FHLBNY Advantage
FEDERAL HOME LOAN BANK OF NEW YORK SEPTEMBER 2013

Looking to Fund Long-Term Assets? Consider an "Oldie but Goodie" — The Amortizing Advance

You can only manage what you can control. While members have been concerned about managing their balance sheet this year, financial results for the first half of 2013 demonstrate that members are performing well through this difficult time.

Each quarter the FHLBNY reviews the financial health of its members. On an aggregate level, members are healthier and growing their balance sheets again. Specifically, there have been enhancements to member's capital, asset quality, and liquidity positions.

While earnings continue to improve, they are not where most members want them to be due to persistent margin pressures. However, in a rising rate environment, there may finally be an opportunity for members to re-price their assets, portfolio their loans, take their time re-pricing up on the deposit side, and use advances to fill their funding gap to enhance their net interest margin. In this regard, some members have taken another look at an "oldie but goodie" — the Amortizing Advance.

The Amortizing Advance can be a sound choice for members that like to sleep well at night. Characteristics of the Amortizing Advance are known upfront and do not change throughout the life of the advance.

The tenors of the advance selected are largely contingent on a member's sensitivity to rates. Members exposed to rising rates (liability sensitive) may choose to fully fund longer-term assets with long-term, Amortizing Advances. Members exposed to falling rates (asset sensitive) may prefer to short fund and use the Amortizing Advance in conjunction with retail deposits for an optimal funding package.

Amortizing Advance Indications from September 30, 2013

Final Maturity →	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr	30 Yr
Amortization Schedule ↓						
5 Years	1.38%					
7 Years	1.67%	1.95%				
10 Years	1.82%	2.39%	2.70%			
15 Years	1.91%	2.62%	3.23%	3.49%		
20 Years	1.95%	2.72%	3.41%	3.88%	3.99%	
30 Years	1.99%	2.79%	3.56%	4.15%	4.40%	4.57%

Features of the Amortizing Advance:

- » Fixed monthly payments, comprised of principal and interest
- » Interest payments due the first business day each month
- » Interest calculated on a 30/360-day basis
- » Forward starting capabilities, like many other advance products
- » Maturities available out to 30 years, but shorter maturities than the amortization term are also available with a balloon payment, due at maturity
- » Prepayable – members can build the prepayment language into their loan covenants to protect against prepayment risk (prepayment language can be found in the FHLBNY's Member Products Guide)
- » The Amortizing Advance structure is also available under the Community Lending Programs for a significant savings if eligibility criteria are met (visit fhlbny.com/community for more information).

"Amortizing Advances are not only a great way to manage interest rate risk but also a way to hedge against loans and investments to know their exact return."

» David Baker, President, Lincoln Park Savings Bank

"Using Amortizing Advances are a great way to mix and match terms using a laddered approach to match-fund customer loans. This gives us the ability to leverage and lock in a spread."

» Joseph Coccaro, President, Bogota Savings Bank

"We've taken advantage of Amortizing Advances several times over the past few years. They allow us to better manage our interest rate risk by tailoring our funding vehicles to match our loan lending activities, including 5-7-year terms with amortizing schedules of 15+ years. Why the FHLBNY? They can easily accommodate these structures and pricing is very competitive — we usually cannot raise structured funds as cheaply. Availability is literally one call and five minutes away — we know the deal will get done when we need it, quickly and efficiently."

» James Chen, Executive Vice President, Eastbank, N.A.

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Consider an "Oldie but Goodie" — the Amortizing Advance *(continued)*

Generally speaking, members use the Amortizing Advance to fund a variety of assets. Amortizing Advances can be used to"pool-fund" residential loans with similar characteristics to mitigate interest rate risk. The FHLBNY has experienced an increased interest in this strategy as rates rise and members price to the duration of the actual cash flows of their loans versus the loan terms.

In addition, Amortizing Advances are being used to "match-fund" commercial loans and security portfolios. So far this year, the advance is most prevalent for this purpose and the term most sought after is the 5/25 (5-year term and a 25-year amortization). In fact, so far in 2013 our members' multifamily and commercial loan portfolios have increased by 16.45% and 5.30%, respectively. Therefore, members that realize they cannot control rates but they can control spreads are finding relief in the Amortizing Advance.

To discuss Amortizing Advances or other funding opportunities to help manage interest rate risk and combat net interest margin compression, contact your Calling Officer at **(212) 441-6700**.

Take Advantage of the FHLBNY's Member-Director Education Program

The landmark Sarbanes-Oxley Act increased regulatory focus on corporate governance, and as a result, there are greater expectations for board directors to not only understand, but also contribute to, discussions on policy and strategy. The FHLBNY can help.

Through our Member-Director Education Program, members can request an education session specifically tailored to the directors and managers of their institution.

The program can be customized to address your specific needs and concerns, and will cover a wide range of issues commonly faced by most community lenders. Our executive team will work directly with yours to customize a program to ensure you receive the maximum value for your time.

There's no cost to your institution — it's a benefit of your membership. To schedule your program, contact a Calling Officer at **(212) 441-6700.**

Suggested Education Topics:

» FHLBank System overview, earnings, and financial highlights
- FHLBank Debt Issuances and System Capital Initiative

» FHLBNY Membership Benefits and Trends
- What is the FHLBNY and what makes our partnership "unique"?

» FHLBNY Products, Services, and Programs
- Advance Product Offerings/Trends
- Letters of Credit
- Community Lending and Housing Programs
- Mortgage Partnership Finance (MPF®) Program (secondary market outlet)
- Correspondent Services
- Credit Monitoring and Collateral Management
- Capital Stock Requirements and Dividends
- Collateral Opportunities

» Strategic Planning/Balance Sheet Considerations
- Liquidity Planning and Industry Trends
- Deposit Pricing Practices
- Branch Funding Strategies

***FHLBNY Reminder*:**
Third First Home Club[sm] (FHC) Enrollment Period Deadline Approaching

Members may enroll an unlimited number of qualified households for the Third Enrollment Period in 2013. The Enrollment Form must be received via e-mail to fhc@fhlbny.com by no later than **Monday, November 18, 2013, by 5:00 p.m. EST**. FHC documents and forms are available on our website.

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