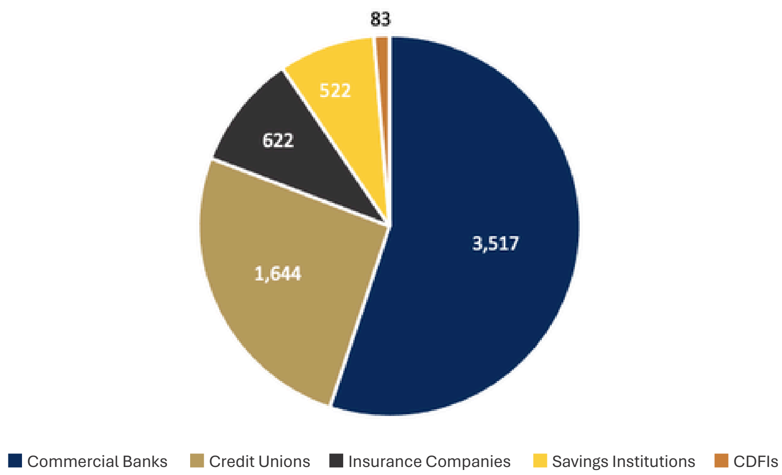
FHLBank Issue Brief

FHLBank System Membership

Membership eligibility in the Federal Home Loan Bank (FHLBank) System has been determined by Congress. When the System was established in 1932, membership was initially open to savings institutions and insurance companies but has since been expanded through legislation to also include commercial banks, credit unions, and Community Development Financial Institutions (CDFIs).

Today, the FHLBank System includes approximately 6,300 members across the country – ranging from large, money center banks, to rural community lenders. This breadth of membership facilitates the flow of FHLBank funding into communities across the nation.

Membership by Type of Member*



*As of December 31, 2025

Broad-based membership is a defining feature of the FHLBank System's cooperative business model, and regardless of size or charter type, the ability of members to rely on the low-cost funding provided by the FHLBanks helps members meet the credit needs of their customers and communities. Moreover, to borrow from their FHLBank, members must pledge eligible collateral, 96 percent of which consisted of single-family whole loans or other real estate-related assets, according to the System's most recent combined financial report. That is the housing nexus Congress established for all members, and it is how the System supports housing finance and community development. Moreover, under existing laws and regulations, all FHLBank members, regardless of size, have access to FHLBank advances (loans), subject to the same statutory and regulatory framework and based on criteria such as member credit quality and collateral. FHLBank advances are not drawn from a fixed pool but expand and contract with member demand, with the System issuing debt to fund member borrowing needs. Hence, a large advance to a single member, or small group of members, does not reduce the availability of advances for other members.

Community Lenders

Community-based lenders (including smaller commercial banks, credit unions, and savings institutions) have always been at the heart of the FHLBank System. In fact, small community bank and credit union lenders with less than $10 billion in assets represent an overwhelming 96.5 percent of FHLBank depository members, underscoring the System's support for local lending and local economies nationwide. Furthermore, a recent study by the Urban Institute determined that 98 percent of depository institutions engaged in mortgage origination are members of the FHLBank System.

Access to FHLBank liquidity gives smaller community-based lenders a reliable, low-cost funding source that isn't solely dependent on local deposits or other more volatile wholesale markets. FHLBank membership for community lenders serves as the key nexus to the capital markets and allows community lenders to use their loan and securities portfolios to access funding raised efficiently in global debt markets. Through the FHLBanks, local lenders gain stable, market-priced funding for managing interest-rate and liquidity risk, continued mortgage and small-business lending, and support for affordable housing and community development in the neighborhoods they serve.

Large Commercial Banks

Large financial institutions hold a disproportionate share of the nation's financial assets and are also among the FHLBank System's most active borrowers. Advance activity from large members helps the System maintain daily presence in the debt market and the small spread the FHLBanks earn from advances contributes to an income stream that supports all members as well as a range of mission activities. By maintaining a daily presence in the debt markets, the FHLBank System is better positioned to quickly respond to member needs in times of market stress, providing a privately funded source of liquidity to help members weather challenging economic environments. Large member borrowing also helps the System issue debt at lower yields, which results in better pricing on products and services for all FHLBank members. By anchoring debt issuance and spreading fixed costs, large institutions help keep FHLBank liquidity cheaper and more reliable for the thousands of smaller banks, credit unions, and community lenders that depend on it, while also strengthening the FHLBank System's ability to serve as a liquidity first responder during periods of stress.

As with any member, large institutions must pledge eligible assets to borrow from a FHLBank. At year-end 2025, the 10 members holding the most FHLBank advances (some of which are insurance companies) collectively held more than $1 trillion in residential mortgage whole loans, nearly $250 billion in multifamily mortgage loans, and more than $1 trillion in other housing- and real estate-related assets, including mortgage-backed securities.[1] These holdings underscore the significant role that large FHLBank members play in housing and housing finance.

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[1]SEC filings of the 10 institutions identified above; aggregate figures calculated by the Council of Federal Home Loan Banks based on individual institution disclosures.

Insurance Companies

Insurance companies are important contributors to the FHLBank System. They use FHLBank liquidity to finance long-duration housing and community development assets, including residential mortgages, mortgage-backed securities, and multifamily housing investments. In doing so, they support housing finance across the economy by providing long-term investment in residential mortgage assets and serve as a stable source of capital for housing and community development finance.

According to the National Association of Insurance Commissioners, insurance companies had pledged more than $321 billion in collateral to the FHLBanks at the end of 2024, the majority of it residential mortgage-backed securities. By investing in and pledging these securities as collateral, insurers help provide a stable source of funding that supports the continuous flow of mortgage credit. In addition, life insurers held roughly $160 billion in whole residential mortgages at year-end 2025, underscoring the significant role they play in financing housing beyond mortgage origination.[2]

CDFIs

CDFIs play an important role in addressing housing affordability by providing financing, homebuyer assistance, and technical assistance, and by fostering economic development. They have been eligible for FHLBank membership since 2010 and today access FHLBank funding to extend mortgage credit and community investment to low- and moderate-income borrowers who may not qualify for traditional loans.[3]

Only a small number of CDFIs are members of an FHLBank, largely due to current law and regulations that limit the benefits they can derive from membership. The FHLBank System has offered reforms that would address these barriers and allow more CDFIs to access reliable FHLBank liquidity, strengthening their ability to expand affordable housin, support community development, and serve underserved communities.

[2] https://fred.stlouisfed.org/series/BOGZ1FL543065105A
[3] CDFIs were granted eligibility through the Housing and Economic Recovery Act of 2008, but it was not until 2010 that the implementing rule was adopted by the Federal Housing Finance Agency.