



## Coalition for FHLB Reform

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August 2, 2024

Dear Federal Home Loan Bank (FHLBank) Presidents:

The Coalition for Federal Home Loan Bank Reform (the Coalition) calls on you as leaders of the FHLBanks to focus your institutions on their public mission as the nation struggles with an affordable housing crisis. Your banks have the responsibility and unique opportunity to be on the forefront of helping spur housing supply in your district, become a true supporter of the tireless work of CDFIs, and redirect billions of dollars towards affordable housing program investments. We are asking you to embrace the responsibility and unique powers vested in you as a housing-focused government-sponsored enterprise (GSE).

The FHLBank System was chartered as a GSE to support fair and affordable housing and receives billions of dollars in indirect government subsidies each year to support that mission. However, over the years housing finance markets have completely changed while the System has come to be focused more on optimizing profits and dividends rather than helping families be housed.

We support Treasury Secretary Janet Yellen's recent call that each of your banks does more for affordable housing programs and voluntary commitments. Secretary Yellen has asked that you commit at least 20 percent of net income to support fair and affordable housing.

Both last year and this year, the FHLBanks promised an additional five percent as a voluntary commitment with much public fanfare. But last year's spending fell short of even that modest goal: reaching only 2.5 percent of net income. And in Q1 of 2024 your affordable housing spending was less than 3 percent of net income, while your income and dividends are even higher than last year's records. As a result, you are claiming to spend more on AHP (with \$1B promised in 2024) than you actually are. Instead of investing in housing, your AHP liabilities are simply accumulating and sitting on your balance sheet.

As leaders of GSEs, you must understand that your banks can follow Treasury Secretary Yellen's call to responsible action. FHLBanks can do much more to support fair and affordable housing without weakening the safety and soundness of the System. Between 1989 and 2011, FHLBanks had two statutory financial obligations (10 percent of net income to support affordable housing and 20 percent of net income to contribute to the taxpayers' debt service on REFCORP bonds). During that period, the FHLBanks thrived and met capital standards, attracted new members and paid high dividends. Since 2011, without an opportunity for public comment, FHLBanks accumulated over \$7.8 billion in restricted retained earnings, which when added to \$20 billion in unrestricted retained earnings results in \$28 billion in total retained earnings. The FHLBanks currently hold \$23 billion in capital in excess of the FHFA's regulatory capital standards. This capital is a source of investment income that currently supports record dividends, rather than housing needs.

As a Coalition of national advocacy organizations, our voices join those of the Federal Housing Finance Agency, the Department of the Treasury, the White House, and a growing coalition in Congress. This is about the millions of US families who are severely cost-burdened as renters, struggle to find a house to buy, or are unhoused. Community banks, CDFIs, and MDIs need new tools and support from FHLBanks as they work to support the communities they serve. The nation needs FHLBanks to spur housing supply and support fair and affordable housing. As mission-oriented GSEs, you must prioritize housing over corporate profits. We hope you can help make that difference for housing in your district.

Thank you and we would welcome ongoing dialogue. We can be reached via Sharon Cornelissen ([scornelissen@consumerfed.org](mailto:scornelissen@consumerfed.org)) or Katie McCann ([kmccann@consumerfed.org](mailto:kmccann@consumerfed.org)).

Sincerely,

The undersigned organizations of The Coalition for FHLBank Reform:

Americans for Financial Reform  
Center for Community Progress  
Center for Responsible Lending  
Community Opportunity Alliance  
Consumer Federation of America  
Grounded Solutions Network  
Local Initiatives Support Coalition  
National American Indian Housing Council  
National Community Reinvestment Coalition  
National Community Stabilization Trust  
National Housing Resource Center  
National NeighborWorks Association  
Rebuilding Together  
United Food and Commercial Workers International Union

CC: The Honorable Janet Yellen, Secretary, the Department of the Treasury

CC: The Honorable Sandra L. Thompson, Director, Federal Housing Finance Agency