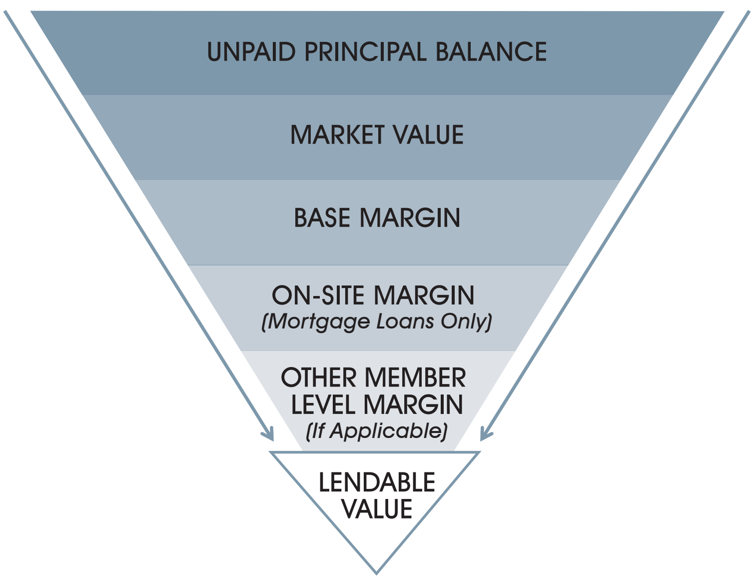
FHLBNY Advantage
FEDERAL HOME LOAN BANK OF NEW YORK
NOVEMBER 2013

The FHLBNY's Collateral Lendable Value Methodology — a Look Behind the Curtain

To maintain the FHLBNY's position as a reliable, cost-effective, and accessible source of liquidity for our members, all credit extensions are provided on a fully secured basis. The FHLBNY's collateral guidelines have been established to protect members' investments in the cooperative. The FHLBNY achieves this goal by establishing maximum Lendable Values for all pledged collateral classes to ensure that sufficient eligible collateral securing members' credit extensions are maintained.

Illustrated below is an overview of how members' pledged (eligible) collateral is converted into Lendable Value.



Eligible Collateral

The FHLBNY accepts eligible mortgage loans on 1-4-family residential properties, multi-family, and commercial properties; agency and treasury securities; as well as cash or deposits maintained at the FHLBNY. A detailed listing of all eligible forms of collateral, along with their specific qualification guidelines, can be found in the Member Products Guide on pages 37 – 40. The Member Products Guide is available through the FHLBNY's secure Internet banking system, 1Link℠.

In determining eligibility for pledged mortgage collateral, the FHLBNY has established certain key data requirements. The absence or incorrect reporting of one of these key data points could result in loans being deemed ineligible. Some examples of required fields include: original balance, current balance, appraisal value, paid through date, and maturity date. To ensure data fields are being populated accurately, the FHLBNY's Collateral Analytical Services team actively works with members to improve the reporting of key data points.

Market Value

The application of market values or 'pricing' is the next step in the Lendable Value Methodology. The FHLBNY employs the use of outside vendors to provide pricing on all member-pledged collateral. Pricing is based on an asset-by-asset evaluation of certain risk factors including credit, interest rate, and market risk (liquidity). Securities are priced daily by Interactive Data Corporation (IDC), residential loans are priced monthly by Mortgage Industry Advisory Corporation (MIAC), and multi-family and commercial mortgage loans (CRE) are priced quarterly by The Debt Exchange (DebtX).

In order to provide the maximum amount of market value, accurate and complete data is critical. Missing or incorrect key data elements typically result in loans being assigned conservative default values — leading to lower collateral market values and ultimately reduced borrowing potential. If members have any questions or would like assistance with identifying ways in which they can improve the quality of data reported, please contact Anthony Kobel, Manager of Collateral Analysis, at (201) 356-1069.

Base Margin

All pledged collateral is assigned a Base Margin, or "haircut," that is applied to the market value of the collateral. Base Margins are assigned for each of the primary mortgage and security types and are intended to account for the following risk factors:

» Price Volatility Risk: Risk of potential drop in value during a holding period in a liquidation scenario.

» Administrative Costs: Reasonable costs associated with securing, holding, and liquidating collateral (not applicable for securities).

» Additional Unknowns: Including model error risks associated with assumptions made in the model and assumptions made for missing data (not applicable for securities).

On-site Review Margin

The On-site Review Margin is an additional discount applied in the Lendable Value Methodology, but unlike the Base Margin, this value varies from member to member. It is only applied to mortgage-loan collateral (not securities) and is based on an operational assessment of a member, as well as a review of the credit characteristics and mortgage loan documentation of a sample of loans pledged. The On-site Review Margin serves as an additional margin above the required minimum Base Margin, and is intended to protect the FHLBNY against factors that could negatively impact the value of mortgage loans that are otherwise not transparent through the data submission (Listing) process.

Members who pledge residential mortgage loans are reviewed on a 48-month cycle, while members who pledge multi-family and CRE mortgage loans are reviewed on a 24-month cycle.

continued on reverse>

The FHLBNY's Collateral Lendable Value Methodology — a Look Behind the Curtain *(continued)*

Accelerated review schedules may be applied when warranted. New pledging members receive a 10% On-site Review Margin until their initial review is complete.

Other Member Level Margin

This is the final component in the Lendable Value Methodology and is only assigned on a case-by-case basis. This additional margin is principally applied to help protect against additional unknown factors and primarily assigned to members who are experiencing financial deterioration.

Maximum Lendable Value

The following table summarizes the standard maximum Lendable Value requirements. In the case of mortgages, maximum Lendable Values are applied to the lesser of book or market value; with regard to securities, maximum Lendable Values are applied to market value. Please refer to page 49 of the Member Product Guide for a summary and more details.

Summary of Maximum Lendable Value

Collateral Type	Maximum Lendable Value
Mortgage Collateral *Maximum Lendable Value Applied to Lesser of Book or Market Value*	
Residential: 1st and 2nd Lien	90%
Multifamily: 1st and 2nd Lien	80%
CRE: 1st and 2nd Lien	75%
Securities Collateral *Max Lendable Value Applied to Market Value*	
US Treasury Securities	88%-97%
Agency Securities	80%-95%
Private Label Securities	67%-79%

The FHLBNY remains committed to meeting the liquidity needs of our members and we understand the importance of maximizing borrowing potential. We encourage members to continue to focus on improving the accuracy and completeness of their monthly data file submissions to help reduce errors and/or inaccurate or incomplete data.

If you have any questions about the information presented, contact a Calling Officer at **(212) 441-6700** or Bryan Gallagher, Director of Collateral Valuations and Analysis at **(201) 356-1148**.

Take Advantage of the Member Resource Center

The member Resource Center is available on the FHLBNY's public website under the "Members" section. The Resource Center centralizes information that is often requested by our members and houses strategies and tools to help address funding needs for various market challenges.

What You Can Find in the Resource Center:

- Funding Strategies (*strategies for interest rate risk management, asset/liability management, combating net interest margin pressure, duration based pricing, etc.)*
- Presentations, Tutorials, and Webinars
- Workshops and Tools that offer learning opportunities and examples to demonstrate the advantages of using the FHLBNY's many funding options *(Member-Director program, municipal education, workshops, and tools such as the "All in" Rate Borrowing tool, Interest Expense Calculator, Amortizing Advance Schedule tool, Funding Comparison tool, Prepayment Fee Calculator, and Funding Mix Calculator)*
- Fact sheets and other information about the FHLBNY's products and services

Check it out at www.fhlbny.com/members/resource-center.

Feedback Welcome Have a suggested topic for the FHLBNY Advantage? E-mail us at fhlbny@fhlbny.com.

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A Newsletter Published by the Federal Home Loan Bank of New York for Member Community Lenders