

**Response to Obama Administration Report to Congress
on the Housing Finance Market**

by

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February 11, 2011**

We appreciate that the Administration's report acknowledges the Federal Home Loan System's important role in providing a stable source of liquidity and capital for financial institutions of all sizes. We will continue to work with Congress, the Administration and our regulator to further enhance the strength of the Federal Home Loan Banks.

The report states that Federal Home Loan Banks play a vital role in the nation's housing finance system by helping institutions compete in an increasingly competitive marketplace.

We served our mission during the global credit crisis. The Federal Home Loan Banks stayed strong and took no government money. In the early days of the crisis, as other sources of liquidity disappeared, Federal Home Loan Banks significantly increased lending to member institutions.

We look forward to focusing on the issue that the report emphasizes the most: building capital. Under the guidance of the Federal Housing Finance Agency, (FHFA), we are working now on a system-wide plan for capital enhancement.

The report contains two areas that we believe need to be dealt with very carefully as we move forward together.

1. *Requiring institutions to be active member in only one Federal Home Loan Bank.* The proposed requirement could concentrate risk. One of the great values of the Federal Home Loan Bank System is how it is a regional network of member-owned cooperatives. That helps distribute and manage risk across geographic boundaries.
2. *Limiting the levels of advances.* This proposed requirement could affect all institutions, not just large ones. For example, it was to small, medium and large institutions that we provided important liquidity during the crisis.

Today's report says that the Federal Home Loan Banks have worked well. In helping to fix the fundamental flaws in the mortgage market, as the Administration's plan calls for, we need to build on what works.