

[Home](#) > [Journal of Financial Services Research](#) > Article

[Published: February 2003](#)

Federal Home Loan Bank Lending to Community Banks: Are Targeted Subsidies Desirable?

[Ben R. Craig](#) & [James B. Thomson](#)

[Journal of Financial Services Research](#) **23**, 5–28 (2003)

193 Accesses | **12** Citations | [Metrics](#)

Abstract

The Gramm-Leach-Bliley Act of 1999 amended the lending authority of the Federal Home Loan Banks to include advances secured by small enterprise loans of community financial institutions. Three reasons for the extension of this selective credit subsidy to community banks and thrifts are examined, including the possible need to: subsidize community depository institutions, stabilize the Federal Home Loan Banks, and address a market failure in rural markets for small enterprise loans.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

This is a preview of subscription content, [access via your institution](#).

Access options

Buy article PDF

39,95 €

Price includes VAT (Poland)

Instant access to the full article PDF.

[Rent this article via DeepDyve.](#)

[Learn more about Institutional subscriptions](#)

References

Berger, A. N., and G. F. Udell. "The Economics of Small Business Finance: The Roles of Private Equity and Debt

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy policy](#).

Accept all cookies

[Manage preferences](#)

Banking Survive Competition?" *Journal of Finance*

55,no. 2 (2000), 679–713.

Bradbury, D. Deputy Assistant Secretary of the Treasury for Federal Finance, Statement before the Subcommittee on Education, Arts, and Humanities of the Senate Committee on Labor and Human Resources (June 20, 1995).

Congressional Budget Office. *Federal Subsidies and the Housing GSEs*. Washington, DC: Government Printing Office, 2001.

Congressional Budget Office. *Assessing the Public Costs and Benefits of Fannie Mae and Freddie Mac*. Washington, DC: Government Printing Office, 1996.

Craig, Ben R., and James B. Thomson. "Federal Home Loan Bank Lending to Community Banks: Are Targeted Subsidies Necessary?" Federal Reserve Bank of Cleveland Working Paper 0112, August, 2001.

Feldman, R. "Estimating and Managing the Federal

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

Goldfeld, Stephen M. *Commercial Bank Behavior and Economic Activity, Contributions to Economic Analysis*, 43 Amsterdam: North-Holland Publishing Company, 1966.

Harvey, J., and J. Padget. "Subchapter S—A New Tool for Enhancing the Value of Community Banks." *Financial Industry Perspectives* (December), Federal Reserve Bank of Kansas City (2000), 17–31.

Heuson, A., W. Passmore, and R. Sparks. "Credit Scoring and Mortgage Securitization: Do They Lower Mortgage Rates?" Finance and Economics Discussion Series 2000–44, Federal Reserve Board, Washington, DC, 2000.

Jackson, William, III. "Market Structure and the Speed of Price Adjustments: Evidence of Non-Monotonicity." *Review of Industrial Organization* 12 (1997), 37–57.

Kane, E. J. "Housing Finance GSEs: Who Gets the Subsidy?" *Journal of Financial Services Research* 15,no. 3 (1999), 197–209.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

Kane, E. J. "Short-Changing the Small Saver: Federal Government Discrimination against the Small Saver During the Vietnam War." *Journal of Money, Credit, and Banking* 2,no. 4 (1970), 513–522.

Kane, E. J., and B. G. Malkiel. "Bank Portfolio Allocation, Deposit Variability, and the Availability Doctrine." *Quarterly Journal of Economics* 89 (February 1965), 113–134.

Laderman, Elizabeth, and Wayne Passmore. "Do Savings Associations Have a Special Commitment to Housing?" *Journal of Financial Services Research* 17,no. 1 (2000), 41–64.

Maloney, D. K., and J. B. Thomson. "Gramm-Leach-Bliley's Federal Home Loan Bank Provisions." *Economic Commentary* Federal Reserve Bank of Cleveland, 2002 (forthcoming).

McDonough, J. E. "The Federal Home Loan Bank System." *American Economic Review* 24,no. 4 (1934), 668–685.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

Review, Federal Reserve Bank of Cleveland (First Quarter 1999), 9–20.

Petersen, M. A., and R. G. Rajan. “The Benefits of Lending Relationships: Evidence from Small Business Data.” *Journal of Finance* 49,no. 1 (1994), 3–37.

Petersen, M. A., and R. G. Rajan. “The Effect of Credit Market Competition on Lending Relationships.” *Quarterly Journal of Economics* 110, (1994), 403–444.

Student Loan Marketing Association. A Guide to the Student Loan Marketing Association Reorganization Act of 1996 (October), Washington, DC.

Smith, Rixey, and Norman Beasley. *Carter Glass: A Biography* New York, NY: Longmans, Green and Co., 1939.

Stojanovic, D., M. D. Vaughan, and T. J. Yeager. “Is Federal Home Loan Bank Funding a Risky Business for the FDIC?” *The Regional Economist* (October), Federal Reserve Bank of St. Louis (2000), 4–9.

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

About this article

Cite this article

Craig, B.R., Thomson, J.B. Federal Home Loan Bank Lending to Community Banks: Are Targeted Subsidies Desirable?. *Journal of Financial Services Research* **23**, 5-28 (2003). <https://doi.org/10.1023/A:1022191726414>

Issue Date

February 2003

DOI

<https://doi.org/10.1023/A:1022191726414>

Small-business loans

community banks

government sponsored enterprises.

Search

Search by keyword or author

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)

Your Privacy

We use cookies to make sure that our website works properly, as well as some optional cookies to personalise content and advertising, provide social media features and analyse how people use our site. By accepting some or all optional cookies you give consent to the processing of your personal data, including transfer to third parties, some in countries outside of the European Economic Area that do not offer the same data protection standards as the country where you live. You can decide which optional cookies to accept by clicking on "Manage preferences", where you can also find more information about how your personal data is processed. Further information can be found in our [privacy_policy](#).

Accept all cookies

[Manage preferences](#)