



# Enhancing Short-Term Earnings with FHLB Advances

STRATEGY SPOTLIGHT

Opportunities to increase interest income with minimal additional risk are limited. However, the Federal Home Loan Bank of Des Moines (FHLB Des Moines) offers a strategic option: utilizing short-term FHLB Des Moines advances intra-month to capitalize on short-term investment opportunities. By borrowing for up to four weeks, your institution can enhance net income while preserving balance sheet flexibility. Essentially, this approach allows you to put your available FHLB Des Moines borrowing capacity (“dry powder”) to work, generating additional earnings without materially reducing your ability to respond to unexpected liquidity needs.

## HOW IT WORKS



### Identify an Investment Opportunity

In this example, we focus on using FHLB Des Moines advance proceeds to place funds at the Federal Reserve Bank (FRB).



### Select the Advance Term

The chosen term should match the intended investment horizon. Shorter-term advances (e.g., 28 days) help limit exposure to interest rate changes.



### Capture Relatively Risk-Free Interest Income

Placing advance proceeds at the Federal Reserve to earn the Interest on Reserve Balances (IORB) rate offers a low-risk return. The IORB rate only changes when the Federal Reserve adjusts the federal funds target range. Because Federal Open Market Committee (FOMC) meeting dates are predetermined, and emergency adjustments are rare, maintaining short borrowing terms minimizes the risk of rate cuts negatively impacting the strategy.



### Account for the FHLB Des Moines Dividend Benefit

The dividend earned on FHLB Des Moines activity stock is a crucial component of the earnings calculation. Without factoring in the dividend benefit, the full value of this strategy is not captured.

## THE MATH

Using a 28-day Bullet Advance from FHLB Des Moines:

Advance rate	IORB investment rate	Activity stock requirement	Current dividend rate on activity stock
3.80%	3.65%	4.5% of advance principal	9.75% annually <sup>1</sup>

While the nominal spread between advance rate and IORB rate appears negative, the dividend significantly offsets the difference.

<sup>1</sup>As of last dividend paid on November 12, 2025. FHLB Des Moines does not project future dividend payments.



EXAMPLE

Inputs		Outputs	
Advance Term	28 Days		
Advance Rate	3.80%	Interest Expense	\$295,556
Advance Amount	\$100,000,000	Funds Placed at FRB (After Activity Stock Allocation)	\$95,500,000
Investment Rate	3.65%	Interest Income	\$271,114
Required Activity Stock	\$4,500,000	Estimated Dividend Income	\$33,658
		Net Monthly Benefit/(Cost)	\$9,216

SUMMARY

As shown above, leveraging short-term FHLB Des Moines advances can generate incremental income by putting your dry powder to work. A single \$100 million 28-day advance can yield approximately **\$9.2K** in additional monthly income. Repeating this strategy each month—assuming rate relationships remain stable—could generate **over \$100K in annual incremental earnings**.

Rather than leaving your unused FHLB Des Moines borrowing capacity idle, this approach allows it to generate value. Because funds placed at the Federal Reserve remain highly liquid, your institution maintains rapid access to cash while benefiting from the earnings boost.

QUESTIONS | CONTACT

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