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Federal Home Loan Banks: Shaping the Future of Affordable Housing and Community Investment

Comments from Jeff Kuzbel at the National Housing Conference Event on Feb. 11, 2025

Good afternoon. I am Jeff Kuzbel, President and CEO of FHLBank Topeka. I appreciate the opportunity to take a few minutes to share some thoughts on our bank and the FHLBank system and the role we are playing in housing.

This opportunity, as well as the broader discussions, have proven useful to me, as I'm completing my first year in this CEO role, and my third year in Topeka. This isn't, however, my first experience in the System. Originally a PA native, I've worked for the FHLBank Pittsburgh, and subsequently I was with Freddie Mac and Capital One here in DC. I've had the opportunity to observe the System and GSEs both as an insider and an outsider and gain perspective from both urban and rural settings. As the discussion has evolved over the past two years, and now in the context of a new administration, I'd like to offer a couple observations.

First, lending looks different everywhere. Solutions built for coastal and urban settings don't always translate to the needs of smaller and less densely populated regions. Relationship lending is still a very real thing—and I think there are ways we can incorporate changes that impact both rural and urban areas alike. Where I am located, the truck in the driveway, or machinery in the shed may sometimes cost more than the home itself.

Despite the relatively low cost of housing in smaller communities across the nation, many of our small community lenders have exited the mortgage market. It's worth asking specifically why that happened, why that remains the case, and of course, **what should we be doing to meaningfully reverse that trend?**

FHLBank Topeka is a \$75 billion member-owned cooperative wholesale bank that supports the states of Kansas, Nebraska, Oklahoma, and Colorado. The primary mission of our bank and the System is to provide reliable liquidity to our members (banks, credit unions, insurance companies, and Community Development Financial Institutions [CDFIs]). We accomplish this through our various advance programs, mortgage purchase programs (MPF, MPP) and letters of credit. When you look at the membership of our Topeka bank, nearly 90 percent of our members have total assets at or below the community financial institution asset threshold of \$1.4 billion and we have no institutions over \$50 billion in assets. **We are the capital markets for community banking in our district, and this is a similar story to FHLBankss across the United States where 94 percent of aggregate members have \$5 billion or less in total assets.** Nearly all our institutions are financially healthy, and we predominantly serve as a lender of

“first-resort” to support liquidity needs, asset/liability management, housing and community development activities.

This brings me to a **second, and more troubling observation** with respect to the ongoing discussion of the FHLBank System. The presumption or assertion that FHLBanks only exist to lend to so called “troubled” institutions, or in stressed environments. We as a system are the pre-eminent collateralized lender where our advances are collateralized by single family and multifamily residential loans, mortgage securities, and agricultural loans. The reality is that we are a fundamentally relevant part of our members’ everyday operations. When you study the balance sheets of our members, wholesale funding in general, and advances specifically, represent a small percentage of overall bank total liabilities. We sometimes characterize ourselves as the motor oil that allows the engine of our financial system to operate seamlessly and effectively. We all know what happens to the engine if there is no lubricant, it seizes to operate.

In times of crises, such as the great recession, COVID, and the events of March 2023, our activities insulate the broader market and serve as a shock absorber in the early moments of any market stress event. Before federal facilities are established, it is critical that our members can instantly access us to provide reliable and on-demand liquidity to prevent contagion.

Furthermore, our mortgage purchase programs provide liquidity to residential mortgage originations and are unique as an alternative to Freddie/Fannie securitization. In many of my conversations with my members, they share that they would not be originating 30-year fixed-rate mortgages in their smaller-town and rural communities if it were not for our mortgage purchase programs.

Why is this FHLBank background important? The answer is simple— our foundational liquidity mission facilitates our housing and community building mission. This simple reality is too frequently lost in the discussion. Our programs vary across the country, spanning residential down payment assistance, multifamily projects, and community development initiatives. Additionally, in the past few years, all the banks have created and executed multiple voluntary housing programs contributing a range of 3.5 to 10 percent of earnings, depending upon the bank, with a uniform commitment of an additional minimum 5 percent in voluntary funding above the 10 percent AHP requirement in 2025. The FHLBank System contributed approximately \$1.0 billion to housing through AHP and voluntary programs in 2024. We are the largest source of private grant funding for affordable housing and community development in the country. So, believe me when I say, we want to do more, but the value of the cooperative can be scaled most efficiently through our foundational mission and architecture.

Personally, in Topeka, we are excited about our voluntary programs where we rolled out our Home Ownership Possibilities Expanded (HOPE) program which is targeting the “missing middle” to support workforce housing by expanding our Adjusted Median Income requirements. The program was met with huge success and is benefitting first responders, manufacturing workers in Nebraska, and seasonal employees in Colorado. We, along with other banks, specifically Des Moines, Dallas, and San Francisco, recognized opportunities to support Native American communities in our respective districts. According to HUD, Urban Institute and other academic studies, Native American housing with respect to homelessness, supply, overcrowding and the lack of plumbing, heat, and safe water represents significantly worse housing conditions than other demographic groups across the US. We are proud of our Native American Housing Initiative (NAHI) program that began in 2023, expanded in 2024 to include

12 projects, and is targeted for additional growth in 2025. Projects like the two youth homeless shelters where young teenagers who lived on porches, in cars, at neighbors' houses now have a place to call home. We funded a community center and tornado shelter to support tribal elders in Oklahoma, and we learned that life expectancy for Native communities was significantly lower than national averages and supported a home rehabilitation program to renovate the homes of tribal elders to make their bathrooms safe and accessible.

The message here is that we are creating housing programs that meet the unique needs of our respective districts. This is similar to our sister banks like New York, Indianapolis, and San Francisco, who have programs to support housing in the inner cities, banks that support rural communities, economic development, and unique programs in Dallas and Chicago targeting CDFIs.

The housing challenges facing this country are sizeable and we all have an opportunity to make a difference. Whether you are prospective homebuyer, a renter, or a senior citizen, we have an affordability issue and an availability issue. I prefer the National Association of Home Builders term, "improving housing attainability."

The challenge I see is that most of the programs over the past 25 years have been demand-side programs, our FHLBank programs included. We provide grants, downpayment assistance, and mortgage-rate buydowns, which are similar to other federal and state programs. I fear that we are increasing demand, while housing supply is constrained resulting a further supply/demand imbalance. The result is perpetual increase in house prices which raises rents and puts housing attainability further out of reach. The challenge is increasing supply. There are numerous factors such as land availability, zoning, material costs, labor availability, taxes, regulations, green initiatives, and more recently higher insurance costs that impact overall cost and the ability to increase supply.

FHLBank Topeka works with our Affordable Housing Advisory Council, congressional staffers, has met with homebuilders, Habitat for humanity, 3D printing operations, modular home builders, and academics to understand the art of the possible and the intersection for FHLB's. My fellow CEOs and their banks are evaluating creative ways to utilize our voluntary programs to make a difference for housing, community, and economic development.

The FHLBanks are in a unique position as a privately capitalized member owned cooperative to address the distinct housing challenges in our respective regions. Our success in supporting our liquidity mission and foundational business model allows us to be successful in fulfilling our housing mission. However, success in addressing these challenges must be tailored to focus on how the FHLBanks can make the greatest impact, using our FHLBanks' balance sheets and nationwide network of member financial institutions. The current and future reliability and stability of FHLBank funding to members, through advances, mortgage purchase programs, and letters of credit, will ultimately be the greatest determinant of success for housing attainability.

We have demonstrated our success over 90 plus years through our core business and recently with our growth in Affordable Housing initiatives/dollars, including the creativity and execution of our voluntary programs that serve the unique needs of our districts and our members' communities. We recognize the housing challenges and **are eager to be a part or better-yet a catalyst** for the solution. We believe there are tangible ways to tailor regulations that support community lending not just in rural America, but

across the country. Fresh perspectives on manufactured housing, alternative construction methods, and technological advances have fueled my personal enthusiasm for change, and we're pleased as a System to continue to help lead that discussion and subsequent transition with Congress, and the incoming administration.

Thank you for joining the FHLBanks and the Council of Federal Home Loan Banks for this important Housing Conference.