



# ADVANCE REBATE PROGRAM

The Federal Home Loan Bank of New York's (FHLBNY) Advance Rebate Program provides members an opportunity to receive a cash rebate when prepaying an Eligible Advance<sup>1</sup> and rebooking a new advance within a 30-business-day period. To receive the cash rebate, the prepaid advance(s) must have a remaining term of six months or longer and new advance(s) must have a term of at least six months or longer.

## The Advance Rebate Program is designed to:

- Be responsive to member needs and enhance the value of our advance offerings
- Offer members additional flexibility to manage their balance sheets
- Strengthen and add value to your Co-op

## HOW IT WORKS

- 1: Member prepays an outstanding eligible advance that has a term remaining to maturity of at least six months.
- 2: Member decides to obtain a new eligible advance with a term of six months or greater within 30 days for prepayment (called the Rebate Window).
- 3: Member receives the rebate in cash via their Overnight Investment Account (OIA).

For example, if a \$10 million regular advance with a remaining duration of 2 years gets prepaid and is entitled to a maximum rebate of 20.5 basis points,\* a rebate pool would be created in the amount of \$41,000 (\$10M x 20.5 bps x 2 years remaining duration). If \$10 million of new advances with terms of 6 months or longer are booked within 30 calendar days of extinguishment, the member's estimated maximum rebate could be as follows:

FOLLOW-ON ADVANCE MATURITY YEAR	FIXED/ARC ADVANCE (20.5 BPS)	REPO/REPO ARC ADVANCE (18.5 BPS)
0.5	\$10,250	\$9,250
1	\$20,500	\$18,500
2	\$41,000	\$37,000

## DETERMINING THE REBATE POOL

When an Eligible Advance is prepaid, and a prepayment expense incurs, a potential rebate pool will be created of up to 20.5 bps (18.5 bps for Repo Advances) for the remaining duration of the prepaid advance using the following calculations:

$$\text{ADVANCE AMOUNT} \times \text{REBATE RATE} \times \text{REMAINING DURATION} = \text{REBATE POOL}$$

*\*The amount of the actual rebate is dependent upon the characteristics of the prepaid and new advance(s), e.g., product type, origination date, principal amounts, and duration. It would never exceed the amount of the rebate pool which was established at the time of the advance prepayments, and the member would not get credit for new advance volume which exceeds the amount of the prepayments.*

Note: a member must designate a replacement advance as part of the Advance Rebate Program at the time of booking a new advance.

<sup>1</sup>Advances booked under the Community Lending Program are not Eligible Advances. The FHLBNY's regular advance terms and conditions will apply, and the FHLBNY reserves the right in its sole discretion to amend, rescind, or reinstate the Advance Rebate Program at any time.

## ADVANCE REBATE PROGRAM FAQs

### **Will the Advance Rebate Program allow members to restructure their term advances with minimal prepayment expenses?**

The prepayment expense associated with the extinguishment of an advance is comprised of two components – (1) the fair value of the advance, and (2) the amount that provides the financial indifference that the FHLBNY is required by regulation to charge when an advance is extinguished. If the advance is very “out of the money” and is extinguished, the market value “loss” will significantly influence the prepayment costs regardless of the impact of the rebate. However, the Advance Rebate Program offers members a way to minimize their prepayment expenses when restructuring their advance(s).

### **Does a member have to notify the FHLBNY at the time of extinguishing an advance that they intend to utilize the Advance Rebate Program and book a replacement advance?**

The member has the option to take advantage of the Advance Rebate Program if a new eligible term advance is booked within 30 calendar days of the extinguishment. The new advance must have a term of six months or longer. The member is not required to notify the FHLBNY of its intentions at the time of the advance prepayment; however, members must request the rebate at the time of booking an eligible replacement advance.

### **Are partial prepayments eligible for the rebate?**

Yes, partial prepayments are eligible for the rebate.

### **Can forward starting advances qualify as an eligible replacement advance in the Advance Rebate Program?**

Yes, providing the forward starting advance settles within 30 calendar days of the extinguishment.

### **What determines the amount of the rebate pool on an extinguished advance?**

When extinguishing an eligible advance, the rebate pool is calculated by multiplying the notional amount of the advance by the amount of rebate in which the advance is entitled times the remaining duration of the advance. The entitled rebate will be between zero and 20.5 basis points (zero and 18.5 bps on a repo advance) and is dependent on a number of factors, which include the product type, origination date, principal amounts, and duration of the advance which is extinguished. A member should consult with their Relationship Manager to determine the possible rebate on a given advance if they intend to execute an eligible replacement advance within 30 calendar days of an extinguishment.

### **Do members have to re-book the same type of advance that was prepaid in order to receive a rebate?**

No. As long as the eligible new advance has a minimum term of six months, it would fit within the parameters of the Advance Rebate Program.

### **When does the rebate post to a member’s OIA account?**

The rebate will be applied to a member’s OIA account within two business days of booking replacement advance(s).

## **CONTACT US FOR MORE INFORMATION ABOUT THE ADVANCE REBATE PROGRAM:**

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

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UPDATED: August 2023