



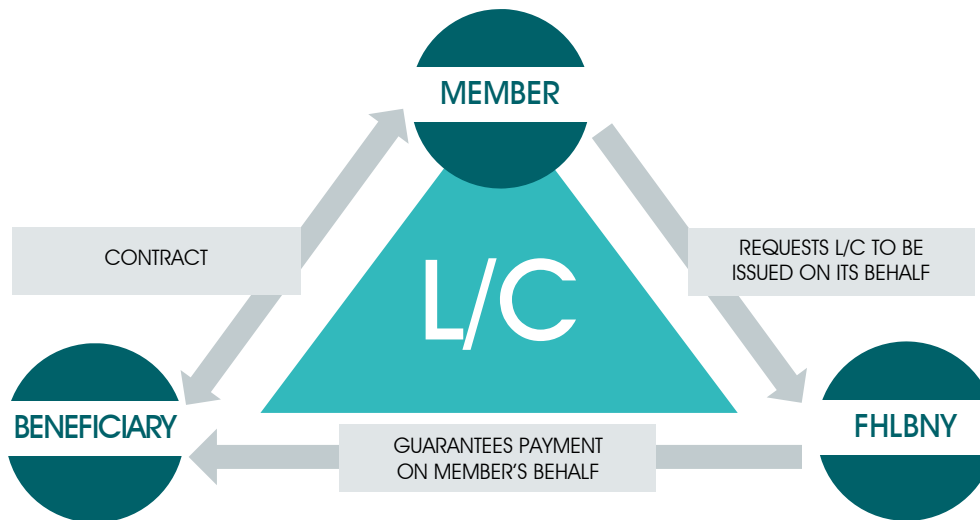
FHLB NY LETTERS OF CREDIT



A widely-accepted credit tool to help members bolster product offerings and enhance competitiveness

An FHLB NY Letter of Credit (L/C) is a promise, made at the request of our members, to make payments to a third-party beneficiary in the event of a default of performance. Issued by a triple-A rated* institution, FHLB NY L/Cs are a widely-accepted, low-cost and efficient credit tool to support members' business growth and community development activities.

The FHLB NY L/C Process



General Benefits of L/Cs:

- » Provides credit enhancements for collateral subordinated obligations
- » Offers credit support in the sale of whole mortgage loan portfolios
- » Supports transactions that promote home financing, housing activity, or economic development

5 Types of FHLB NY L/Cs

1. Irrevocable Standby Letters of Credit

Provides that the FHLB NY pays the beneficiary in the event of a member's default or failure to perform under a contract or other agreement between parties.

2. Irrevocable Direct-Pay Letters of Credit

Permits the beneficiary to look directly to the FHLB NY for payment of a member's obligation.

3. Municipal Letters of Credit

Enables members to collateralize deposits of state, city, court and local governments.

4. Refundable Municipal Letters of Credit

Affords members a more flexible form of Municipal Letters of Credit and is used for fluctuating transactional deposit accounts (offers a potential refund of fees).

5. Confirming Letters of Credit

Acts as a "wrap" to guarantee performance of a letter of credit issued by a member. Popular with smaller members to help them compete with larger "rated" financial institutions, earn additional fee income, and may result in potential savings for their customers due to the FHLB NY's competitive pricing.

*The FHLB NY is rated triple-A by Moody's Investors Service.



FHLBNY MUNICIPAL LETTERS OF CREDIT

FHLBNY Municipal Letters of Credit (MULOCs) are the most sought-after L/C type, used to collateralize state, city, court, or local government (municipal) deposits.

Form a Strategic Alliance with MULOCs

Enhance Liquidity Management

- » **Bolster On-Balance Sheet Liquidity:** MULOCs can be collateralized with relatively illiquid whole-loan mortgage collateral. This can enable members to keep their liquid securities unencumbered, allowing for optimization of on-balance sheet liquidity.
- » **Reserve Liquidity for Making Loans:** Members can use their available funding for making loans instead of “tying up” their liquidity in securities collateral.

Benefit Communities and the Bottom Line

- » **Municipal Deposits Can be Lent Back Out into Communities:** When using whole-loan mortgage collateral to secure MULOCs, members can leverage municipal deposit funding to lend back into their respective communities (instead of using the liquidity to finance securities collateral).
- » **Bottom-Line Impact:** Profitability can be enhanced by deploying liquidity into higher-yielding loans (instead of lower-yielding securities collateral) to help enhance earnings.

Improve Operational Efficiencies

- » **Collateral Monitoring:** Eliminates the need to monitor market valuations of security collateral as the face value of MULOCs do not change during the term of the MULOC.
- » **Assurance in the Event of Default:** In the event of default by the member depository, the municipality will simply submit the MULOC draw certificate to the FHLBNY for immediate payment; there will be no securities to liquidate and therefore no market risk to bear by the municipality.
- » **Refundable MULOC:** The Refundable MULOC offers members more flexibility to manage fluctuating transactional deposit accounts. In the event the respective municipal deposit account balance does not reach the notional value of the MULOC, the member can apply for a refund on its unused portion.

Benefits of MULOCs*:

- » Optimize earnings by investing in higher-yielding assets instead of securities collateral
- » Utilize whole loan mortgages and keep highly liquid securities unencumbered to allow for the pledging of securities elsewhere
- » Reduce the operational expense associated with monitoring securities collateral and dealing with margin calls
- » Efficient operational process for all parties

Benefits for Municipalities:

- » No cost
- » Prompt payment directly from the FHLBNY in the unlikely event of a member default in performance *(as opposed to selling securities to the market)*

DID YOU KNOW? A Municipality Education meeting can be arranged to provide an overview of the issuance process and the value of a MULOC issued by the FHLBNY, a triple-A rated institution.

Visit us online to learn more:
FHLBNY.COM/MULOC

**Complies with NJ GUDPA*

Contact us to discuss how our L/Cs or MULOCs may benefit your bottom line.

CONTACT US:

RELATIONSHIP MANAGERS
(212) 441-6700

MEMBER SERVICES DESK
(212) 441-6600

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

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