



August 29, 2024

The Honorable Wally Adeyemo
Deputy Secretary
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Deputy Secretary Adeyemo:

Thank you for your recent letter to each of the board chairs of the Federal Home Loan Banks (FHLBanks) and for the opportunity to engage with you on how the FHLBanks can enhance their contribution to addressing the current housing shortage and the broader issue of housing affordability.

We agree that the scale of today's housing crisis requires impactful action throughout the housing and housing finance industry. Over many years, the FHLBanks have been working with members, affordable housing market participants, and our respective Affordable Housing Advisory Councils to meet this important challenge. We also know that despite the best efforts of many practitioners, policymakers, and private sector and government institutions, the need has only grown. As illustrated in our 2023 FHLBank System Impact Report, the FHLBanks are actively taking steps to do our part and work to increase the impact we have on housing affordability and supply.¹

The FHLBanks have proactively responded to this crisis. The FHLBanks have initiated three dozen new programs since 2022 aimed at meeting regional housing and community development needs in their districts. These include programs to support homebuyers, expedite construction of multifamily rental projects experiencing funding shortfalls, expand downpayment assistance to middle class homebuyers, and enhance our lending and support for Community Development Financial Institutions (CDFIs), among other housing related initiatives. In addition, last year, the FHLBanks agreed voluntarily to contribute 15 percent of pre-assessment net income to the Affordable Housing Program (AHP) or to discretionary programs supporting housing and community development. This increased funding level, which requires annual approval by each FHLBank's board of directors, is 50 percent more than what is required by statute. Consideration of a higher set aside should be undertaken by Congress.

We believe that simply raising the AHP and voluntary contributions to 20 percent of our pre-assessment net income will not address the underlying complexities of the housing crisis. That is why we have asked the FHLBank presidents to work with you and the Federal Housing Finance Agency to remove existing barriers that currently hinder the FHLBanks' ability to implement and grow affordable housing strategies, including broadening CDFI access to the FHLBanks, working to streamline and reduce the administrative and regulatory burden of the AHP, increasing FHLBank

¹ <https://fhlbanks.com/wp-content/uploads/2024/06/2023-Impact-Report-FINAL.pdf>

support of state housing finance agencies, and reforming the Community Investment Cash Advance (CICA) program and the Community Investment Program (CIP).

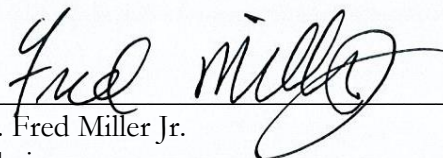
We are opposed to any approach that could weaken our capital position, as this would ultimately diminish our ability to fulfill our statutory mandate of providing liquidity to the financial system and supporting housing finance and community development. While the FHLBanks are government-sponsored enterprises (GSEs), Congress organized the FHLBanks as private cooperatives, *funded by private capital from our diverse membership*. This unique structure—one that has consistently allowed us to deliver on our liquidity and affordable housing missions, maintain necessary capital reserves and serve members and communities during volatile economic periods—must be preserved to ensure the continued stability and reliability of the FHLBanks. Our retained earnings and capital reserves are not only the foundation for our safe and sound operations; they also insulate U.S. taxpayers from risk. But most importantly, they serve as the bedrock for supporting our member financial institutions, whose activity with the FHLBanks is the primary engine for the FHLBanks' affordable housing and community development mission.

In closing, we share your goal of addressing the affordable housing crisis. We have asked the FHLBank presidents to provide a more detailed proposal for how we can amplify our impact to the benefit of the housing market and the broader financial system.

Sincerely,



R. Thornwell Dunlap III
Chair
FHLBank Atlanta



A. Fred Miller Jr.
Chair
FHLBank Dallas



Eric Chatman
Chair
FHLBank Boston



Karl Bollingberg
Chair
FHLBank Des Moines



Joseph Fazio III
Chair
FHLBank Chicago



Karen F. Gregerson
Chair
FHLBank Indianapolis



J. Lynn Anderson
Chair
FHLBank Cincinnati



Larry E. Thompson
Chair
FHLBank New York



Brendan J. McGill
Chair
FHLBank Pittsburgh



F. Daniel Siciliano
Chair
FHLBank San Francisco



Barry J. Lockard
Chair
FHLBank Topeka

cc: The Honorable Sandra Thompson, Director, Federal Housing Finance Agency