



## PRINCIPAL-DEFERRED ADVANCE (PDA)

### A Hybrid Advance Product

The Principal-Deferred Advance is a hybrid advance combining the Fixed-Rate Advance and the Amortizing Advance. The PDA begins as a Fixed-Rate Advance, allowing members to choose a specific amount of time they would like to defer the principal payment of the advance up to 5 years. When the lockout, or principal-deferred, period ends the advance becomes an Amortizing Advance, where the member makes principal and interest payments on the loan up to another 30 years.

Example: 5NC1 Bermudan Callable (5-year, Non-Callable 1-year)	
Years 1-5	Years 6-30
Principal-Deferred Period; Pay Interest Only Mimics Fixed-Rate Advance	Principal and Interest Payments Monthly Mimics Amortizing Advance

#### FEATURES:

#### BENEFITS:

- » Minimum Advance size: \$5 million per trade
- » Call options: Bermudan (quarterly) or European (one-time)
- » Required notification time to exercise call option: nine business days
- » Lockout periods: 1, 2, 3 or 5 years
- » Final maturities available: 3, 5, 7, or 10 years
- » Interest payment: quarterly based on an Actual/360 day count
- » Valuable asset/liability management tool
- » Fully amortizing back-end with a choice of varying balloon terms
- » Mirrors characteristics of a typical construction deal with a permanent take-out
- » No embedded options in the advance

#### BEST USED FOR:

- » Members who match fund construction-to-permanent loans
- » Members who want to pre-fund a branch
- » Liquidity

**For more information on how the Principal-Deferred Advance can help meet your institution's funding needs, contact a Relationship Manager at (212) 441 - 6700 or Member Services Desk at (212) 441 - 6600.**

**Note:** Advances may be collateralized with eligible mortgages or securities identified in the Member Products Guide.

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