Federal Home Loan Bank of New York

# FHLBNY MUNICIPAL LETTER OF CREDIT (MULOC)

## Form a Strategic Alliance with an FHLBNY MULOC

As a key partner in financing, the Federal Home Loan Bank of New York (FHLBNY) issues triple-A-rated Letters of Credit (L/C) on behalf of its members to support liquidity, asset/liability management, and housing, community, and economic development activities. An FHLBNY L/C is a promise, made at the request of a member, to make payments to a third-party beneficiary in the event of a default of performance. Several states have amended their laws to permit the use of FHLBNY L/Cs as eligible collateral.

The Municipal Letter or Credit (MULOC) product is specifically designed for the collateralization of state, city, court, or local government (municipal) deposits. A Refundable MULOC is offered as a flexible option to account for municipal deposit balance fluctuations in transactional accounts. Refundable MULOCs provide for better collateral management, eliminate the need for multiple forms of collateral, and allow for a partial fee reimbursement if it is not fully utilized.

### *Reduced Pricing for MULOCs:*

Effective March 12, 2012, the cost of MULOCs and Refundable MULOCs was reduced from 12.5 bps to 9 bps per annum.* Now MULOCs provide an even lower-cost, more efficient way to secure municipal deposits.

MULOCs are easy to use, require no capital stock purchase, and can be collateralized with the same assets (loans and securities) that are used to back FHLBNY advances.

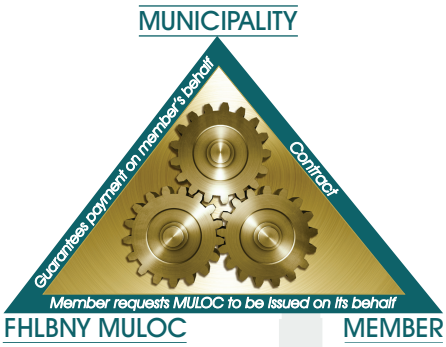
## Benefits and Uses of an FHLBNY MULOC

***When MULOCs are used to collateralize your deposits, they:***

- Maximize the earnings on securities currently pledged by reinvesting into higher-yielding assets
- Reduce the operational expense associated with monitoring deposits
- Eliminate the need to match securities and monitor margin calls
- Allow for the pledging of securities elsewhere (i.e., for advances) to reduce cost of funds
- Offer the option to collateralize transaction accounts more efficiently by allowing for a partial fee reimbursement when the MULOC is not fully utilized (Refundable MULOC)

Check out the MULOC section on our website at www.fhlbny.com/LC/mulocs.aspx.

To discuss how this tri-party agreement can directly benefit your bottom line, contact a Calling Officer at (212) 441-6700.




*Please note certain term restrictions and pricing adjustments may be applied based on a member's FHLBNY credit score or CAMELS rating.

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