



## DETERMINING YOUR TOTAL BORROWING CAPACITY

Borrowing capacity is dependent upon several factors including the amount of qualifying collateral available to secure borrowings, the adequacy of your capital structure and management's capacity and willingness to purchase additional Federal Home Loan Bank of New York (FHLBNY) stock, as required by the FHLBNY's Capital Plan. In addition to having sufficient collateral and the ability to purchase additional stock, other criteria imposed by the FHLBNY's Board of Directors can affect your maximum borrowing capacity, such as:

- » Total advance exposure cannot exceed 30% of the member's total assets unless an exception is requested by the member and approved by the FHLBNY's Board.
- » Overall credit exposure (i.e., total indebtedness including Repo Advances collateralized by eligible investment securities, Non-Repo Advances, Letters of Credit, and Mortgage Partnership Finance®/MPF® credit enhancements\*) cannot exceed 50% of a member's assets.

The FHLBNY's Capital Plan requires you to hold Activity-Based stock equal to 4.5% of current outstanding borrowings.\*\* The FHLBNY redeems excess capital stock daily.

### *An example of how the FHLBNY calculates borrowing capacity:*

Member ABC is a well-capitalized institution that has:

- » \$250 million in assets;
- » \$20 million in outstanding FHLBNY advances;
- » \$125 million in eligible collateral; and
- » holds \$900,000 in Activity-Based capital stock (4.5% of \$20 million).

Without any exceptions or approvals, ABC's total borrowing capacity for Advances is \$75 million (30% of total assets) so long as it has sufficient qualifying collateral and is able and willing to purchase additional stock. If ABC wishes to borrow more than \$75 million using qualifying mortgage or security collateral, ABC must seek and obtain approval from the FHLBNY's Board of Directors. If approved, ABC's borrowing capacity could be increased (in 5% increments) to as high as 50% of assets, or \$125 million, post-haircut.

\*All eligible residential mortgage and securities collateral pledged as collateral to the FHLBNY must comply with all federal, state, and local anti-predatory lending legislation and the Interagency Guidance for Subprime and Nontraditional Mortgage Lending.

\*\*Please note: requirements for Activity-Based capital stock also exist for MPF participants.

*See reverse for FAQs about Borrowing Capacity at the FHLBNY>*





## *How can I determine my current borrowing capacity with respect to collateral?*

The Collateral Customer Summary - Collateral Position Report indicates your current borrowing capacity, based on collateral pledged and available. It can be accessed via 1Link<sup>sm</sup>, the FHLB NY's internet banking system. Please keep in mind that the report does not account for any securities safekept outside the FHLB NY or any securities that are safekept at the FHLB NY that are not specifically pledged for advance borrowings.

## *Why doesn't my borrowing potential from real estate collateral match my Call Report or the tape that is sent in each month?*

There are several reasons why your borrowing potential may differ. The most common reasons for differences include:

- » When determining current borrowing potential, max lendable values (haircuts) are applied to collateral pledged.
- » Loans may become ineligible because there are data deficiencies on the mortgage listing. Please check to make sure that all required fields have been completed.\*
- » The Call Report may indicate loans made that might technically qualify as 1-to-4-family residential loans although they are not used for residential purposes.
- » The market value of the loan may be greater or less than the book value.
- » An amortization discount may be applied, depending on the frequency of tape submissions.

## *I know that I have securities that are safekept at the FHLB NY; why are they not included in the Collateral Customer Summary - Collateral Position Report?*

Securities that are safekept with the FHLB NY need to be specifically pledged for advance borrowings. If they are not specifically pledged, then they are not available for immediate borrowing. If you have securities that you would like to pledge towards borrowings, please contact Safekeeping at (201) 356-1201 or your Calling Officer at (212) 441-6700.

## *What securities are eligible for borrowing?*

In general, any Treasury or U.S. government agency security can be used as collateral, as well as most mortgage-backed securities (pass-throughs and CMOs), including AAA-rated private label issues. Ineligible securities include municipal and corporate bonds and equities. For a comprehensive listing of eligible collateral, please refer to the Member Products Guide, which can be accessed via 1Link.

## *Why have previously approved private label securities become ineligible?*

There are several reasons why private label securities may become ineligible. Since the FHLB NY requires all securities to have triple-A-ratings, any security that falls below this level or which becomes 'split-rated' will be deemed ineligible. The FHLB NY performs a monthly analysis to verify that pledged securities meet minimum levels of debt-service coverage and LTV values. Should these securities fall below our internal guidelines, they will likewise be deemed ineligible.

\*To discuss data deficiencies on mortgage tapes submitted or for answers to other collateral-related questions, please contact Collateral Services at (888) 852-8460.