

[Banking and Finance Law Daily Wrap Up, TOP STORY—FHFA proposes amending housing goals for Federal Home Loan Banks, \(Oct. 30, 2018\)](#)

Banking and Finance Law Daily Wrap Up

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The Federal Housing Finance Agency has issued a proposed rule that would amend the existing Federal Home Loan Bank Housing Goals regulation. The amendments would replace the existing four separate retrospective housing goals with a single prospective mortgage purchase housing goal and establish a separate small member participation housing goal. Additionally, FHLBanks would be allowed to request FHFA approval of alternative target levels for the proposed goals. The [proposal](#) would also eliminate the existing \$2.5 billion volume threshold that triggers the application of housing goals for each bank. The FHFA issued a [Fact Sheet](#) along with the proposed rule. All comments on the proposed rule should be submitted within 90 days of publication of the proposed rule in the *Federal Register*.

Under the Federal Home Loan Bank Act, the FHFA is required to establish housing goals with respect to the purchase of mortgages by the FHLBanks. The goals "should be consistent with those for Fannie Mae and Freddie Mac while considering the unique mission and ownership structure of the FHLBanks." [According](#) to FHFA Director Melvin L. Watt, to be successful, housing goals "should lead the FHLBanks to make affordable housing part of their business plans."

2010 Rule. The FHFA issued a final rule in December 2010 that subjects an FHLBank to the housing goals if its Acquired Member Asset (AMA) purchases exceed a volume threshold of \$2.5 billion. When triggered, existing housing goals compare FHLBank performance to market levels.

Current proposal. The FHFA proposes amending the current FHLBank housing goals to:

- set a new small member participation housing goal for participation by small institutions;
- eliminate the retrospective evaluation using Home Mortgage Disclosure Act data and set a single prospective mortgage purchase housing goal as a share of each FHLBank's total AMA purchases;
- eliminate the volume threshold and instead allow FHLBanks to propose different levels for the goals for mortgage purchases and small member participation, subject to FHFA approval; and
- simplify and expand the eligibility criteria to enable federally backed loans to count for goals purposes.

According to the Fact Sheet, the current regulation establishes three single-family owner-occupied purchase money mortgage goals and one single-family refinancing mortgage goal applicable to the FHLBanks' purchases under their AMA programs. The goals are for purchase money mortgages to low-income families, families in low-income areas, and very low-income families, as well as for refinancing mortgages for low-income families.

The proposed prospective mortgage purchase housing goal would be 20 percent of AMA purchases measured by number of loans. The proposed small member participation housing goal is designed to expand use of the AMA program by smaller institutions that often lack other connections to the secondary mortgage market and that are statistically more likely to serve low-income borrowers and families in low-income areas.

The proposed rule would establish a three-year phase-in period for enforcement of the new housing goals.

Companies: Fannie Mae; Freddie Mac

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