



# *GSE Activity Report*

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Tuesday, October 4, 2022

## *The Sweet Smell of Success?*

### **Summary**

Although one witness at the FHFA listening session on the Home Loan Banks took strong issue with their mission and meaning, another who called them the “most successful program of the last hundred years” pretty much summed up today’s testimony.

### **Impact**

As noted in our prior report, most witnesses today praised the vital importance of the System for bank liquidity and affordable housing, with numerous community groups recounting how the System furthers their objectives and, in a few cases, what it should be allowed to do to do still more.

Safety and soundness was on nobody’s mind, with one witness in fact urging FHFA to rewrite the FHLB capital rules so that unrealized losses no longer adversely affect tangible capital. Witnesses also proposed a few new programs – i.e., broadening eligible collateral such as participated loans and municipal bonds – but more than a few liked the System just as it is.

### **Outlook**

Next up for FHFA is written comments due on October 21 and then still more listening sessions out and about the country. It seems clear that FHFA will do nothing about the System unless and this is a big unless – the FSOC reported discussion of System’ systemic risk prompts the director to do what we would guess Treasury and the Fed would like done to the System along lines sketched out in the recent [Fed/Tarullo report](#).