



July 12, 2024

**Submitted Electronically**

The Honorable Sandra L. Thompson  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20219

Dear Director Thompson:

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing nearly 190 state and nationally chartered banks and savings institutions, and their 30,000 employees. Most of WBA's members are also bank members of the FHLBank of Chicago and, as a result, WBA is very interested in the operations and success of the Federal Home Loan Bank system and the Federal Home Loan Bank of Chicago in particular. WBA appreciates the opportunity to provide comments in response to the Federal Housing Finance Agency's (FHFA) Request for Input: Federal Home Loan Bank Core Mission Activities and Mission Achievement (RFI) issued May 16, 2024.

The RFI seeks input on thirteen questions related to the FHLBank's mission statement, the measurement of mission achievement, and a member incentive program. While this letter will not respond specifically to every question, WBA appreciates your consideration of our views in each category.

**QUESTIONS ON A MISSION STATEMENT FOR THE FHLBANKS**

The RFI states that the Federal Home Loan Bank Act (Bank Act) does not explicitly describe the mission of the FHLBanks. It also states that a mission statement should "reflect the purpose, intent, and overall objectives of the FHLBank System." WBA believes the FHLBank mission is articulated by Congress through the operating statements of the Bank Act which describe what FHLBanks are authorized to do, what they are required to do, what they cannot do, who may be members of a FHLBank, and how members may access the FHLBank. Together, these statements form the mission of the FHLBank System as most recently captured in the Housing and Economic Recovery Act: promoting financial stability by providing a reliable, cost-effective source of liquidity to their members and supporting housing and community development efforts throughout the nation.

Certainly, as a safety and soundness regulator, FHFA has the authority to evaluate how the FHLBanks are performing against that mission; however, WBA does not believe that FHFA has the authority to change the mission of the FHLBanks as that is Congress' responsibility alone. Indeed, Congress has amended the mission of the FHLBank System over time when, for example, it granted membership eligibility to commercial banks and federally insured credit unions, and when it expanded eligible collateral types for community financial institutions (CFIs).

As demonstrated by the FHFA's report, *FHLBank System at 100: Focusing on the Future*, published last November, the FHLBanks have performed their mission well for over 90 years in many ways. WBA members rely on the Federal Home Loan Bank of Chicago for many services including providing stable, reliable liquidity day in and day out through advances, Acquired Member Asset (AMA) loans, letters of credit and other liquidity products. While many members use these funds for everyday balance sheet management and other purposes, this funding is vital during times of economic stress, particularly for Wisconsin's smaller community banks.

The nexus between the FHLBanks' mission and the liquidity they provide has always been ensured by the collateral Congress has determined to be eligible for pledging by members. Also, the mortgage loans sold by WBA members to the FHLBank of Chicago through credit-risk sharing programs such as the Mortgage Partnership Finance Program directly support housing by allowing members who originate mortgages to sell their loans, thus freeing up capital while maintaining their customer relationships. WBA members also use FHLBank of Chicago advances to purchase single family mortgage-backed securities, providing liquidity to the MBS market and helping reduce home financing costs.

In short, the mission of the FHLBanks has been clearly established, and regularly updated, by Congress. WBA cautions against regulatory clarification of the mission that might harm WBA members' access to the FHLBank liquidity that allows them to serve the housing and community development needs of their member customers.

### **QUESTIONS ON THE MEASUREMENT OF MISSION ACHIEVEMENT**

WBA believes all FHLBank activities are mission related. The FHLBanks are designed to provide liquidity and term funding products to their member institutions. Doing so in the manner specified by Congress ensures that the mission is achieved. The FHLBanks are limited to performing only those activities authorized in the Bank Act, using the structure as established to provide liquidity products only to eligible member institutions, backed by collateral only as specified and allowed. Therefore, everything a FHLBank does is in fulfillment of its mission. As the FHFA measures how FHLBanks fulfill their mission, it must recognize that all liquidity, affordable housing, and community investment activity furthers the mission as intended by Congress.

FHFA already annually examines the FHLBanks' compliance with the Core Mission Activities regulation. The FHLBanks strategic plans are required to include plans for maximizing activities that further the FHLBank's housing finance and community lending mission. As a result, further measurement of mission achievement is not needed.

### **QUESTIONS ON A MEMBER INCENTIVE PROGRAM**

When evaluating each FHLBank member's commitment to housing finance and community development, it is important for the FHFA to recognize that the Bank Act requires all members to be treated fairly and impartially. This is an essential aspect of cooperatives. When lending, FHLBanks are allowed to take into consideration the creditworthiness of their members and their safety and soundness, of course, but generally members of a cooperative all receive (and should receive) equal access to the products, services and benefits of the cooperative.

Additionally, Congress has already created an incentive program for FHLBank members by allowing CFIs to pledge a broader range of collateral than non-CFIs. Moreover, Congress has provided "incentives" through legislation authorizing members to obtain discounted advances

through the Community Investment Cash Advance (CICA) and Community Investment Program (CIP) programs. As a result, further creation of incentive programs is not needed or justified from a public policy standpoint.

## **CONCLUSION**

WBA appreciates the opportunity to provide these comments for your consideration. WBA also appreciates that FHFA is seeking this input before proceeding with any potential regulatory proposals. As the FHFA continues its comprehensive review of the FHLBanks, WBA looks forward to continuing the dialogue with FHFA on issues of great importance to many WBA members. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Rose Oswald Poels".

Rose Oswald Poels  
President and CEO