How Collateral Sustains Communities

THE IMPORTANCE OF FHLBANK LIQUIDITY

- Inexpensive, reliable, on-demand liquidity the System provides helps keep credit more available for consumers and businesses, which is an incredible benefit to the public
- The availability of FHLBank liquidity is particularly important to community financial institutions that may not have access to the capital markets helping ensure a diverse financial system with institutions of varying sizes and specialization and ultimately greater options for consumers
- A recent University of Wisconsin study highlights that the FHLBank System saves borrowers $13 billion in mortgage interest payments every year and leads to a more than 16 percent increase in mortgage originations

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THE FEDERAL HOME LOAN BANKS MAKE FULLY SECURED, LOW-COST LOANS, KNOWN AS ADVANCES, TO OUR MEMBERS, COMPRISED OF BANKS, THRIFTS, CREDIT UNIONS, INSURANCE COMPANIES AND COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS. We require our members to pledge collateral in the form of mortgages and other eligible assets to secure their advances and other collateralized products, such as letters of credit and the Mortgage Partnership Finance® (MPF®) Program Credit Enhancement obligations.

The figures featured below come from the yearly *Report on Collateral Pledged to Federal Home Loan Banks* issued by the Federal Housing Finance Agency in December 2024.

RESPONDING TO THE NEEDS OF OUR MEMBERS AND THEIR COMMUNITIES

Small, rural and agriculture communities are truly at the heart of what we do. Nearly **90% of FHLBank Topeka members are institutions with less than $1.5 billion in assets**, which is the highest percentage of small institutions for any FHLBank in the System.

We accept single-family loans, multifamily loans, HELOCs and mortgage-backed securities as collateral. In response to member needs, we also accept Community Financial Institution (CFI) collateral (which includes small business loans/securities, small farm loans/securities, small agribusiness loans/securities, and community development loans/securities).

> ***"[Single-family] loan collateral remained the largest single collateral category at year-end 2023 with approximately 49 percent of all eligible collateral pledged across the FHLBanks."***
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> ***- FHFA Report on Collateral***

As a percent of eligible collateral, **FHLBank Topeka accepts by far the highest percentage of CFI collateral in the System, representing more than 12% of all eligible collateral.** The next highest FHLBank is Chicago at 3.8%. Several FHLBanks did not have any CFI collateral pledged.

This is also true in absolute dollar terms, where **FHLBank Topeka accepts $23 billion of the total $53 billion of CFI collateral pledged in the FHLBank System.**

The relationships the FHLBanks have built with their members, local housing groups, housing finance agencies, trade associations, developers, nonprofit organizations, and other stakeholders over time provide each Bank with unique insight into the needs of their respective districts, underscoring the value of our unique regionally based FHLBank System.

LAST UPDATED FEB.26, 2025

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