Facts You Can Bank On

FHLBANKS
A NATION OF LOCAL LENDERS

Get to know the FHLBanks and their role in the U.S. Financial System

DID YOU KNOW?

The Federal Home Loan Banks helped spur the development of the 30-year fixed rate mortgage.

HOW DOES IT WORK?

- Before Congress established the Federal Home Loan Bank System in 1932, mortgage loans often required down payments as high as 50 percent and mortgages were short-term, with five years being typical, and with variable interest rates.
- The creation of the FHLBank System, along with other government programs, led to the establishment of a robust and fully operational secondary mortgage market, which allowed lenders to buy and sell mortgage loans and increase the supply of available liquidity.
- By accepting mortgages and mortgage-backed securities (MBS) as collateral, the advances (loans) FHLBanks make to members provide a reliable source of liquidity for future lending purposes.
- Additionally, since FHLBank advances can be structured with terms ranging from overnight to 30 years and include a range of fixed- and adjustable-rate structures, this source of liquidity helps members maintain a mortgage lending portfolio and alleviates interest-rate risk associated with holding long-term assets.
- At the end of 2021, FHLBank-eligible institution types held 39 percent (roughly $4.1 trillion) of outstanding government-backed MBS, supporting mortgage availability and affordability.*
- The ability of the FHLBanks to raise long-term debt in the capital markets and pass that funding along to members encouraged the development of the 30-year fixed-rate mortgage and the FHLBanks continue to support this valuable option for consumers across the country.

The 30-year fixed-rate mortgage is the predominant financing tool in the U.S. mortgage finance system.

The FHLBanks Support Access to the 30-Year Fixed-Rate Mortgage!

*Source: Staff Reports, Federal Reserve Bank of New York, No. 1001, Feb. 2022.