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FHFA Releases Report on Federal Home Loan Banks



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On Wednesday, the Federal Housing Finance Agency (“FHFA”) released a long-awaited [report](#) on its review of the Federal Home Loan Bank (“FHLB”) System. The FHFA first announced its FHLB System at 100 initiative in [August of 2022](#), but the bank failures of spring 2023 added additional interest in the report given the heavy reliance on some of the failed banks on FHLB advances as they faced liquidity challenges.

As the FHFA reiterated in the report, the mission of the FHLB system are two objectives: (1) providing stable and reliable liquidity to members; and (2) supporting housing and community development. The report noted that “the role of the FHLBs in providing secured advances must be distinguished from the Federal Reserve’s financing facilities, which are set up to provide emergency financing for troubled financial institutions confronted with immediate liquidity challenges.” The report went on to note that “[t]he FHLB System does not have the functional capacity to serve as the lender of last resort for troubled members that could have significant borrowing needs over a short period of time.”

In addition to covering the FHLB System’s mission and provision of liquidity, the report covered two other themes – housing and community development, and FHLB System operational efficiency, structure and governance. The report noted that certain suggested increased contributions to the Affordable Housing Programs would likely require Congressional action. The report also notes that the FHLB districts have changed little since 1932, despite many changes impacting the FHLBs.

Especially after the banking stress events around March of this year, the FHLBs have faced some criticism over not fulfilling their housing mission and just acting as “mini-FRBs.” The report represents an early but substantial step in evaluating the system as it approaches its 100th anniversary.
