

The Value of the FHLBank System to Promote Housing and Community Lending

Key findings from second of three studies by the Urban Institute quantifying economic value of FHLBanks

PURPOSE OF THE FHLBANK SYSTEM

The Federal Home Loan Bank (FHLBank) System is a network of 11 privately capitalized member owned cooperatives created by Congress in 1932 to provide reliable, collateralized liquidity to their nearly 6,500 financial institution members. FHLBank funding is crucial in supporting housing finance and community development throughout the country, helping members support customers and families and powering communities through all economic conditions.

URBAN INSTITUTE RESEARCH HIGHLIGHTS

FHLBank Advances Meaningfully Increase Lending to Families and Communities Across the Country

Over 22 years (study period: 2002-2024), FHLBank advances contributed to more than a **\$1.8 trillion increase** in combined lending by bank and credit union members.

- A \$100 increase in advances led to \$38 more in total lending for banks (\$48 post-2008), and \$27 more in total lending for credit unions (\$36 post-2008).
- Total annual lending increased more than \$75 billion for banks (\$97 billion post-2008) and more than \$3 billion for credit unions (\$5 billion post-2008).

Largest Impact is on Real Estate Lending

During the study period, FHLBank advances drove more than **\$850 billion** in additional residential real estate lending by member banks and credit unions.

- A \$100 increase in advances led to \$18 more in real estate lending for banks (\$22 post-2008) and \$13 more in real estate lending for credit unions (\$17 post-2008).
- Total annual real estate lending increased more than \$35 billion for banks (\$45 billion post-2008) and more than \$1.7 billion for credit unions.

FHLBank Advances Lead to Increased Mortgage Originations

- A \$100 increase in advances by banks led to a \$22 increase in mortgage lending (\$38 post-2008).
- Smaller member banks saw even greater increases, with each \$100 increase in advances relative to assets after 2008 associated with a \$51 increase in mortgage originations.

Lending that Powers Communities

WHAT URBAN INSTITUTE FOUND

- **Across all methods and datasets, results were consistent**
 - Whether examining portfolio loans, mortgage originations, small business and farm lending, or credit union portfolios:
 - FHLBank advances expand lending capacity.
 - The effects were most pronounced in the post-financial crisis regulatory environment.
 - Lending increases occur in mission-aligned categories central to the System's statutory purpose
- **FHLBank advances support mortgage markets through MBS investments and warehouse lending**
 - As advances increase, banks increase their MBS holdings and warehouse lending, two channels of funding that are crucial for today's mortgage market.
- **FHLBank advances lead to increased mortgage lending to low-and moderate-income (LMI) borrowers**
 - A \$100 increase in advances by FHLBank members is associated with more than \$7 increase in mortgage lending to LMI borrowers
- **FHLBank advances lead to increased lending for small businesses, farms, and community development**
 - A \$100 increase in advances by banks corresponds with \$2.40 more in small business lending and \$1.20 more in small farm lending.

The FHLBank System provides liquidity that expands credit access for housing, small businesses, farms, and communities nationwide