GAO Highlights

FEDERAL HOME LOAN BANKS

Role in Providing Liquidity and Actions Related to the Spring 2023 Bank Failures

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A testimony before the Subcommittee on Housing and Insurance, Committee on Financial Services, House of Representatives

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What GAO Found

The Federal Home Loan Bank (FHLBank) System is a government-sponsored enterprise that consists of 11 federally chartered FHLBanks that support liquidity in the financial system by making loans—known as advances—to member financial institutions, including banks. These advances offer member institutions a low-cost source of funding to make mortgage loans or manage the risk of not meeting financial obligations in a timely and cost-efficient manner (liquidity risk).

A December 2025 GAO report found that as of June 2025, 93 percent of banks were FHLBank members and more than three-quarters had taken out at least one advance from June 2015 through June 2025. GAO's analysis of banks' quarterly Call Report data found that large banks—those with more than $10 billion in total assets—were responsible for a majority of banks' FHLBank borrowing in this period. These banks represented approximately 3 percent of active FHLBanks members and held, on average, nearly 74 percent of all outstanding FHLBank borrowing during the period.

A March 2024 GAO report found that Silicon Valley Bank and Signature Bank had borrowed substantial advances before their failures in spring 2023.

- **Silicon Valley Bank** increased the balance of its outstanding advances by 50 percent in the first week of March 2023 before its failure on March 10.
- **Signature Bank** increased its outstanding advances by 37 percent in March 2023 before its failure on March 12.

The two FHLBanks continued to assess risk and provide advances to the two banks before they failed. FHLBanks generally lend to members if the requested amount is within the member's available borrowing capacity based on its pledged collateral or credit limit. FHLBanks may limit or deny advances based on supervisory information from the member's primary regulator. The FHLBanks and federal banking regulators increased their frequency of communication in March 2023, but the banks' relatively fast decline limited further action.

Timely coordination between FHLBanks and Federal Reserve Banks is critical when a bank is at risk. This coordination must negotiate overlap in membership between the two systems. The March 2023 bank failures revealed such coordination challenges. After March 2023, the FHLBanks and Federal Reserve System initiated two efforts to improve coordination during periods of stress: (1) increasing engagement between FHLBanks and Federal Reserve Banks and (2) establishing a working group to improve interoperability.

These efforts are intended to address the coordination challenges experienced during the March 2023 bank failures and are consistent with federal internal control standards related to control activities and information and communication. At the time of GAO's December 2025 report, these efforts were in the early stages. Continued commitment to these coordination efforts will be important to help ensure that the FHLBanks and Federal Reserve Banks are prepared to respond quickly to member liquidity needs during future periods of financial stress.

Why GAO Did This Study

The failures of Silicon Valley Bank and Signature Bank in March 2023 renewed questions about the FHLBanks' role in providing liquidity during periods of financial stress. In the weeks leading up to the failures, these banks had borrowed large sums from their FHLBanks. That same month, total advances outstanding to all members reached about $1 trillion, exceeding levels reached during previous financial market disruptions.

This statement discusses (1) the FHLBank System's role in providing financial system liquidity through advances, (2) banks' use of advances during the March 2023 bank failures, and (3) efforts to improve emergency coordination between FHLBanks and Federal Reserve Banks.

This statement is based on reports GAO issued from April 2023 to December 2025. For those reports, GAO reviewed relevant legislation, regulations, policies, and agency reports, and interviewed federal officials, representatives of FHLBanks and member banks, and other stakeholders.