

## Role During Financial Stress and Members' Borrowing Trends and Outcomes

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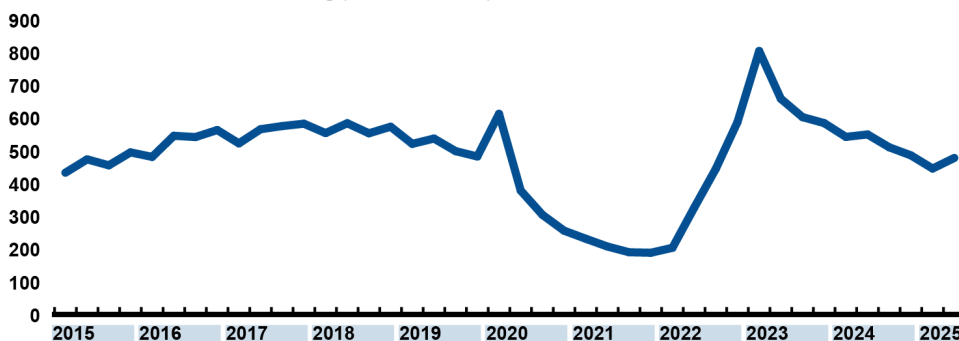
### What GAO Found

The Federal Home Loan Bank (FHLBank) System consists of 11 federally chartered FHLBanks that support liquidity by making loans to member financial institutions (including banks) in the U.S. As of June 2025, 93 percent of banks (approximately 4,100) were members of an FHLBank, allowing them to obtain liquidity via secured loans. GAO's analysis found that the FHLBanks generally serve as a reliable and consistent source of funding for banks of all sizes throughout the financial cycle. They can also play a key role in the health of small banks (those with \$10 billion or less in assets). This has been the case despite concerns raised in some academic and other literature that FHLBank lending could exacerbate periods of financial stress—for example, by masking problems at troubled member banks or increasing resolution costs when a member bank fails.

- Banks' FHLBank borrowing trends.** From 2015 through June 2025, most U.S. banks were FHLBank members and obtained secured loans at least once. Banks' total outstanding borrowing (as of quarter-end) ranged from \$189 billion to \$804 billion during this period. Although most active FHLBank members maintained relatively consistent FHLBank borrowing, a small number of large banks (with more than \$10 billion in assets) drove substantial increases in aggregate borrowing at the onset of the COVID-19 pandemic in 2020 and during the March 2023 liquidity crisis. For example, large banks were responsible for 97 percent of the increased borrowing in the first quarter of 2023. However, median FHLBank borrowing as a share of median total assets generally stayed within a consistent range from 2015 through June 2025, including for large banks. This suggests that their overall reliance on FHLBank loans during stress periods was largely unchanged.

#### Total Outstanding Federal Home Loan Bank Borrowing, Jan. 2015–June 2025

Federal Home Loan Bank Borrowing (dollars in billions)



Source: GAO analysis of Federal Financial Institutions Examination Council Call Report data. | GAO-26-107373

- Outcomes associated with FHLBank borrowing.** GAO's econometric models, which controlled for bank health, macroeconomic factors, and economic cycles, found that higher FHLBank borrowing by a bank was generally associated with positive outcomes for the bank. From 2015 through 2024, higher FHLBank borrowing was associated with (1) increases in real

### Why GAO Did This Study

The FHLBank System supports liquidity by making billions of dollars in loans to member banks. Federal banking regulators oversee individual banks' safety and soundness and promote financial stability. The 12 district Federal Reserve Banks also lend to banks and may act as a lender of last resort. Substantial FHLBank lending to three large banks that failed in 2023 renewed questions about FHLBanks' lending role and communication with banking regulators and Federal Reserve Banks during times of stress.

GAO was asked to review the role of FHLBanks during financial crises. This report examines (1) banks' FHLBank borrowing trends from 2015 through June 2025; (2) associations between FHLBank borrowing and outcomes; (3) policy considerations for potential changes to FHLBank lending; and (4) communication among FHLBanks and relevant federal agencies during periods of financial stress.

GAO reviewed literature from 2007 through mid-2024; analyzed bank financial reports, FHLBank membership data, and economic indicators; and examined documentation from the FHLBanks, banking regulators, and the Federal Housing Finance Agency. GAO also held seven discussion groups with a total of 30 academics, researchers, and industry group representatives (selected for their relevant knowledge and diverse views) and interviewed representatives of FHLBanks, federal regulators, and a nongeneralizable sample of 10 member banks (selected to reflect varying asset sizes) that borrowed from FHLBanks during recent periods of financial stress.

estate lending and (2) lower likelihood of being flagged as a problem bank or of failing or closing voluntarily. These results were largely driven by small banks, which make up 97 percent of banks in GAO's analysis.

- **Policymaker considerations for potential changes to FHLBank lending.** GAO reviewed suggestions for reform from academic, industry, and government sources, such as involving federal banking regulators in lending decisions and changing how FHLBank loans are priced. In discussion groups, interviews, and written comments, stakeholders noted that while these changes could help address certain concerns, each carried potential unintended consequences for markets, member banks (especially smaller ones), and consumers. GAO found that in some cases, the suggested changes would duplicate existing authorities or practices.

The FHLBanks, Federal Housing Finance Agency (which oversees FHLBanks), and the federal banking regulators have mechanisms to communicate during periods of financial stress. The bank failures and related liquidity stress of March 2023 highlighted challenges to timely coordination between the FHLBanks and the Federal Reserve Banks. Since then, they have taken steps to improve their coordination. These include conducting joint tabletop exercises and ongoing discussions to help shared members reallocate collateral during emergencies. In January 2025, the FHLBank System and the Federal Reserve System also established a joint working group to improve routine interoperability between the two systems. These efforts are ongoing and, in some cases, are in early stages, with expected completion in late 2025 or 2026. Continued commitment to these coordination efforts will be important to ensure readiness for future financial stress, when member banks may need to reallocate collateral to access additional liquidity.