

FHLBank Issue Brief

Understanding Advances

Overview

The Federal Home Loan Banks (FHLBanks) provide reliable, collateralized liquidity to approximately 6,400 financial institution members. Liquidity is delivered primarily through advances, which are secured loans that allow member banks, credit unions, insurance companies and community development financial institutions to convert housing-related assets into readily available funding. Members pledge eligible collateral, most commonly residential mortgage loans, to their FHLBank and receive in exchange funding that can fuel lending, community empowerment and continued flow of credit through the economy.

Key Features of Advances

- They must be fully collateralized
- They are provided only to FHLBank members and housing associates
- They must be backed by eligible collateral
- At the end of 2025, more than \$670 billion in total advances were outstanding across the FHLBank System

Why Advances Matter

For more than 90 years, advances have been readily available to members in all economic conditions. They also support local communities and the U.S. financial system in several ways:

- Advances allow members to obtain liquidity by borrowing against eligible assets, such as mortgages, which are typically long-term investments that cannot be quickly sold or converted to cash.
- Advances expand total lending by banks and credit unions, helping ensure credit remains available in communities large and small.*
- Advances significantly increase residential real estate lending and increase mortgage origination volume for banks and credit unions.*
- Advances strengthen the resilience of banks and credit unions and serve as an integral part of their day-to-day risk management.**
- Access to advances helps stabilize the financial system by providing access to liquidity, particularly during periods of market stress, which can reduce the likelihood of bank failures.**
- Income from advances helps support FHLBank affordable housing and community development initiatives. In both 2024 and 2025, the FHLBanks collectively contributed over \$1 billion toward their Affordable Housing Program and voluntary funding initiatives.

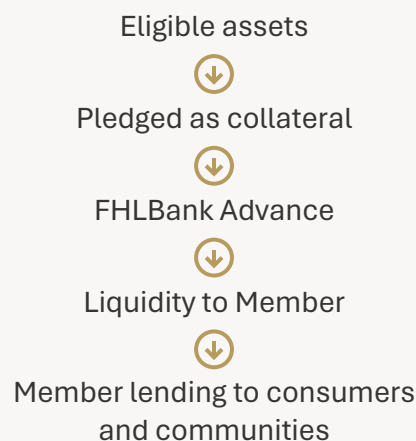
* [The Value of the FHLBank System to Promote Housing and Community Development Lending](#), The Urban Institute, January 13, 2026.

** [The Value of the FHLBank System to Bank Liquidity and Stability](#), The Urban Institute, November 12, 2025.

How an Advance Works

- Member holds assets such as mortgages or mortgage-backed securities that are eligible for pledging as collateral
- Member pledges those assets as collateral and in return its FHLBank lends cash (the advance) to the member against the collateral
- Member can use the cash to fund additional lending or manage its balance sheet needs

Advance Flow



Acceptable Collateral

Members use a wide array of eligible collateral to secure advances. This includes mortgages, mortgage-backed securities, multifamily loans, commercial real estate loans, HELOCs and home equity loans, U. S. government obligations, U.S. agency securities, and other collateral that is real estate related. Community financial institution members (depository institutions with less than \$1.541 billion in assets) also may pledge small business loans, small farm loans, small agribusiness loans, and community development loans as collateral. Residential mortgage loans are the largest category of pledged collateral and over 96% of collateral is backed by real estate (read more [here](#)).

Collateral is subject to haircuts, meaning the member borrower must pledge collateral with a value that is greater than the advance so that after the haircut is applied, the collateral would be sufficient to cover the advance in the event the FHLBank needs to liquidate the collateral. The FHLBanks publish their collateral requirements and continuously assess the credit strength of their members.

How Advances are Funded

The FHLBanks raise funds by issuing bonds in the global capital markets. The FHLBanks are one of the largest debt issuers in the U.S. Proceeds from the sale of bonds are used by the individual FHLBanks to provide advances (and other liquidity products) to members in support of housing finance and community investment. Buyers of FHLBank System bonds include asset managers, state and local governments, corporations, insurance companies, pension funds, central banks, and other financial institutions. Click [here](#) to read more about how the FHLBanks are funded.

