



FACT SHEET: PROPOSED RULE ON FEDERAL HOME LOAN BANK HOUSING GOALS

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BACKGROUND

The Federal Home Loan Bank Act requires that the Director of the Federal Housing Finance Agency (FHFA) establish housing goals with respect to the purchase of mortgages, if any, by the Federal Home Loan Banks (FHLBanks). The goals should be consistent with those for Fannie Mae and Freddie Mac while considering the unique mission and ownership structure of the FHLBanks.

FHLBanks purchase mortgages through the Acquired Member Asset (AMA) program. FHFA has a regulation governing the FHLBanks' AMA programs, which authorizes each FHLBank, at its discretion, to invest in assets that qualify as AMA subject to the requirements of the rule. The FHLBanks currently offer two AMA programs: the Mortgage Purchase Program (MPP) and the Mortgage Partnership Finance (MPF) program. Through these programs, the FHLBanks generally purchase 15- to 30-year conventional mortgages in addition to loans guaranteed or insured by a U.S. government agency. FHLBank AMA purchases are roughly 1 percent of the secondary market (Chart A).

CURRENT REGULATION

FHFA issued a final rule in December 2010 that subjects a FHLBank to the housing goals if a FHLBank's AMA purchases exceed a volume threshold of \$2.5 billion in a given year. FHFA then evaluates goals performance for the year by comparing the proportion of FHLBank purchases that were affordable with the proportion originated in its district reported as affordable in Home Mortgage Disclosure Act (HMDA) data. The current regulation establishes three single-family owner-occupied purchase money mortgage goals and one single-family refinancing mortgage goal applicable to the FHLBanks' purchases under their AMA programs. The three goals are for purchase money mortgages to 1) low-income families; 2) families in low-income areas; and 3) very low-income families. The fourth goal is for refinancing mortgages for low-income families.

SUMMARY OF PROPOSED AMENDMENTS

FHFA proposes amending the current FHLBank housing goals to:

- Eliminate the retrospective evaluation using HMDA data and set a single prospective mortgage purchase housing goal as a share of each FHLBank's total AMA purchases;
- Set a new small member participation housing goal for participation by small institutions;

HIGHLIGHTS

FHFA is amending its current regulation governing the FHLBank housing goals.

All FHLBanks that purchase mortgages through AMA programs would be subject to housing goals.

The goals encourage greater availability of home mortgage financing for underserved borrowers.

The new process for setting the level of the housing goals would accomplish meaningful and achievable targets for each FHLBank in line with the AMA program.

In addition, the proposed amendments are intended to expand participation by smaller institutions which are statistically more likely to serve low-income borrowers and families in low-income areas. This furthers the member-service benefit of the AMA program while also increasing access to affordable mortgage financing.

Stakeholders will have 90 days to comment. Submit comments on the proposed rule via FHFA.gov.



- Eliminate the volume threshold and instead allow FHLBanks to propose different levels for the goals for mortgage purchases and small member participation, subject to FHFA approval; and
- Simplify and expand the eligibility criteria to enable federally backed loans to count for goals purposes.

Prospective housing goal: The proposed prospective mortgage purchase housing goal would be 20 percent of AMA purchases measured by number of loans. Mortgages eligible for the prospective goal would include purchase and refinance mortgages for low-income families and very low-income families, as well as mortgages in low-income areas. To limit the extent to which a FHLBank can rely on mortgages for higher-income families in meeting the prospective mortgage purchase housing goal, no more than 25 percent of the mortgages a FHLBank uses to qualify for the prospective mortgage purchase housing goal could be to borrowers above 80 percent of area median income (AMI) in low-income areas. This cap would allow FHLBanks to provide significant support for low-income areas, including minority census tracts and designated disaster areas, while ensuring an overall focus on low-income and very low-income borrowers.

Small member participation housing goal: The proposed small member participation housing goal, proposed at 50 percent of AMA users, is designed to expand use of the AMA program by smaller institutions that often lack other connections to the secondary mortgage market and that are statistically more likely to serve low-income borrowers and families in low-income areas. This furthers the member-service benefit of the AMA program while also increasing access to affordable mortgages.

FHLBank proposed alternative: To ensure that the goals are meaningful and achievable for all FHLBanks, FHFA proposes to replace the volume threshold with a process for FHLBanks to propose for FHFA approval alternatives to the prospective goal established in the regulation if the FHLBank shows that the prospective goal is infeasible. FHFA would review the FHLBank proposal to verify the FHLBank's showing of infeasibility and to ensure: (1) that the proposed goal demonstrates a meaningful contribution to affordable housing; and (2) that the proposed goal would be feasible for the FHLBank's AMA program.

Expand eligibility: The proposed amendments also recommend allowing government-backed loans, which support financing for low-income and very low-income households, to count for goals purposes.

Phase-in: The proposed rule would establish a three-year phase-in period for enforcement of the new housing goals.

KEY CONSIDERATIONS AND IMPACT

In proposing amendments to the current FHLBank housing goals, FHFA considered the Nation's affordable housing needs, which affect both homeowners and renters, while focusing on homeownership as the policy area most directly connected to the FHLBank housing goals. FHFA also considered the feasibility of the proposed prospective mortgage purchase housing goal (illustrated in Chart B) to ensure that the proposed target level demonstrates a meaningful contribution to affordable housing while also being feasible given the structure of AMA programs. By setting the target levels for the housing goals in advance, the proposed rule would provide certainty for the FHLBanks and allow them to monitor their own performance and take steps as necessary to ensure that they comply with the housing goals. Improving the ability of small member institutions to connect with the secondary market has the potential to benefit borrowers in rural communities and places of persistent poverty where borrowers have less access to credit. All FHLBanks purchasing mortgages through AMA programs would be subject to the housing goals as a result of removing the volume threshold.





CHARTS

Chart A: In 2017, FHLB system-wide AMA purchases totaled almost \$13 billion, whereas Fannie Mae’s purchases totaled \$514 billion, Freddie Mac’s purchases totaled \$344 billion, and Ginnie Mae’s guarantees totaled \$505 billion.

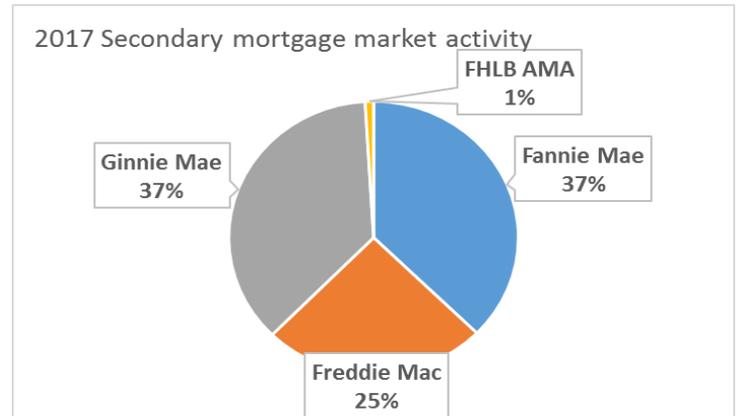


Chart B: Historically, most of the FHLBanks have exceeded the 20 percent goal level. The chart shows a time series of each FHLBank’s total percentage of loans meeting the prospective mortgage purchase housing goal over the period 2011 – 2017. Note that the tables and charts in this proposed rule mask the identity of individual FHLBanks to maintain confidentiality of FHLBank data.

