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Alfred A. DelliBovi  
President

October 31, 2002

TO: All Stockholders  
(individually addressed)

SUBJECT: Report for the Month

## *At the Bank*

### **THIRD QUARTER DIVIDEND DECLARED AT 5.45 PERCENT**

At this month's meeting of the Board, the Directors declared a regular quarterly cash dividend at an annualized rate of 5.45 percent. The dividend, based on stock held during the period July 1, 2002 through September 30, 2002, was credited to your demand account today; a disbursement message was posted concurrently on your Daily Advice of Account Activity.

As highlighted in my September 30, 2002, Report From The President, this dividend will include virtually all of the Home Loan Bank's third quarter earnings. Previously, the Home Loan Bank had been retaining a portion of quarterly earnings to ease the transition to the new capital structure. Our analysis indicates that the Bank possesses sufficient retained earnings to meet our needs under the future risk-based capital regime.

The Board and management of the Home Loan Bank are delighted to be able to provide a fair return on your capital investment with us.

Advances continued to grow in September, averaging \$64.4 billion, up by \$816 million from August. Growth was experienced in the long-term, convertible and repo advance products. So far this year advances outstanding have grown by 8%.

The Bank has reached three other milestones indicative of changes in our environment. As of September 30, the number of commercial bank members was equal to the number of thrift members, at 137. And at the same time, the number of commercial bank members with outstanding advances exceeded the number of borrowing thrift members, 98 to 95. Of our top 35 member borrowers, 17 are now commercial banks, 17 are thrifts and one is a credit union. Thrifts remain the largest member borrowers, making up eight of the top ten borrowers.

For September, annualized net income after REFCORP expense was \$233.7 million, up \$22.2 million from August. For the first three quarters of 2002, the Home Loan Bank's financial performance compared favorably with our business plan. The target for average advances through the first three quarters of 2002 was \$57.3 billion; the actual result was \$61.2 billion. Through our competitive pricing, innovative products, and exceptional service, we look forward to providing you sustained performance and greater value for your investment in the Bank.

## **FEDERAL HOME LOAN BANK OF NEW YORK'S 1LINK PROVES SUCCESSFUL**

In late August, the Home Loan Bank offered the first phase of 1Link, the Bank's new platform for providing banking services over the Internet. In the initial phase, members have instantaneous Internet access to their account information; they can view, via a secure Internet connection, prior and current day account activities and special reports including combined daily advice, safekeeping asset holdings, MPF<sup>®</sup>, and wire and demand statements. Member feedback has been extremely positive. In an informal survey, most members indicated they found the service more convenient and useful than FHoneLink.

Access to 1Link through the remainder of the year is being offered free of charge to our members. We encourage you to take advantage of this service as quickly as possible. As indicated in a number of previous communications, 1Link is replacing FHoneLink by the end of this year, at which time FHoneLink will be disconnected.

1Link enhancements will soon be offered. In the coming months, safekeeping, wire transfers, and select advance products, among other services, will also be offered on-line. We are pleased to offer the ease and speed of the Internet to our members. And we look forward to adding enhanced functionality as we expand this new platform in measured and thoughtful ways.

Should you have any questions or need to get details on 1Link, please contact your calling officer or Jim Gilmore, Senior Vice President of Banking Services at (201) 356-1121.

## **Washington Update**

### **CONGRESSMAN HOUGHTON INTRODUCES BILL TO CLARIFY BOND GUARANTEE QUESTION FOR THE HOME LOAN BANK**

On October 16, 2002, Congressman Amo Houghton (R, NY-31), member of the Ways and Means Committee, introduced a bill to amend the Internal Revenue Code to allow bonds guaranteed by the Federal Home Loan Bank to be treated as tax-exempt bonds. This bill is co-sponsored by Richard Baker, Chairman of the House Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises. The Home Loan Bank of New York fully supports this measure, as do the other 11 Home Loan Banks.

Under Section 149 (b) (1), the provisions of Section (103) (a) which provide for tax-exempt status of certain municipal bonds do not apply if the municipal bonds include a "federal guarantee". Section 149 (b) (2) goes on to provide that a bond is deemed to be "federally guaranteed" if payment with respect to the bond is directly or indirectly guaranteed by "the United States (or any agency or instrumentality thereof)". The Internal Revenue Code defines an "instrumentality" as "any entity with statutory authority to borrow from the United States".

Because the Federal Home Loan Banks have restricted authority to borrow from the United States, it is not clear whether a letter of credit from a Federal Home Loan Bank in support of a municipal bond would constitute a "federal guarantee". This uncertainty restricts the Federal Home Loan Banks' ability to finance the development of certain public works/health projects.

Currently, other government-sponsored enterprises such as Fannie Mae, Freddie Mac, Ginnie Mae, the FHA, and the VA, are each specifically exempted in Section 149. Amending Section 149 to add the Federal Home Loan Banks to the list of exceptions would clearly and definitively establish that Federal Home Loan Bank letters of credit can be issued in support of tax-exempt bonds without triggering any adverse tax consequences.

Clarifying this authority will allow Home Loan Bank letters of credit to be used to enhance the credit rating of tax-exempt bond issues, which can be valuable tools in the development of small businesses, housing and community development.

The Home Loan Bank of New York is grateful to Congressman Houghton for introducing the measure. We also appreciate the support that Congressman Baker has provided for this needed and valuable measure.

### **SENATE HOLDS CONFIRMATION HEARING ON FEDERAL HOUSING FINANCE BOARD NOMINEE**

On Thursday, October 3, the U.S. Senate Banking Committee held a confirmation hearing on Diana E. Furchtgott-Roth. Ms. Furchtgott-Roth was nominated as a Federal Housing Finance Board Director by President Bush on May 24, 2002. If confirmed by the U.S. Senate, Ms. Furchtgott-Roth would assume the Director's post held by J. Timothy O'Neill, and she would serve the remainder of a seven-year term expiring February 27, 2004. She has served as Chief of Staff at the Council of Economic Advisors since March 2001, and from 1993 to 2001, she was a Resident Fellow and Assistant to the President at the American Enterprise Institute. Ms. Furchtgott-Roth served in the White House from 1991 to 1993, first as Associate Director and Deputy Executive Secretary of the Domestic Policy Council, and then as Associate Director of the Office of Policy Planning.

It appears that the Senate Banking Committee was comfortable with Ms. Furchtgott-Roth's qualifications; however, as widely reported in the trade press, questions regarding the fund-raising activities of another director were raised at the hearing. Additional information may be required by the Senate Banking Committee before it acts on the nomination.

### **A SPECIAL THANKS TO EMIGRANT SAVINGS BANK**

The Bank continues to make steady progress towards the completion of the build-out of our new headquarters at 101 Park Avenue. At this point, it is over 50 percent complete. Without any glitches, the Bank should be in its new headquarters by the end of this year.

Since the loss of our 7 World Trade Center headquarters in September 2001, Philip Milstein, President and Chief Executive Officer of Emigrant Savings Bank and the Board of Directors of Emigrant have been exceptionally generous and courteous in making Emigrant's boardroom facilities available for meetings of our Board. The Board and management of the are extremely grateful to the folks at Emigrant Savings Bank. By providing us with access to their boardroom they have helped us to manage a difficult time and permitted the New York Bank to make a quick recovery from the loss.

I would like to again express my appreciation to Emigrant Savings Bank and Mr. Milstein for opening their doors to us.

Sincerely,

Alfred A. DelliBovi  
President