

Statement for the Record
On Behalf of the
American Bankers Association
Before the
House Financial Services Committee
Subcommittee on Housing and Insurance
July 21, 2026



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The American Bankers Association¹ (ABA) appreciates the opportunity to submit this statement for the record regarding the Federal Home Loan Bank (FHLBank) System and its critical role in supporting the nation's housing finance system, banks' community development efforts, and the safety and soundness of financial institutions.

Representing banks of all sizes and charters across the country, ABA's members rely on the FHLBanks as a dependable source of liquidity and funding that allows them to serve households, businesses, and communities in every economic environment. The FHLBank System has been a cornerstone of the U.S. financial system for more than 90 years and remains uniquely positioned to support local lending and economic growth through its member-focused cooperative model.

A Reliable Source of Liquidity

At its core, the FHLBank System fulfills an essential liquidity mission. Member institutions depend on FHLBank advances to manage a wide range of funding needs, including supporting mortgage lending, responding to shifts in deposit flows, managing interest-rate and liquidity risk, and maintaining credit availability during times of economic stress.

The value of the System is most evident during periods of market disruption. When other funding sources become constrained or more expensive, the FHLBanks provide secured, predictable access to liquidity. This reliability strengthens the resilience of community, regional, and larger banks alike, enabling them to continue serving customers and supporting local economies.

The FHLBanks do not compete with private-sector funding markets; instead, they complement them by providing an important backup source of liquidity that enhances the overall stability of the financial system. For many community banks, access to FHLBank advances is a critical tool that allows them to maintain lending capacity and meet the needs of consumers, small businesses, farmers, and local governments.

Events in 2023 highlighted the important role played by both the FHLB System and the Federal Reserve Discount Window in ensuring that banks have access to liquidity in all market

¹ The American Bankers Association is the voice of the nation's \$26.1 trillion banking industry, which is composed of small, regional and large banks that together employ over 2 million people, safeguard \$20.5 trillion in deposits and extend \$13.7 trillion in loans.

conditions. The FHLBanks continue to work closely with the Federal Reserve System to ensure that collateral can move efficiently between the two, while preserving banks' vital access to the day-to-day funding and contingency lending that the FHLBanks provide. ABA and our members greatly appreciate the efforts by both the FHLBanks and the Federal Reserve to provide updates and engagement with banks as they work to clarify the respective roles of each system and make further improvements. We look forward to continuing to work with both systems to ensure that expectations of bankers, regulators and the markets are well met going forward.

Supporting Affordable Housing

The FHLBank System's housing mission remains just as important today as when it was established. Through the Affordable Housing Program (AHP) and other targeted initiatives, the FHLBanks provide substantial support for the development, rehabilitation, and preservation of affordable housing in communities throughout the country.

These programs help finance housing for low- and moderate-income households, seniors, veterans, individuals with disabilities, and working families struggling with housing affordability challenges. Importantly, the FHLBanks leverage strong partnerships with member institutions, nonprofit organizations, developers, and local governments to ensure that resources are directed to projects that meet community needs.

As the nation continues to face housing shortages and affordability pressures, the FHLBanks represent one of the most effective and locally driven mechanisms for delivering housing investment to communities.

Advancing Community Development

Beyond affordable housing, the FHLBanks support broader community and economic development efforts through grants, investments, and other mission-oriented programs. These initiatives assist in the development and operation of community facilities, small business development, disaster recovery, infrastructure improvements, and other projects that strengthen neighborhoods and local economies.

ABA members have seen firsthand how FHLBank partnerships can help address unique local challenges while expanding economic opportunity. The flexibility of the System allows individual FHLBanks to tailor programs to local needs, ensuring that resources reach communities where they can have the greatest impact.

Preserving a Successful Cooperative Model

The FHLBanks operate under a cooperative structure that aligns their interests with those of their member institutions and the communities those institutions serve. This model has demonstrated its effectiveness across generations and through numerous economic cycles.

As policymakers consider potential changes to the FHLBank System, ABA encourages Congress to preserve and strengthen the System's ability to fulfill its dual mission of providing reliable

liquidity and supporting housing and community development. Any reforms should build upon the strengths of the cooperative model while ensuring that the System remains responsive to evolving market conditions and community needs.

Conclusion

For ABA member banks and the customers they serve, the Federal Home Loan Bank System is much more than a funding source. It is a vital component of the nation's financial infrastructure, providing dependable liquidity, supporting affordable housing, promoting community development, and enhancing financial stability.