



March 8, 2005

To: FHLBNY Members Participating in
Mortgage Partnership Finance[®] Program

Every banker faces the challenge of managing the components of the balance sheet to balance risk and reward while meeting the business needs of customers. At the Federal Home Loan Bank of New York (the Bank), the Board of Directors and management have chosen to focus on the business of providing a range of low-cost, low-risk advance products to our members. At the same time, we recognize that a number of members have found the Bank's Mortgage Partnership Finance[®] (MPF[®]) program to be an effective liquidity source for their organizations. This is especially true for Participating Financial Institutions (PFIs) that do not produce the large volumes of mortgages that are required to qualify for the best pricing from other housing Government Sponsored Enterprises.

Today, MPF assets held by the Bank amount to \$1.2 billion, less than 2% of the Bank's \$83 billion balance sheet. Over 75% of the Bank's assets are advances. We think that maintaining this balance sheet structure is consistent with the Bank's low-risk business model. Unrestrained growth in MPF assets may not be consistent.

To ensure that the Bank will continue to have the capacity to serve our PFIs while prudently managing growth, we are implementing caps on future MPF deliveries. Effective March 15, 2005, the Bank will limit deliveries under future Master Commitments for each PFI to \$100 million annually. Existing commitments for larger amounts will be honored but will not be renewed. The vast majority of PFI's will be unaffected by this cap.

We understand the MPF program has become an important tool for many of our members. By taking this action, we are building a firm foundation for continued availability of MPF in our District. If you have any questions, please call Tom Doyle at 212-441-6712, your Calling Officer at 212-441-6701, or Jim Gilmore at 212-441-6812.

Sincerely,

Alfred A. DelliBovi
President

101 PARK AVENUE
NEW YORK, NY 10178-0599

T: 212.681.6000
F: 212.441.6890
WWW.FHLBNY.COM