think you could use the same management information tools to track whatever the new mission is. If it's supply of

housing, well, a house you can see, you can touch, you know, you can track that. If Zillow can do it, I'm sure we can do it within the four walls of this building.

Chris Bosland: Bruce, is that leftover from before? Okay. Thanks. What about measuring AHP? Beth, any thoughts about that, in terms of whether they're achieving?

Beth Lipson: Yeah, I mean similarly, you know, CDFIs measure, you know, housing units, they measure the percentage of their units that are affordable, that they either, you know, build, preserve. I think these are the kind of measurements, you know, that we're talking about that would have some accountability in the system. So I think there does need to be accountability, both in AHP and in the advances. I think that's what we're saying. It's, you know, not just accountability in the AHP program, it's gotta be, you know, broad, across all of the programs. Because that, you know, that's how it's measured. And so I think, you know, looking, you know, to some of the things that are already measured out there, you know, in the industry as it, you know, relates to trying to create and preserve affordable housing.

Megan Haberle: Yeah, I would point, again, to the community support program regulation, and I think there's, you know, an information collection forum that travels out to the members and it tracks something. Some of them is just, like, a yes or no answer. Like, are you, you know, are you investing in this category or not? But I think that could be fleshed out in a lot more detail and given a lot more, you know, numerical clarity, as opposed to just sort of yes, no answers. And, you know, include a broader number of categories. So again, not, you know, not only first time, you know, home buyer loans, but also, you know, first generation down payment assistance and sort of other things that we would want to see supported as well as, you know, potentially being used to track the advances more broadly across the board.

Barry Zigas: I think it's important to acknowledge that FHFA has made some steps in this direction, right? The establishment of the housing goals for the mortgage purchase, you know, for the member asset acquisition program. Very important step. And again, modeled after what we expected from the GSEs. And unless I'm mistaken, all of the banks have criteria for their AHP. They have ranking systems, point systems. I'm not familiar with all of them, but I believe they have them. And it's an example of how you can create accountability systems. Unfortunately, to Con's point, it's the tail, you know, it's focusing a lot of energy on the tail but not really on the dog. And so, thinking about more ways to figure out, well, what are the criteria for which advances are being offered? You know, what evidence do you have that it's being used that way? What assertions or certifications do you have? I don't think those are impossible systems to establish, but I think we could acknowledge that FHFA has made some steps in this direction, and I congratulate you for that.

Chris Bosland: Before we leave the AHP, you know, something that struck me, this is, the team's going nuts again, in the listening sessions, we heard what I thought was an interesting idea, and I certainly haven't thought it all the way through. But one of the speakers suggested, we heard a number of speakers talk about the complexity and compliance costs of the AHP program, as it exists today, at least. And one person suggested outsourcing it. I was curious if this panel has, you know, rather than being run by the banks, is it, is that a feasible alternative?

Barry Zigas: Well that's kind of the approach that was taken with the assessment on Fannie Mae and Freddie Mac. Okay, and that money just goes directly to the National Housing Trust Fund and the CDFI fund. When I was at Fannie, I actually didn't think that was the best leveraging of what Fannie Mae and Freddie Mac could bring to the party. I got outvoted, and it is what it is. I would say the same thing. The system, what we want is for the system to be, to bend itself to meet these needs. And to the degree you can satisfy that by writing someone else a check and telling them to figure it out, I think we're missing a huge amount of potential value. Now, I haven't thought deeply about it, outsourcing, maybe it would make sense, but my first reaction is, no, I want the system to be invested in the outcome of these products. I want them to have engagement with the clients who take benefit from it. And I want them to be encouraged to find other ways to support them through the basic business of the system, which is where the real money is.

Cornelius Hurley: Can I-

Barry Zigas: Just like I think the housing goals are a far more important contribution than any assessment you could make on the enterprises.

Cornelius Hurley: I agree entirely with that. However, if I'm thinking of the same speaker that you are, he was from Iowa, and he was making the point that Des Moines doesn't know what's going on in Anchorage or Honolulu. There's no connection there. But that there is a place, you know, if they're adding value to have that degree of oversight as to whether you can consolidate it. What I'd put on your plate for further research is backing up his numbers. He had some fairly amazing statistics of the amount of staff resources that are devoted to AHP in each of the 11 banks. As part of your project, I would recommend that you run down those numbers, 'cause if they are as alarming as he says, then that may influence the outcome of the discussion.

Barry Zigas: And would have to be balanced with the judgment as to whether it'd actually be any cheaper to have somebody outsource it.

Cornelius Hurley: Right.

Barry Zigas: To outsource it to someone else with all the other expenses that would involve.

Cornelius Hurley: Right.

Chris Bosland: And without committing, Joshua, I think that might be on the vein of a future round table on potential efficiencies, but yes.

Cornelius Hurley: I hate to add to your workload, but I have another item here if you want.

Chris Bosland: Yeah, like I said, another round table. Go ahead, please.

Bruce Morrison: Yeah, I don't really think it's what goes on in Des Moines. It's what goes on in Honolulu with the bank that's involved in the AHP grant. I mean, the value of AHP, aside from just being a certain amount of money, is relationships and activities by member institutions that get the grant, you know, get the money to provide to the project. One hopes it also builds banking relationships between the developers of the projects, et cetera. So it isn't really Des Moines, that's the key. It's whatever... Now, it's a minority of the members that participate actively in seeking to sponsor loans and grants. But nonetheless, I think it should be, if the system has a value, it's in the membership and the reach of the membership into all the communities in the country. So if, you know, Fannie and Freddy are completely different institutions, they're commodity vendors and they work at a national level. If the bank system has any value, it has members and members are in communities. They may or may not take advantage of that, and we may not get the advantage of that. But if you start to just turn it into a totally finance machine, then you've lost the only thing that's really valuable.

Chris Bosland: All right, well, looking at the time, maybe we'll swing now to the structure and governance, some questions about that. You know, I'm struck, you were, I don't know who started it, but the discussion of would we create the system? I mean it's, at first blush it seems kind of inefficient in its structure and convoluted, but on the other hand, I am struck that it's also when you're designing a system, you'd like it to fail in the least bad way. And you know, we've seen close to home here in this building, some other failures that-

Barry Zigas: Built for failure.

Chris Bosland: Where, but you know, the Home Loan Banks, you know, it's got some, you know, it's hard to fail, but it's, you know, and it's not, it may not be impossible, but... It sort of equilibrates to some extent, and it's got a self sort of, weirdly, in my view, it sort of protects itself, in a sense, by having not a single point of failure. But... We heard a lot at the listening session about the geo, you know, the geographic, the importance to a lot

of the, at least the member speakers of the geographic orientation. So I just wanted to raise it for this group, what are the advantage and disadvantages of this sort of geographic structure? Chairman Morrison, you just alluded to the local nature. So I mean, that's part of it, but anybody else have any thoughts? Ryan, do you?

Ryan Donovan:

Yeah, I, again, new guy. But kind of perplexed about the calls for consolidation and the accusations of inefficiency. The calls for consolidation seem to run counter to every public policy discussion I have heard about bank consolidation, you know, in recent memory. There is not a human cry in this world for the United States to have only four banks. And if you apply that to the Home Loan Bank System, I think it's important to recognize that having the number that we have with their regional structure is of great value. They know their members. They operate with efficiency. Between 2017 and 2022, they had a cost income ratio between 20 and 35, which is best in class among institutions. That's among the large institutions. It's been resilient, as you have just pointed out, through all sorts of economic cycles over the last 90 years. So, you know, I scratch my head when I hear folks talk about this. I'll be interested in this conversation, 'cause I know that the folks around this table are not without their opinions on this. You know, and certainly, there are some places where national scale can be beneficial, and I think we've seen that through the work of the Office of Finance, the Chicago Bank's Mortgage Partner Finance Program that involves six banks. And there may be opportunities to, through regulation or changes in law to allow the banks to do more collaboration, to drive the efficiencies even further. But I think there's tremendous benefit to the regional approach. And again, I'm just, you know, in this post financial crisis period, kind of scratching my head about why would we concentrate it into a smaller number of institutions.

Cornelius Hurley:

Quick answer is that the reason we don't want to consolidate all of the banks in the US into four, is for competition reasons, okay? Competition is absent in this industry. So there is no competition. Moreover, there's only basically one product that they're selling, and it's highly regulated. So there's, a lot of the costs goes into compliance. And if you can consolidate all of the IT functions, which are enormous, along with the AHP function, if you can consolidate 11 CEOs, each of whom is making between two and \$3 million, and their C-suite crowd that are also making enormous, out of proportion salaries compared to other government agencies, then yeah, by my estimation, conservatively, there's at least a billion dollars a year in non-interest expense that could be saved by consolidating the Federal Home Loan Banks. But as Barry has been saying, and as you've been saying, don't do that until we decide where we're going, where you decide where we're going. 'Cause we may wake up and say, "Oh my God, wouldn't it be great if we had a bank in Des Moines?" You know, to connect us with the housing industry, the housing supply industry, the environmental remediation industry, all of these stakeholders, as it were, that we're not even talking about. And local presence might be important in that regard. So I would say, I agree with Barry. Yeah, consolidate, but only as a last resort. And if you have to consolidate, maybe you don't need it at all.

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Chris Bosland: Just to be devil's advocate, I mean, is it possible, is there anything, would there be anything to be gained from a hypothetical holding company type structure that could eliminate some of the costs you're talking about while preserving, you know, sort of a sort of regional geographic presence? So you have people on the ground that know the community. I mean, other organizations function in that way. I just, you know, you know, just curious as to...

Ryan Donovan: Are we adding work for Josh? Joshua?

Cornelius Hurley: Well, it would still be, it would be a holding company, but it would be subsidized by the government. So you wouldn't be taking away the moral hazard question. You'd just be-

Chris Bosland: Right. Yeah, we'd just be moving it up. And since, you know, in the hypotheticals, you'd be, perhaps, eliminating some of the redundant costs.

Cornelius Hurley: Oh, oh yes. Sure.

Ryan Donovan: What problem are you trying to solve, though?

Chris Bosland: Well, I mean, I'm not endorsing Professor Cornelius.

Ryan Donovan: Right. No, I'm asking a question.

Chris Bosland: But there are a lot of costs and then, hypothetically, you could address. and this may be the topic of the-

Ryan Donovan: The members find value in the banks, they contribute capital, they're a part of the governance that oversees the operation. So what problem are you trying to solve?

Cornelius Hurley: Can I try an effort at, can I answer or try to answer quickly, Ryan's question?

Chris Bosland: 25 words or less.

Cornelius Hurley: 25 words. Okay. Earlier today, I tried to represent shareholders. Now I wanna represent depositors. OF, just yesterday, announced, "Guess what, advances are through the roof." "Why," they said? Because deposits are down, as though deposits were driving advances. No, if they weren't taking advances, banks would be paying more interest into their communities, to their savers. I think a party that you need to reach out to is AARP. Those savers are not interested in some of the other programs, but they are certainly constituencies, stakeholders, that need to be part of this discussion, and they're part of the governance. And if your local connection tells you that our savers locally need alternative products to invest their funds, that's market intelligence that you need to know, but it's not reflected in yesterday's numbers from OF.

Chris Bosland: Rebeca.

Rebeca Rainey: I assume as we move forward in this process, there's an opportunity to think about efficiency. But I would argue that core to the success and the value of the system is the regional perspective that each of the banks bring to the table. I think if you were to eliminate that, you are restricting your ability to accomplish the mission. Because as we think about what we do, that unique perspective, the knowledge on the ground, the responsiveness that you have when you're working with folks that are aware of those unique, local challenges, that engagement, the ability to manage concentration risks. I mean, everything within the structure and the geographic representation, I think, is what enables the ability to live through and execute on the mission. I think without that, you're not able to meet that to the same extent or need.

Ryan Donovan: You know, the argument that we are somehow depressing deposits and banks, I think it's just false, Mr. Hurley. It costs a lot more to borrow from the Home Loan Bank than it is to pay for those deposits. The system has about a trillion dollars in advances compared to almost \$20 trillion in total deposits in the banking system. You know, we have a, and Rebeca may be able to speak more to this, but you know, we're in a high inflation environment right now where folks are spending down savings to afford to live. And that could be a cause for deposits going down, for the banks needing to access the Home Loan Banks for greater liquidity. I mean, those numbers are dynamic. The balance sheets are designed to be elastic. But this, I, you know, it costs more to borrow from the Home Loan Bank than it does to pay the deposit.

Cornelius Hurley: I would simply ask our colleagues from the FHFA to make a point of looking at some of the bank's blatant marketing materials to their members as to why they should borrow from them, the Home Loan Bank and not borrow from depositors. It is, it will make even yours, and as it did mine, hair stand on end, right? But it is such a disservice to depositors that I think the depositors are in the background here, just as shareholders, as tax payers are.

Chris Bosland: So I think we've heard both points. Bruce, can we with you?

Bruce Morrison: I think this consolidation thing is a straw man, and it shouldn't consume a lot of time. Either this is a cooperative system or it isn't. Either it's capitalized by its members or it's not. If you wanna move to a completely different idea of capital like Fannie and Freddy and having private shareholders who now are really in a funny place, you can do that. But as long as it's a co-op, then this is a co-op decision. And I've, you know, I might have an opinion about whether there's money to be saved by consolidation, but I think it's always been a mistake to sort of try to squeeze out, you know, this extra money for AHP or this extra money, as opposed to there's a trillion dollars of assets here that should be mobilized for a public purpose, the right public purpose on which you're ultimately gonna decide. And in that picture, whether it's 500 million or a billion that gets spent on administration, really doesn't amount to anything. What really matters is how is a trillion dollars used? And in my experience when I was chairman, everybody looked at the 300 million or the 150 million or whatever it was that year for AHP, and getting people to focus on what was then 600 billion, but now's a trillion in assets, and how is that being mobilized? So I think that's the big picture. And I think if you sort of enter into the consolidation politics and all of the reasons that members like to be members of a more local institution, whether they're right or wrong, if they wanna change that, they can. They can come to you and say, "We want consolidation." So I would just leave this one at the door and move to the, you know, really focus on that big question. How do you mobilize that trillion dollars?

Chris Bosland: Barry, you, but I did want to come back to you on your point about the conflict of interest, you, earlier you raised, so.

Barry Zigas: All right, well I was gonna let this one go, but to Con's point, you know, as a saver who was offered a 0.3, a three basis point return on a 13 month CD in this summer, right as inflation started to go up, one of the differences is, I'm not sharing any of that interest back to my lender, right? But if you're in the system, you know, you're basically entering into a borrowing in which you get some of the benefit of the profit. And so, there is an inherent conflict of interest in where you choose, to me. It's not just a straight, you know, depositor or anything. Believe me, they are not, nobody's offering me, you know, the kind of rates they're offering, you know, they're getting advances at. So I think it's more complex than that. And I do think this question of how you separate the interests of the owners of the system from the interests of the beneficiaries of the system is critical. I don't know how to solve it, but I think it's, you have to confront it, and we have to acknowledge it. The other issue that has not come up is multi-member districts. So members who are in multi-districts, right? And are able to draw, you know, from a number of different Home Loan Banks, which sort of works against the argument, well, their biggest strength is their local familiarity and their ability to work locally. I actually agree with that, and I would hate to see, you know, an ill thought out consolidation just for the sake of consolidation that would leave, that would eliminate the opportunity to have more specialized regional answers to questions that are not the same in New York as they are in Topeka. I mean, we all acknowledge that. But I'm, I think there's another part of that, which is then why should big national banks be able to be members of several Home Loan Banks at the same time, just by virtue of the nature of their holding company? If I've misunderstood how that works, I'm happy

to be corrected. But that's what I see. And I agree with Bruce. I mean, the question is just how do you bring these assets to bear? I mean, let's not fiddle on the edges of the structure. Let's fiddle on the purpose of the institutions.

Chris Bosland: Okay. I want to probe a little bit more. But I do wanna get Rebeca in here.

Rebeca Rainey: I'm sorry.

Chris Bosland: Oh. I meant Beth.

Beth Lipson: I mean, I feel like we're going a little bit into governance, as well, because I mean, I agree that there is a benefit in local, you know, market knowledge and connection, but you need to make sure the people around the table are fully representing the local markets that you're representing and that that is, you know, the markets that are traditionally underserved. And I think they are not at the table at the governance of the organizations now. And so, I think you do need to broaden the governance structure if you're keeping the local markets to make sure, you know, whether it be rural communities are represented, or communities of color, you know, CDFIs, other affordable housing lenders. They're sort of part of the governance of these entities so that they are represented, you know, at the table when decisions around, you know, dividends or AHP or deposits are being made.

Cornelius Hurley: To voice this point about the cooperative nature of it, the retained earnings of the system now is, what, about \$28 billion. A lot of the members think that that's their money that they can just dividend to themselves at their will. Again, speaking for the taxpayers, it wouldn't be there. Those retained earnings wouldn't be there if we hadn't guaranteed their debt over decades. So don't tell me that it's yours to take home. We have to have a serious discussion about that

Chris Bosland: It's also there 'cause the finance agency beat 'em over the head to increase the retainer earnings. But anyway, I'll let Ryan...

Ryan Donovan: I don't even know where I want to begin. The groups that you mentioned are at the table at the Home Loan Banks through the independent directors and the public interest directors. They're part of the governance, and they're part of those discussions. The retained earnings are a buffer against losses, as the agency has just mentioned. It is their capital they paid in. And this guarantee that you mentioned, I think it's very important not to lose the word implied. It's what the market assumes. It's not an explicit guarantee.

Chris Bosland: Beth, did you have any particular recommendations for how, I mean, Congress has unfortunately specified from my, again, my point of view, a very complicated way of allocating seats and so forth. It occupies a

lot of time for people in this building, an inordinate amount of time, in my view. But just curious, I mean, under your view, like what, how would you see it working? What kinds of improvements?

Beth Lipson: I mean, I don't know all the specifics around how all the seats are allocated.

Chris Bosland: Very few people do.

Beth Lipson: Yes. But I do think when, I mean, it goes back to the mission and purpose, and the mission and purpose is to address the affordable housing, you know, challenges. You need the folks around the table in various aspects of governance that are addressing those. And so, you know, having more voices and, you know, that there's different levels of governance. But if you're keeping a system of independent banks working regionally, I think having all the voices at the table on how to allocate funds, how to, well, you know, what the percentage of the AHP should be, you know, and other things like that.

Chris Bosland: Ryan, I'll give you, quick to join her.

Ryan Donovan: Yeah, I would just say in my brief experience with the Home Loan Bank System, I have observed an eagerness to have those types of conversations, and you know, that has been something that's impressed me. So I think that there's something more that we can talk about there.

Chris Bosland: Megan, go ahead.

Megan Haberle: Yeah, and I, you know, I don't have that much experience with this either, but I think just looking at what the current requirements are for board composition now, you know, I think those community based members have a very marginal presence just looking at the numbers and also looking at what the baseline requirement for them is. Like, I think at this point, it's, like, a few years of experience of some sort in connection with the community. So just contrasting that, for example, with the affordable housing advisory councils, which is a much more robust community facing type of board. You know, they're advisory boards, and they have sort of a limited purpose. But I think there's a really striking contrast there when it comes to the board composition requirements, and it really merits a closer look at the board composition standards as a whole.

Cornelius Hurley: I think it's a mistake, speaking from the background of 14 years as an independent director, I think it's a mistake to rely on the fact that there are independent directors and public interest directors and think that they, those people are there representing the public, because they, at the end of the day, they are elected by the members. And I can attest to the independent directors that I know of, they very much view themselves as representatives of the banks and not of the public interest. So I think that entire

regimen of independent and public interest director needs to be revisited. I know there's legal issues with it, but...

Chris Bosland: Yeah, well, that raises the question of what does independence mean here?

Cornelius Hurely: Well, yeah, independence, at the end of the day, you're elected by the members, right? So you know, and you have to answer to those shareholders. And if the bank says that your interest is in the interest of the bank members or the insurance company members, then the fiduciary duty gets, if the taxpayers think that because there are independent directors on any board, that protects their interest. That is simply not the case from my 14 years of experience.

Chris Bosland: Bruce, go ahead.

Bruce Morrison: Well, this has an interesting history. When I was chairman, we appointed the independent directors, and that was a partially political process, as you might imagine. White House personnel had an interest. But this was a reform, this election reform, but it didn't maintain anybody monitoring the public interest. So no, to whatever extent we should or shouldn't, as the regulator have appointed those directors, and I never thought it was as bad as GAO thought it was, but we, at least, our perspective had a public interest. It was a public interest perspective that we had. Now maybe, and I would say we tried to introduce a diversity that was not present at all in the bank boards that had been appointed before or that, you know, get elected, generally. So if you want to get at this, you're not gonna get at the problem unless you change the banks electing the independent directors, because they're not independent. I think Con is right about that. And that's a statutory problem. And whether or not this is really central, but it's certainly correct, that the AHP advisory process is far more diverse and reflective of the interests of people who are served by the AHP program than anything that goes on at the director level.

Chris Bosland: But I do want to, before we leave this topic, get back to the question that came up to my mind when, Barry, when you were talking about the inherent conflict. You know, it's always been there. So I guess the question I would have is, I have my own views, but the agency's entitled to those by virtue of my paycheck. So I don't need to... I mean, what do you all think is the difference today, right? I mean, it was always a self-interested thing, but it seems, if I took the gist that there's something different about that today in terms of the degree to which there may, in your view, sort of self-dealing or dividend seeking. But what changed?

Barry Zigas: Well, I wasn't around in 1932, although sometimes it feels like it. But at that time, to Bruce's earlier point, you know, this was a wholly owned operation by banks that could only do one thing, right? Invest in residential real estate. All right? Now you have very disparate interests represented at the bank level. They're all members. And so, yes,

you're right. The conflict was built in, that's true of any cooperative structure. And there are pros and cons to cooperative structures. It's just something that I think we need to pay attention to. And they're a regulated cooperative, and I would say active regulation to make sure that self-interested boards are acting in the broader interest of the government's support, is one of the keys to this. You know, there are pros and cons to every organizational model. I'm not saying this one's not worth having, but I do think it's worth acknowledging that in this conversation about where do the benefits flow? There is a built in bias, in theory, all right, practice, maybe it's different, but in theory, to make sure that the goodies come to those who are sitting there to benefit from them. And the argument is this helps increase safety and soundness. They're looking out for risk. In my experience, that often makes them risk averse, right? To a risk averse. So I think this is where a regulator, I think, can play an important role, right? Is in moderating what we have to understand, our self-interested tensions in boards that are run by the people who benefit from their activities.

Cornelius Hurley: I think that's... I think we have to be true to ourselves. Ryan pointed out that the guarantee from the taxpayers is only implicit. But let's be truthful. Ryan, go to the OF annual report for 2021, and look at the first paragraph, and it says that the Federal Home Loan Bank System operates without government support. It says that. Without government support. Look me in the eye, and tell me that the Federal Home Loan Bank System would exist tomorrow if there were no government support.

Ryan Donovan: I would suggest that there are a number of industries that would've had a hard time existing without the same type of implicit guarantee that the market builds into the Home Loan Bank System.

Cornelius Hurley: So the point of this discussion, I think, responding to Chris's comment, is what, how can we change things? We can change things by waking up and realizing what's going on here. We have a public mission, we are supported by the taxpayers, and it's a cooperative, and this can work. It's worked in the past, and we can work if we adapt it to today's circumstances, not treat it as a cloistered club that nobody can bust out of.

Chris Bosland: I just want to go back to the point of what's changed. 'Cause it's still, you know, is it the investment portfolios? Is it the presence of a broader membership, many of whom, you know, I've got the numbers that don't actually borrow. So there are kind of, so I just don't know. Bruce, did you?

Bruce Morrison: Yeah, well I mean, remember there was much more, much worse conflict of interest that came to an end in the 1980s with the S&L crisis. And that was that the Federal Home Loan Bank Board and the insurance, the FSLIC and the banks, I mean, they regulated the members, and they... They brought down the S&L industry in a variety of ways. So that was that conflict. Those conflicts were broken up. But for the period from 1932 until 1989, the members didn't run the banks. The banks ran the banks, because

the banks were the regulator of the members. So the members really, whether they were on boards or not on boards, they weren't telling the regulator how to behave. So it was just completely different. This is a post-FIRREA situation. The expansion of the membership beyond what it had been, the expansion of the use of advances beyond what it had been, the expansion of investment portfolios from 10% to a much more substantial number. And all of that has changed. So the conflict is there, but I think that that conflict can be managed by the regulator. I think the value of the cooperative is real. There are other models, but stockholder owned entities have different problems. And we saw that in Fanny and Freddy. So I don't, there's no magic. I think Barry said that. I would just decide what should the regulator do to deal with the conflict? And that may be more heavy handed than the rules are now. But I think you can deal with it.

Rebeca Rainey: Well, and I would just ask, is it potential for conflict or conflict? I mean, what is it that we're trying to solve for? We've discussed how unique the system is and entitled, intended to be this cooperative public, private partnership. So just the fact that they're, I would try to focus the question more specifically in terms of what is the challenge? What, within that governance structure, whether it's representation or how decisions or allocations are met, that we focus there as opposed to inherently assuming that there is, you know, what is the challenge we're trying to solve for, I guess is the question I'm asking.

Chris Bosland: Fair point. And in interest of time, I'm looking, I think in the interest of, I hate to give up on the executive compensation question, but I'll let it go. One of the things we asked the panelists to do in their homework, which surprisingly, you all did, and I appreciate that very, very much. I had my doubts, not about you in particular, but just when you ask people to do that. But it was very informative. One of them was, you know, if you could change setting all the, in light of all the things we've discussed, there's a whole lot of issues and questions and a lot of work for us to work through and resolve. If there was one thing you could change about the system the way it is now, what would it be?

Megan Haberle: So I had said the amount and volume of funding going to the Affordable Housing Program, given that this is intended to be an ambitious conversation, you know, so it's currently 10% statutory floor, it's a floor. So, you know, I'd certainly urge FHFA to give thought as to whether there are ways to motivate and incentivize, you know, banks to go beyond that floor. But we'd also like to see that floor increased.

Chris Bosland: Anyone else wanna weigh in?

Cornelius Hurley: If I could wave a magic wand, I would change the culture in the system. As I alluded to before, it is closed, insular, non-creative. And it does not allow for any external discussion by people within the system. And this is by design. This is by design. And that

could be changed from the leadership on down, Ryan, either of the council or the individual banks. Just a total more openness with the government and depositors and shareholders. And not, that way, not so many people would be ignorant about what the system is and does. 'Cause it's a lot of good things going forward.

Rebeca Rainey: Josh knows that my response on this is very much based in the here and now, as we're in an interesting environment as we look at what's happening for capital definitions of smaller community banks. And so, I think a real look and sense of urgency needs to be placed on aligning the FHFA's capital rule with the other prudential regulators that won't restrict community banks from having access to the system moving forward.

Chris Bosland: I've been told to hand this to Joshua.

Joshua Stallings: Continuing to work on that. Thanks.

Rebeca Rainey: Thank you.

Chris Bosland: Bruce, did you have anything?

Bruce Morrison: We've been talking about it all day. I mean, is there a mission that justifies the public role in this institution? And my view is, that mission is not being met if that is the mission, and if that's not the mission, that needs to be the mission. That's, I think a lot of people around the table have explained how targeted support for assets that do not get the support they need now in terms of credit and lending. I'd like to see that change. And I think if that doesn't change, most of the other stuff is window dressing.

Chris Bosland: Barry?

Barry Zigas: I'd like to associate myself with the Chairman's remarks, and yield back the balance of my time.

Chris Bosland: Thank you. Beth, how about you?

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Beth Lipson: Yeah, I mean, in our response we talked about the same thing, that it's gotta, it's gotta stem from the mission and you know, our focus was on meeting the needs, the housing needs of low income individuals and communities. And to that extent, I think being a much bigger partner with CDFIs that are meeting those gaps and really doing that and finding ways to get more of the core capital products there, and it might be in a different product and sort of get more of the capital flowing to the institutions that are working on the ground. We think meeting the mission, that, we think, should be the core mission of the institution.

Chris Bosland: Megan?

Megan Haberle: I went first.

Chris Bosland: Oh, you're right. It's been a long day. I need more coffee. Ryan?

Ryan Donovan: Well, we didn't stop at one, we went with four, so I'll just go through them quickly. First, I'll associate myself with Rebeca's comments on the tangible equity issue. That's very important. But in our written response, we encourage the expansion of the community financial institution definition so that we can more easily serve the CDFI community, simplifying the AHP program by leveraging the monitoring that state and local agencies do over projects that AHP supports, streamlining new product launches so that we can more effectively and efficiently serve our members. And then, as we discussed earlier, supporting increase efficiencies from shared services.

Chris Bosland: That puts a lot of work on us.

Ryan Donovan: You asked for it.

Chris Bosland: Fair enough. Is there any point that anyone would like to make that they have not had the chance to make? I know we're a little bit early, but...

Barry Zigas: I wanna reiterate my thanks for you taking this on. I think it's long overdue. It's very welcome. I appreciate the opportunity to be part of it, and I think you're starting it off with the information collection is exactly right. And I would just urge you to not wait too long to begin to really lay out postulates against which people can react.

Cornelius Hurley: I don't envy you and your task, because as many of us said around the table here today, it starts with mission. And you, all the rest cannot take place until you decide what the proper mission was. And that's why I'd like to re-echo the comments that I've made in the hallways that the FHFA reach out to as many stakeholders, present and future, to bring into this discussion, because I think you will hear a lot of interest once people realize how valuable this financing resource can be to their business, their industry and so on.

Beth Lipson: Yeah, I, too, wanted to express sort of thanks for being, for taking on this process as the Federal Housing Finance Agency, but also for, you know, starting from the beginning and including community development finance groups and others. And I know you're including them in your regional conversations, as well. So just appreciate that you're starting this process by including a variety of stakeholders and encourage that, as well.

Barry Zigas: And I hope you'll convey our best wishes for a speedy recovery to the director.

Cornelius Hurley: Yes.

Chris Bosland: Well, I want to thank everybody for participating, and for those of you watching at home. I especially appreciate that you were gentle with me, and I'll turn it back to Josh. Thank you.

Joshua Stallings: So, in closing here, well, yes, again, thank you. I really do appreciate all the thoughts today. While I think that we do have some varying degrees of views at the table, I think that they are all valuable to what we're trying to do here, to get to where we need to go. There were a few things I wrote down very quickly, because they were things I had not heard before, and those are things that I will probably go and give a little bit more thought to. So thank you for that. I will also echo Chris's remarks from earlier, thanking everyone that was involved in putting this together for a three hour event. It's amazing how many hours you have to put in to get there. I kid you not, if I could talk to you all about how much time we spent talking about podiums, and if there was gonna be one, and where it was gonna be. But anyways, I digress. Yeah, we don't have one, so...

Chris Bosland: In true government fashion, there's no podium.

Cornelius Hurley: I thought this idea was a good one.

Joshua Stallings: I thought so too. And I apparently lost on that one too. And so, look, I'll encourage everyone to keep an eye on our website as we continue to move forward. We will be announcing more and more of these round tables as we're moving. We have, we are hoping to get six to seven round tables more, wait, I think including this one, not to throw the number off there, completed this year, and then maybe a few more events early next year. So the ones that I will tell everyone that are coming up, I know we already have on the website information about our round table in Chicago that is coming up November 17th. Round table in Mississippi, which is also coming up on November 21st. And I am, and hot off the presses, we're gonna go to Oklahoma on December 1st. So there are some, we will also have several others that we have in the works that we hopefully will be releasing on the website soon. So everyone keep an eye on that. And once again, thank you to everyone for your work.

Cornelius Hurley: Can I make one unvarnished plug for a symposium on the reform that we're having with Boston University on February 10th here in Washington.

Joshua Stallings: Yeah, I think that you plugged it. So thank you all for your time today, and safe travels home. Thanks.