Lower Your Borrowing Costs: The Dividend Effect

Federal Home Loan Bank of Chicago
Lower Your Borrowing Costs: The Dividend Effect

Did You Know?

- The FHLBank Chicago dividend reduces the “all-in” cost of borrowing an advance.
- The FHLBank Chicago dividend represents a return on a member’s stock investment in the cooperative.

Lower Your Borrowing Costs: The Dividend Effect

On October 24, 2023, the Board of Directors of the FHLBank Chicago declared a dividend of 8.25% (annualized) for Class B1 activity stock and 5.125% (annualized) for Class B2 membership stock. FHLBank Chicago pays a higher dividend per share on your activity stock compared to membership stock to recognize your support of the cooperative through the use of Bank products. The higher dividend received on Class B1 activity stock has the effect of lowering your borrowing costs.

See the example below, which demonstrates how the dividend lowers your borrowing costs by 12.94 basis points (bps). Contact your Sales Director to find additional opportunities to lower your borrowing costs.

“All-In” Advance Rate Example *

**Advance Transaction Details**

Borrow a $10,000,000 advance for one year at 4.50% activity stock requirement

**B1 Activity Stock Required**

$10,000,000 advance borrowed X 4.50% activity stock requirement

$450,000

**Class B1 Activity Stock Dividend Rate**

Reflective of a projected dividend rate of 8.25% for Q3 2023 payable in Q4 2023.

8.25%

**One Year Advance Rate**

As of October 24, 2023

5.49%

**Dividend Cost Reduction**

How the FHLBank Chicago dividend lowers your borrowing costs

**Interest Cost on Advance**

$10,000,000 advance X Advance Rate X Actual/360

$556,625

**B1 Activity Stock Dividend Paid**

B1 Activity Stock Required X Class B1 Activity Stock Dividend Rate X Actual/Actual

$37,125
Opportunity Cost of Funding Capital Purchase**  $24,008
B1 Activity Stock Required X Opportunity Cost X Actual/360

Net Interest Cost  $543,508

“All-In” Advance Rate  5.36%

Interest Cost Reduction  0.13%
Advance Rate less “All-In” Advance Rate

*Reflects Class B1 activity stock dividend as a reduction to the regular advance rate, based on a projected B1 dividend rate of 8.25% for Q3 2023 payable in Q4 2023, an opportunity cost of buying stock (estimated to be 5.262%, the average Effective Federal Funds Rate during Q3 2023), and 4.50% advance capitalization, for illustration purposes only.
** Assumes an opportunity cost of buying stock estimated to be 5.262%, the average Effective Federal Funds Rate during Q3 2023.

Contact your Sales Director for more information.

* First Name
First Name*

* Last Name
Last Name*

* Email
Email*

* Member Institution
Member Institution

* Comments
Comments*
New code
Please type the code above

*Required Fields

Federal Home Loan Bank of Chicago
433 West Van Buren Street
Suite 501S
Chicago, Illinois 60607
312.565.5700