March 17, 2023

Dear Director Thompson,

As someone who has developed both affordable housing and community and commercial facilities for over 20 years, I have seen firsthand the critical role that the Federal Home Loan Bank (FHLBanks) play in strengthening communities. Throughout various economic cycles, the FHLBanks have been a reliable source of liquidity to their members and active partners in advancing affordable housing and community development.

My organization’s mission is to end homelessness by treating the whole person, as a person. The factors that contribute to homelessness are complex. A web of structural weaknesses and individual circumstances surround our clients, leaving then vulnerable at many points in their lives.

FHLBank members are critical partners to our work. For member financial institutions to support us, their own institutions must be strong. Without access to FHLB liquidity, these institutions could not serve as fully the credit needs of their local communities, and affordable housing and economic development would suffer as a result. Secondly, through their affordable impact initiatives – spanning rental and homeownership – the FHLBank system provides training and overall policy guidance that encourages and incentivizes its members to expand high-impact lending resulting in deeper community affordability and greater access to housing and wealth building opportunities than would exist without the FHLBank system.

It is in this context that I respectfully request for the FHFA to not adopt policies that shrink the FHLBank System. In communities across the U.S., there is a role for both large and small financial institutions. Each member type brings its own set of talents and resources, responsiveness and commitment. Each member type is a valued partner in urban and rural communities, and for supporting the financing of homeownership and rental projects. Thus, each member type must have ongoing access to liquidity because each has an important role to play in the vitality of communities.

The FHLBs were created to be liquidity providers. That is their core mission and how they best promote housing. The liquidity they provide is reinvested in local communities and delivers tangible benefits to borrowers and the wider community.

For example, according to a [2021 University of Wisconsin study](https://business.wisc.edu/news/federal-home-loan-bank-may-save-borrowers-money-level-the-playing-field-for-small-banks/), the FHLB System “boosts annual mortgage lending in the U.S. by $130 billion” and saves borrowers $17 billion each year in interest payments. In addition to building wealth through homeownership, $17 billion in saved interest payments is, in turn, available to real households to be used for education, child care, health care, savings, and a myriad of other uses that promote financial health and personal wellbeing.

Additionally, in my own work, I see how FHLBanks support the production of affordable housing by grass roots organizations that have deep and direct ties to the people they serve. Affordable Housing Program (AHP) funds a spectrum of project types, ranging from rental housing for some of our community’s most vulnerate to home purchase. In both cases, AHP is helping to finance affordable housing that provides opportunities for real people to build community and thrive.

While the FHLBanks alone cannot solve the nation’s affordable housing crisis, they can continue to be a valuable partner in promoting solutions. Policies that limit larger financial institutions’ access to FHLBank liquidity may increase the cost of that liquidity and hurt communities. Such policies may also decrease the size of the FHLBank System and reduce AHP dollars at a time when those dollars are needed the most.

We must also find efficiencies in the AHP to maximize dollars to worthy projects. Organizations such as mine must cover the costs of demonstrating compliance with AHP’s requirements. Every dollar we spend demonstrating compliance is a dollar that is not meeting other community needs. While AHP’s requirement to provide affordable housing to low- and moderate-income households needs to be protected, the standards for demonstrating compliance also need to be simplified.

Thank you for the opportunity to comment.

Sincerely,

Sean Hubert, Vice President and Chief Strategy Officer

Central City Concern

Portland, Oregon