S&P Global
Ratings

RatingsDirect®

Federal Home Loan Bank of New York

Primary Credit Analyst:
Xintong Tian, New York + 1 (212) 438 8215; Xintong.Tian@spglobal.com

Secondary Contact:
Pranay Jindia, CFA, Englewood +1 (303) 241 0346; pranay.jindia@spglobal.com

Table Of Contents

Table Of Contents (cont.)

Federal Home Loan Bank of New York

Ratings Score Snapshot

Issuer Credit Rating
AA+/Stable/A-1+

SACP: aa → **Support: +1** → **Additional factors: 0**

Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Very strong	+2
Risk position	Very strong	+2
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	0
GRE support	+1
Group support	0
Sovereign support	0

Issuer credit rating
AA+/Stable/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Very important role in the implementation of U.S. government housing policy	High exposure to the U.S. mortgage market
Funding source for the U.S. banking system	Geographically restricted to a limited region of the U.S.
Very strong risk-adjusted capitalization	Uncertainty regarding the impact of potential legislative changes
Solid loan asset quality and overcollateralized lending portfolio has historically prevented any losses on advances	Earnings could be volatile due to variable advance demand, though profit maximization is not a priority of the Federal Home Loan Banks (FHLBs)

Our issuer credit rating on the Federal Home Loan Bank of New York (FHLB NY) is based on its government-supported role in providing liquidity to member institutions, strong asset quality and capitalization, low funding costs, and conservative risk management. During the recent banking sector turmoil, when some banks experienced significant deposit outflows, FHLB NY and the other FHLBs immediately provided liquidity to their members and managed their own funding needs. We expect FHLB NY and the other FHLBs to maintain their strong financial profiles and controls, provide for members' additional liquidity needs, support the U.S. housing sector, stay profitable, and build retained earnings.

The rating on FHLB NY is one notch higher than the bank's stand-alone credit profile of 'aa'. This reflects our expectation that the likelihood of the bank receiving extraordinary government support, if needed, is very high, because of the FHLB System's importance to the U.S. housing market and the U.S. banking system factors.

Outlook

The stable outlook on FHLB NY indicates our expectation that the bank will maintain stable operating performance, provide liquidity, manage funding needs, build retained earnings, and support the U.S. housing sector over the next 24 months. The outlook also reflects our stable outlook on the U.S.

Downside scenario

If we change our rating or outlook on the U.S. sovereign, we would likely reflect that change in our ratings on the FHLB System's debt and our ratings on FHLB NY. Although less likely, we could also lower the rating in the next two years if the role of the FHLB System in housing finance were diminished, thereby reducing its importance to the government.

Upside scenario

An upgrade would likely be contingent upon a higher rating on the U.S. sovereign.

Anchor: Adjusted To Reflect The FHLBs' Regulated Status, Low Competitive Risk, And Favorable Funding

Our anchor for our ratings on U.S. finance companies that we rate under our financial institutions criteria, including the FHLBs, is 'bb+'. Because of the FHLBs' public policy role and regulatory status, we apply a sector-specific anchor adjustment to raise the anchor for these entities by three notches to 'bbb+'. This is to account for the Federal Housing Finance Agency's (FHFA) regulatory oversight; the favorable funding FHLBs enjoy through their close relationship with the U.S. government; their strong competitive position alongside other housing-related government-sponsored enterprises (GSEs), including Fannie Mae and Freddie Mac, in the U.S. housing finance market; and the statutory priority of liens in a bank wind-down situation.

Business Position: Established Market Position With A Long-Standing Member Base

FHLB NY's established market position, recurring business volume, and public policy role, which we believe offset some of the risks associated with its lack of business diversification, support its business position.

The FHLBs are wholesale lenders that help finance the U.S. housing industry. They provide secured loans, known as advances, to their members, which include commercial banks, savings institutions, credit unions, and insurance companies. The bank's advance volume and revenue are typically countercyclical since members rely more on it in times of stress as a reliable funding source.

The recent banking turmoil highlighted the FHLB System's importance to the U.S. banking sector. When many member banks experienced significant deposit outflows, the FHLBs provided liquidity by extending advances to members. Advances grew to $1.05 trillion as of March 31, 2023, from $827 billion at year-end 2022.

We expect outstanding advances to decline as market liquidity normalizes; however, advances will remain elevated for the remainder of 2023 as the Federal Reserve keeps monetary policy tight to fight high inflation. The FHLB System's role during the COVID-19 pandemic in 2020 and the U.S. mortgage crisis of 2008 further illustrates its importance to the U.S. banking sector in times of uncertainty and economic disruption.

FHLB NY is the third largest bank in the FHLB System (by assets) with total assets of $186 billion as of March 31, 2023. It serves member institutions in New York, New Jersey, Puerto Rico, and the U.S. Virgin Islands.

The bank's lack of business diversification hurts its overall business position, in our view. FHLB NY has some diversification across its 327 members (as of year-end 2022), which include credit unions (33%), commercial banks (31%), thrifts (19%), insurance companies (14%), and community development institutions (3%). However, its member borrowing needs are all highly correlated to the housing market. Furthermore, its business as an FHLB is exclusively in a limited region of the U.S.

A large proportion of advances goes to a relatively small number of members, exposing FHLB NY to concentration risk. The bank's five largest member borrowers represented about 51% of total advances as of March 31, 2023, with the largest borrower being Flagstar Bank N.A. with 13.5% of advances. However, concentration risk is substantially mitigated because all advances are overcollateralized with high-quality collateral.

The growth in advances across the FHLBs in 2022 and 2023 were mostly due to higher demand from depository institutions, leading to higher concentration of advances borrowed by banks. As of March 31, 2023, exposure to commercial and savings banks expanded to 76% of total advances from 51% year over year, while insurance companies (excluding captive insurance companies) decreased to 14% from 34% for the same period. FHLB NY also has a greater insurance concentration--30% of advances as of March 31, 2023.

Capital And Earnings: Capitalization Expected To Remain Very Strong

FHLB NY's member-capitalized co-op structure and low-risk collateralized lending business support its capital. The FHFA requires the bank to keep capital in excess of 4% of assets and a leverage ratio above 5%. The bank maintained a capital-to-assets ratio of 4.87% and a leverage ratio of 7.30% as of March 31, 2023.

FHLB NY's capital, as measured by S&P Global Ratings' risk-adjusted capital ratio (RAC), was 19.8% as of March 31, 2023. We expect our RAC ratio for the bank to hold more or less stable in the coming two years, well in excess of 15%--a level we consider very strong. We expect capital to remain stable because members must scale their capital contribution to support their borrowings.

Net income for first-quarter 2023 was $199 million, up 248% from the prior year, and we expect earnings to be higher this year as member demand for advances remains elevated. However, we don't view the absolute level of earnings as an important ratings consideration because of the bank's very strong capital level and its co-op structure, which ensures that profit maximization isn't a goal.

As a result, and since each district has somewhat unique needs, we don't anticipate any further consolidation in the FHLB System in the next 12-24 months. In 2015, FHLB Seattle merged with FHLB Des Moines--the second consolidation in the FHLB System in its 90-plus year history.

Risk Position: Collateralized Lending Limits Risk

No FHLB has ever suffered a loss on a collateralized advance to a member. All advances to member institutions are collateralized by loans and securities with an estimated value significantly in excess of loans extended. As of March 31, 2023, FHLB NY's $145 billion of member indebtedness outstanding (primarily advances and letters of credit) was backed by $445 billion in collateral.

Although some of the collateral could be under strain as a result of current economic headwinds, we believe the amount of collateral in place offsets the potential for losses. FHLB NY also monitors the financial condition of its members and manages collateral guidelines, advance rates, and security agreements to further mitigate credit risk.

Importantly, any security interest that an insured depository institution grants to the bank generally has priority over the claims and rights of other parties, including depositors. For nondepositories, FHLB NY, like its peers, relies on stricter borrowing limits and collateral guidelines to mitigate associated credit risk, for which an FHLB is not guaranteed priority status in liquidation.

The bank takes little interest rate risk. It issues fixed-rate callable and noncallable bonds and swaps most of its fixed-rate interest exposure to floating. We also see few risks on the rest of the balance sheet compared with other FHLBs.

The bank's investment portfolio (excluding interest-bearing deposits) totaled $54.2 billion as of March 31, 2023, of which $16.5 billion was mortgage-backed securities. The bank has minimal exposure to private-label mortgage-backed securities.

Funding And Liquidity: Stable And Cheap Funding Supports The Business Model

The FHLB System has a diverse and global investor base that readily sells its debt at a small spread to U.S. Treasury obligations. The FHLB System continues to enjoy ready access to funding markets. For example, the demand for liquidity from borrowing members increased significantly in the first half of 2023 in response to the banking sector turmoil. The FHLBs were able to manage the surge in advances through their access to the capital markets. We view as positive that the banks have also been able to quickly scale back their balance sheets once the spike in demand for advances subsides.

We believe the FHLB System's transition from LIBOR-based funding toward funding based on the secured overnight financing rate (SOFR) has been smoother than for other issuers, given its larger percentage of short-term debt. The

FHLBs have been moving toward floating-rate notes to address investor preferences amid rising interest rates, with the vast majority of issuance linked to SOFR since 2020. The LIBOR Act has also provided the necessary fallback provisions for any contract outstanding after June 30, 2023.

We consider FHLB NY's liquidity adequate compared with its potential cash flow requirements over the next year, and we believe the bank has a good liquidity management system. Regulatory liquidity requirements mandate that the FHLBs maintain between 10 days and 30 days of liquidity. We think FHLB NY meets these requirements.

Support: A Very Important Cog In The Policy Framework For U.S. Housing Finance

Our ratings on FHLB NY reflect our opinion that there is a very high likelihood that the U.S. government would provide the bank with timely and sufficient extraordinary support in the event of financial distress. Therefore, our issuer credit rating on the bank reflects a one-notch uplift from the stand-alone credit profile.

We base our opinion on:

- FHLB NY's very important role in providing low-cost funding to support housing and community development in the U.S., which we believe is a key economic and political objective of the U.S. government; and
- The bank's very strong link with the U.S. government, because a financially distressed or defaulted FHLB could significantly damage the government's reputation, and we believe the government has the administrative capacity and mechanisms (via the FHFA) to respond to an FHLB's financial distress in a timely manner.

Moreover, we view the government as having a track record of providing very strong and timely credit support to FHLBs, for example, their inclusion in a U.S. Treasury GSE credit facility created in September 2008.

We continue to monitor legislative proposals and court rulings that could affect the FHLBs, which are regulated by the FHFA. That said, we do not anticipate any meaningful reform in the next 12-24 months.

In May 2022, the U.S. Senate confirmed Sandra Thompson as the director of the FHFA. While we don't expect the U.S. government's policy with respect to the FHLBs to fundamentally change, Director Thompson announced in August 2022 that the FHFA would launch a comprehensive review of the FHLB System to consider and evaluate its mission, membership eligibility requirements, and operational efficiencies. The FHFA expects to issue a report in September 2023 summarizing the feedback received and recommendations for consideration by Congress.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	**S-1**	S-2	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

- N/A	- Social capital	- N/A

N/A--Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

Social factors are a positive consideration in our credit rating analysis of FHLB NY. As a GSE with a mandate to support housing and community development, FHLB NY's public policy role and regulated status support its credit quality. The bank's cooperative structure allows it to provide immediate and low-cost funding to its member institutions (particularly during periods of market stress), with less focus on short-term profitability.

Ratings Score Snapshot

Federal Home Loan Bank of New York rating component scores

Issuer Credit Rating	AA+/Stable/A-1+
SACP	aa
Anchor	bbb+
Economic risk	3
Industry risk	3
Business position	Strong
Capital and earnings	Very strong
Risk position	Very strong
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	1
ALAC support	0
GRE support	1
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions , Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology , Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- General Criteria: Group Rating Methodology , July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology , July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions , March 25, 2015
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks , March 23, 2004

Ratings Detail (As Of July 31, 2023)*	
Federal Home Loan Bank of New York	
Issuer Credit Rating	AA+/Stable/A-1+
Issuer Credit Ratings History	
10-Jun-2013	AA+/Stable/A-1+
08-Aug-2011	AA+/Negative/A-1+
15-Jul-2011	AAA/Watch Neg/A-1+
Sovereign Rating	
United States	AA+/Stable/A-1+
Related Entities	
Federal Home Loan Bank of Atlanta	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Boston	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Chicago	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Cincinnati	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Dallas	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Des Moines	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Indianapolis	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Pittsburgh	
Issuer Credit Rating	AA+/Stable/A-1+

Ratings Detail (As Of July 31, 2023)*(cont.)	
Federal Home Loan Bank of San Francisco	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Topeka	
Issuer Credit Rating	AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.