

ICBA Regulatory Update: FHLB Mission Review

Topic/Issue: FHLB Mission Review

Agency: FHFA

Status: The FHFA recently completed a year-long study of the FHLBs, their mission and how the system is supporting that mission. The final report released in November of 2023 outlines 20 recommendations many of which would negatively impact community bank use of the system. The vast majority of community banks are FHLB members.

ICBA Position:

It is critical that community banks have consistent and reliable access to FHLB advances that provide the liquidity necessary to invest their communities through the economic cycle. FHFA should not enact changes that compromise the FHLB System's structure or undermine the safety and soundness of the FHLB System by allowing non-prudentially regulated entities access to the low-cost funding the System provides its member-owners. Further, FHFA should not impose any additional requirements that would require the tracking of advances or other criteria that would limit participation by community banks in the FHLB system.

Key Talking Points:

- The FHLBs must remain a strong, stable, and reliable source of funding for community banks.
- ICBA opposes changes that compromise the System's regional and cooperative structure.
- FHFA should not permit non-depository entities — which are not prudentially regulated — to access FHLB programs or services.
- FHFA should not move to consolidate the System without the grassroots leadership of its member-owners.
- FHFA should not impose any requirements that could restrict community bank access to the system based on the amount of mortgage lending a bank does.
- Any changes to the mandatory Affordable Housing Program allocation must not compromise the safety and soundness of any FHLB.