Federal statutes and regulations require that the FHLBanks set advance interest rates above their borrowing costs and fully secure advances with eligible forms of collateral, such as single-family mortgage loans. However, within this framework, each of the 12 FHLBanks has independent authority to set advance pricing terms, which can result in several significant key differences among the banks. For example, due to differing costs and business strategies, FHLBank advance interest rates may differ and many FHLBanks charge lower interest rates based on advance size while others do not. Moreover, FHLBanks may set differing collateral requirements for their members. For example, one FHLBank allows its members to borrow up to 60 percent of the value of single family mortgages pledged as collateral to secure advances while another allows up to 85 percent.

Among the FHLBanks’ differing approaches to setting advance pricing terms, FHFB has not found that any practice results in significant violations of statute or regulation. However FHFB also collects collateral data from the FHLBanks that have questionable value in their current format for monitoring the System’s safety and soundness. Because FHLBank officials do not have clear information about how FHFB would like the data reported, the FHLBanks use different reporting definitions and criteria, which limits the data’s analytical usefulness. Moreover, FHFB has not collected data necessary to assess the current extent of competition within the FHLBank System and the implications of holding companies with subsidiaries that operate in multiple FHLBank districts as well as multidistrict membership.

What GAO Found

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Locations of Federal Home Loan Banks

Source: FHFB.