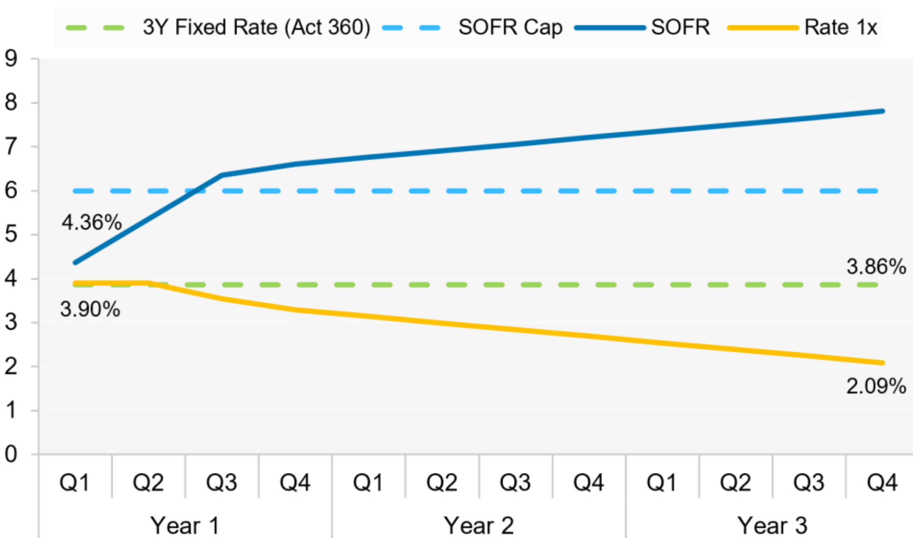
FIXED-RATE ADVANCE WITH A SOFR CAP

The Fixed-Rate Advance with a SOFR Cap (Fixed-Rate with Cap) is a hybrid funding option that combines a fixed-rate borrowing with an embedded interest-rate cap tied to the Secured Overnight Financing Rate (SOFR) index. The advance rate remains fixed but may be reduced quarterly if the simple average SOFR Rate over a 3-month period rises above the cap that is chosen by the member upon execution of the transaction. If the average SOFR rises above the predetermined cap during a quarter, the interest payment would adjust downward depending on how many basis points that the SOFR average is above the cap. Interest rate adjustments are performed either on a one-to-one basis (1×) or by one basis point for every two basis points (0.5×) that the average SOFR is over the cap. The net adjusted advance rate cannot be less than zero percent.

For liability-sensitive members, this product could potentially be helpful with mitigating risk associated with regulatory interest-rate-shock scenarios. A rapid rise in interest rates could cause the interest expense of the advance to plummet (quarterly payments with a floor of zero), which would help offset declining net interest income. Additionally, the falling coupon rate would improve the present value of the advance in a rising environment, serving to assist with an institution's Economic Value of Equity at Risk.

Example: 3-Year Fixed-Rate with SOFR Cap of 6.0%, 1× Multiplier



A rising rate environment was incorporated in this example where SOFR steadily rises and breaches the cap in the third quarter. The Fixed-Rate with Cap would initially remain at 3.90% throughout the first two quarters of this scenario, beginning to re-price downward in quarter three as the average SOFR rate rises above the 6% cap. In this example, SOFR reaches 7.81% by the end of year three causing the advance coupon to retreat to 2.09%. If SOFR never breaks through the cap the advance rate would remain at 3.90%. If SOFR declined back below the cap the advance would reprice back to its original coupon.

FEATURES

- Minimum advance size: $5 million per trade
- Maturity: 1 to 10 years
- Multiplier options: 1× and 0.5×
- Day count basis: Actual/360
- Embedded interest-rate cap index: SOFR
- Rate adjustment frequency: Quarterly payment with a 1-business day lockout on SOFR Average
- Pre-payable: Yes

BENEFITS

- Provides protection against rising interest rates (lowers your institution's cost of funds as rates rise)
- Flexible medium- to long-term funding option best used to extend liabilities, potentially enhance spreads, and preserve margins
- Available with Symmetry for non-CLP Advances with maturities of one year or greater

CONTACT US & SEE HOW THE FIXED-RATE WITH CAP CAN PROVIDE ADDITIONAL MARGIN RELIEF:

Member Services Desk: (212) 441-6600 | Relationship Managers: (212) 441-6700

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