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Note: This release by the Council of Federal Home Loan Banks is intended to provide comment on the Preliminary Unaudited 2010 Combined Operating Highlights for the Federal Home Loan Banks announced today by the Office of Finance of the Federal Home Loan Banks. For details on the announcement, see the Office of Finance release on www.fhlb-of.com

Yearend Financial Highlights Show Federal Home Loan Banks Strong; Regional Network of Cooperatives a "Mechanism of Economic Stability"

Washington, DC --- Preliminary financial highlights released today on the 2010 performance of Federal Home Loan Banks demonstrate the 12 cooperatives remain "steady and on track in a tough economic environment", according to a senior official of the Federal Home Loan Banks.

The Office of Finance of the Federal Home Loan Banks today announced preliminary unaudited 2010 combined operating highlights. The Banks' combined net income for 2010 increased relative to 2009.

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“America’s Federal Home Loan Banks are doing their job well,” said John von Seggern, president and CEO of the Council of Federal Home Loan Banks. “The 2010 results indicate that the Home Loan Banks remain steady and on track in a tough economic environment,” von Seggern said.

The Federal Home Loan Banks are a system of regional banks from which local lending institutions in the U.S. borrow funds to finance housing, economic development and infrastructure.

“Today’s announcement on the combined financial highlights illustrate that the Federal Home Loan Banks are a mechanism for economic stability because they continue to be a dependable source of funds from the global markets to communities through their member institutions,” he said.

While the Federal Home Loan Banks provide billions of dollars for housing and community development every year, the amount of their funding to local institutions rises and falls depending on demand and broader economic activity. For example, Federal Home Loan Bank lending to member institutions, called "advances", declined by 24 percent during 2010, as reported in today’s announcement.

According to von Seggern, the drop was due to higher deposits, market conditions and the availability of alternative funding sources for lending institutions. “The Federal Home Loan Bank System is designed to respond to the demands of the lenders it serves,” he said. “Increased amounts of liquidity among members and slow economic growth overall result in less use of advances. ”

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During the financial crisis, the Federal Home Loan Banks were able to stay strong and take no government money. As other sources of liquidity disappeared in 2008, the Home Loan Banks increased funding to community lenders.

“The expansion and contraction of advances is a hallmark of the Federal Home Loan Banks’ ability to help institutions of all sizes use a variety of funding sources to compete and provide financial services to customers,” von Seggern said. “That responsiveness is part of the Federal Home Loan Banks being regionally based cooperatives focused on the local needs that the member-owners serve, not on short-term returns.”

The Federal Home Loan Banks have more than 7,800 members in all 50 states. Member institutions include community banks, credit unions, community development financial institutions and insurance companies. When these institutions lend in their communities, they often are using the funds from the Federal Home Loan Banks. In 2010, Home Loan Banks provided more than $500 billion in funding daily to America’s community lenders.

The Council of Federal Home Loan Banks is the public voice of the Federal Home Loan System. Incorporated in 1998, the non-profit trade association is based in Washington, DC. The Council’s primary function is to represent the positions and views of the Council’s members to Washington policymakers. The Council consists of director and officer representatives of all 12 Federal Home Loan Banks.

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