The Federal Home Loan Bank System (FHLBank System)

is an extremely important component of our financial system.

As providers of funding for roughly 6,500 banks, credit unions, insurance companies, and community development financial institutions across the country, the FHLBank System helps ensure that lenders have a ready supply of money to fund their operations, make loans to consumers, and support housing finance.

Yet this key part of the financial sector is not well-known or well-understood by most Americans.

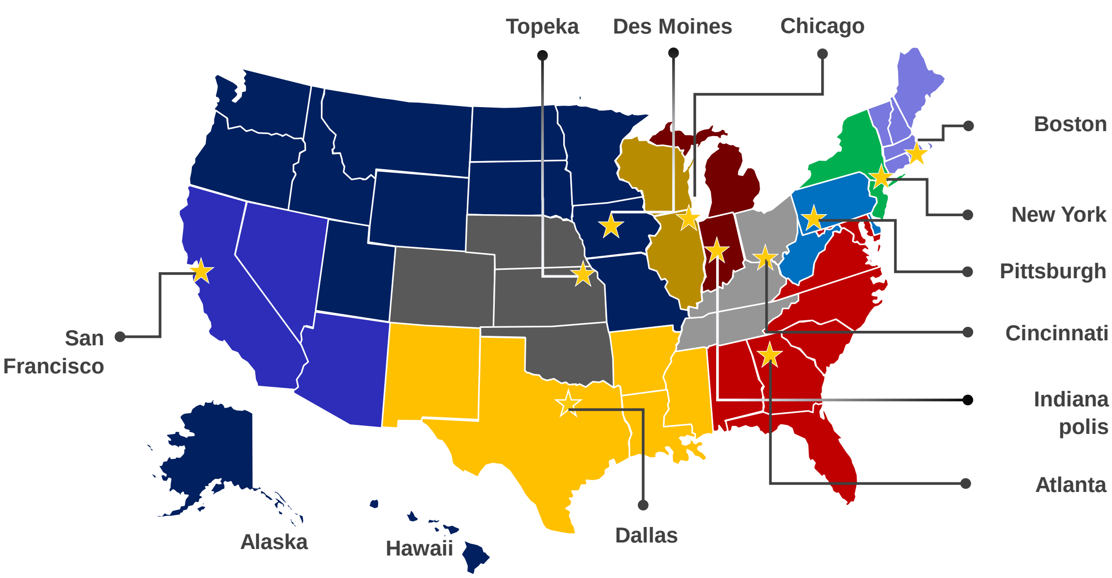
The following diagrams provide a high-level overview of how the FHLBank System works and how it supports the steady supply of money throughout the economy.

A Nation of Local Lenders

There are 11 Federal Home Loan Banks that are regionally located across the country.

Created by Congress, each FHLBank is a federally chartered cooperative that is owned by its members. The essential mission of the FHLBanks is to provide liquidity (money) to their members to support housing finance and community development in all economic conditions.

FHLBank System



- FHLBank Atlanta
- FHLBank Boston
- FHLBank Chicago
- FHLBank Cincinnati
- FHLBank Dallas
- FHLBank Des Moines
- FHLBank Indianapolis
- FHLBank New York
- FHLBank Pittsburgh
- FHLBank San Francisco
- FHLBank Topeka

Membership in the FHLBank System

To become an FHLBank member, a financial institution is required to go through a rigorous review of its finances and creditworthiness and purchase stock in its FHLBank.

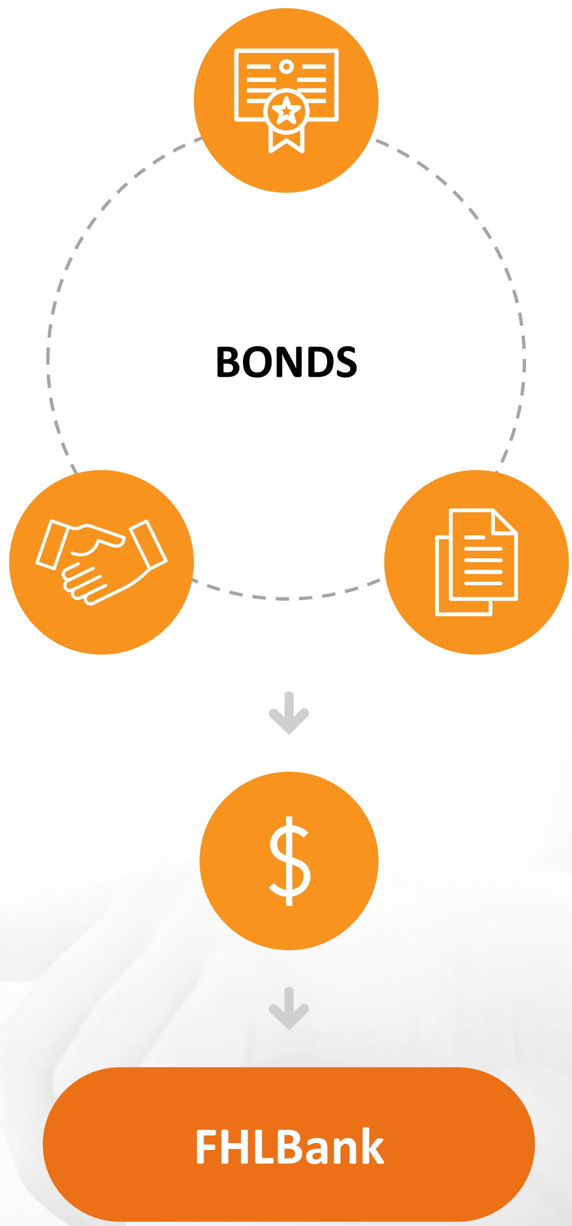
Stock in an FHLBank is not transferrable and the proceeds of stock purchases are used by FHLBanks to fund their operations and to support lending of money to all members.

Investors

In addition to the money generated from membership stock purchases, the 11 FHLBanks sell bonds in the capital markets to investors.

Bond sales are coordinated by the Office of Finance and the proceeds from these bond sales are used to further support lending to FHLBank members. The 11 FHLBanks are joint and severally liable for every bond issued by the Office of Finance, meaning each FHLBank bears responsibility for paying the debts of the entire FHLBank System.

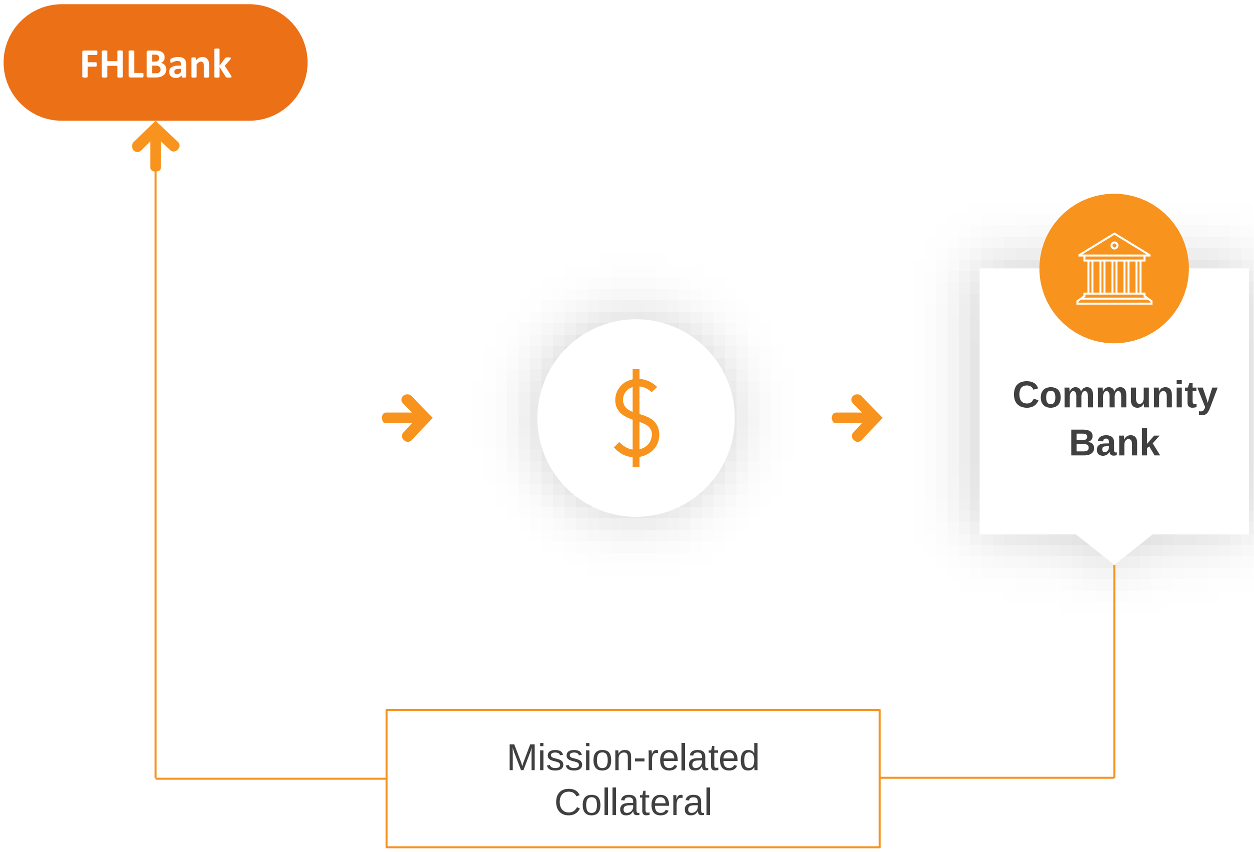
Purchasers of FHLBank System debt hail from all over the world and include domestic and international fixed-income investors, including commercial banks, central banks, investment managers, major corporations, pension funds, government agencies, and individuals.



Borrowing from an FHLBank

Every time a member borrows money from its FHLBank, it must purchase additional activity-based stock in the FHLBank.

Every dollar a member borrows must also be backed by collateral pledged to the FHLBank. By law, FHLBanks can only accept certain kinds of collateral and that collateral must be related to the mission of the FHLBanks. Mission-related collateral includes mortgages, mortgage-backed securities, loans and securities issued by the United States government, securities issued by any U.S. agency, cash or deposits at the FHLBank, and other collateral that is real estate related. Community financial institution members may also pledge small business loans, small farm loans, small agribusiness loans, and community development loans as collateral.



Benefit to Consumers and the Economy

With money from its FHLBank in hand, a member financial institution has the funding it needs to offer mortgages to borrowers or buy mortgage-backed securities and other real estate assets that can be pledged to its FHLBank for additional funding.

According to a recent study conducted by the University of Wisconsin, the funding provided by FHLBanks translates into more than $130 billion of additional mortgage credit available each year and saves borrowers $13 billion in mortgage interest payments.

On top of this, the funding provided by FHLBanks supports lending to small businesses, agricultural enterprises, and lending to consumers for everyday products and services.

The FHLBanks are also the largest source of private funding for affordable housing in the country. Since 1990, the FHLBanks have collectively made available approximately $7.6 billion in Affordable Housing Program subsidies, assisting more than one million households.