

**Shatrowsky, Kimberly**

---

**From:** Faucette, Doug  
**Sent:** Friday, September 27, 2024 12:34 PM  
**Subject:** AB-2024-03\_FHLBank-Member-Credit-Risk-Management (1)  
**Attachments:** AB-2024-03\_FHLBank-Member-Credit-Risk-Management (1)-c.pdf



## **Mutual Alert**

# **Federal Housing Finance Agency issues Credit Risk Management Advisory**

We have attached the most recent FHFA advisory to FHLBs on the standards for underwriting advances to members. The standards confirm the concerns of many as to the FHFA's fundamental change to the relationship between FHLBs and their members. It appears that the

FHLBs are expected to take a much more robust approach to underwriting member risk and place less reliance on the value of collateral in lending decisions. Indeed, the advisory cast doubt on whether there is any major role for a FHLB as a lender of last resort and imposes numerous prudential requirements that are beginning to resemble regulatory oversight more than traditional lender oversight. While most of the principles espoused in the advisory are sound for a private lender their applicability to public instrumentalities may further retard the implementation of public policy to support housing. We will be closely monitoring industry and Congressional reaction.

Douglas Faucette  
America's Mutual Banks  
202 220 6961 O  
301 873 6195 C  
701 8th Street, N.W.  
Suite 500  
Washington D. C. 20001  
[dfaucette@lockelord.com](mailto:dfaucette@lockelord.com)  
[www.americasmutualbanks.com](http://www.americasmutualbanks.com)