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Federal Housing Finance Agency
Division of Bank Regulation
400 7th Street SW
7th Floor
Washington DC 20219

Dear Sir/Madam:

The American Council of Life Insurers (ACLI) appreciates the opportunity to respond to the Federal Housing Finance Agency's (FHFA) Request for Input (RFI): Federal Home Loan Bank (FHLBank) Core Mission Activities and Mission Achievement.

Life Insurance and the Housing Market

As enacted by Congress, life insurance companies have been members of the Federal Home Loan Bank system since it was established in 1932 and more than 220 life insurance companies are currently FHLBank members. Life insurer's membership in the FHLBank system aligns with life insurers' role as providers of family financial security and as significant investors in the U.S. housing market – including single family and multifamily mortgages, bonds issued by state affordable agencies, and in the secondary mortgage market. In addition, our life insurance and credit life products assist families owning their homes should the unfortunate happen.

Further, life insurers are also core purchasers of residential and commercial mortgage-backed securities ("MBS"), which allows lenders to provide affordable financing options to individual and commercial borrowers. Life insurance companies held more than $554 billion in housing-related investments as of year-end 2022, including $67 billion in single-family mortgages, $218 billion in

The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.
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multifamily mortgages, and $270 billion in MBS. Importantly, life insurers are major purchasers of *long-dated* mortgage-backed securities. Of the $270 billion in MBS held by insurance companies, nearly 64 percent (64%) have a maturity (at the time of purchase) that is greater than 30 years, and 24 percent (24%) are purchased with a maturity between 20 and 30 years. The demand for long-dated MBS creates downward pressure on overall residential mortgage rates, providing lower-cost lending products for homebuyers than would have otherwise been available. Another benefit for homebuyers is the option of a 30-year fixed-rate mortgage with no prepayment penalties. Indeed, the U.S. is one of the few countries in the world to offer 30-year, fixed-rate mortgages with no prepayment penalty.

Life insurers also invest in community development across the country. Each day life insurers invest $584 million in working capital that supports job creation, education, housing, and more nationwide.

The collateral pledged to the FHLBanks by our members is comprised of housing related assets that our members have purchased in the market. In fact, ACLI members typically maintain an inventory of housing related assets well beyond what is pledged to their FHLBanks to ensure they will have sufficient collateral even when market conditions are volatile.

The life insurance industry involvement in all facets of the U.S. housing finance system is an essential facilitator of credit liquidity necessary to facilitate development and rehabilitation. As our investment is long-term, the industry acts as a stabilizing force for the housing finance system.

Mission Statement for the FHLBank System

ACLI members maintain that the current Core Mission Activities (CMA) Regulation, as established by Congress, continues to appropriately define the FHLBanks' mission, which the FHFA states in the RFI is to "…support housing and community development, and this includes not only direct support through the AHP, CIP, CICI, and other targeted programs, but also indirect support through the provision of liquidity to members and housing associates so they can lend in their communities."

In addition, the FHLBank mission should continue to recognize the importance of investor holders, like insurance companies that, as lenders, hold mortgages and MBS on balance sheets.

Measurement of Mission Achievement

The current core mission activities, as included in the CMA regulation, remain relevant and appropriate measures of the mission established by Congress. As such, the ACLI recommends no changes towards any of the measurements of FHLBank's mission achievements.

ACLI does not support assessing mission achievement by tying measurement to the value of GSE status.

Member Incentive Programs

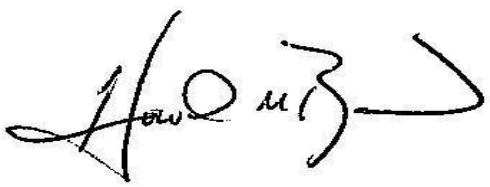
The current member incentive programs, including community investment programs, remain relevant and appropriate. The ACLI recommends that the FHFA not seek to motivate members to participate in certain programs or other activities as this should be left up to the individual FHLBanks as they seek to promote affordable housing, community investment and provision of

liquidity to members and housing associates so they can lend in their communities. The individual FHLBanks know their communities best and are better positioned to determine what works best for their communities.

As the FHFA considers the appropriate course of action based on its comprehensive review, ACLI urges careful consideration of any dramatic revisions of the Mission, which could have unintended, harmful consequences. The ACLI and its members also look forward to working collaboratively with the FHLBanks to advance the mission in supporting housing finance, community development, and increased support of affordable housing.

Thank you for your consideration.

Sincerely,



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