Federal Home Loan Banks' Comprehensive Review

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Issue Update

The Comprehensive Review of the Federal Home Loan Banks, issued by the Federal Housing Finance Agency in 2023, made 55 recommendations for changes to the System, including: clarifying the dual mission of the FHLBs to provide liquidity to members and support for affordable housing efforts by members; ensuring that FHLBs are not the "lender of last resort" for members; and strengthening member risk management. While FHFA made no specific recommendations to expand or restrict membership in the System, longstanding efforts by groups seeking to gain access to the System or restrict some banks' existing access are likely to continue.

While FHFA retains authority to modify certain regulatory and supervisory requirements, many of the most significant questions regarding FHLBank mission, membership, or structure would require congressional action. Debate over these issues continues among policymakers, housing advocates, and market participants, particularly as housing affordability and financial stability remain prominent public policy concerns.

Recent agency activity suggests a greater emphasis on regulatory streamlining alongside ongoing oversight of the FHLBanks. In July 2026, FHFA proposed repealing the Federal Home Loan Bank New Business Activities regulation as part of a broader effort to reduce regulatory burdens while maintaining the safety and soundness of the System.

Congress also continues to examine the role of the FHLBank System. Recent oversight discussions have focused on the System's contribution to housing finance, affordable housing programs, community development, and liquidity provision during both normal and stressed market conditions.

Why It Matters

The FHLBs have been a fundamental part of the nation's financial system for more than 90 years, and they provide members with an important source of funding for mortgages and liquidity management. The System has proven to be well designed; its cooperative structure ensures that each participant has an interest in its safety and soundness. Member institutions capitalize the System with their investment, and in return, they receive the benefit of borrowing at attractive rates, earning potential dividends on their investment, and eligibility for Affordable Housing Program funds (and other community support programs) in lieu of or in addition to potential dividends.

Because the FHLBanks are chartered by Congress, requirements about the level of support they must provide for affordable housing and community development are to be decided by Congress. We are generally supportive of voluntary efforts by the FHLBs to expand their affordable housing efforts, and especially welcome efforts that help community banks further affordable housing efforts.

The liquidity mission of the FHLBanks is vital to ensure that banks of all sizes have access to reliable day-to-day liquidity. Attention by FHFA to the FHLBanks' role in the provision of liquidity is expected and reasonable. How FHFA addresses these issues – especially as it relates to day-to-day liquidity management will be important. It is essential that any changes be subject to careful consideration by all stakeholders, including members and prudential regulators, and that no changes are made without input and understanding by all impacted parties.

Changes in this area have the potential for significant negative impact on banks of all sizes, and these changes could require a comprehensive realignment of the financial system to avoid significant disruption.

American Bankers Association

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While the financial system is evolving, and numerous new entities compete with FHLB members in the housing and community development finance arena, those entities do not have comparable capital requirements as well as comparable prudential requirements and oversight as existing FHLB members. Most also do not have the kinds of eligible collateral used to back borrowing from the System in its current form. Given the success of the FHLBs, it is not surprising that these entities want to join or replicate the System. However, their admission would introduce significant risk to the cooperative System. Allowing entities with vastly different regulation, collateral and oversight into the System risks destabilizing it and putting existing members’ capital at risk, with potential negative cascading effects throughout the financial system and U.S. economy.

Recommended Action Items

- Explain to Congress, FHFA, and prudential regulators why your bank is a member of the System – include points about the access to necessary liquidity in all economic cycles and specifics about how your bank uses System access to further economic opportunity in your community including through the Affordable Housing Program (AHP).

- Urge Congress not to expand FHLB membership to less regulated entities or those without collateral to back their borrowing, which would destabilize the FHLB System and put bank investments at risk.

- Urge policymakers to preserve the FHLBanks' dual mission of providing reliable liquidity and supporting affordable housing, recognizing that both functions are essential to the System's long-term success.

- Support efforts to improve coordination between the FHLBanks and the Federal Reserve while preserving banks' ability to access both facilities as complementary sources of liquidity