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Statement by
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President and CEO
Council of FHLBanks
Washington, DC
on
FHFA Decision on FHLBank Membership Rule
January 12, 2016

The final rule on FHLBank membership published today by the FHFA is disappointing. The FHFA dropped its proposal for an ongoing mortgage asset test for FHLBank membership, but in disqualifying captive insurance companies altogether, the agency has removed a longstanding category of FHLBank members who are important to housing finance.

The elimination of the proposed annual mortgage asset test means that there can be continued confidence, by lenders, investors and consumers, in a proven system of providing access to liquidity and long-term capital for home mortgage lending. However, the agency's ill-advised decision regarding captive insurance companies will mean fewer opportunities for private capital to expand homeownership opportunities for Americans.

Captive insurance companies have been important members of the FHLBanks for more than two decades. As FHLBank members, they help deepen and diversify the flow of funds in the mortgage markets. They are strongly aligned with the FHLBanks' mission to provide liquidity to their members for housing finance and community investment. FHFA's prohibition against captive insurance company membership in the FHLBanks could adversely affect the availability and affordability of home mortgage credit in the future.

We are concerned that the elimination of this membership category highlights the risk of future FHLBank membership rule changes by the FHFA which could impact other classes of members.