

FHLBank benefits at least 1.9 times guarantee costs: study

By Bonnie Sinnock | November 12, 2025

The Federal Home Loan Bank System has an economic benefit at least nearly twice the size of a Congressional Budget Office estimate of its implied-guarantee cost, new research shows.

The system has at least a \$13.2 billion benefit annually, 1.9 times what the CBO has estimated is its main \$6.9 billion government subsidy, according to a new Urban Institute research project. CBO estimated the full cost at \$7.3 billion last year.

The assessment of the system that provides member banks with a source of financing based on mortgages and other eligible collateral arrives amid broader federal spending reviews that could have a bearing on its future.

"In this time where the government is looking at really driving efficiencies and cutting costs, the study confirms that the Federal Home Loan Bank System is fulfilling its mission," said Ryan Donovan, president of the council. The council commissioned the ongoing study.

More about the current and future number around benefits

The estimate for the FHLBanks' benefit starts at \$13.2 billion but could be as high as \$21.4 billion, according to the report, which analyzes benefits the system provides in three categories across a range of different possible scenarios.

The scenarios are based on a variety of possible incidence and prevention rates for major and minor crises,

and the total also factors in Federal Deposit Insurance Corp. savings.

The \$13.2 billion estimate, for example, breaks down \$10.53 billion in benefits related to mitigation of systemic concerns, nearly \$1.76 billion stemming from a reduction in financial distress from more minor crises and \$950 million in FDIC savings.

To reach their conclusions, authors Jung Hyun Choi, Laurie Goodman and Jun Zhu analyzed information from multiple sources, including quarterly bank call reports and numbers related to the funding advances the FHLBanks make to members.

Advances spiked around the time of the 2008 housing crash, 2020 pandemic and the 2023 banking crisis, an examination of total outstanding commercial and savings bank activity between fourth-quarter 2002 and 2023 in the report shows.

Other findings and future research plans

On top of the economic benefit, the study finds the liquidity provided through the government-sponsored enterprise system's advances based on the implied guarantee saves homeowners \$3.8 billion through lower-cost mortgages.

The next stage of the research will be to examine whether membership and advances affect lending activity followed by an examination of benefits to affordable housing programs and community related activities.