The FHLBs during the Coronavirus Crisis, Part II

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In my last note, I raised the question of whether the Federal Home Loan Banks (FHLBs) would be the lender of "next-to-last resort" during the coronavirus crisis, as they were in 2007 and 2008. Data released since my last note provides an updated picture of the FHLBs' actions in the first months of the current crisis.

Total FHLB debt outstanding increased by about $180 billion from February to March 2020. The increase in debt outstanding came from an increase of discount notes issued through their window rather than via auctioned discount notes. Total discount note debt outstanding increased from $377 billion to $577 billion over the same period—roughly a 50% increase (Figure 1). The weighted average maturity (WAM) of the FHLBs' discount notes increased substantially. From February 2020 to March 2020, the WAM of their discount note debt rose from 51 days to 80 days (Figure 2), the highest value in the sample back to 2008.

This increased debt outstanding very likely flowed through to increased FHLB advance loans to members. The data available so far suggests the FHLBs have indeed provided lender of "next-to-last" resort-type liquidity to its members in the first month of the coronavirus crisis.

After more data comes out over the coming months, including balance sheet data on FHLB advances, we'll be able to directly compare the amount of liquidity provided by the FHLBs and the Federal Reserve.

Figure 1: Total Debt Outstanding

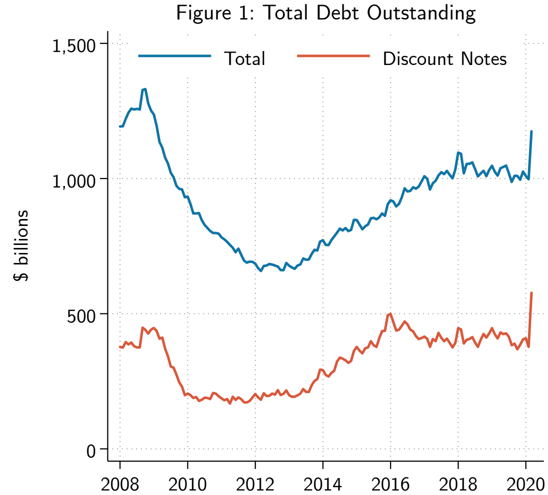
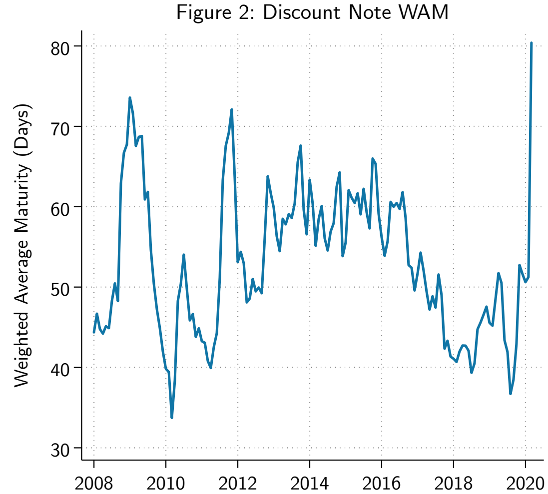


Figure 2: Discount Note WAM



Note: Total debt outstanding is sum of bonds and discount notes. Data through March 2020.

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