FR 2420 Part E Frequently Asked Questions
May 2026

Q1: How should Interest Rate Net of FHLB Dividends (SMMRQC56) be calculated for applicable Federal Home Loan Bank (FHLB) Advances in Part E?

A1: Interest Rate Net of FHLB Dividends is intended to reflect the interest rate of an FHLB advance after accounting for dividends received from required capital purchases and the opportunity cost of required capital purchases. This guidance is intended to help ensure an FHLB advance's interest rate can be compared with rates from other FHLBs as well as rates reported in other short-term wholesale funding markets. As such, Interest Rate Net of FHLB Dividends should be consistently calculated according to the following methodology:

$$\begin{aligned}&\textit{Interest Rate Net of FHLB Dividends}\\&\quad=\textit{Interest Rate}-\textit{Capital Requirement on Advances}\\&\quad*(\textit{Dividend Rate}-\textit{Opportunity Cost of Capital})\end{aligned}$$

For example, a reporting institution borrowing an FHLB advance may make the following calculation:

If

The FHLB advance's interest rate (SMMR7333)	3.80000%
FHLB's activity-based capital requirement on outstanding advances	4.00000%
Last quarter's publicly announced FHLB dividend rate for the relevant class of stock*	9.50000%
Opportunity cost of capital: Interest on Reserve Balances (IORB) rate	3.65000%

* FHLBs may have the same dividend rate for all classes of stock or different dividend rates for non-activity and activity-based stock.

Then

$$\begin{aligned}&\textit{Interest Rate Net of FHLB Dividends}=3.56600\%\\&\quad=3.80000\%-4.00000\%(9.50000\%-3.65000\%)\end{aligned}$$

Q2: Does a reporting institution need to adjust its Interest Rate Net of FHLB Dividends (SMMRQC56) calculation depending on the maturity of the advance?

A2: No. Irrespective of the maturity of the FHLB advance, reporting institutions should use the formula from A1.

Q3: For the purposes of calculating Interest Rate Net of FHLB Dividends (SMMRQC56), are reporting institutions expected to use an estimate of the FHLB dividend rate for the current quarter, if available?

A3: No. Reporting institutions may use the last publicly reported dividend rate from their FHLB in lieu of forecasting future dividend rates or seeking an estimate of the current quarter's dividend rate.

Q4: What should reporting institutions use as the opportunity cost of capital for the purposes of calculating Interest Rate Net of FHLB Dividends (SMMRQC56)?

A4: Reporting institutions should use the prevailing Interest on Reserve Balances (IORB) rate as of the trade date for all advances. Reporting institutions are not required to calculate an expected path of the opportunity cost of capital for the remaining duration of an FHLB advance and may use the IORB rate.

Q5: Where can reporting institutions find information relevant for the calculation of Interest Rate Net of FHLB Dividends (SMMRQC56)?

A5: Reporting institutions can find their FHLB's activity-based capital requirement for outstanding FHLB advances in their FHLB's capital plan. For the most recent dividend announcement, reporting institutions can find information on their FHLB's dividend history page or announcements page. If further direction is needed for the above, reporting institutions should seek assistance from their FHLB contacts. For

IORB, reporting institutions can view the Federal Reserve Board's website.

Q6. Should reporting institutions report all advances outstanding as of the report date or only those advances that are originated on the report date?

A6: Reporting institutions should report only FHLB advances with an original maturity of one year or less that are originated and executed on the report date. A forward-starting advance, defined as an advance with a settlement date later than its report date, should be reported only on its report date.

Q7. Should reporting institutions report issuance of letters of credit from FHLBs in Part E?

A7: Reporting institutions should not report issuance of letters of credit. However, if a payout of a letter of credit is funded via an FHLB advance, which meets the FR 2420 Part E criteria for reporting, the FHLB advance used to fund the payout should be reported per the FR 2420 Part E instructions.