



April 10, 2026

The Honorable William Pulte
Director
U.S. Federal Housing (FHFA)
400 7th Street SW
Washington, DC 20219

Re: Executive Order on Promoting Access to Mortgage Credit

Dear Director Pulte:

On behalf of the eleven Federal Home Loan Banks (FHLBanks), the FHLBanks' Office of Finance, and the Council of Federal Home Loan Banks, I am writing to provide the FHLBank System's perspective on the President's Executive Order of March 13, 2026, *Promoting Access to Mortgage Credit* (Executive Order). We view the Executive Order as an important opportunity to expand access to sustainable mortgage credit, support community-based lenders, and strengthen the resilience of the housing finance system, while maintaining the safety and soundness that has characterized the FHLBanks' 90-plus-year history, and we look forward to working with you as FHFA undertakes the responsibility to implement key provisions impacting the FHLBanks.

Executive Summary

The FHLBanks share the President's goal of improving the availability and affordability of mortgage credit, particularly through community banks¹, credit unions, and other local depositories that often are the primary mortgage providers in small towns, rural areas, and underserved neighborhoods. We commend the President's recognition of the important role the FHLBanks and their members² play in the housing finance system and the opportunities that exist to enhance FHLBanks' impact through their members by addressing regulatory inefficiencies and unnecessary restrictions.

The FHLBanks are well positioned to support the achievement of both objectives by expanding upon the core functions they already perform effectively: providing fully secured, through-the-cycle-- liquidity to their members. Recent independent research confirms that FHLBank advances are strongly associated with increased lending by member institutions, including an estimated \$850 billion in additional residential real estate lending between 2002 and 2024, and that advances support bank stability, and reduce potential losses to the Deposit Insurance Fund.³ The Government Accountability

¹ The Executive Order defines a community bank as a bank with less than \$30 billion in assets. We support this definition and suggest the FHFA also consider the use of this definition in other FHFA decision-making, including with respect to the definition of Community Financial Institutions.

² Under the Federal Home Loan Bank Act (12 U.S.C. §1424), banks, credit unions, insurance companies, and Community Development Financial Institutions are eligible to become members of a FHLBank.

³ Jung Hyun Choi, Jun Zhu, Laurie Goodman, et al., *The Value of the FHLBank System to Promote Housing and Community Development Lending* (Urban Institute, Jan. 2026), Executive Summary at v–vi; text at 9–11, 32–34 (finding that FHLBank advances are strongly associated with increased lending and estimating that, from 2002 to 2024, advances contributed to approximately \$1.82 trillion in additional lending overall, including about \$850 billion in additional residential real estate lending by bank and credit union members). Available at: <https://www.urban.org/research/publication/value-fhlbank-system-promote-housing-and-community-development-lending>.

Office (GAO) likewise found that FHLBank advances play a stabilizing liquidity role, particularly during periods of financial stress.⁴

This letter offers a practical roadmap organized around the key provisions of the Executive Order impacting FHLBanks, focusing on four core areas: (1) modernize regulations regarding long-term mortgages tied to advances and modestly increase investment authority within existing safety and soundness frameworks; (2) target liquidity and Affordable Housing Program (AHP) resources more directly to entry level housing, owner occupied properties, and small builders; (3) finish the FHLBank–Fed interoperability work that is currently underway and partner for further opportunities to enhance and improve resiliency leverage; and (4) simplify AHP and Acquired Member Assets program (AMA Program⁵) rules that add cost without prudential benefit.

As you consider FHLBank relevant portions of the report on the efficiency of the national housing finance market, this letter recommends ways to improve efficiency in the FHLBank System by improving the regulatory and supervisory framework. The Executive Order’s emphasis on reducing regulatory burden and updating outdated requirements aligns with longstanding FHLBank concerns about rules and supervisory expectations that are duplicative, overly prescriptive, or that add cost without clear mission benefit, including a growing body of regulations, advisory bulletins, supervisory letters, presentations, and emails that would benefit from consolidation and reassessment. Because FHFA’s actions shape not only the FHLBanks but also the efficiency with which members can do business with them, the Executive Order provides an opportunity to reset how FHFA policy is developed and communicated, grounding it firmly in statute, consistent with the Administrative Procedure Act, and closely aligned with the FHLBanks’ statutory role as fully secured liquidity providers.

The table below correlates FHLBank-related Executive Order directives to specific recommendations designed to aid implementation of the Executive Order and strengthen the efficiency, resilience, and reach of the housing finance system.

⁴ U.S. Government Accountability Office, *Federal Home Loan Banks: Role During Financial Stress and Members’ Borrowing Trends and Outcomes*, GAO-26-107373 (Dec. 17, 2025), at 1–3, 17–22 (finding that FHLBanks “generally serve as a reliable and consistent source of funding for banks of all sizes,” that aggregate advances spike during episodes such as the COVID-19 shock and the March 2023 banking turmoil, and that higher FHLBank borrowing is associated with increased lending and a lower likelihood of appearing on the FDIC Problem Bank List or failing—particularly for small banks—thereby supporting liquidity and stability during periods of financial stress). Available at: <https://www.gao.gov/assets/gao-26-107373.pdf>.

⁵ AMA Programs refer to FHLBank consumer mortgage loan purchase programs under the Acquired Member Assets regulation 12 CFR 1268, et seq. As of the date of this letter, nine FHLBanks engage in such programs: The FHLBanks of Chicago, Des Moines, Topeka, Dallas, Pittsburgh and Boston participate in the Mortgage Partnership Finance® (MPF®) Program; New York operates the Mortgage Asset Program (MAP); and Cincinnati and Indianapolis operate separate Mortgage Purchase Programs (MPP).

RECOMMENDED ACTIONS TIED TO EXECUTIVE ORDER PROVISIONS	
Regulatory changes necessary to address the efficiency of the housing finance markets (Sec. 4(c))	<ul style="list-style-type: none"> • Revisit the Core Mission Asset framework • Support revisions of AMA Capital Treatment • Modernize the AMA Regulation • Modernize the Housing Goals Regulation • Revise or rescind AB 2017-03: AMA Price Risk Governance and AB 2020-01: AMA Risk Management • Support changes to CFPB’s Ability to Repay and Qualified Mortgage standards
Longer Dated Advances tied to Residential Mortgage Assets (Sec. 4(a)(iii))	<ul style="list-style-type: none"> • Modernize the Proxy Test to reflect members’ business models • Increase leverage of residential housing finance assets from 1:1 to 2:1 • Revise or rescind AB 2018-03: Advances Pricing • Work with the federal financial regulators on liquidity standards
Targeted FHLBank Liquidity Programs (Sec. 4(a)(iv))	<ul style="list-style-type: none"> • Amend the Community Investment Cash Advance regulations to allow greater flexibility in defining eligible uses, targeted beneficiaries, and pricing • Remove 35% cap on AHP Homeownership Set-Aside allocation within the 10% AHP contribution requirement • Provide AHP credit for rate-buydown and builder-support programs • Increase FHLBank Investment Authority
Modernizing Collateral, Interoperability with the Federal Reserve, and Discount Window (Sec. 4(a)-(b))	<ul style="list-style-type: none"> • Use FHLBank Letters of Credit to Improve FHLBank-Fed Interoperability During Times of Stress • Revise or rescind AB 2024-03: Member Credit Risk Management
Affordable Housing Program Modernization 4(a)(vi)	<ul style="list-style-type: none"> • Streamline and remove burdensome regulatory provisions • Align compliance with other funders • Embed flexibility to support small-scale and owner-occupied housing • Integrate AHP with other FHLBank products

I. Report on the Efficiency of the National Housing Finance Market

The Executive Order directs you to submit, within 120 days, a report on “the efficiency of national housing finance markets,” including recommendations for regulatory or legislative changes to address identified gaps. While we recognize that these markets extend well beyond the FHLBank System, the FHLBanks are a significant part of this infrastructure, particularly through their role as a primary source of collateralized funding to more than 6,300 member institutions. As a result, the FHLBanks are an important driver of market efficiency and an essential stabilizer and conduit for their members’ participation in housing finance across economic cycles.

We believe this report provides you and the FHFA the opportunity to utilize the FHLBanks to promote housing market efficiencies by (1) leveraging their deep connections with their members, particularly community banks and credit unions; (2) reconsidering how FHFA conducts policymaking to reinforce the efficiency provided by the FHLBanks’ cooperative model; (3) making meaningful updates to the Core Mission Asset test to recognize the totality of impact FHLBanks achieve through their members; and, modernizing the AMA regulatory framework which will bolster community bank and credit union access to the secondary mortgage market. Therefore, as you develop your report, we encourage you to consider the following points:

a. FHLBanks are engines primed to support increased mortgage origination and portfolio activity

A central theme of the President’s Executive Order is that the federal government must create a favorable regulatory environment that encourages and enables depository institutions, particularly community banks and credit unions, to increase their mortgage origination and portfolio activity. This is a worthy goal, and the FHLBanks strongly support it.

The FHLBanks are a critical source of reliable, on demand liquidity for community banks and credit unions that anchor mortgage lending in cities, suburbs, small towns, and rural areas. Nearly all depository institutions that originate mortgages today are FHLBank members, reflecting how central FHLBank liquidity is to ensuring their members can fund long term mortgage loans and mortgage related assets and manage interest rate risk over the economic cycle.⁶ For many community-based lenders that lack direct access to capital markets, fully collateralized FHLBank advances are the most reliable way to turn local mortgage loans and mortgage-backed securities into funding they can redeploy into new loans for families and businesses.⁷

Recent independent research confirms that this liquidity is not merely a balance sheet convenience; it materially expands lending by community banks and credit unions. Using 2002–2024 data, the Urban Institute found that each 100-basis point increase in FHLBank advances relative to assets is associated with roughly a 38-basis point increase in total loans and an 18-basis point increase in residential real

⁶ Choi et al., *The Value of the FHLBank System to Promote Housing and Community Development Lending*, at 16, 18, finding that 98 percent of depository institutions originating mortgages in 2023 were FHLBank members and that since 2012 virtually all depository mortgage lending has been done by FHLBank members.

⁷ Federal Home Loan Banks, *FHLBanks 2024 Impact Report: Liquidity & Housing* (2025), at 5, 11–12 (describing fully collateralized advances as a highly reliable source of low-cost funding for community-based lenders that lack direct capital markets access), available at: <https://www.fhlbanks.com/resource/fhlbanks-2024-impact-report-liquidity-housing>. See also Choi et al., *The Value of the FHLBank System to Promote Housing and Community Development Lending*, Urban Institute, at 18–22, 24–28.

estate loans at member banks, with even stronger effects after 2008.⁸ For credit unions, a similar 100 basis point increase in advances corresponds to a 27-basis point increase in total lending and a 13–17-basis point increase in real estate lending, with membership itself linked to measurable post-entry growth in mortgage and consumer credit.⁹ Aggregated over time, the study estimates that FHLBank advances supported about \$1.82 trillion in additional bank and credit union lending from 2002 to 2024, including roughly \$850 billion in residential real estate lending.¹⁰

Importantly, this funding helps community banks and credit unions originate and retain mortgages that are affordable and support a broad population of borrowers. Advances are positively associated with higher mortgage origination volumes overall, and the Urban Institute found that a 100-basis point increase in advances over assets is tied to a 22–38 basis point increase in mortgage lending over assets, rising to 51-basis points for smaller banks, which are generally more reliant on the FHLBanks.¹¹ The same research shows that this additional liquidity translates into more lending to low- and moderate-income households, with a 100-basis point increase in advances associated with a 7.8 basis point increase in mortgage lending to low- and moderate-income (LMI) borrowers over assets.¹² Complementing these credit side effects, the FHLBanks' AMA Programs and AHP grants help members lower mortgage rates, provide down payment and closing cost assistance, and expand the supply of affordable units, giving community lenders practical tools to originate sustainable home loans for first-time, LMI, and middle-income borrowers in high cost markets.¹³ AMA Programs in particular allow member capital to be recycled quickly, enabling community bank members to originate more loans to consumers at a time when expanded availability to mortgage credit is being encouraged by the administration.

Taken together, the FHLBanks are well positioned to support their members as mortgage origination activity increases in a supportive regulatory environment.

b. One of the most significant challenges to further efficiency within the FHLBank System is the cumulative regulatory burden that has developed over time.

Cooperative business models, where customers are also the owners, create strong incentives for efficient operation and close alignment between management decisions and member interests. The FHLBanks' cooperative structure has been cited as contributing to their capital stability, lower risk profile, and strong member focused execution of mission.¹⁴ Increasingly, however, these structural incentives operate alongside an overlay of prescriptive supervisory expectations that, in their

⁸ Choi et al., *The Value of the FHLBank System to Promote Housing and Community Development Lending*, at 9–11.

⁹ *Ibid.* 6, 27–29.

¹⁰ *Ibid.* 11–12.

¹¹ *Ibid.* at 19 (tbl. 4) and 20 (tbl. 5).

¹² *Ibid.* 21 (tbl. 6).

¹³ FHLBanks 2024 Impact Report: Liquidity & Housing, at 5, 11–12.

¹⁴ See USDA, *Co-ops 101: An Introduction to Cooperatives* (describing how member ownership and patronage-based surplus distribution align cooperative management with user interests and efficient operation); FAO, *Internal Financing for Improved Cooperative Performance* (explaining that well-managed cooperatives use member capital and democratic control to reduce costs and improve performance); Jill Spencer & Julia Brown, *The Cooperative Structure of the Federal Home Loan Banks: A Model for Government Sponsored Enterprises*, N.C. Banking Inst. (2009) (concluding that the FHLBanks' cooperative structure contributes to capital stability, lower risk, and mission execution).

cumulative effect, extend beyond what Congress contemplated when it refocused FHFA on prudential oversight and safety and soundness.

Over the years, we have observed a set of supervisory practices that, in their cumulative effect, have resulted in FHFA involvement in core governance and business decisions. These practices include informal constraints on membership, AMA Programs, and extensions of credit, as well as the treatment of nonbinding reports or oral guidance in a manner functionally equivalent to binding rules. Many of these expectations are communicated outside the formal rulemaking process, are not consistently transparent across the FHLBank System, and in some instances raise important questions regarding consistency with FHFA's statutory authority, particularly in light of Congress's express intent that FHFA focus on prudential management rather than day-to-day management of the FHLBanks.¹⁵ The result is an environment in which FHLBanks must devote substantial resources to anticipating and responding to shifting supervisory preferences rather than to improving products, processes, and technology that would further their mission to provide liquidity, promote housing finance, and support community development outcomes for their members and the communities they serve. This dynamic creates meaningful inefficiencies within the nation's housing finance system.

We therefore encourage FHFA to use the Executive Order's focus on efficiency as an opportunity to recalibrate its policymaking approach and the regulatory expectations placed on the FHLBanks. At a minimum, this would include reaffirming that major policy changes will be implemented through notice-and-comment rulemaking or clearly identified written guidance, and narrowing FHFA's involvement in board-level decisions to what is necessary for safety and soundness. A statute-anchored supervisory framework, focused on material safety and soundness risks consistent with the supervisory frameworks being established by other federal financial regulators, would both reduce unnecessary regulatory burden and better align FHFA's practices with Congress's directive that the FHLBanks be overseen as prudentially regulated cooperatives rather than operating subsidiaries, thereby allowing their inherent efficiency and member focus to be fully realized in support of the nation's housing finance system.

c. Revisit the Core Mission Asset Framework

We support the FHFA's plans to repeal the Core Mission Activities Regulation as outlined in the Unified Agenda of Regulatory and Deregulatory Actions.¹⁶ In practice, the FHLBanks' entire balance sheets are mission-oriented, encompassing fully secured advances that support mortgage, small business, and community lending; AMA loans and other mortgage-related investments; letters of credit; liquidity portfolios that support member funding needs in all economic cycles, including in stressed conditions; and other mission assets that directly support affordable housing and community development. Labeling significant portions of these activities as "non-mission" understates the

¹⁵ See Gramm-Leach-Bliley Act, Pub. L. No. 106-102, tit. VI, 113 Stat. 1456, 1501–11 (1999); and S. Rep. No. 106-44, at 18 (1999) (noting that "[m]any of the day-to-day functions of the FHLBanks currently require approval from the [regulator]" and that GAO had found the agency "too involved in day-to-day management decisions," recommending that the regulator "should not exercise prior influence over business decisions by the FHLB, and should instead confine itself to an after-the-fact safety and soundness review"). Available at: <https://www.congress.gov/106/plaws/publ102>.

¹⁶ See Office of Management and Budget, Unified Agenda of Federal Regulatory and Deregulatory Actions, Repeal of Core Mission Activities Regulations, RIN 2590AB51 (Spring 2025), available at <https://www.reginfo.gov> (RegInfo.gov agenda entry).

FHLBanks' contributions to housing and community outcomes and risks pushing decisions toward meeting a ratio rather than serving a mission, managing risk, and responding to member needs.

d. Acquired Mortgage Asset (AMA) Program Improvements Combined with Ability to Repay and Qualified Mortgage Changes Will Facilitate Increased Mortgage Lending by Community Banks and Credit Unions

Another element of the housing-finance efficiency agenda should be fostering conditions that support increased mortgage lending by community banks and credit unions participating in the AMA Programs. Since the Great Financial Crisis, changes to capital requirements and other regulatory requirements have contributed to many community-based institutions scaling back their mortgage origination activities or exiting the market entirely.¹⁷ As you report to the President on the efficiency of the housing finance market, we encourage you to recommend or support changes to the capital treatment of member-provided credit enhancement on AMA loans applicable to community bank and credit union members. We also encourage FHFA to undertake a comprehensive rewrite of the AMA and Housing Goals regulations and to review two related Advisory Bulletins discussed below. Aligning these rules with the changes we outline would bring product design, portfolio limits, and risk management expectations in line with the Executive Order's goal of enabling community banks to originate and sell more high-quality mortgages through FHLBank AMA Program channels. The FHLBanks stand ready to provide members with the liquidity they need for expanded mortgage lending, through AMA loan purchases in addition to fully secured advances.

In short, making these requested AMA Program improvements could promote increased participation by community banks and credit unions to offer more choices to homebuyers.

i. AMA Capital Treatment of Member Provided Credit Enhancement

Today, many community bank and credit union participants in the MPF Program are required to hold risk-based capital against AMA credit enhancement obligations as if they were subordinated securitization tranches, even though those obligations are created through a "true sale" that reduces risk by moving the entire loan off of the selling bank's balance sheet. Under the capital requirements for subordinated securitization exposures, the credit enhancement obligations under the MPF Program typically attract 1,250-percent risk weights that effectively require the selling banks and credit unions to hold dollar-for-dollar capital against the maximum contractual credit enhancement exposure, despite the FHLBanks' first-loss position, conservative collateralization of the exposure, and the historically exceptional credit performance of MPF Program loans. These credit enhancement exposures are capped and fully collateralized, sit behind an FHLBank first-loss position, and have produced de minimis realized losses for participating financial institutions over multiple economic cycles. Yet they are treated as securitization-like positions that discourage community banks from using the MPF Program to originate and sell high-quality mortgages to FHLBanks while also retaining servicing. This has led to reduced secondary-market diversity, in direct contradiction to what the Executive Order seeks to promote. It also discouraged community banks from prudently managing

¹⁷ Choi et al., *The Value of the FHLBank System to Promote Housing and Community Development Lending*, at 1–4, 15–21.

liquidity risk and balance sheet concentrations through loan sales, which should be a concern for their prudential regulators.

We encourage FHFA, in coordination with the Federal Reserve, OCC, FDIC, and NCUA, to support targeted risk-based capital adjustments that better reflect the true risk profile of the AMA credit enhancement obligations to unlock community bank and credit union capital for additional mortgage and community lending. We are also engaged in productive discussions with the Vice Chair for Supervision at the Board of Governors of the Federal Reserve System on the risk-based capital treatment for on-balance-sheet mortgage loans and mortgage servicing assets for banks. Further, we plan to submit formal comments in response to the published proposed Federal Reserve rulemaking on bank capital. We believe your support will be instrumental in this process.

ii. Modernize the AMA Regulation

To accelerate innovation, enhance certainty and reliability, and improve efficiency for members, we respectfully urge FHFA to modernize the AMA regulation to permit FHLBanks to manage the credit risk of purchased mortgage loans in a safe and sound manner, rather than continuing to require a one-size-fits-all approach to member-provided credit enhancement. FHLBanks are in the best position to assess, protect against and provision for credit losses on purchased mortgage loans; and the FHFA is in the best position to evaluate those risk-management practices through the examination process. The AMA regulation should be aligned with these core principles.

Adjusting the current member-provided credit enhancement requirement (for example, by assessing credit enhancement adequacy on a FHLBank portfolio level rather than on a narrower pool level) would better position the FHLBanks, and by extension their members, to respond to the evolving needs of their local communities and to deploy capital more effectively in support of increased loan origination.

Additional changes to the AMA regulation, described below, would similarly reduce regulatory burden and operational inefficiencies affecting both the FHLBanks and members. These changes are intended to introduce practical flexibility while not materially increasing risk:

- **Liquidity Authority Clarity:** Explicitly recognize balance sheet management tools such as whole loan sales, securitization, loan participations, and credit risk transfer. As FHLBank balance sheets reach internal limits, FHLBanks either must choose to restrict loan purchases from members or reduce pricing to discourage loan delivery – outcomes that are inconsistent with the FHLBanks’ mission to serve as a reliable source of secondary market liquidity.
- **Jumbo Loans:** Allow FHLBanks to purchase jumbo loans for their balance sheet under an AMA Program. In many regions, home prices regularly exceed conforming loan limits (including entry-level and workforce housing) and members must be able to serve these markets. Allowing jumbo loan purchases under an AMA Program would provide community lenders with a reliable secondary-market outlet and better support local housing needs.
- **Member Nexus:** Allow FHLBanks to acquire AMA loans directly from member affiliates rather than requiring members to implement inefficient internal purchase-

and-sale processes in which an affiliate must first sell a loan to the member, which then sells the loan to an FHLBank.

iii. [Modernize the Housing Goals Regulation](#)

The Housing Goals (HG) regulation would also benefit from modernization designed to increase access to mortgage credit for low- and lower-income borrowers. We recommend the following changes:

- **Remove AMA Required Credit Enhancement on HG Loans:** Today, HG loans require more credit enhancement under AMA which can discourage participating financial institution origination and appears to be an unintended consequence of the HG regulation. This should be addressed by reevaluating the AMA credit enhancement requirement for HG loans.
- **Provide HG Credit for All Government Insured Loans:** Today, the regulation limits HG credit on government insured or guaranteed loans to those loans sold by “Community Based AMA Users” (smaller members by asset size). This limitation unnecessarily restricts HG credit to FHLBanks. The regulation should focus on the loans that are originated, not on the asset size of the originator.
- **Provide HG Credit for Off-Balance Sheet Loans:** Since the purpose of the HG regulation is to ensure FHLBanks serve low- and lower-income borrowers, eligibility for HG credit should not depend on whether a loan is being purchased for an FHLBank’s balance sheet versus being purchased for sale (i.e., to Fannie Mae).
- **Increase 80% AMI – Area Median Income Requirement:** There is an affordability crisis for households up to 120% AMI and even beyond. The regulation should therefore provide HG credit where borrower income is higher than 80%.
- **Remove HG Member Size Restriction:** The requirement that at least half of the selling PFIs must be small FDIC-insured Community Financial Institutions is an unnecessary restriction and shifts the focus from loans and borrowers to the size of originator.

iv. [Revise or Rescind Advisory Bulletins 2017-03: AMA Price Risk Governance and 2020-01: AMA Risk Management](#)

We recommend FHFA conduct a thorough review and revise or rescind Advisory Bulletins 2017-03 and 2020-01, including any restriction on AMA as a percentage of assets, which together impose highly detailed, model-driven expectations on AMA price-risk governance and risk management that are not standard in the broader secondary market and can impose disproportionate complexity and cost relative to the size and risk profile of AMA portfolios. These two Advisory Bulletins add complexity and cost to AMA Programs and represent a material headwind to the Executive Order’s goal of expanding responsible mortgage lending by community banks through FHLBank secondary market channels.

v. [Support Changes to CFPB’s Ability to Repay and Qualified Mortgage Standards](#)

As the Consumer Financial Protection Bureau and prudential regulators consider adjustments to Ability-to-Repay and Qualified Mortgage standards under Section 2 of the Executive Order, the FHLBanks support efforts to ensure that these requirements remain appropriately calibrated to

promote sustainable access to mortgage credit, while preserving strong consumer protections and safety and soundness. The FHLBanks are prepared, consistent with safety and soundness requirements, to review and, where appropriate, adjust collateral eligibility and AMA purchase criteria. This would help ensure that community banks and credit unions (particularly those under \$30 billion in assets) can continue to access FHLBank funding for prudently underwritten non-QM or alternative mortgage products that expand sustainable access to credit.

To promote housing finance, the FHLBanks should not be required to conduct a separate ability to repay analysis on Non-Qualified Mortgage (NonQM) loans pledged as home mortgage collateral by members. Advisory Bulletins 2005-08, 2007-01, and 2010-01 should be updated to clarify this expectation and make it easier for an FHLBank to accept well-underwritten NonQM loan collateral.

II. Capital and Liquidity Alignment

a. Longer-Dated Advances Tied to Residential Mortgage Assets

The Executive Order (Sec. 4(a)(iii)) encourages regulators, including FHFA, to consider expanding access to longer-dated FHLBank advances that are tied to residential mortgage assets. In practice, FHFA's existing regulatory restrictions on advances with maturities greater than five years has limited the FHLBanks' ability to offer funding that matches the true duration of many member mortgage portfolios.

We recommend that FHFA:

- **Modernize the “proxy test” and Residential Housing Finance Assets (RHFA) framework in the Advances regulation.** The FHFA should revise how the total mortgage related assets test is measured so it better reflects each member's business model (for example, flexibility to use an average of holdings rather than a point-in-time calculation) and broaden the definition of RHFA to include responsibly underwritten construction loans, held-for-sale mortgages, HELOCs and second liens, and other demonstrably housing-related exposures. This would better align long-term advances access with the full spectrum of housing finance activity on member balance sheets, without sacrificing safety and soundness.
- **Increase leverage for mortgage-tied advances within existing statutory limits.** The current rules limit members' access to advances with maturities greater than five years to the value of residential housing finance assets on a one-to-one basis. Providing greater leverage for these assets, such as a two-to-one relationship between long-term advances and eligible RHFA, would meaningfully improve members' ability to manage interest-rate risk associated with holding long-term mortgage assets, while remaining consistent with the Federal Home Loan Bank Act's requirement that long-term funding support housing finance or qualifying community lending.
- **Re-examine supervisory guidance that constrains long-term advances pricing and usage.** We encourage FHFA to review and, where appropriate, revise or rescind existing guidance, including Advisory Bulletin 2018-03 on advances pricing and related interpretations. As applied, this guidance may present challenges in implementing the President's Executive Order, particularly by influencing the availability or attractiveness of longer-term advances in ways that may not fully reflect underlying risk. Relying instead on the advances regulation and

each individual FHLBank's board-approved risk frameworks would better align FHFA policy with the Executive Order's objective of expanding access to safe, long-term mortgage funding.

- **Work with the federal financial regulators** to explore ways to safely incentivize bank members to borrow longer-term advances to finance their on-balance sheet home mortgages.

b. Targeted FHLBank Liquidity Programs for Entry-Level Housing, Owner-Occupied Purchase Loans, and Small Residential Builders

The Executive Order (Sec. 4(a)(iv)) calls for targeted FHLBank liquidity programs focused on entry-level housing, owner-occupied purchase loans, and small residential builders. We see this as an area where the FHLBanks can act quickly within current authority, building on existing programs.

We recommend that FHFA:

- **Amend the Community Investment Cash Advance (CICA) regulations to allow greater flexibility in defining eligible uses, targeted beneficiaries, and pricing for advances that support entry-level homeownership, workforce housing, and small residential builders.** Explicitly allowing “eligible housing activity” that is not strictly limited to low- and moderate-income units—such as homes priced below regional medians, first-time buyers, or small builder developments under a specified size—would enable the FHLBanks to design targeted programs that directly support the Executive Order's objectives while tailoring specifics to their districts.
- **Permit more flexible AHP set-aside allocations to support owner-occupied and small-scale projects.** Within the statutory 10 percent AHP contribution requirement, we ask FHFA to permit each FHLBank flexibility to allocate more than the current 35 percent cap of AHP funds to homeownership set-aside programs. This would allow the FHLBanks to devote more resources to owner-occupied housing that can be deployed quickly and is often the most effective way to reach entry-level borrowers.
- **Allow FHLBanks the flexibility to use statutory AHP funds for rate-buydown and builder-support programs.** Many FHLBanks already operate voluntary targeted programs, such as mortgage rate buydowns for first-time or lower-income homebuyers and discounted advances to support small residential builders and construction lending. We recommend that FHFA recognize these as consistent with the purpose and intent of AHP and allow the FHLBanks to use statutory AHP funds to support these programs, at the discretion of each individual FHLBank.

c. Increase FHLBank Investment Authority

We request that FHFA consider increasing FHLBank investment authority by amending or waiving 12 CFR 1267.3(c)(1) to raise the cap on permissible investments to 400% of an FHLBank's total capital. FHLBanks should be able to adjust their investment purchases within that limit based on each FHLBank's board approved risk appetite, business plan, member activity, and safety and soundness framework.

This increased authority will assist in stabilizing mortgage rates which is one of the key determinants of housing affordability. In addition, expanding FHLBank investment authority would directly support housing finance markets by allowing the FHLBanks to hold a larger portfolio of high quality,

mission aligned assets, which in turn lowers their overall funding costs and tightens spreads on advances and AMA execution for members. When FHLBanks can invest more efficiently within a clear, board approved risk framework, they can generate a more stable earnings base and pass those efficiencies through to members in the form of more competitive pricing on mortgage-related funding, helping reduce the all-in cost of mortgage credit for borrowers. This is especially important for community banks and credit unions that lack direct capital markets access and rely on the FHLBanks as their primary source of term liquidity to support mortgage lending.

III. Modernizing Collateral, Interoperability with the Federal Reserve, and Discount Window

The Executive Order (Sec. 4(a)(ii), (v); Sec. 4(b); Sec. 7) urges modernization of collateral valuation and transfer systems between the Federal Reserve Banks and the FHLBanks and calls for accelerated collateral boarding and valuation using standardized data and digital documentation, as well as digital mortgage modernization (e-signatures, e-notes, and remote online notarization ‘RON’). The FHLBanks continue to make progress to standardize the use of electronic signatures, e-notes, and remote online notarization across the housing finance system. Several FHLBanks already accept e-notes for single-family collateral under MISMO-aligned standards.

Additionally, over the last three years, the FHLBanks and the Federal Reserve Banks have launched a joint interoperability project with five coordinated workstreams: developing a standard “business-as-usual” subordination arrangement, creating a two-way information-sharing agreement, aligning loan-data reporting requirements, developing a playbook for stressed collateral transfers, and exploring options for moving securities collateral outside of central securities depository operating hours. These workstreams have already produced improved communication and transparency around collateral mobility, data transparency, and discount-window readiness and provide a natural foundation for meeting the Executive Order’s directive.

a. “Intermediate” Access

Section 4(b) of the Executive Order directs you and the Vice Chairman for Supervision of the Federal Reserve to consider authorizing “FHLBs’ intermediate access to the Federal Reserve’s discount window for FHLBs’ member depository institutions” under standardized collateral, operational, and risk-management protocols. This would be particularly beneficial for community banks which represent about 97 percent of all U.S. bank charters but hold only about 13–20 percent of banking assets, according to FDIC- and FFIEC-based analyses.¹⁸

i. Use FHLBank Letters of Credit to Improve FHLBank-Fed Interoperability During Times of Stress

A central theme of the FHLBank-Federal Reserve Banks’ discussions has been the need to reduce the time and operational frictions associated with moving collateral from an FHLBank to a Federal

¹⁸ See Federal Reserve Bank of Kansas City, ‘Community Banks’ Ongoing Role in the U.S. Economy’ (finding community banks are 97 percent of charters but just over 13 percent of assets); FDIC, 2020 Community Banking Study (community banks hold about 12 percent of industry assets as of 2019); and Harvard Kennedy School, ‘The State and Fate of Community Banking’ (community banks’ asset share has fallen to around 20 percent in recent years).

Reserve Bank when a member institution needs to shift its primary source of secured funding from the FHLBank to the Federal Reserve Bank.

As one of several tools under review to help address this problem, we developed a proposal under which a Federal Reserve Bank, as beneficiary, would accept a short-term letter of credit issued by an FHLBank to secure discount window advances to a shared member institution. Under this structure, the FHLBank letter of credit would be fully secured by collateral already pledged by the member to the FHLBank, but the Federal Reserve Bank would obtain an irrevocable repayment obligation from the issuing FHLBank, enabling the member to borrow promptly at the discount window while the underlying collateral transfer processes are being prepared, if necessary. This tool is designed to serve as a bridge mechanism during periods of stress, including weekends and off-hours, when timing and valuation challenges are most acute.¹⁹

In response to encouragement from Federal Reserve Board of Governors (Board) and Federal Reserve Bank staff, we formally submitted this proposal on March 23, 2026. In our view, this approach is consistent with the type of “intermediate access” that Section 4(b) of the Executive Order appears to contemplate.

b. FHFA can remove key impediments to advancing the President’s Executive Order by addressing its Member Credit Risk Management Advisory Bulletin

The Executive Order envisions a coordinated approach to liquidity support in which fully secured FHLBank advances continue to serve as a normal, predictable, and prudent source of funding for community banks and credit unions, even as supervisory agencies coordinate around institutions that may ultimately need to access the discount window. That framework depends on member institutions being able to count on the availability of FHLBank liquidity when it is most needed. Tension can arise when supervisory communications inject uncertainty into whether FHLBank advances will remain available in stressed conditions or are interpreted as discouraging stressed institutions from using FHLBank advances, rather than recognizing that fully secured advances are a core element of a coordinated liquidity framework designed to help institutions withstand periods of market stress.

In this context, Advisory Bulletin 2024-03: *FHLBank Member Credit Risk Management*, which emphasizes member creditworthiness over pledged collateral in member credit frameworks, has called into question the ability of the FHLBanks to advance the tenets of the President’s Executive Order’s vision of coordinated liquidity support. By imposing prescriptive and ambiguous requirements on FHLBanks’ management of member credit risk, the AB has introduced regulatory uncertainty that directly affects members’ liquidity planning and risk management. The practical effect is to narrow, rather than broaden, the very channels the Executive Order is trying to use. AB 2024-03 encourages FHLBanks to shorten advance maturities as internal ratings decline and to treat longer dated advances

¹⁹ A recent American Bankers Association (ABA) survey found FHLBank advances are the preferred source of collateralized borrowing and are associated with increased lending for residential mortgages, small multifamily properties, and small business lending. While it is important to ensure collateral can move efficiently in times of market stress, it is equally critical that members maintain access to the FHLBank liquidity that allows credit to flow when and where it is needed. ABA also reported the FHLBanks are a prominent source of liquidity in contingent funding plans (CFP) (95% of CFPs use FHLBanks vs. 80% use the Federal Reserve Banks), supporting the efficiency of maintaining collateral at the FHLBanks while allowing the Federal Reserve, when necessary, to provide liquidity through FHLBank-issued letters of credit. For more, see <https://bankingjournal.aba.com/wp-content/uploads/2026/03/ABA-Survey-on-Liquidity-and-Collateralized-Borrowing-v4.pdf>.

to stressed members as suspect, even when those advances are fully secured by high quality collateral and priced with conservative haircuts. Because community banks lack ready capital markets alternatives, these tenor expectations fall disproportionately on smaller institutions and can discourage them from building or expanding mortgage origination platforms that rely on dependable term funding. With these embedded expectations for tenor limits, the Bulletin creates a procyclical regime in which the members that rely most on FHLBank funding, community banks and credit unions, face the greatest uncertainty about whether they can access stable, term liquidity when conditions turn.

For these reasons, we respectfully urge FHFA to review and revise Advisory Bulletin 2024-03 (subject to public comment) to provide the necessary support community banks and credit unions need or address these issues through a transparent rulemaking under the Administrative Procedure Act. AB 2024-03 introduced operationally significant new expectations on tenor, modeling, surveillance, and troubled member treatment, without notice and comment, and has come to function, in practice, as de facto regulatory guidance that materially reshapes the FHLBanks' member credit framework. A proper rulemaking would allow FHFA to calibrate expectations to the fully secured nature of FHLBank advances; incorporate the growing empirical record that advances support lending, stability, and lower resolution costs.

IV. Affordable Housing Program (AHP) Modernization

The Executive Order (Sec. 4(a)(vi)) calls for refocusing the FHLBanks' Affordable Housing Program on faster-cycle execution and greater financial leverage for small-scale and owner-occupied housing projects. We agree that AHP should support timely, scalable responses to the housing affordability crisis, particularly for small-scale projects and homeownership.

On January 26, 2026, the FHLBank Community Investment Officers (CIOs) transmitted to FHFA a comprehensive proposal for an AHP regulatory rewrite, developed in consultation with your staff and anchored in four guiding principles: stick to the statute, remove administrative burden, increase FHLBank flexibility to meet the needs of its district, and encourage use of other FHLBank products. We recommend that FHFA treat the CIO AHP proposal as the core framework for implementing the Executive Order's direction on AHP, and we highlight the following key elements:

a. Down-to-the-Studs Simplification of AHP Regulatory Compliance

We propose streamlining or removing numerous regulatory provisions that have proven overly burdensome and duplicative, and encourage FHFA to:

- **Simplify the scoring methodology** to require only those categories grounded in statute (government-transferred properties, nonprofit sponsorship, home purchase, and income targeting), with other criteria set by each FHLBank through its Implementation Plan;
- **Eliminate highly prescriptive application, alternate, and tied-application rules** that complicate award cycles;
- **Simplify the regulatory requirements for Targeted Funds** to allow the FHLBank to establish those requirements in its Implementation Plan;
- **Remove the regulatory requirement that in the case of homeownership projects where the sponsor extends permanent financing to the homebuyer, the sponsor's cash contribution shall include the present value of any payments**

the sponsor is to receive from the buyer, which shall include any cash down payment from the buyer, plus the present value of any purchase note the sponsor holds on the unit.;

- **Remove regulatory requirements that complicate project monitoring such as those related to project modifications;**
- **Allow the FHLBanks to establish their own retention requirements based on investment level and their risk appetite:** for example, hypothetically, rental projects receiving less than \$250,000 in subsidy or households receiving down payment assistance of \$10,000 or less may not be subject to retention requirements in the discretion of an FHLBank; and
- Where retention is required and repayment for ownership is not satisfied by proxy, **enable simple straight-line prorated repayment calculations** for both ownership and rental projects, without complex formulas.

b. Faster-Cycle Execution and Alignment with Other Funders

To speed delivery and reduce costs, we recommend FHFA:

- **Allow the FHLBanks to rely more fully on federal, state, and local government monitoring for long-term compliance,** without imposing multiple additional conditions;
- **Clarify that the FHFA's expectations for long-term monitoring are to focus on income targeting and rent restrictions** as currently stated in the regulation, with risk-based follow-up, rather than expansive documentation of property-level operating details;
- **Clarify that AHP should not be required to bear a disproportionate share of underwriting and compliance burden** compared with larger funding sources; and
- **Restrict monitoring activities to verification that projects operate in accordance with the approved application,** avoiding duplicative re-underwriting at disbursement and final monitoring stages not required by other funders.

c. Greater Flexibility to Support Small-Scale and Owner-Occupied Housing

Consistent with the Executive Order's emphasis on small-scale and owner-occupied projects, we ask FHFA to:

- **Allow each FHLBank to tailor grant limits,** including higher limits for high-cost areas or specific project types, and to increase allowable subsidy levels per unit for select projects consistent with existing regulatory authority;
- **Remove overly rigid grant caps and unusual restrictions on cash back to households in homeownership set-aside programs** that impede effective down payment assistance;
- **Allow AHP to be used for pre-development costs for small-scale and owner-occupied projects,** recognizing that early-stage funding gaps often prevent worthy projects from moving forward; and

- Consider rewriting regulations to **enable a modified General Fund structure that allows percentage-based allocation of available AHP funds to specific project types**, such as small-scale and owner-occupied housing, tailored to each FHLBank district's market conditions.

d. Integration of AHP with Other FHLBank Products

To enhance leverage and impact, we recommend FHFA **explicitly permit FHLBanks, at their discretion, integrate AHP into other FHLBank products** such as Acquired Member Asset (AMA) programs and targeted advance programs.

Conclusion and Request for Engagement

The FHLBank System views the President's Executive Order as a catalyst for constructive, evidence-based improvements to the housing finance system, improvements that leverage the FHLBanks' strengths. We are committed to working with FHFA, the Federal Reserve, other regulators, and stakeholders to advance the Executive Order's goals in a manner that expands access to responsible mortgage credit, supports housing supply, and enhances the strength and resilience of the financial system.

We respectfully request:

- A meeting with you and your senior staff in the near future to discuss the priorities outlined in this letter; and
- An ongoing, structured dialogue with FHFA as you implement the Executive Order and prepare the report on the efficiency of the national housing finance markets, so that FHLBank System perspectives and data can be considered.

Thank you for your consideration and for your continued engagement with the FHLBank System.

Respectfully submitted,



Ryan Donovan
President and Chief Executive Officer