



Federal Home Loan Bank
NEW YORK

The Federal Home Loan Bank System...

...and its Role in Preparing the Banking Sector for Rising Rates

December 2015



Today's Topic "Bank"

- » Federal Home Loan Bank (FHLBank) System
- » Debt Issuance Program
- » Member Balance Sheet Trends
- » Member Borrowing Trends
- » Cautions & Considerations



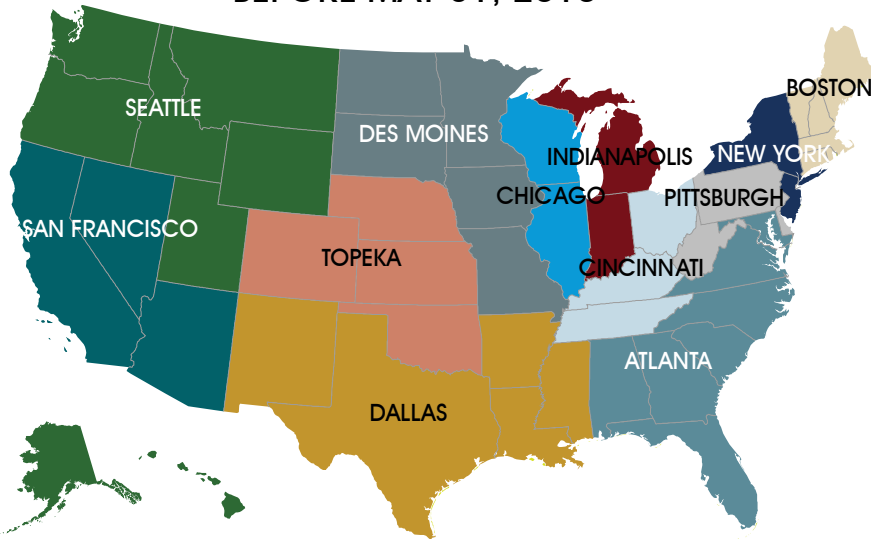
FEDERAL HOME LOAN BANK SYSTEM



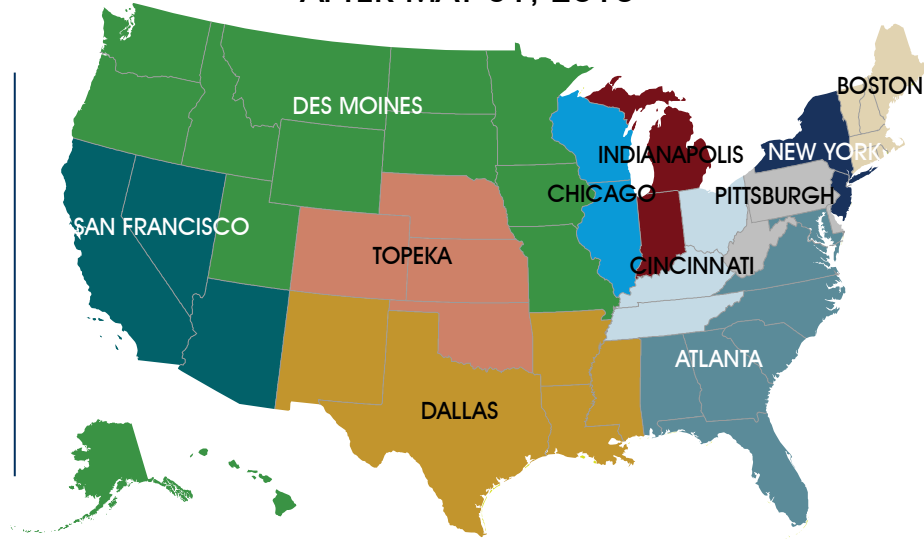
FHLBNY

The Federal Home Loan Bank System

BEFORE MAY 31, 2015



AFTER MAY 31, 2015



FHLBNY SECOND DISTRICT



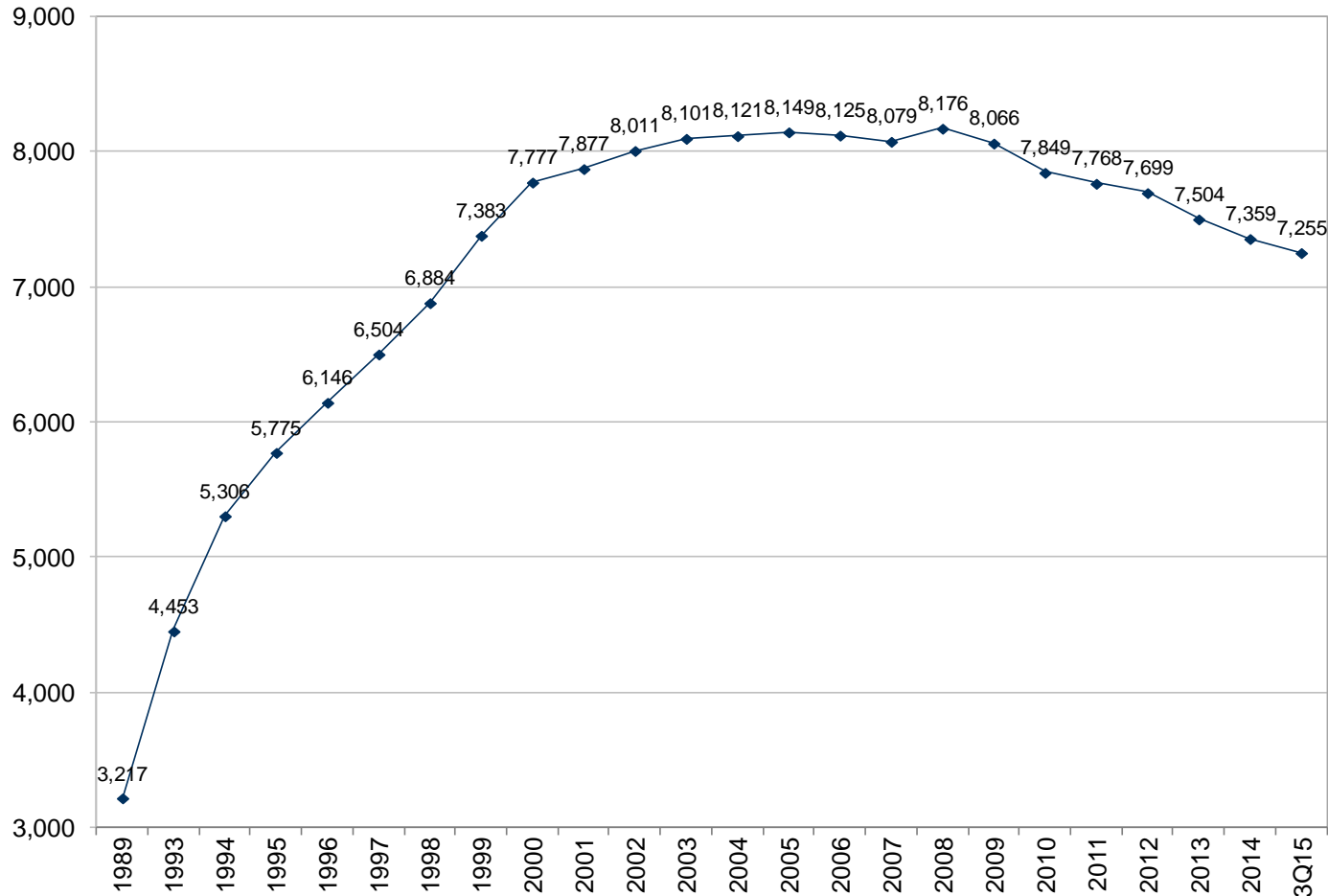
- » Government Sponsored Enterprise (GSE) created by Congress in 1932 as a result of the Great Depression and its effects on the housing market
- » Primary business is extending credit to banks, thrifts, credit unions and insurance companies
- » 11 Federal Home Loan Banks across the United States all registered with the SEC and regulated by the Federal Housing Finance Agency (FHFA)
- » Each Federal Home Loan Bank is an independent cooperative, owned by its members, who purchase stock in the Federal Home Loan Bank
- » The total membership as September 30, 2015 was 7,255 institutions
- » The total Advances to members systemwide as of September 30, 2015 was \$591 billion



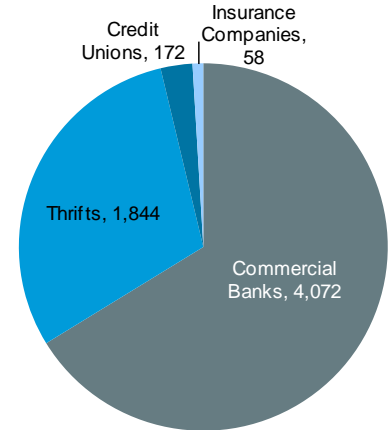
FHLBanks Number of Members

The number of Members in the System accelerated post FIRREA, plateaued and has begun to decline.

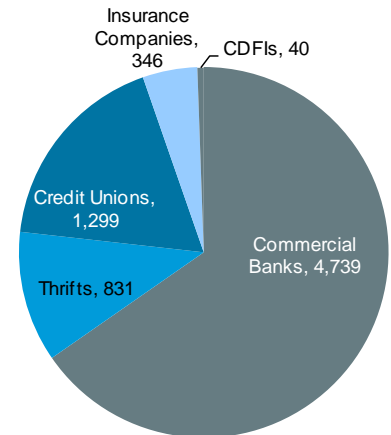
FHLBank System Membership



1997

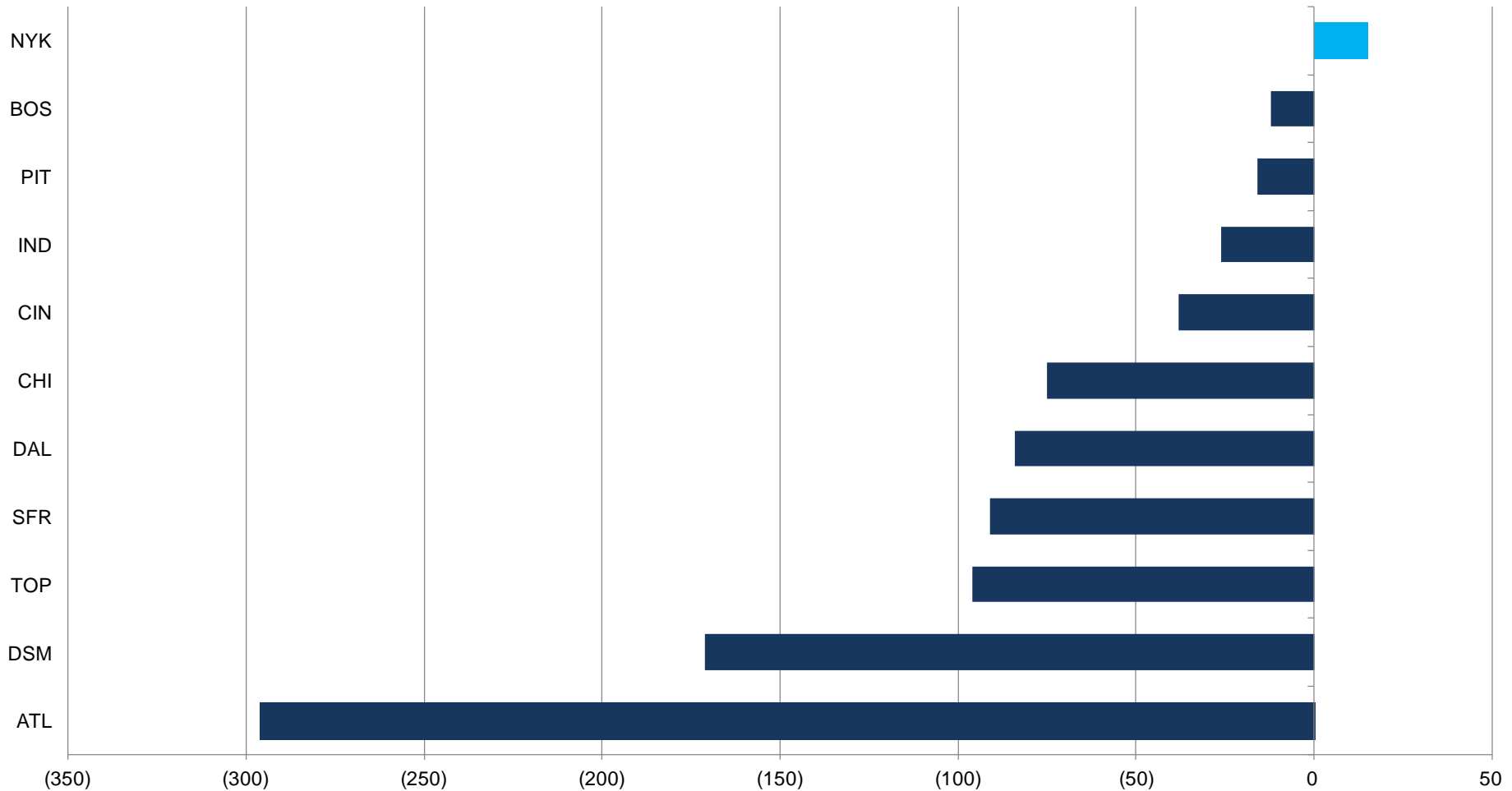


3Q2015

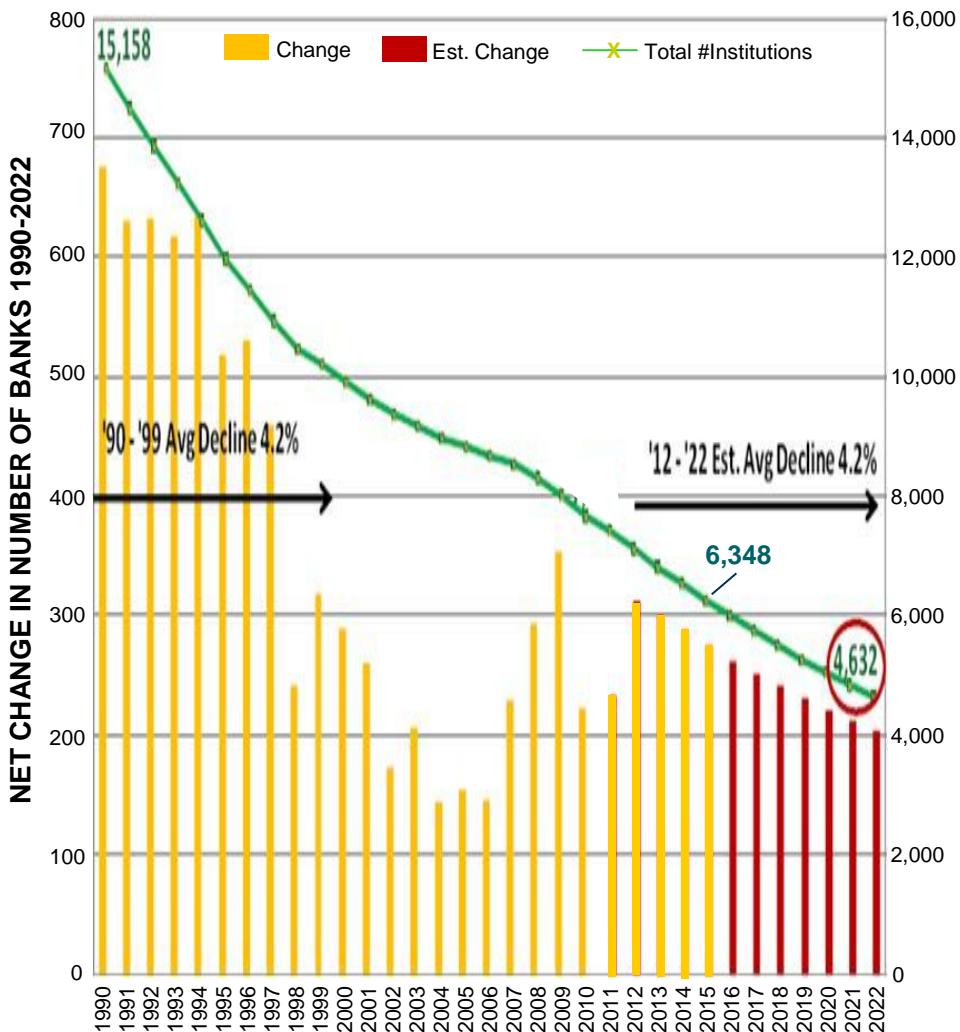


FHLBanks: Membership Changes

Net Membership Changes by District
from 4Q2008 to 3Q2015

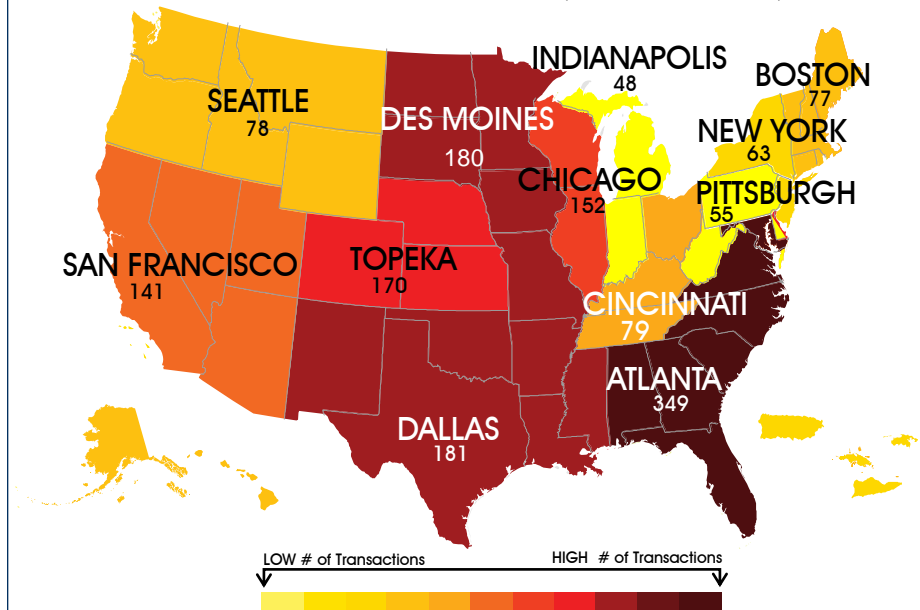


Consolidation in the Banking Industry



Source: FDIC - updated on Q2'15

Number of Institutions Selling History by FHLBank Territory (2009-2014)



Drivers for financial institutions to sell

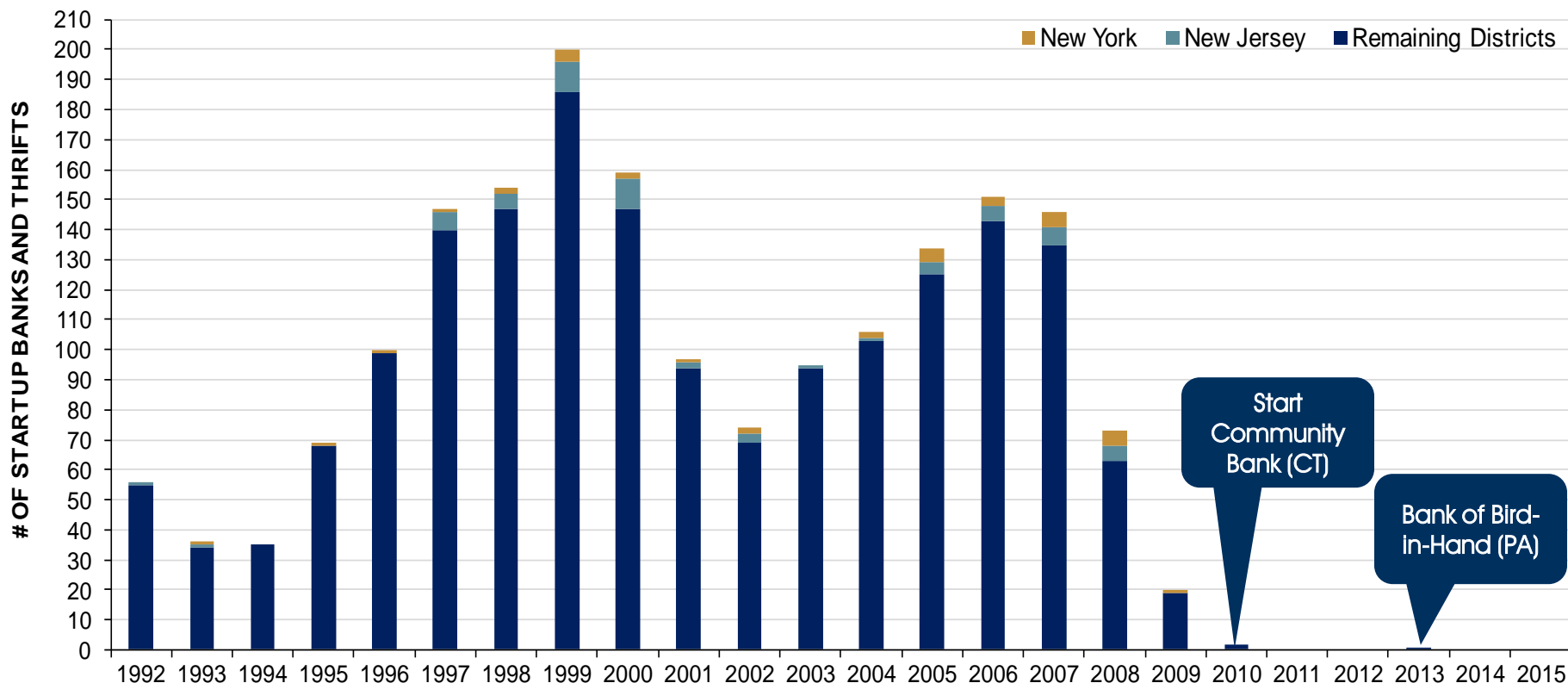
1. Increased regulatory pressure
2. Rising operating expenses (technology, regulatory, human resources, etc) and shrinking net interest margins
3. Limited access to capital
4. Lack of growth opportunities due to intense competition
5. Lack of diversified income streams
6. Strategic Alliances: expansion into new businesses & new markets
7. Favorable trading multiples
8. Heavy insider ownership and private equity interest
9. Fear of accounting change
10. Board dynamics (fatigue, liability, retiring CEO)



Startup Banks Have Been Non-Existent

1992 – YTD 2015

Nationwide a De novo charter was granted in November 2013.
This marks the first De novo charter granted since 2010.



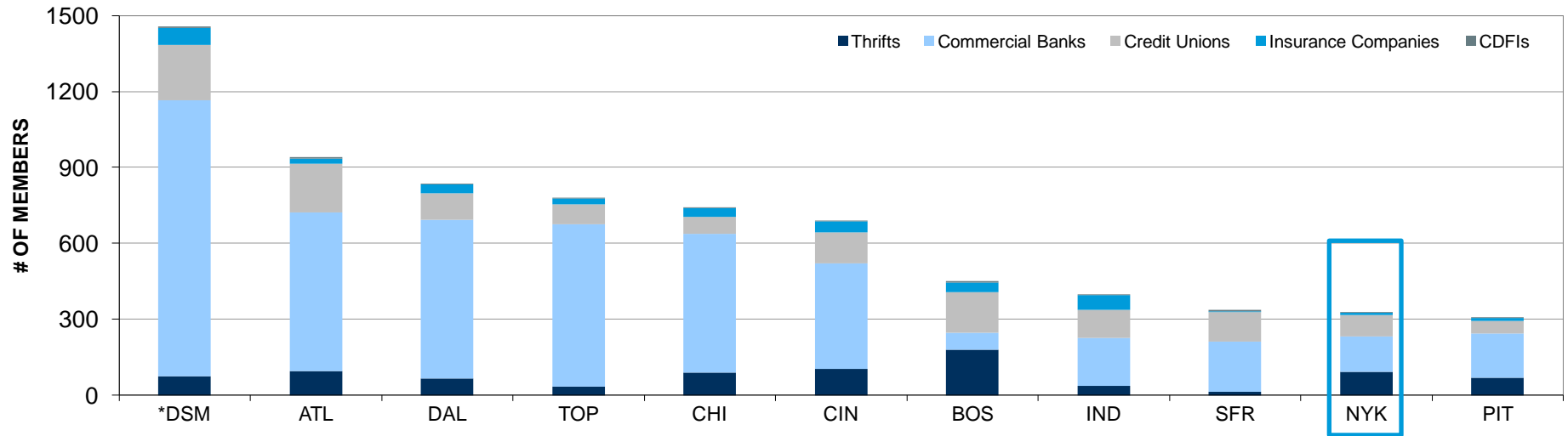
- » Regulators appear reluctant to approve new charters
- » Raising capital is challenging with expected returns shrinking
- » Recovery in the economy has not created demand for new banks
- » Regulators appear to want investors to infuse capital into existing banks versus De novos

Nationwide includes NY& NJ
Source: SNL Interactive, De novo Statistics

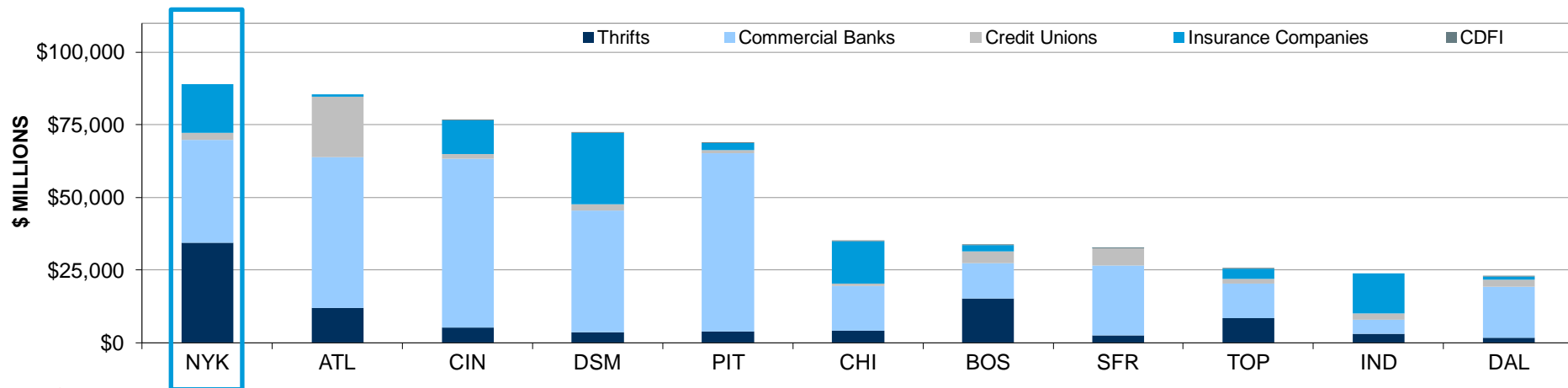


FHLBank System Comparison

Composition by Members



Advances Outstanding by Institution Type

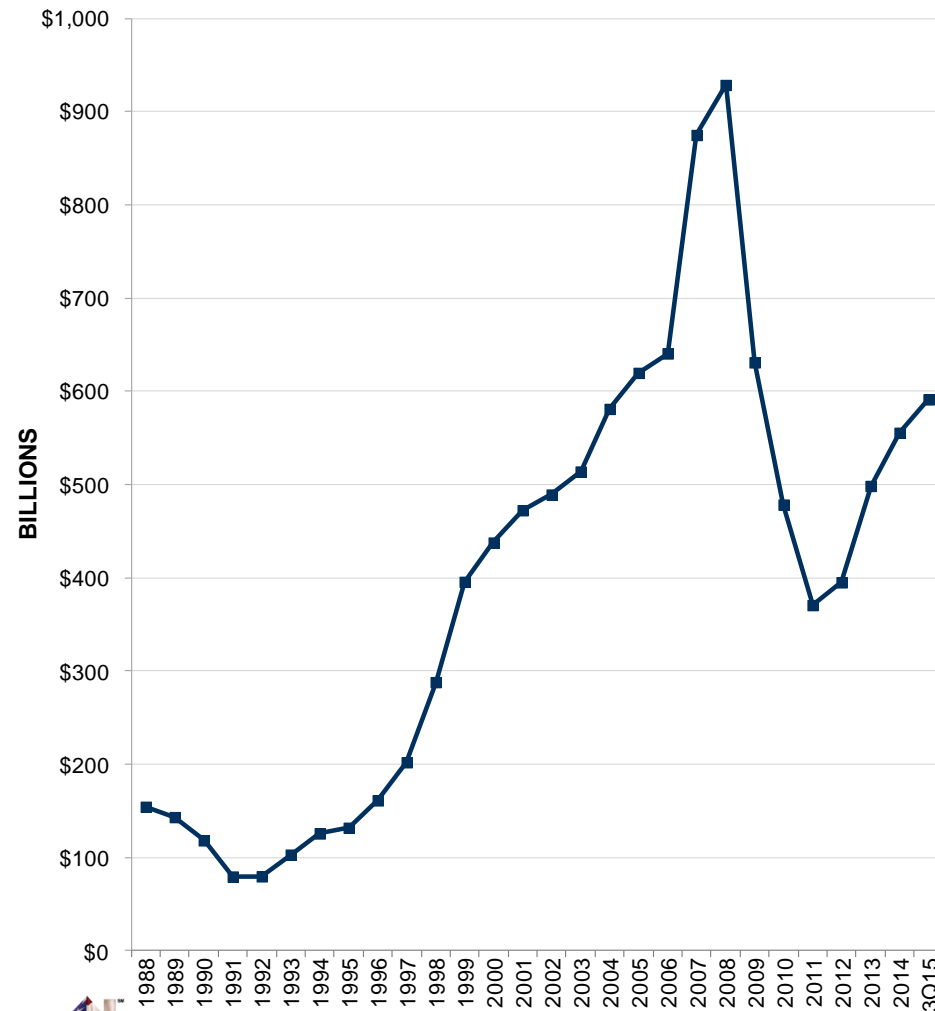


Source: FHLBanks' Office of Finance Q3 2015

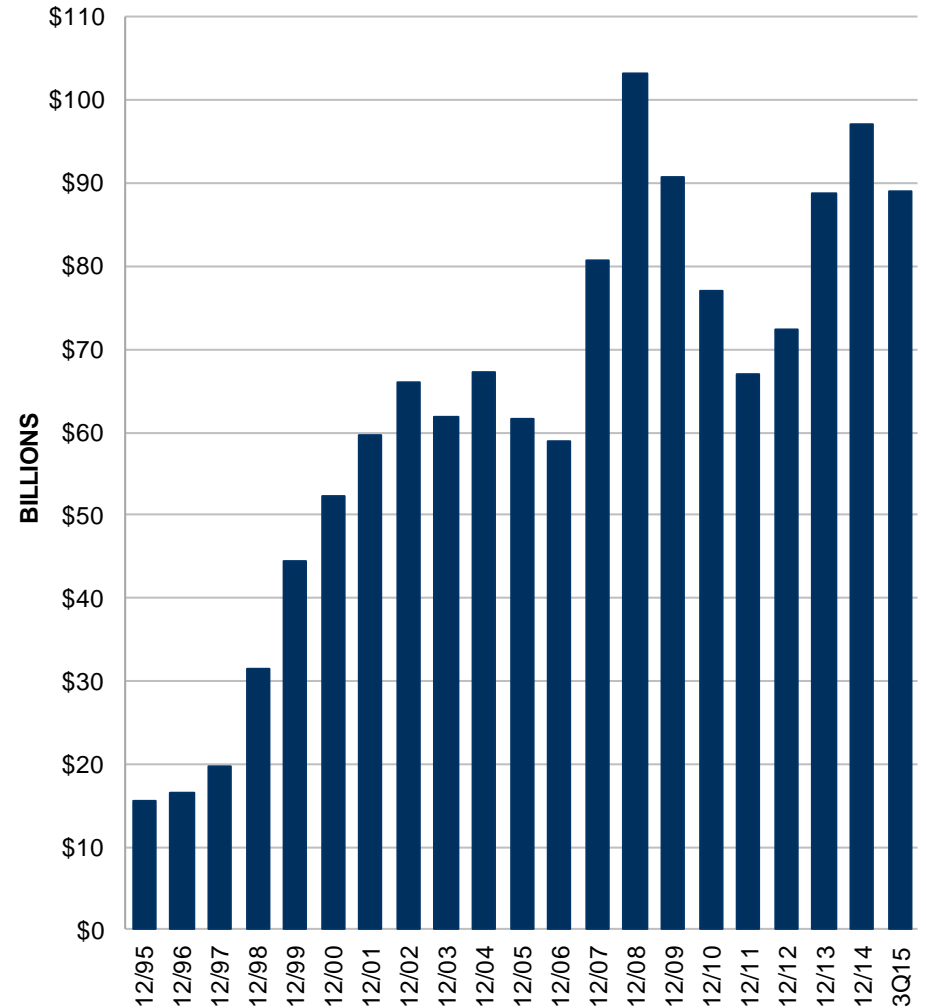


Federal Home Loan Bank Advances

FHLBanks Advances (1988–3Q2015)

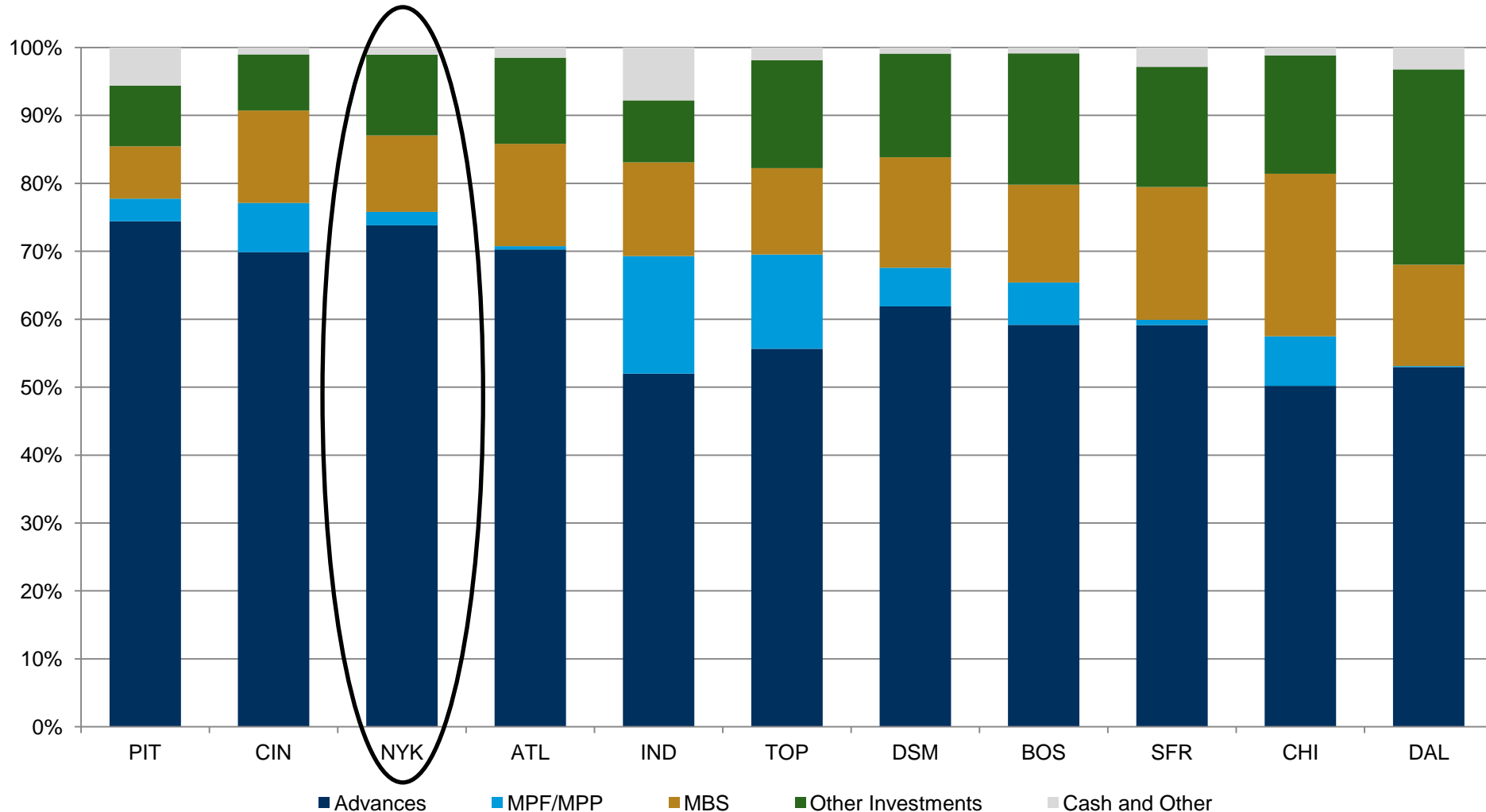


Federal Home Loan Bank of New York (FHLBNY) Advances (1995–3Q2015)



Core Mission Assets Continues to Be a Focal Point With the FHFA

Balance Sheet by Type of Assets



Note: Data as of 3Q2015



DEBT ISSUANCE PROGRAM



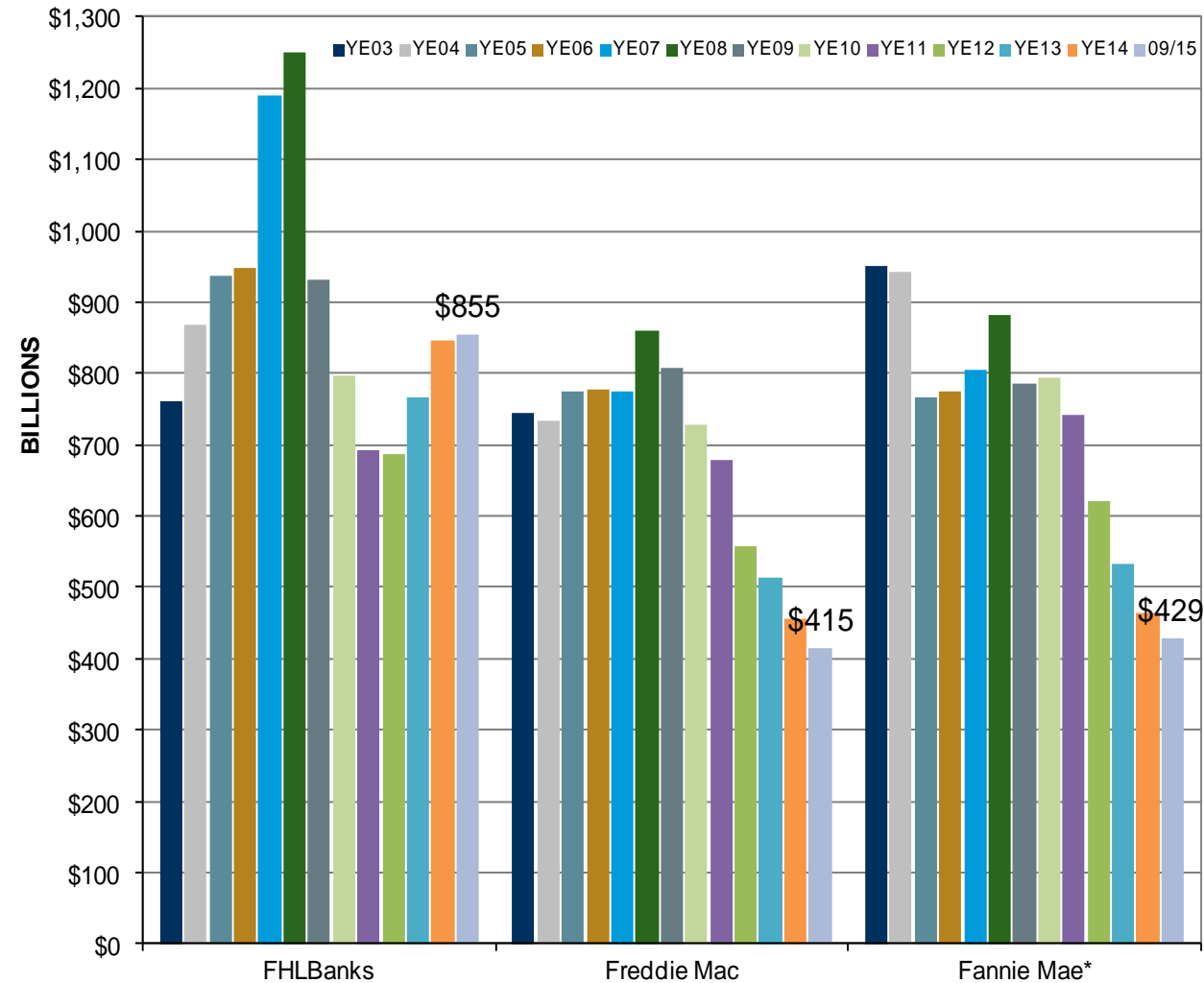
U.S. Based “AAA” Rated Institutions

	<u>S&P</u>		<u>Moody's</u>		<u>Fitch</u>	
<i>Financials Institutions - Insurance</i>	<i>Fin. Strength Rating</i>	<i>Outlook</i>	<i>Fin. Strength Rating</i>	<i>Outlook</i>	<i>Fin. Strength Rating</i>	<i>Outlook</i>
Northwestern Mutual Life Insurance Co	AA+	Stable	Aaa	Stable	AAA	Stable
New York Life Insurance Co	AA+	Stable	Aaa	Stable	AAA	Stable
Teachers Ins. and Annuity Assoc. of America	AA+	Stable	Aa1	Stable	AAA	Stable
TIAA-CREF Life Insurance Co.	AA+	Stable	Aa1	Stable	AAA	Stable
United Services Automobile Association	AA+	Stable	Aaa	Stable	AAA	Stable
<i>Financial Institutions - Banks</i>	<i>Long-Term Rating</i>	<i>Outlook</i>	<i>Long-Term Rating</i>	<i>Outlook</i>	<i>Long-Term Rating</i>	<i>Outlook</i>
Depository Trust Company (The)	AA+	Stable	Aaa	Stable	-	-
Federal National Mortgage Association	AA+	Stable	Aaa	Stable	AAA	Stable
Federal Home Loan Mortgage Corp	AA+	Stable	Aaa	Stable	AAA	Stable
Federal Farm Credit Banks	AA+	Stable	Aaa	Stable	AAA	Stable
Federal Home Loan Banks	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of Cincinnati	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of Dallas	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of Des Moines	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of Pittsburgh	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of Atlanta	AA+	Stable	Aaa	Stable	AAA	Stable
Federal Home Loan Bank of Boston	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of Indianapolis	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of New York	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of San Francisco	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of Topeka	AA+	Stable	Aaa	Stable	-	-
Federal Home Loan Bank of Chicago	AA+	Stable	Aaa	Stable	-	-
Financing Corporation	-	-	Aaa	Stable	-	-
Private Export Funding Corporation	A+	Negative	Aaa	Negative	AAA	Stable
Resolution Funding Corporation	-	-	Aaa	Stable	-	-
Student Loan Marketing Association	-	-	Aaa	Stable	-	-
Tennessee Valley Authority	AA+	Stable	Aaa	Stable	-	-
<i>Industrial Institutions</i>	<i>Long-Term Rating</i>	<i>Outlook</i>	<i>Long-Term Rating</i>	<i>Outlook</i>	<i>Long-Term Rating</i>	<i>Outlook</i>
Exxon Mobil Corp.	AAA	Stable	Aaa	Stable	AA+	Stable
Johnson & Johnson	AAA	Stable	Aaa	Stable	AAA	Stable
Microsoft Corp.	AAA	Stable	Aaa	Stable	AA+	Stable

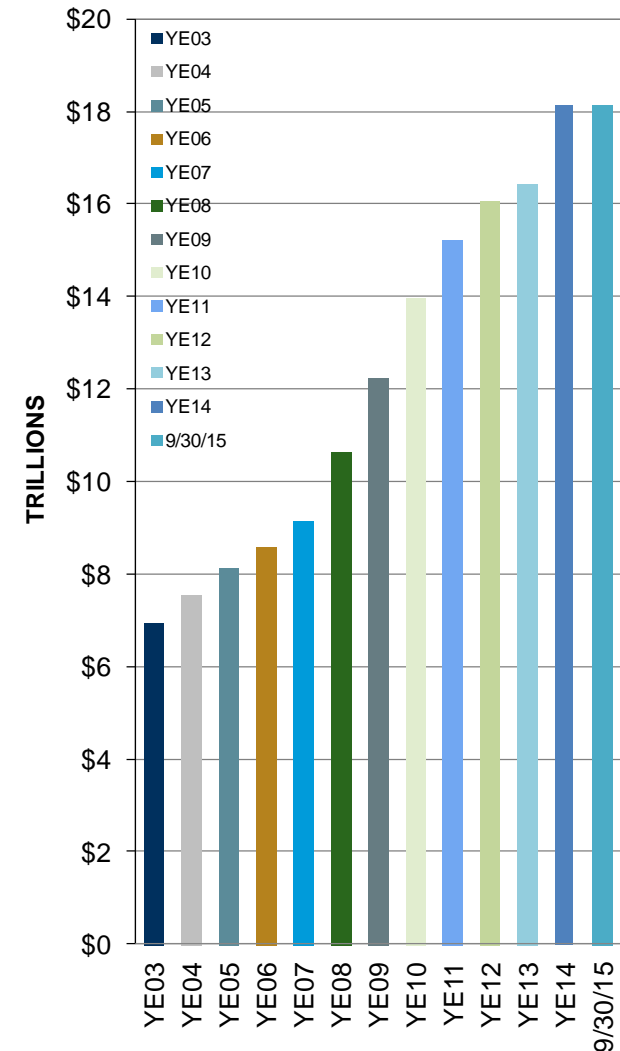


Strong Presence in Capital Markets

GSE Debt Outstanding

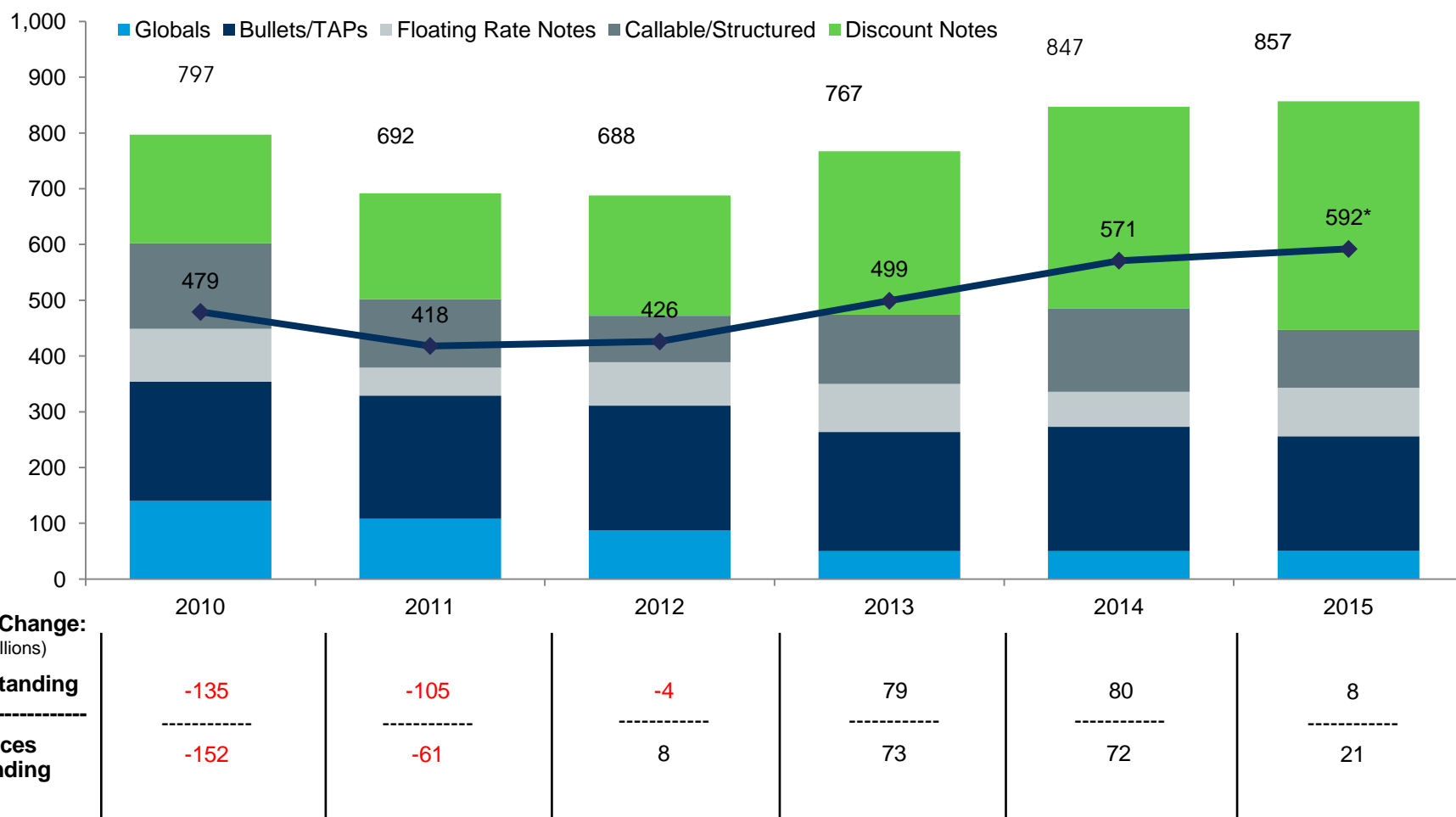


Treasury Debt



Total Debt Outstanding

Total debt outstanding reflects advance demand from Members.



Source: FHLBanks Office of Finance – by settlement date – as of 9/30/15. *As of 2Q15

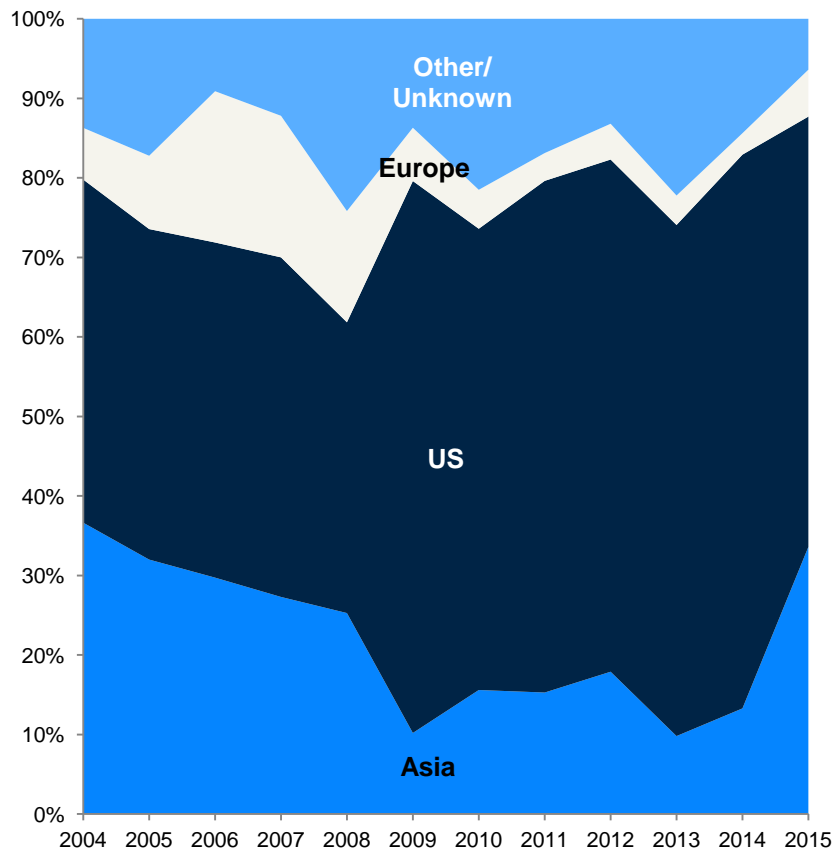


FHLBank Bond Issuance

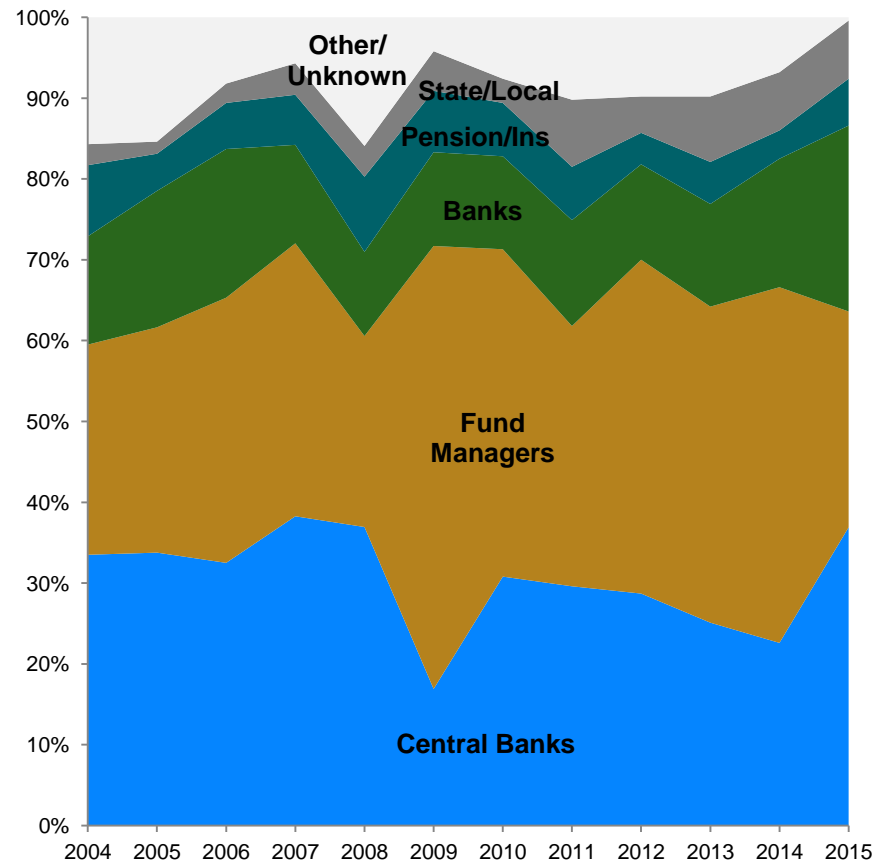
Investor appetite for FHLBank Bonds remain strong both domestically and abroad.

Global Bond Investor Distribution

By Geographic Region



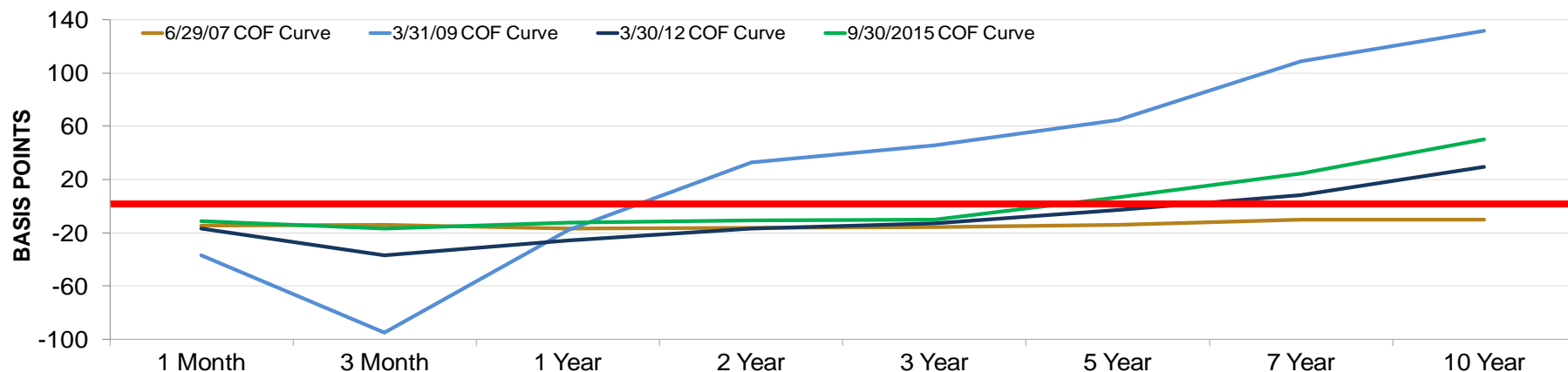
By Investor Type



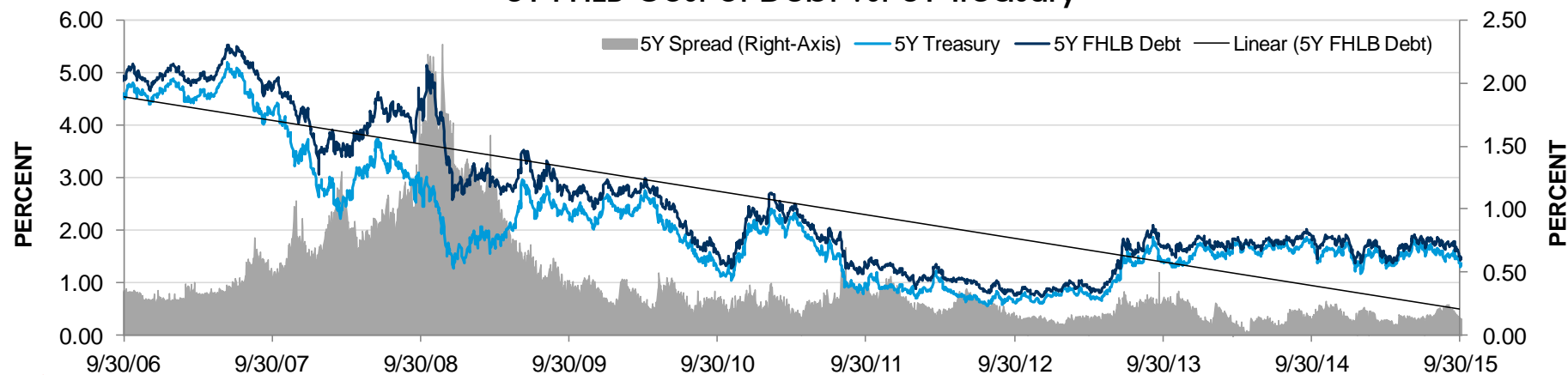
FHLBank Bond Issuance

FHLBank Debt spreads to LIBOR continue to improve and spreads to treasury are historically tight.

History of Consolidated Obligations against LIBOR



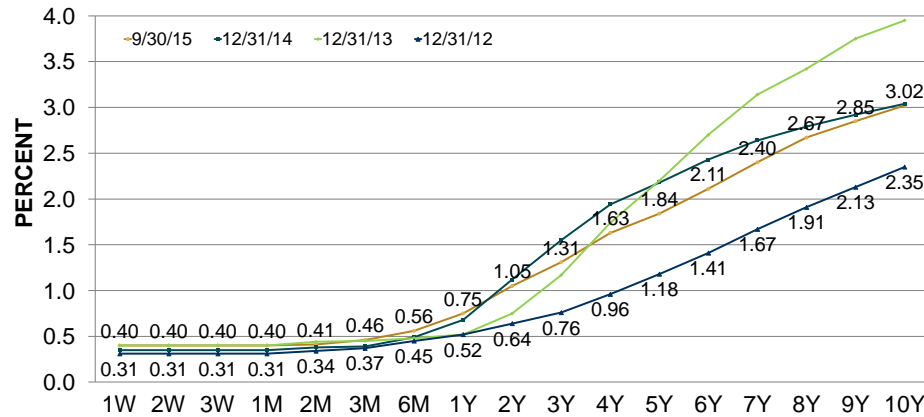
5Y FHLB Cost of Debt vs. 5Y Treasury



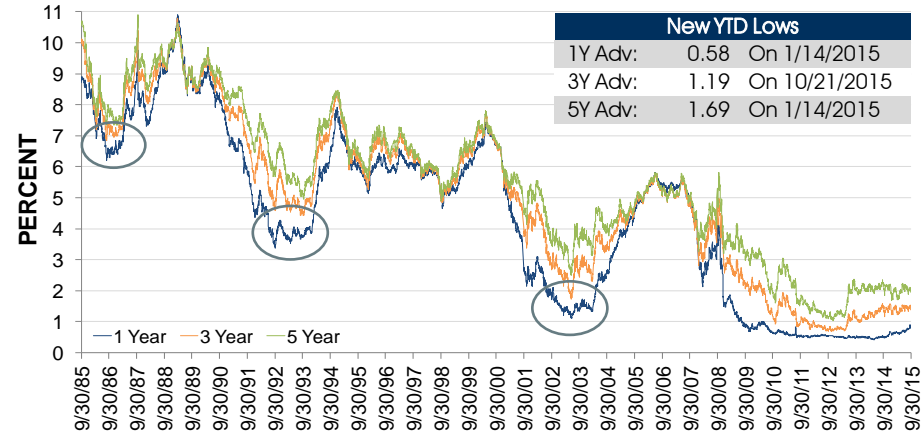
Advance Rates

Advance rates are at historic lows and the shape of the Advance Curve is surfacing opportunities.

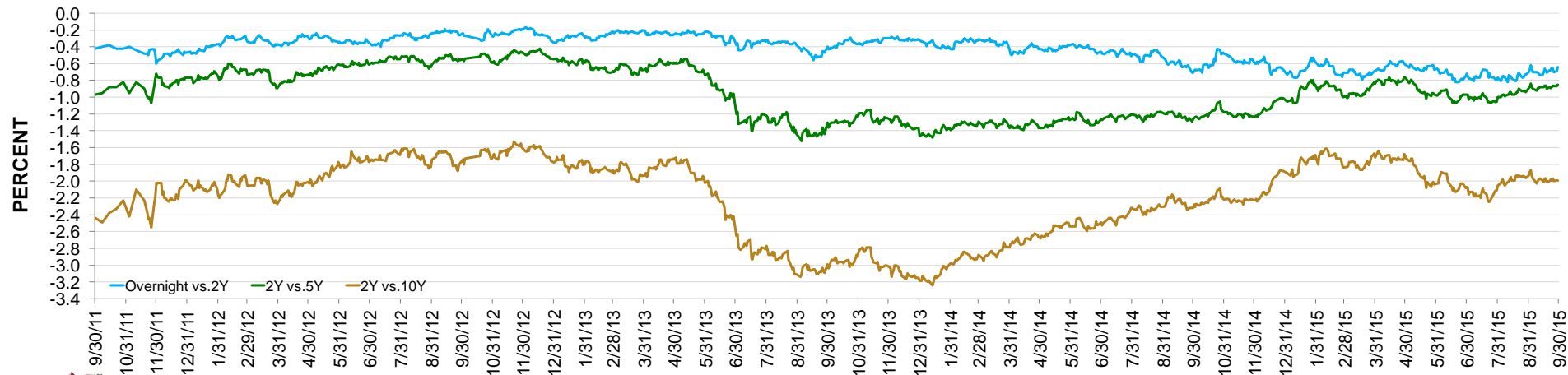
FHLBNY Advance Curve



Fixed-Rate Advances are at Historic Lows



The Cost to Extend has Decreased



FHLBNY Advances Special Offering

The FHLBNY is dedicated to meeting the needs of our region's local lenders. In 2015 the FHLBNY has provided members the opportunity to take advantage of reduced rates for long-term advances with our Advance Special Offerings.



FHLBNY Advances Special Offering Starts Today: April 13-17

The FHLBNY is pleased to announce a \$2.5 billion Advance Special Offering -- reduced rates for long-term regular Fixed-Rate Advances and Adjustable Rate Credit Advances are available starting today, Monday, April 13 through Friday, April 17.

Special Offering Details

Term (YR)	Discount to Regular Advance Pricing (BPS)	Amount Cap (\$MM)	
		Total Program	Per Member*
4 to < 7	-5	\$500	\$125
7 to < 10	-7	\$1,000	\$250



FHLBNY Advances Special Offering: November 23rd - December 1st

The FHLBNY is pleased to announce an Advance Special Offering -- reduced rates for long-term regular Fixed-Rate Advances and Adjustable-Rate Credit Advances starting today, Monday, November 23rd through Tuesday, December 1st.

Special Offering Details

Term (YR)	Discount to Regular Advance Pricing (BPS)	Amount Cap		
		Total Program	Per Member*	
3	-3	\$5 billion	\$2.5 billion	
4 to < 7	-5			
7 to < 10	-7	Please Call with Your Request - Subject to Availability & Market Conditions		
10 or Greater	-10			

April 2015 Special Offering

TERM (YR)	DISCOUNT TO REGULAR ADVANCE PRICING (BPS)
4 to < 7	-5
7 to < 10	-7
10 and Longer	-10

November 2015 Special Offering

TERM (YR)	DISCOUNT TO REGULAR ADVANCE PRICING (BPS)
3	-3
4 to < 7	-5
7 to < 10	-7
10 or Greater	-10



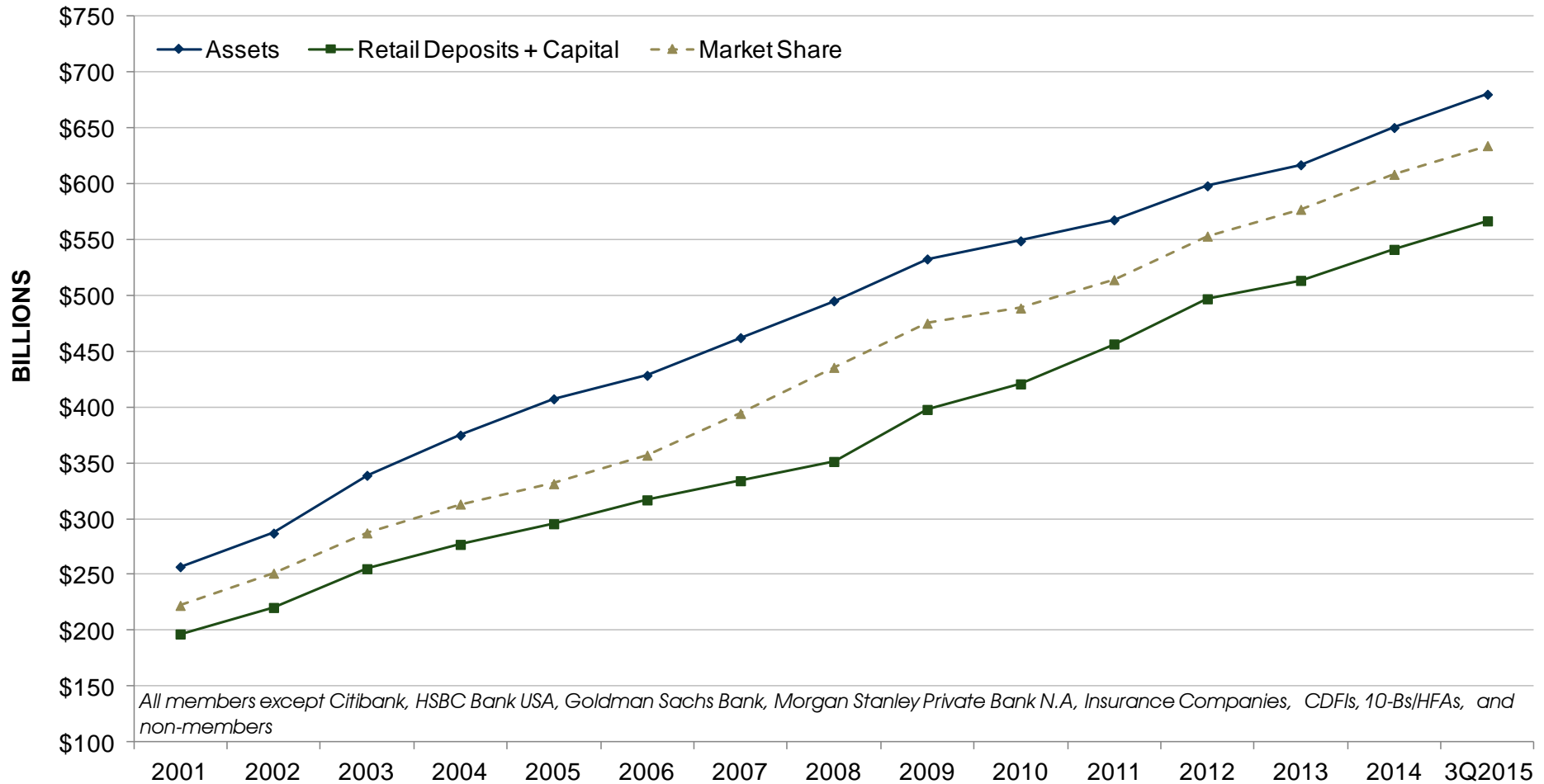
MEMBER BALANCE SHEET TRENDS



Funding Gap Analysis: 2001- 3Q2015

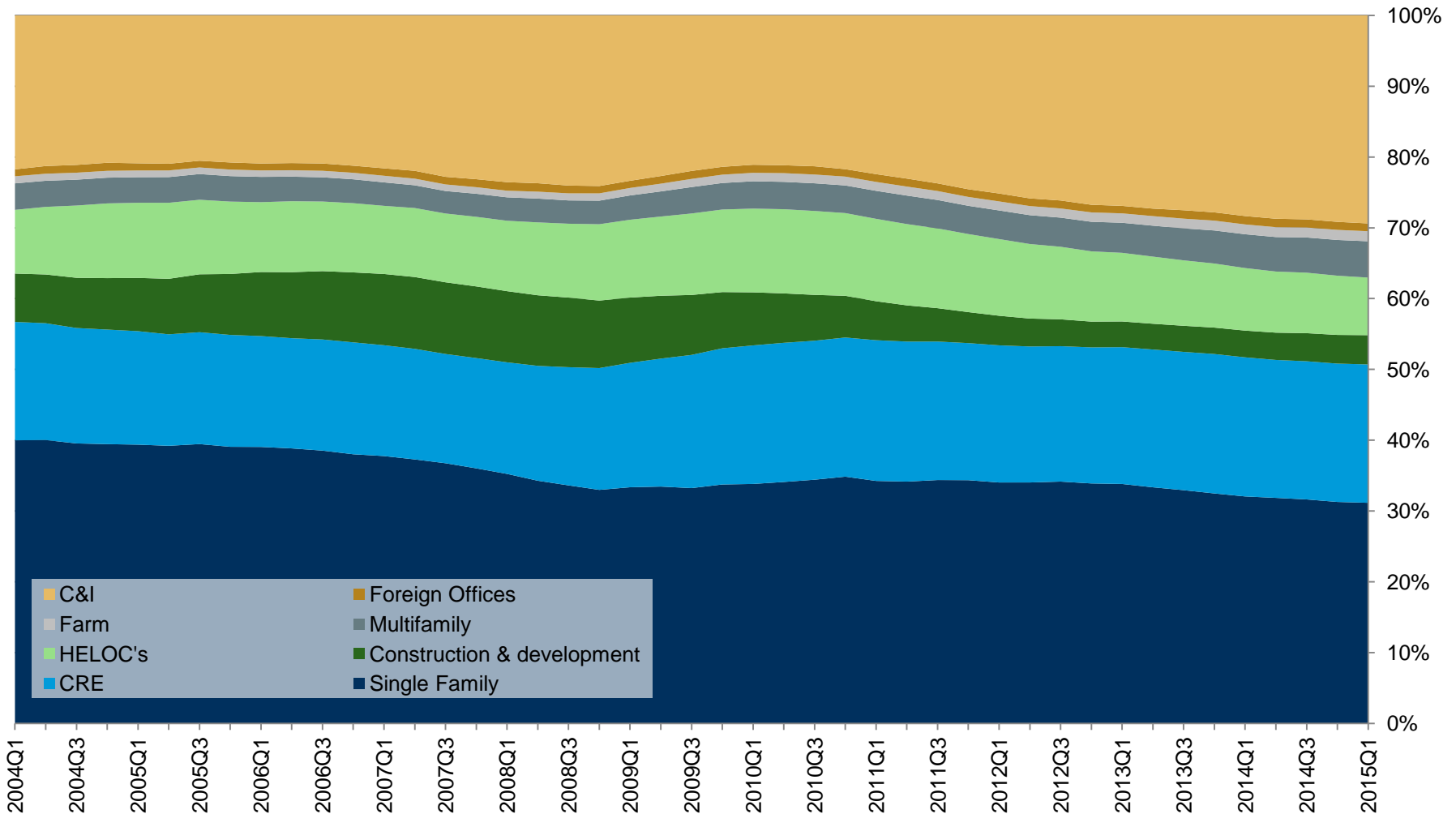
Top 35 Borrowers & All Other Borrowers

Funding Gap: All Members



Industry-Wide, C&I, CRE, and Multifamily Represent a Larger Share of Assets Versus Ten Years Ago

Balance Sheet Composition of All FDIC Institutions

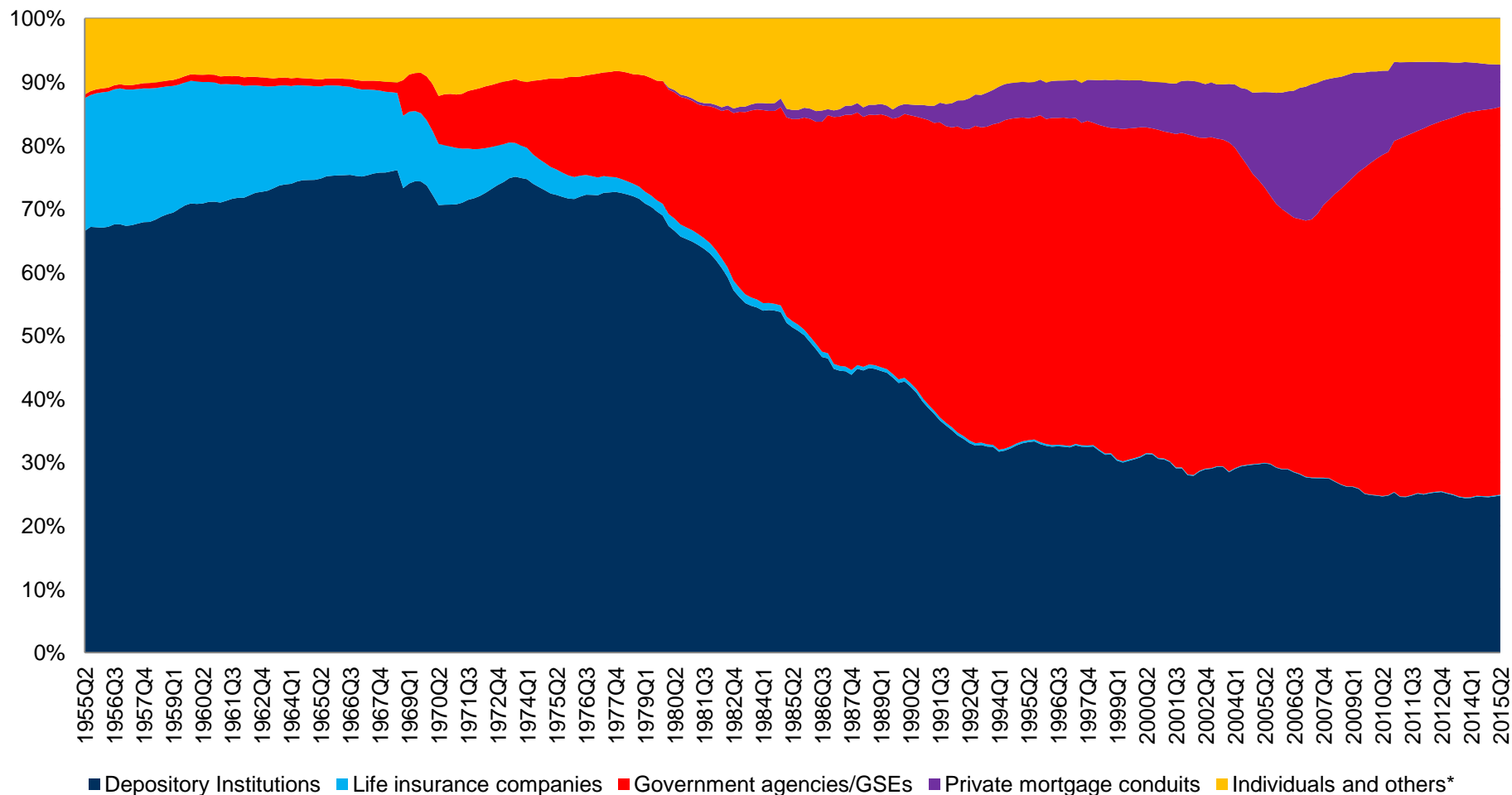


Source: FDIC



Federal Agencies/GSEs Have Played an Increasingly Significant Role in the Residential Mortgage Market (61 % of \$9.9TR as of Q22015)

Residential Mortgage Market Share



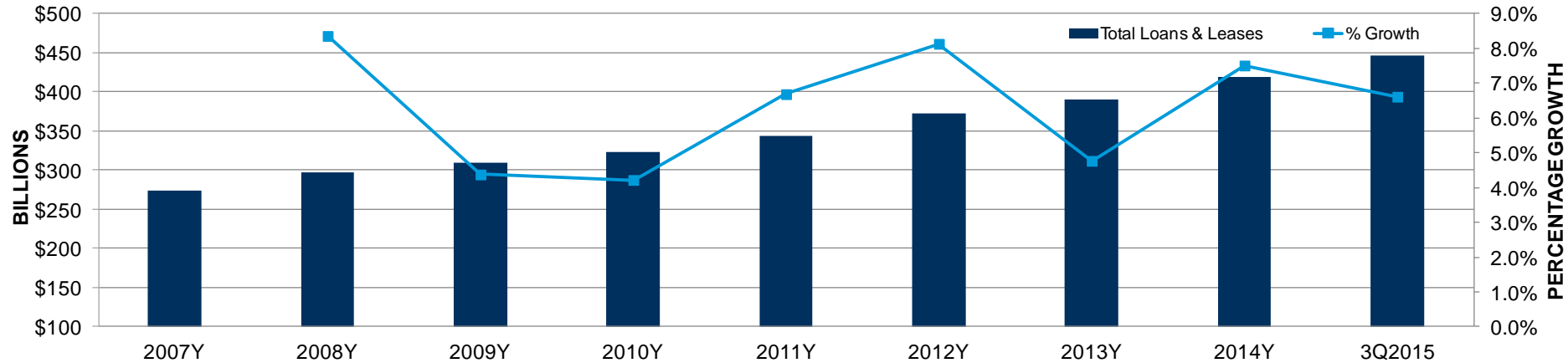
Source: Federal Reserve Board of Governors

* Other holders include: mortgage companies, REITS, State & Local credit agencies/retirement funds, credit unions and finance companies.

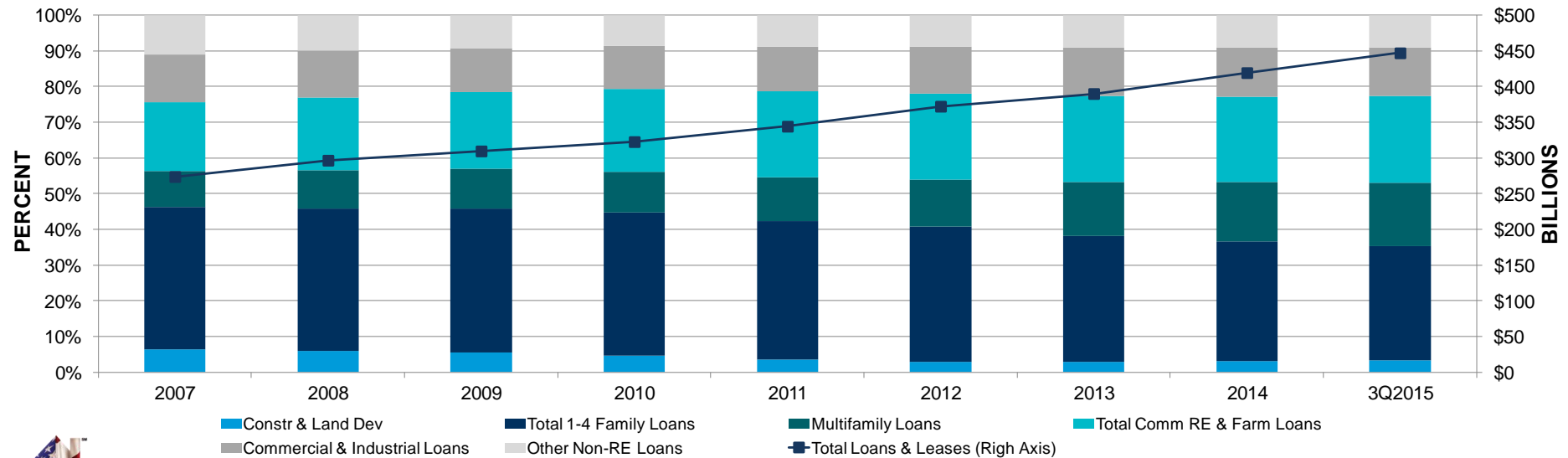


Members' Loan Growth

Year-Over-Year Growth In Members' Total Loans & Leases



Multi-family Loans Is The Fastest Growing Category Of Members' Loan Portfolio



Bank Lending Teams

SUMMARY

Bank lending teams are experienced teams of bankers that service commercial small to mid-market clients, often in metropolitan areas, as part of an ongoing effort to invest in high-growth areas and deliver a broad range of financial products and services to their clients. These teams reach out directly to their clients and have a certain amount of autonomy and independence to make decisions in the field quickly without being mired in bureaucracy. Most teams have expertise in small business lending including multifamily and commercial real estate. Recently, expertise has expanded into structure finance and asset lending. The size of teams can vary greatly from just a few individuals to 15 or 20. The average team consists of 6 to 10 members.

PURPOSE

- » Provide clients with creative structures and highly personalized service
- » Bring business to the clients: moving away from connotations of order tracking when business comes to the bank
- » Increase sales
- » Break the hierarchical mold and close loans as fast as possible
- » Operate on service, not price: These teams do not offer the best rates, but are growing tremendously because small firms want things to get done as soon as possible with the fewest amount of hassles

POSITIVES

- » Business gets done fast (i.e. can close a loan in 30-60 days)
- » Teams have large amounts of autonomy and independence
- » Most decision making can be done in the field and at a local sales office
- » Lending teams report directly to senior management
- » Convenient for the client (i.e. single point of contact)
- » Teams have experience, depth, breadth of knowledge, and brings their relationships with them to their new bank

NEGATIVES

- » Poaching: Banks are poaching lending teams of other banks. This could cause the biggest institution to win out the business
- » This model requires a high concentration of small to mid-sized businesses
- » This model may reach a saturation point
- » Local and political atmosphere can impact growth of small to mid-sized urban businesses depending on rules, taxes, and regulations imposed. This could cap the amount of lending teams needed
- » Lending teams may have little or any loyalty to their employers



Consider Partnering With Your Local Real Estate Agents

The FHLBNY conducted a survey of members and realtors to discern whether collaboration could improve between lenders and real estate agents to generate more referral business.

Tips to Gain Realtor Referral Business

Real estate agents recommended improvement in several areas to help increase their loan referrals:

- » **Increase flexibility in mortgage offerings.** Have a diverse product suite, as well as the ability to work with the borrower to find a mutually-acceptable mortgage solution. Of course, members will need to do so within their established credit/underwriting and risk management guidelines.
- » **Improve speed of pre-approvals/commitments.** Implement organizational changes that lead to faster communication back to buyers and their real estate agents.
- » **Add availability in the evenings and on weekends.** Employ loan originators who are available to assist agents and borrowers during non-business hours — times when agents and borrowers are most likely to be searching for a home.
- » **Communicate change and value to real estate agents.** Use on-site visits and other educational tools to inform potential customers about your mortgage options, especially after organizational improvements or changes have been made.



FHLBNY Advantage
FEDERAL HOME LOAN BANK OF NEW YORK
MAY 2014

It's 2014 - Do You Know Who Your Local Real Estate Agents Are?

Since the refinance boom came to an abrupt halt last summer with a rapid rise in long-term fixed-rate mortgage rates, our members have found it to be increasingly difficult to generate mortgage production. Adding to the dilemma is the possibility that this situation may persist for the foreseeable future as homeowners who locked in mortgages at historically low rates are more likely to stay in their homes for many years to come. The lack of home turnover and the marked decline in refinancing activity, in addition to intense pressure for mortgage deals, makes it all the more important for our members to achieve an "edge" in obtaining mortgage production.

A few years back, the FHLBNY conducted a survey of members and realtors to discern whether collaboration could improve between lenders and real estate agents to generate more referral business. The survey included 108 geographically-dispersed respondents, comprised of senior loan officers from 61 member institutions and 27 residential real estate agents. Survey results were revealing at the time and the following insights are still relevant today. A September 27, 2013 article on Forbes.com entitled "Realtors Drive the Mortgage Bus" noted that the most influential people in the mortgage business are realtors — "The coveted referral is reward for established performance or long standing positioning in the marketplace."

Member/Realtor Survey Findings

Approximately 11% of our member respondents stated that they received 50% or more of their mortgage originations from real estate agent referrals. The members in this "high referral group" generally had loan officers dedicated solely to the generation of residential mortgages. Interestingly, this "high referral group" compensated their loan officers much the same as the other member respondents, with more than half indicating that their dedicated originators were compensated on a full salary basis (no commissions).

Another noteworthy finding from the survey was that having very low rates was not cited as an important factor by real estate agents. As long as a member was competitively priced on a consistent basis, real estate agents were willing to recommend them to their customers. Furthermore, only half of the real estate agents reported having an in-house funding source; of these respondents, only half referred their customers to that resource. From the real estate agents' perspective, having an in-house resource was not a barrier to increasing referrals to local community lenders.

Tip to Gain Realtor Referral Business

Real estate agents recommended improvement in several areas to help increase their loan referrals:

- Increase flexibility in mortgage offerings. Have a diverse product suite, as well as the ability to work with the borrower to find a mutually-acceptable mortgage solution. Of course,

members will need to do so within their established credit/underwriting and risk management guidelines.

- Improve speed of pre-approvals/commitments. Implement organizational changes that lead to faster communication back to buyers and their real estate agents.
- Add availability in the evenings and on weekends. Employ loan originators who are available to assist agents and borrowers during non-business hours — times when agents and borrowers are most likely to be searching for a home.
- Communicate change and value to real estate agents. Use on-site visits and other educational tools to inform potential customers about your mortgage options, especially after organizational improvements or changes have been made.

Mortgage Production Observations and Opportunities to Mitigate Risk

Portfolio lenders who have succeeded in aligning themselves with the top realtors in their markets can rely on the FHLBNY to fund and hedge their mortgage production. One credit union member in upstate New York, who has become well connected with local realtors and has benefited from good referral business says, "through our strong alliances with local real estate agents, we have been successful in obtaining a nice share of the new purchase mortgage business in our market, and have been able to bolster our mortgage portfolio as our refinance business has come to a halt."

The sharp rise in mortgage rates experienced in the summer of 2013 has caused some members to portfolio a portion of their long-term fixed-rate mortgage production to find off margin compression and grow their balance sheets. To fund this activity and mitigate the interest rate risk associated with holding long-term mortgages, our members have utilized a wide variety of our long-term advances, including traditional fixed and amortizing advances, in addition to structured advances, such as the Callable Advance, Fixed-Rate Advance with a LIBOR Cap (Fixed-Rate with Cap), or floating rate advances with embedded caps.

Fixed-Rate and Amortizing Advances

Many of our members "ladder" Fixed-Rate Advances to match-fund the attributes of their mortgage production. A traditional "barbell" strategy is often used where shorter-term fixed-rate advances are used to fund a portion of the mortgage pool and longer-term borrowings are used to help guard against the extension risk associated with mortgages remaining on the books past their estimated average life. Amortizing Advances can be structured to mimic the attributes of the mortgage pool as well, and pay down according to the anticipated life of the pool. Match-funding with these advances is a common strategy deployed by our members, and heightened concerns regarding interest rate risk is increasing the volume of these long-term advance bookings.

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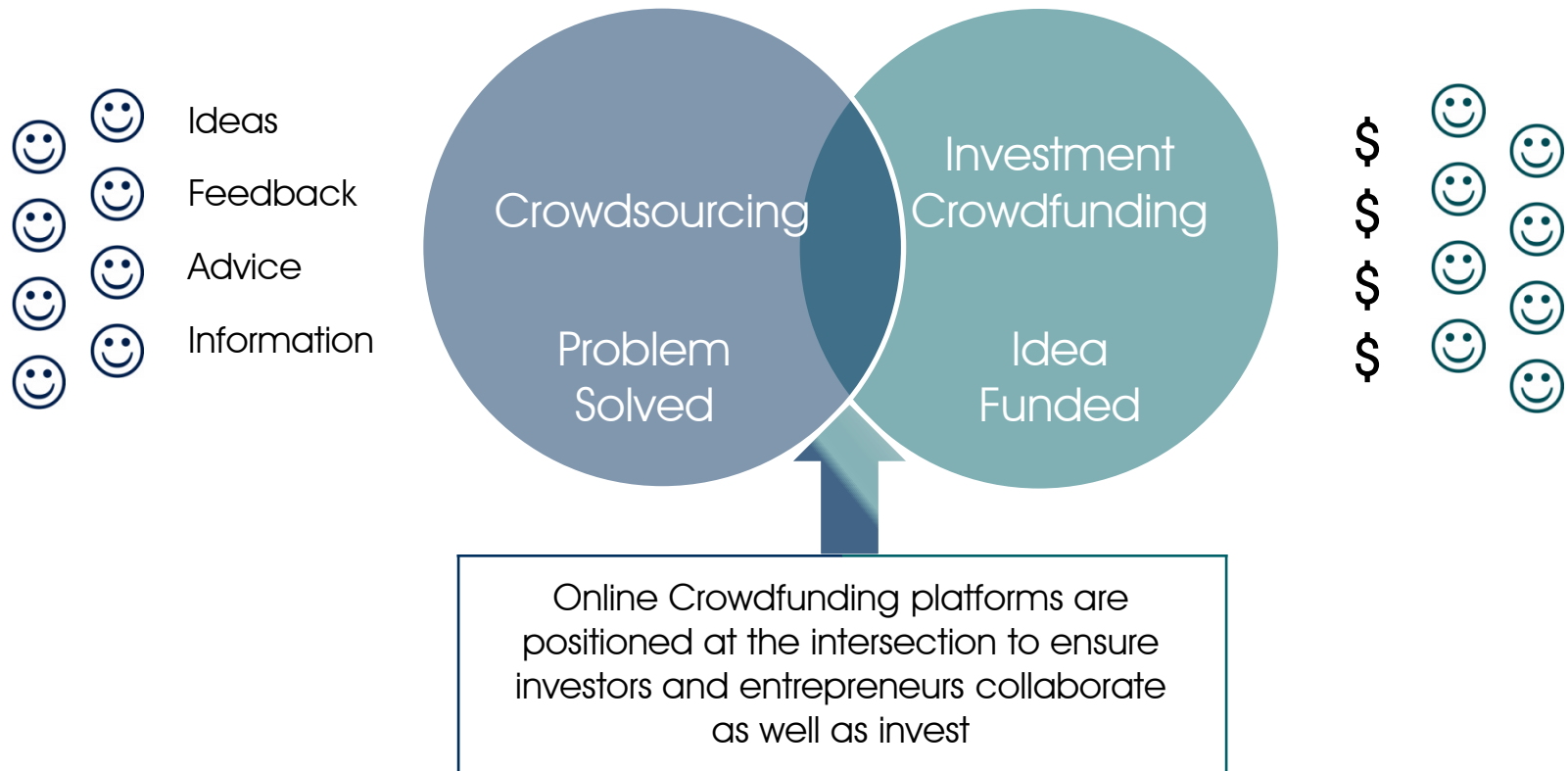
*Mark Givens, "Realtors Drive the Mortgage Bus," Forbes, Web, 27 Sept. 2013.
http://www.forbes.com/sites/markgivens/2013/09/27/realtors-drive-the-mortgage-bus/

FEDERAL HOME LOAN BANK OF NEW YORK — ADVANCING HOUSING AND COMMUNITY GROWTH SINCE 1932



Crowdfunding

Crowdfunding is the practice of funding a project or venture by raising small amounts of money from a large number of people, typically using an internet portal.



Crowdfunding Has Exploded!

In **2010**

There were an
estimated

283

Different
Crowdfunding
Platforms

- » General Crowdfunding and Real-Estate Crowdfunding platforms are launching at a rapid pace.
- » Experts agree, Crowdfunding is destined to accelerate, with at least 15 additional Real-Estate platforms in pre-launch and many more likely planned.
- » New platforms are emerging quickly, particularly sites serving niche markets.

By **2012**

There were an
estimated

536

Different
Crowdfunding
Platforms

In **2015**

There are an
estimated

2933

Different
Crowdfunding
Platforms

118

Are Real-Estate
Crowdfunding Sites

85

Are in the US



MEMBER BORROWING TRENDS



FHLBNY's Mission

To advance housing opportunity and local community development by maximizing the capacity of community-based member-lenders to serve their markets.

FHLBNY Lines of Business

The four business lines help meet Members' needs & achieve the FHLBNY Mission.



Advance Characteristics:

TENOR:

- » Overnight to 30 years

TERM:

- » Fixed-Rate, Floating Rate, Callable, Putable, Forward Starting, or Amortizing

PURPOSE:

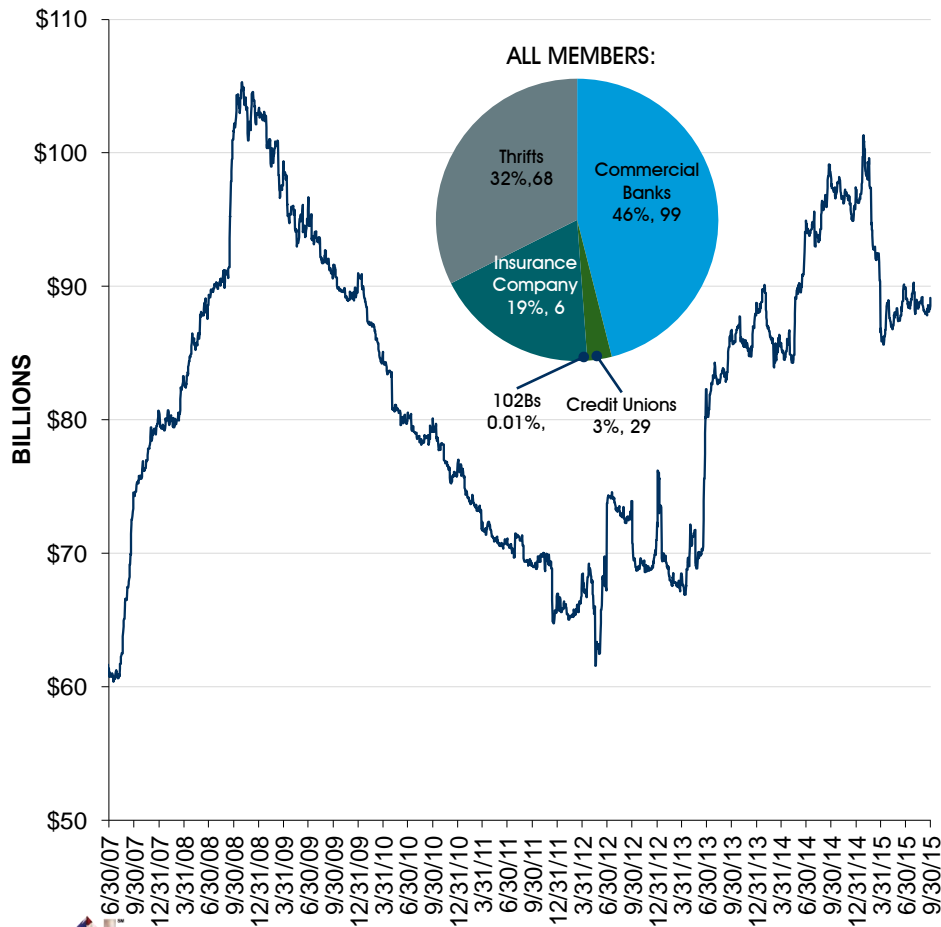
- » Liquidity management
- » Asset/liability management
 - Transactional micro hedges
 - Balance sheet macro hedges
- » Minimizing liability costs
- » Wholesale leveraging
- » Funding retail loan growth
- » Prefunding branches



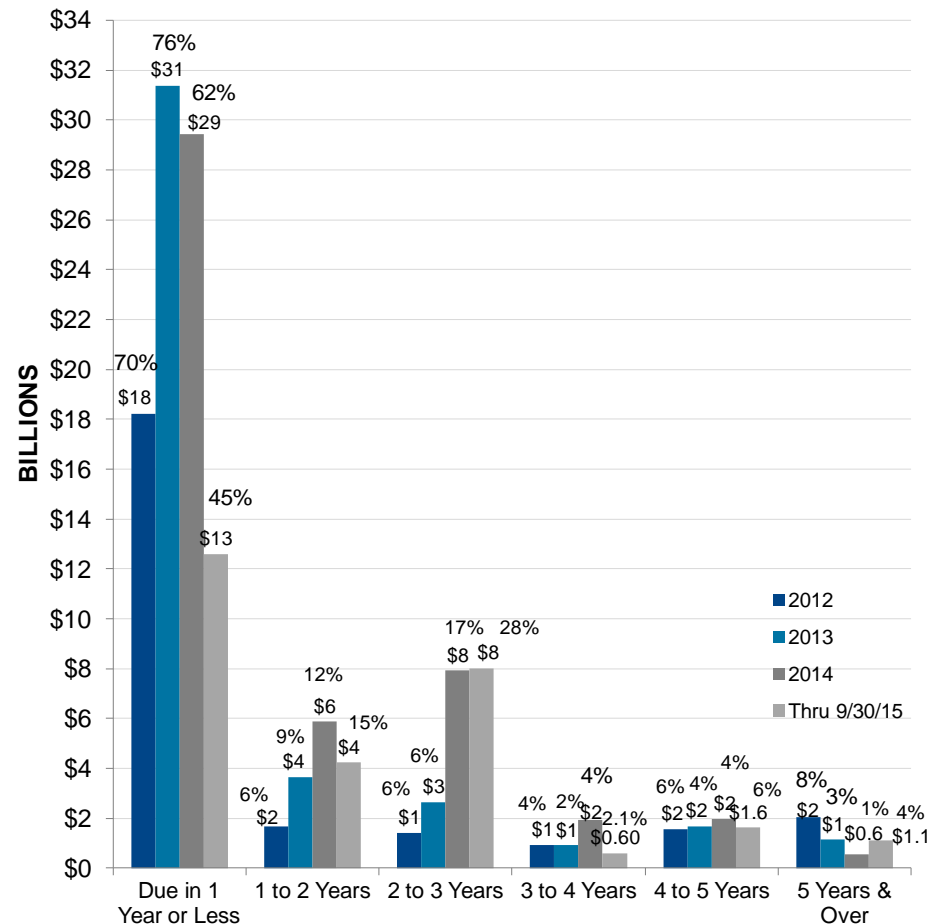
Advance Trends

The growth in member balance sheets and the increased focus on interest rate risk are the main drivers behind member funding preferences.

Member Advances Outstanding

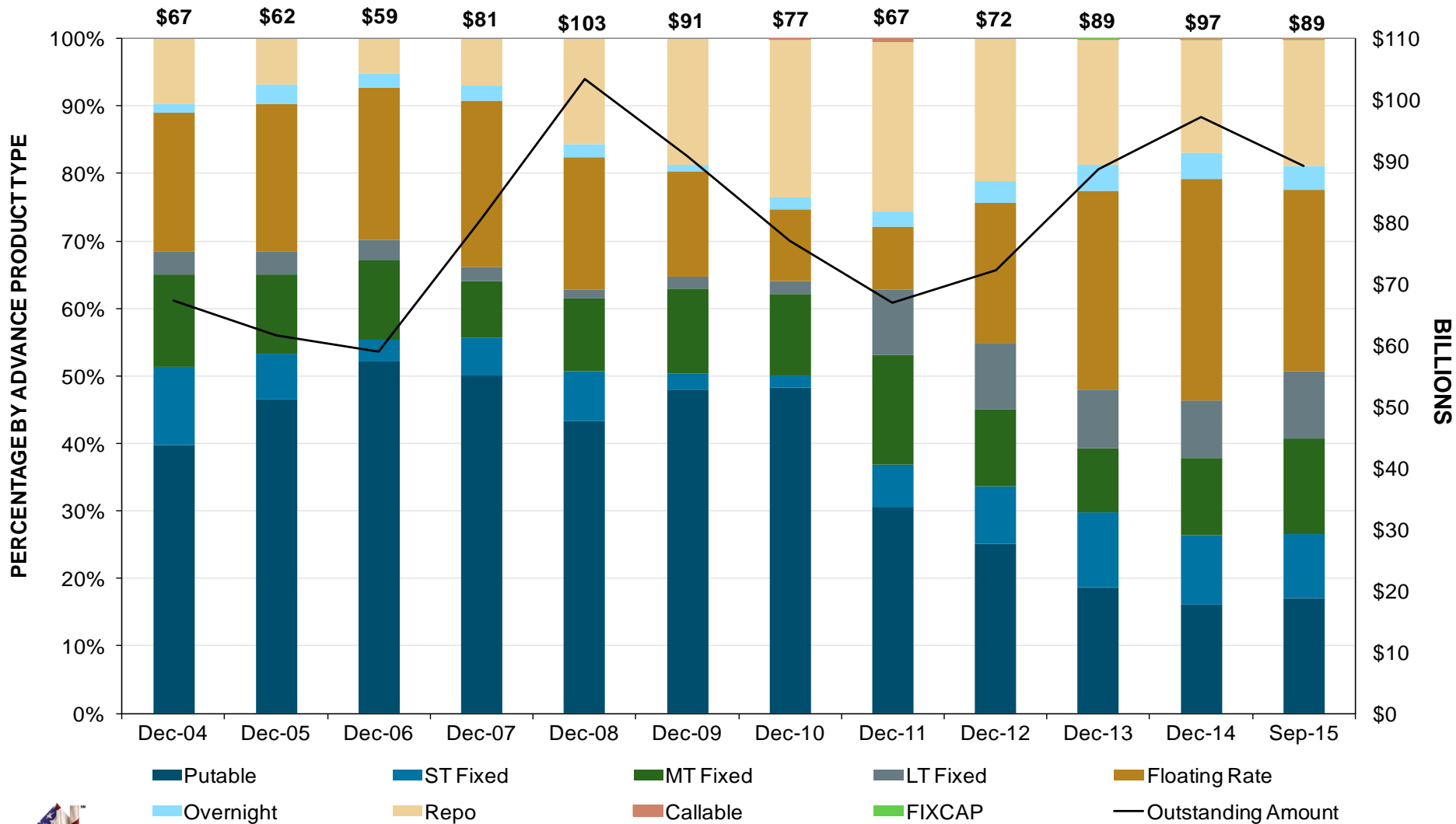


FHLBNY Advances Issued & Still Outstanding



Advances Outstanding by Type: Our Advance Book is Becoming More Diverse

Year-end 2004 through Year-to-date 2015



What is Driving Members' Need to Borrow?

Segmenting our markets to better understand our members' needs is essential to designing effective products and strategies

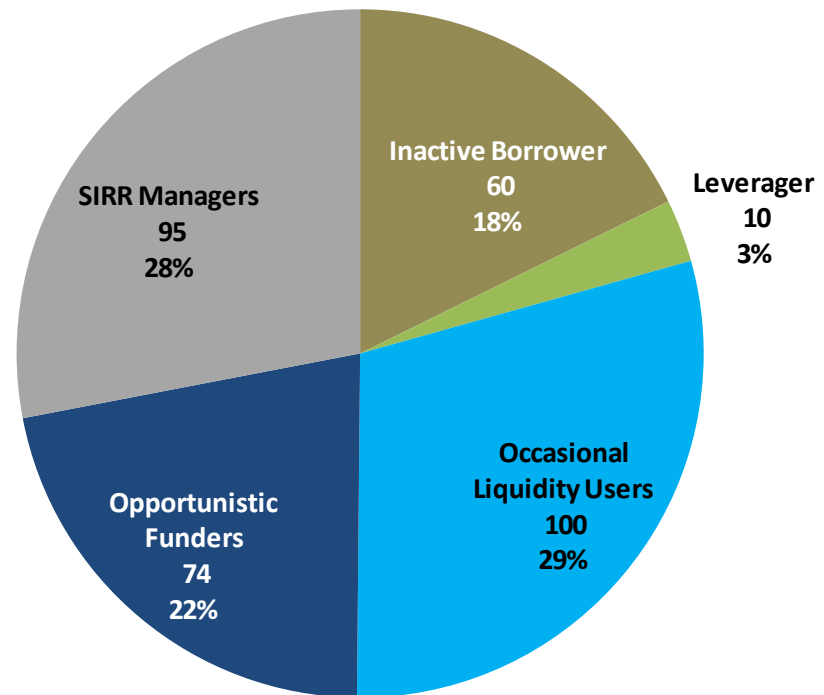
Uses of FHLBNY Advances

- » Liquidity management
- » Asset/liability management
 - Transactional micro hedges
 - Balance sheet macro hedges
- » Wholesale leveraging
- » Funding retail loan growth
- » Prefunding branches

Types of FHLBNY Advances

- » Overnight to 30 years
- » Fixed or floating rate
- » Amortizing or bullet structure
- » Forward starting

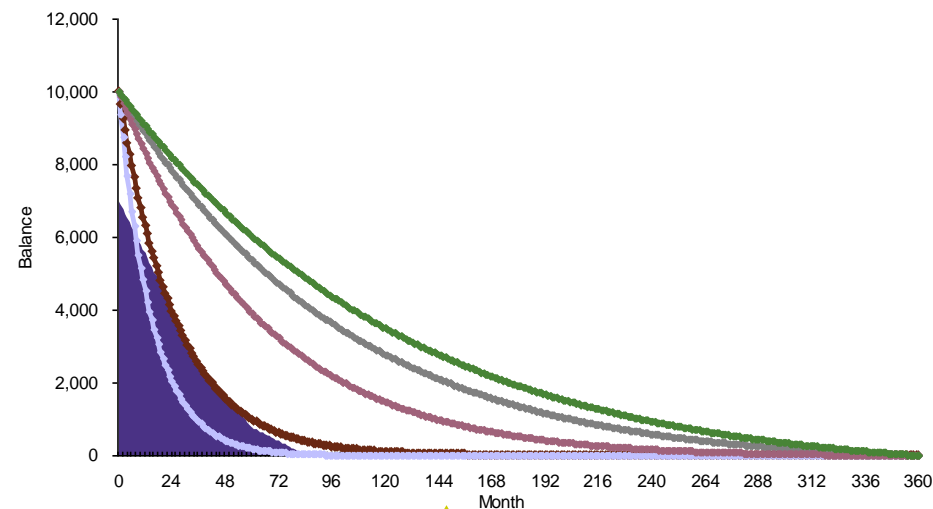
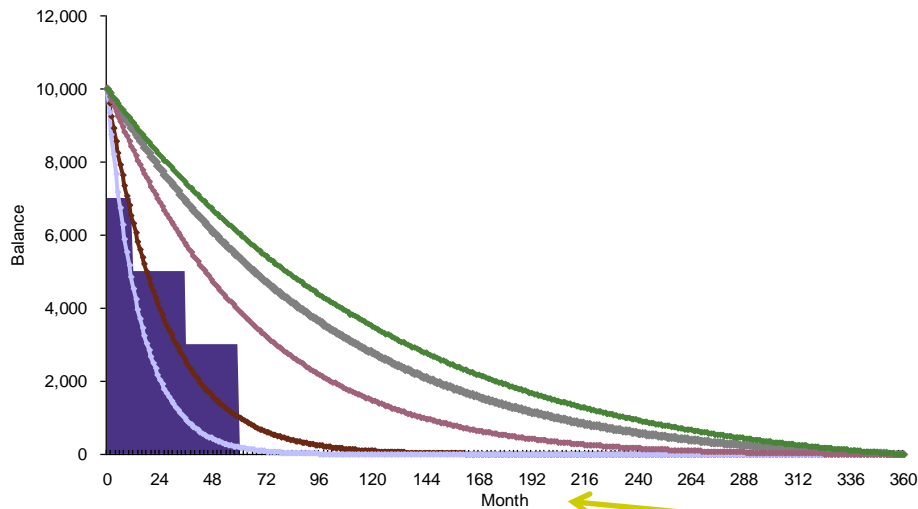
FHLBNY Member Segmentation



How Members Use Advances to Fund Their Balance Sheet

30 Year FRM Balances in Various Rate Environments

■ Advances —●— Mtg: Rates Flat —●— Mtg: Rates Down 100bp
—●— Mtg: Rates Up 200bp —●— Mtg: Rates Up 100bp —●— Mtg: Rates Up 300bp



Match Funding		Pool Funding	
Individual Loans vs. Individual Advances/Deposits		Group Loans vs. Group Advances/Deposits (loans typically has similar characteristics i.e. type, collateral & purpose)	
Advantages	Disadvantages	Advantages	Disadvantages
<ul style="list-style-type: none"> » Easy to understand » Easy to track Prepayments 	<ul style="list-style-type: none"> » Cumbersome portfolio grows 	<ul style="list-style-type: none"> » Fund in bulk » Less tracking required 	<ul style="list-style-type: none"> » Prepayment assumptions are not always correct
Predominantly used for Commercial Loans		Predominantly used for Residential Loans	



Prefunding Branch Development

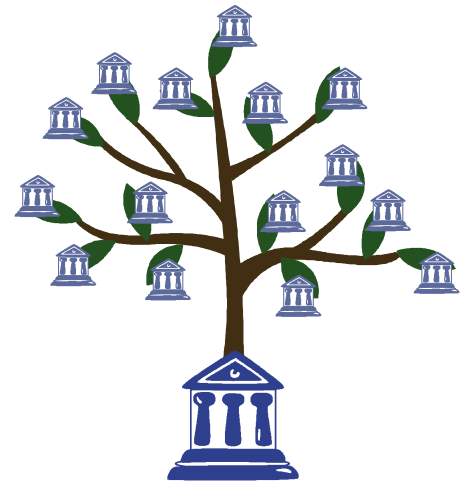
WHAT CAN BE DONE TO REDUCE BRANCHING COSTS?

Reduce Operating Construction and Operating Costs

- » Many institutions are opening smaller branches in an effort to reduce construction and operating costs.
- » “New-style” branches— offices that look like retail stores are becoming popular in certain markets.

Branch Pre-Funding

- » An alternative strategy for institutions that are members of the FHLBNY is to use our low-cost advance programs to pre-fund new branches.
- » Branch pre-funding allows members to obtain wholesale funding at desired deposit projections rather than waiting for the deposits to materialize.
- » By borrowing from the FHLBNY you can immediately begin investing the money that you plan to acquire with your expected new branch deposits.



Credit Products

Enhance your strategic flexibility with an FHLBNY credit product

Overnight Advance

Fixed-Rate Advance

Fixed-Rate Advance with a LIBOR Cap

Amortizing Advance

Callable Advance

Principal-Deferred Advance (PDA)

Repo Advance

Putable Advance

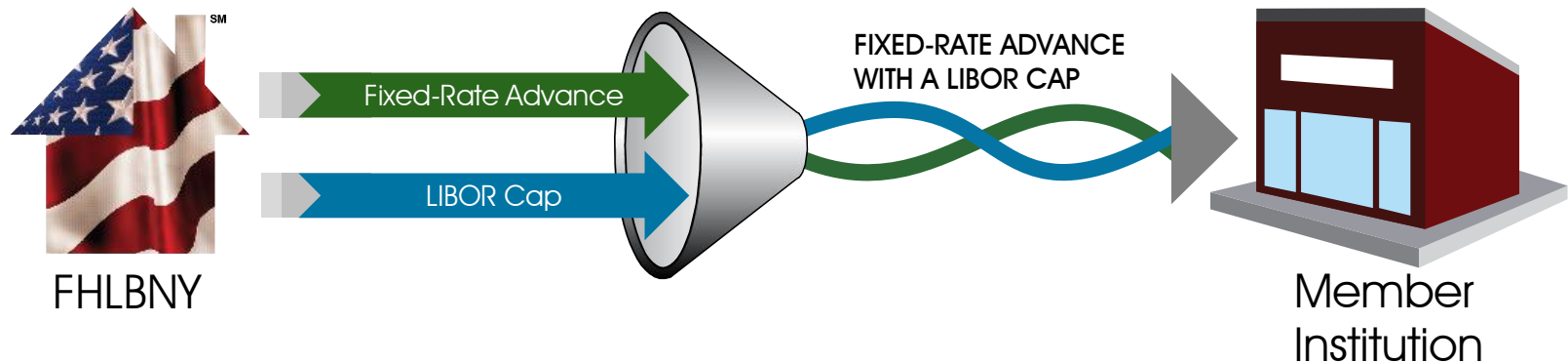
Putable Advance with Customized Strike

Adjustable Rate Credit (Callable ARCs available as well)

Letter of Credit (L/C)/Municipal Letter of Credit (MULOC)



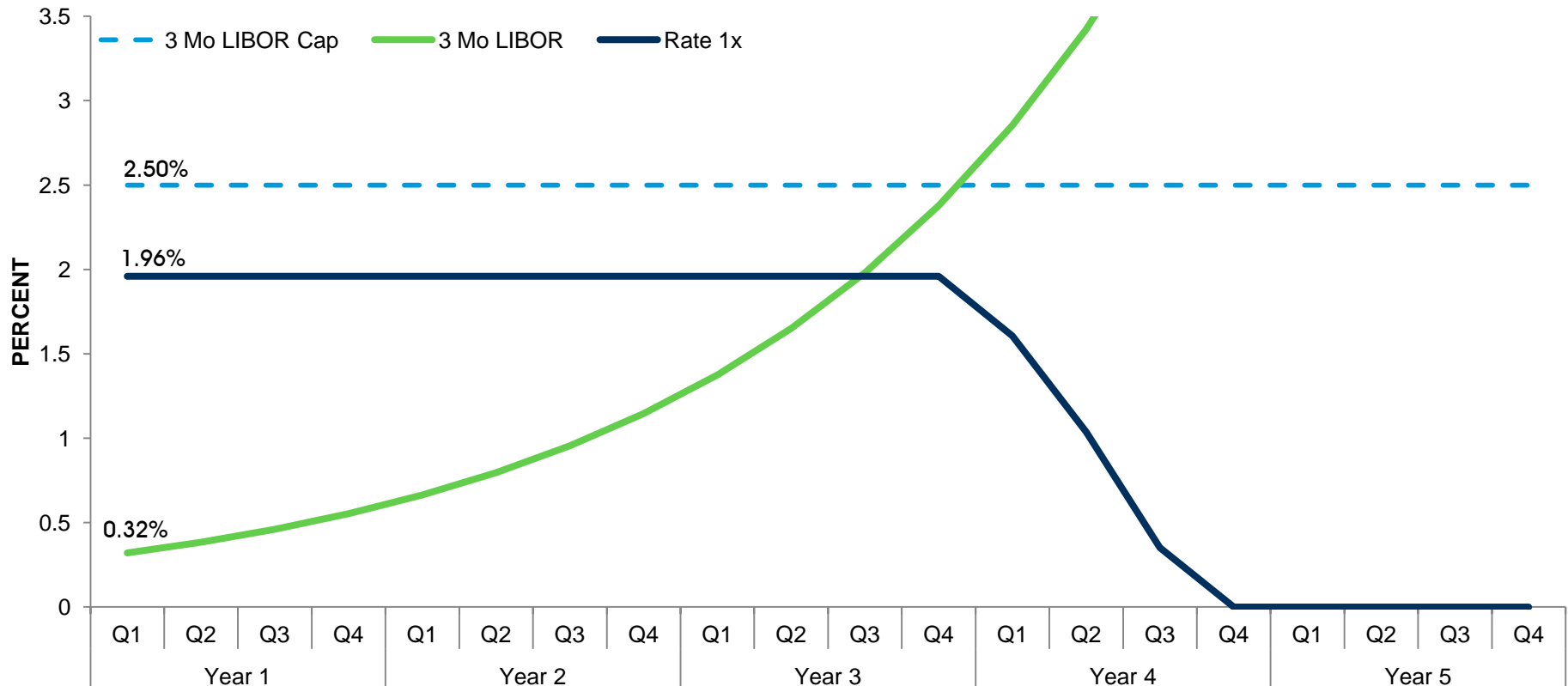
Fixed-Rate Advance With a LIBOR Cap



- » The Fixed-Rate with Cap combines a fixed-rate borrowing with an embedded interest-rate cap in which the rate remains fixed but may be reduced quarterly if 3-Month LIBOR rises above the pre-selected cap (with a floor of zero).
- » This product provides long-term funding where a member can extend liabilities, lock in spreads and preserve margins.
- » The feature of the embedded cap will provide additional protection against rising short-term interest rates by lowering an institution's cost of funds as rates rise.

Example: 5 Year Fixed-Rate With Cap 1x Multiplier

In this scenario, the 5-year Fixed-Rate with 1x Cap with a strike of 2.50% would have an initial rate of 1.96%, 17 bps higher than the regular 5-year bullet advance. This illustration demonstrates that this advance rate would decline in a rising rate environment – As indicated below, once 3-Month LIBOR rises and breaches the Cap strike of 2.50% in Q1 of year 4, the Fixed-Rate with Cap would reset on quarterly basis, downward a basis point for every basis point 3-Month LIBOR is above the cap (floored at zero percent). If 3-Month LIBOR sets below the cap strike, the advance would return to its initial rate of 1.96% on the quarterly reset date.



Scenario as of October 6, 2015



The Callable Advance

The Callable Advance is a Fixed-Rate Advance that gives members the option of calling (terminating) the advance on predetermined dates, prior to maturity, without incurring a prepayment fee.

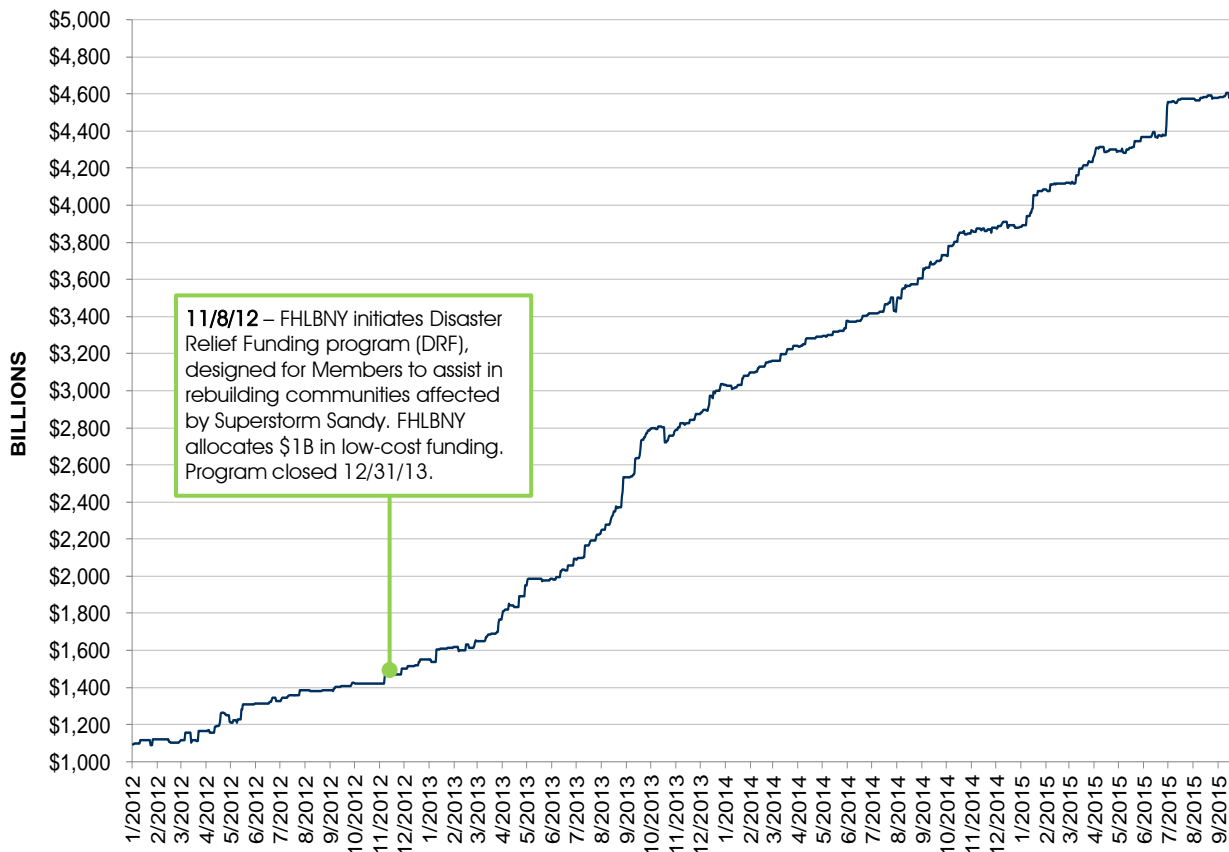
Benefits	Product Features
Competitively priced	Minimum Advance Size: \$5 million
Fixed-Rate for the life of the advance	Maximum Advance Size: \$100 million
No prepayment fee when called on specified date	Initial Program Size: \$3 billion
Better cash flow match for fixed-rate mortgages & commercial loans held in portfolio	Final Maturities Available: 3, 5, 7, or 10 years
Take advantage of downward movements in interest rates & steep yield curves	Lockout Periods: 1, 2, 3, or 5 years
Good hedging tool against mortgage prepayment risk	Call Options: Bermudan (quarterly) or European (one-time)
Whole loan and security collateral is acceptable	Interest Payment: Quarterly based on Actual/360 day count
	Required Option Notification: 9 business days



Community Development Programs

The popularity of the CI program has been growing, particularly in the New Jersey region as of late, as Members have placed an emphasis on investing in their communities.

TOTAL CI ADVANCES (DAILY AVERAGE)



COMMUNITY LENDING PROGRAMS

Project specific uses of CIP, UDA & RDA Funds

Commercial/Economic Development	Housing
» Equipment Purchase for Small Business Expansion	» Refinancing of single-family mortgages
» Debt Refinancing for Small Businesses	» Financing of housing projects:
» Debt Consolidation for Small Businesses	– Property acquisition
» Handicapped-Accessible Vans	– Construction
» Fire Stations and Trucks	– Permanent financing
» Grocery Stores	– Re-financing
» Retail Stores	– Renovation/Rehabilitation
» Educational Facilities	– Home Improvement
» Healthcare Facilities	
» Office Buildings	
» Daycare Centers	
» Origination of single-family mortgages	



Eligible Uses of Community Lending Program Funds

Community Investment Program (CIP)

- » Housing for families/individuals with incomes at 115% or less of the area median income
- » Finance facilities that benefit low- and moderate-income households:
 - Provide services or permanent jobs for households with incomes at 80% or less of the area median income
 - Located in neighborhoods where at least 51% of the households have incomes at or below 80% of the area median

Rural Development Advance (RDA)

- » Finance Economic Development projects that benefit individuals or families at or below 115% of the area median income
 - Project being financed must reside in a location (unit of general local government) with a population less than 25,000

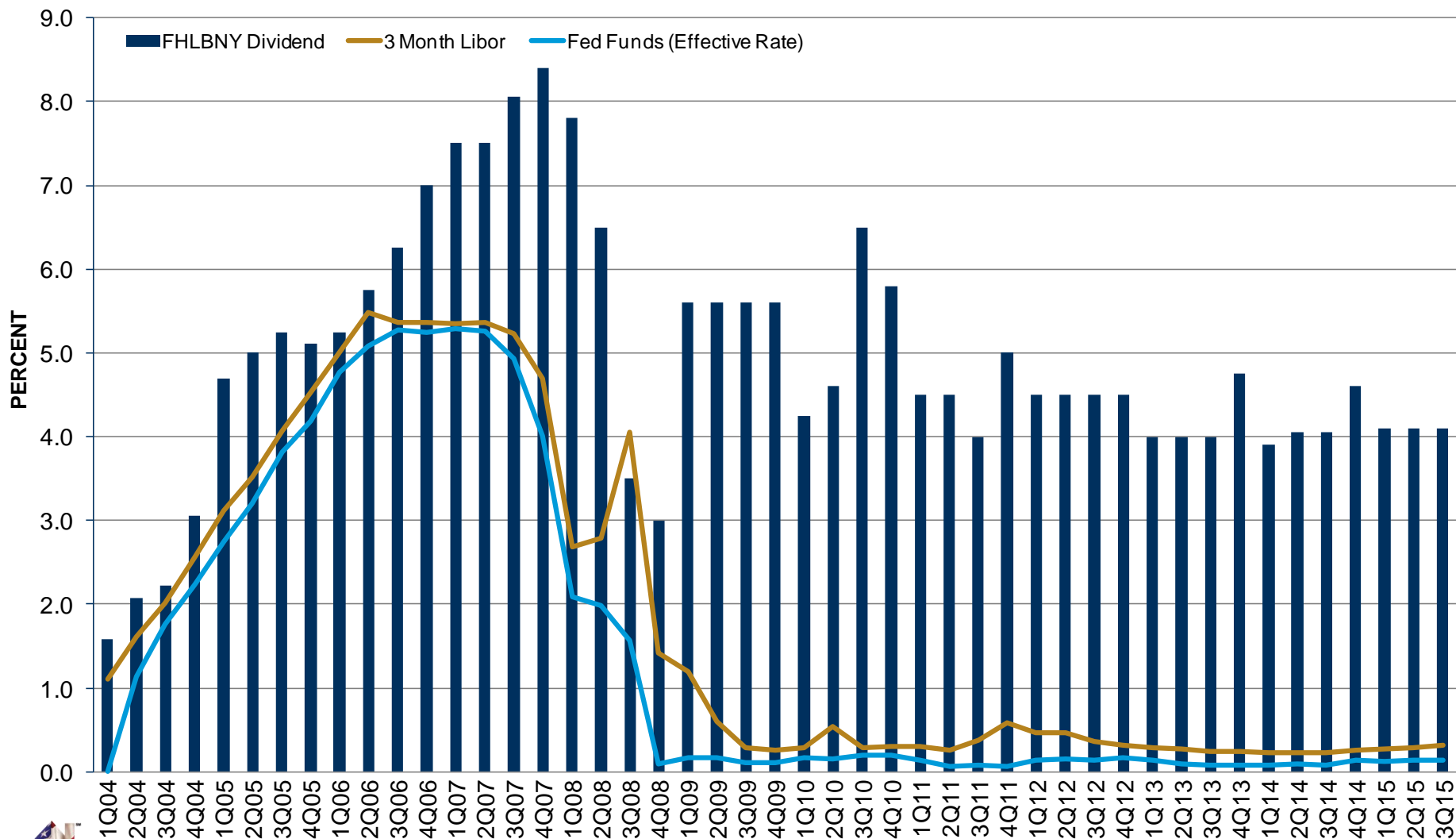
Urban Development Advance (RDA)

- » Financing for Economic Development projects that benefit individuals or families at or below 100% of the area median income
 - Project being financed must reside in a location (unit of general local government) with a population greater than 25,000



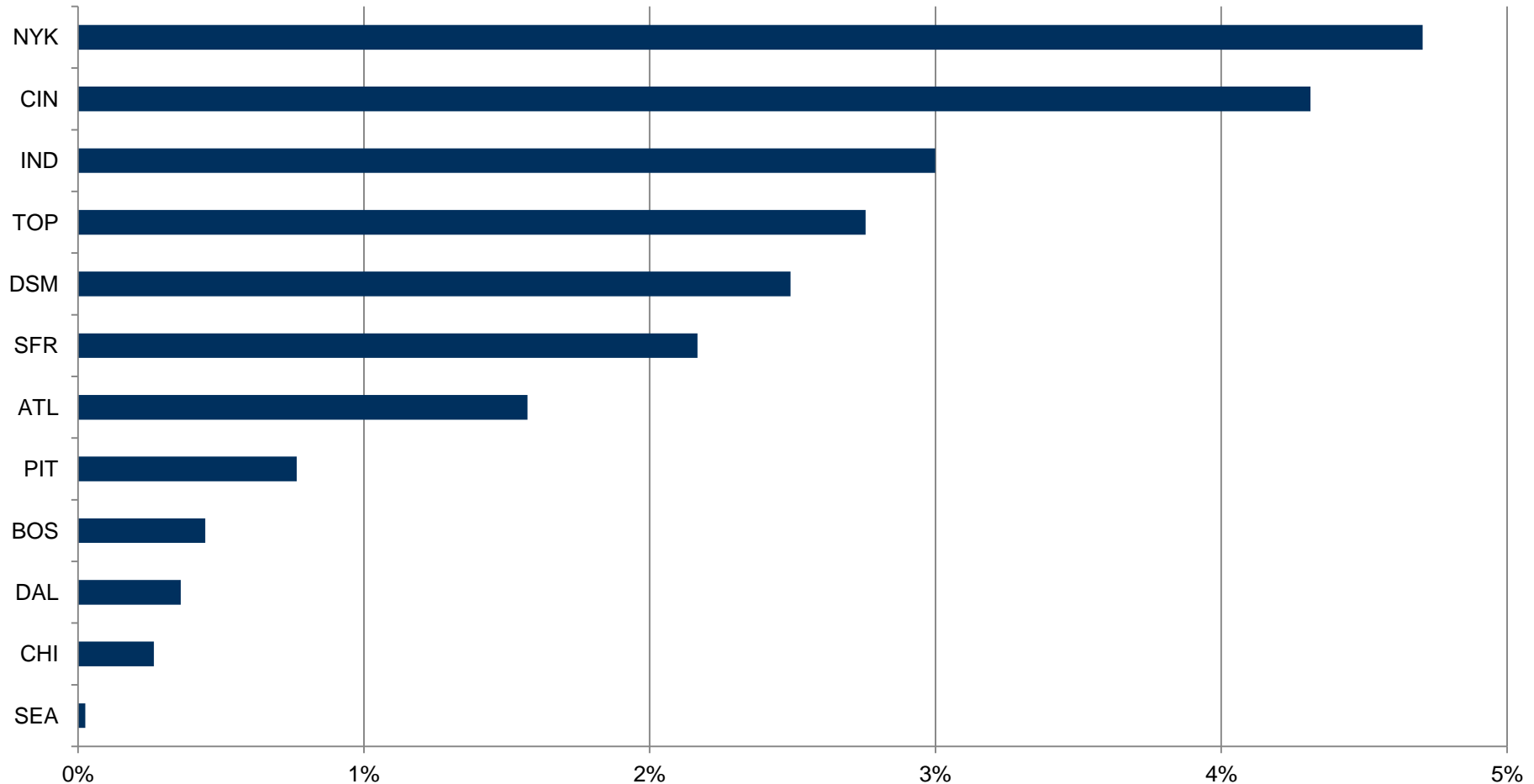
Our Dividends Have Been Reliable and Exceeded Market Reference Rates

FHLBNY Dividend History



FHLBNY Dividend Returns Have Also Consistently Exceeded Those of Other FHLBanks

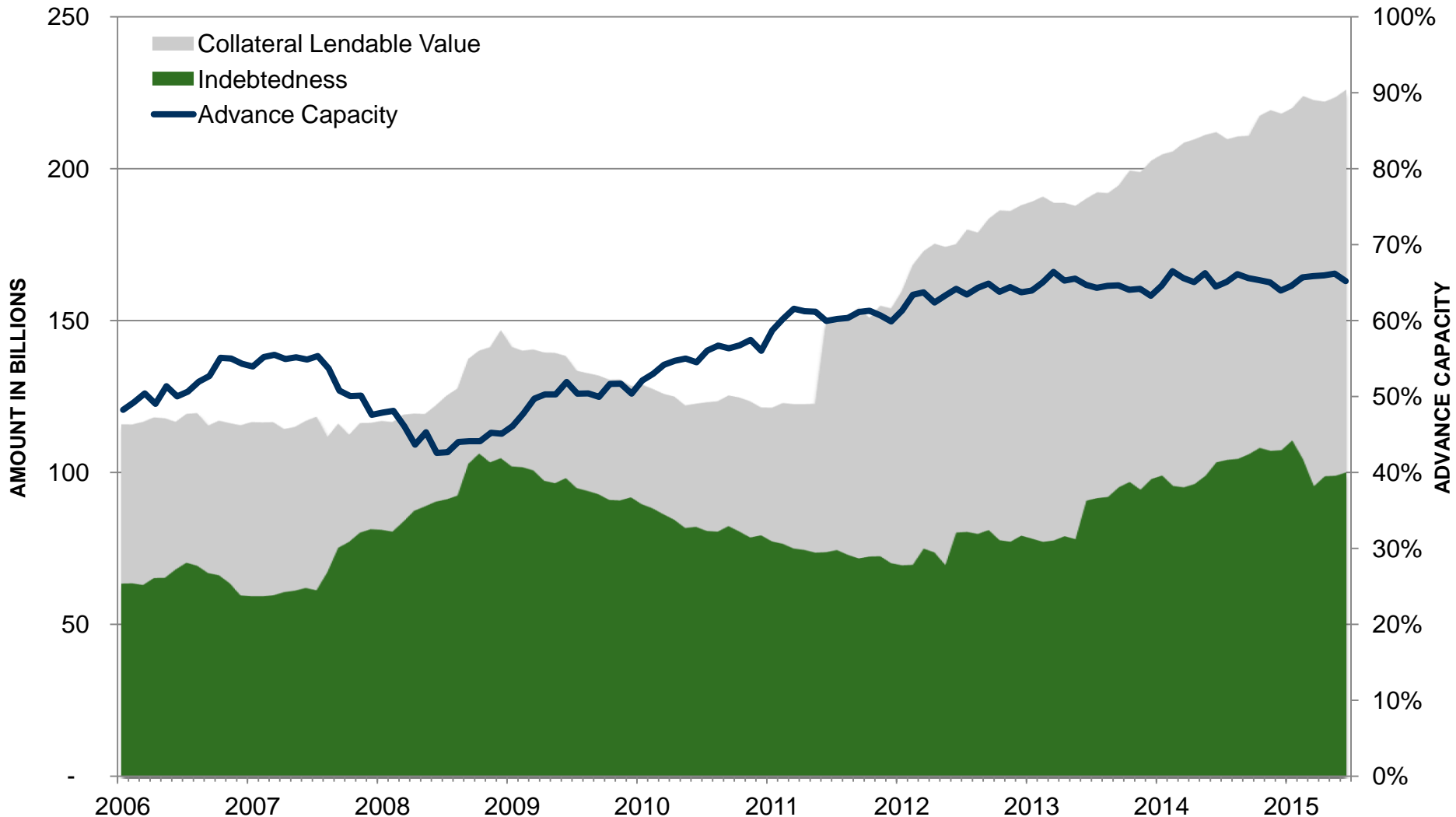
Average FHLBank Dividend Rates
2009-2014



CAUTIONS & CONSIDERATIONS



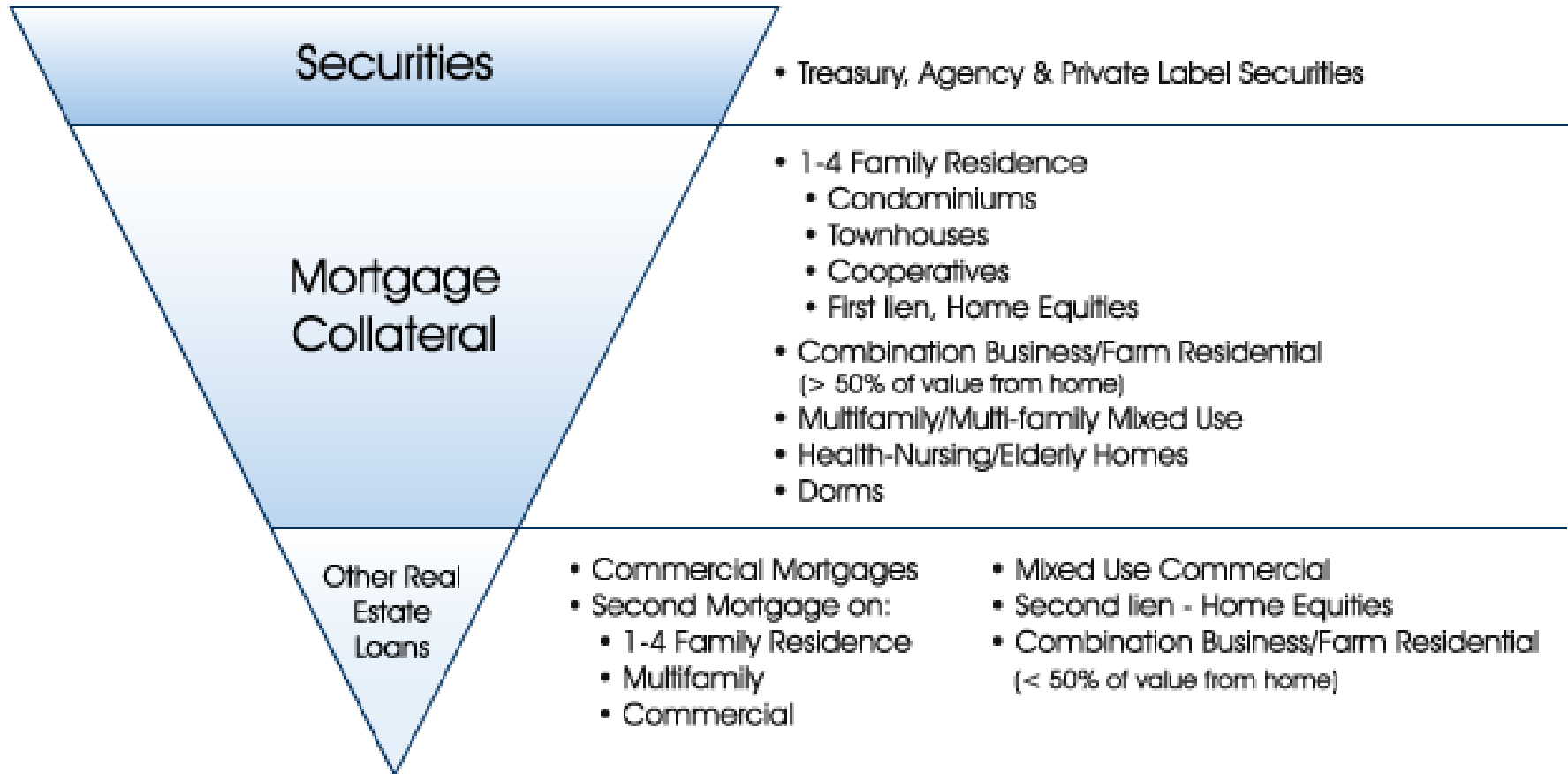
In General, Members Prefer to Maintain Higher Advance Capacity Levels



*Collateral amounts in billions are after pricing and haircuts.

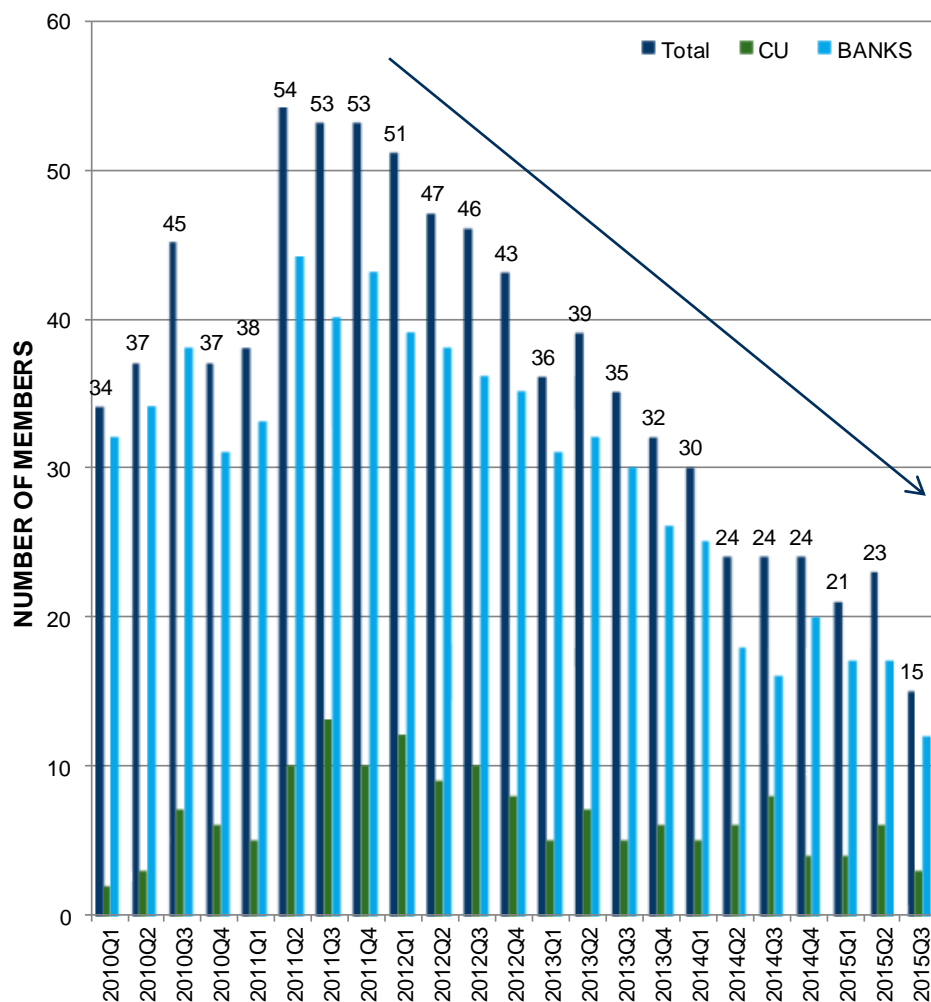


FHLBNY Eligible Collateral



Reduction in the Number of Members on the Watchlist Points to Improving Financial Health

Members on Watchlist



MEMBERS' FINANCIAL UPDATE

Earnings: Despite growing loan demand, margin pressure, persists negatively impacting earnings

Capital levels: remained strong for the majority of our members

Liquidity: On average, loans growing at a slightly faster pace than deposits, though members remain highly liquid

Asset quality: steady improvement across the board ; while credit costs remain elevated actual losses remain low,



FHLBNY Banks' Credit Rating Trend (1Q2010 – 3Q2015)

LIQUIDITY - 10%

- 1) Loans to Deposits
- 2) Liquid Assets / Liabilities

ASSET QUALITY - 35%

- 3) Charge Offs / Loans
- 4) NPLs / Total Loans
- 5) 30-89 PD / Total Loans

CAPITAL ADEQUACY - 35%

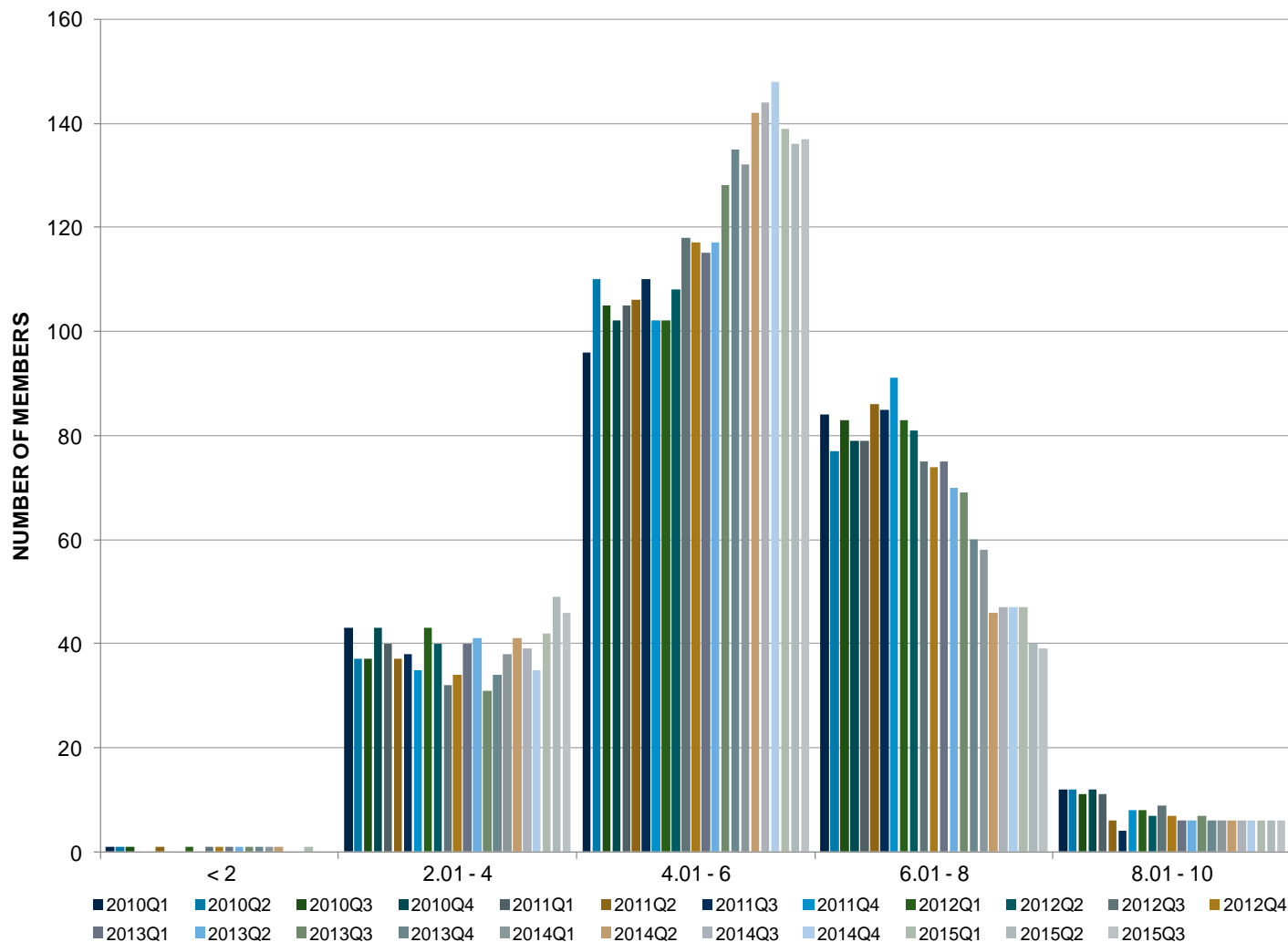
- 6) Texas Ratio
- 7) Leverage Ratio
- 8) Tier 1 RBC Ratio
- 9) Total RBC Ratio

Earnings - 20%

- 10) NIM
- 11) ROA
- 12) ROE
- 13) Efficiency

FHLBNY Credit Score Legend

1 - <2	Excellent
2-3	Very Good
4-5	Average
6	Special Mention
7-10	Watchlist



Lending Considerations

Borrowing potential (FHLBNY) credit limits

- » Maximum overall exposure limit is 50% of member total assets
- » The ability to borrow non-repo advances above 30% of member assets will be subject to meeting certain eligibility criteria:
 - Financial condition
 - Sufficient eligible collateral discounted by market value adjustments (haircuts) and collateral maintenance levels
 - Compliance with collateral reporting requirements

Borrowing limitations

- » Members who fail to comply with reporting or documentation requirements
- » Members that exhaust their available eligible collateral
- » Members reaching credit policy model limits
- » Members that fall below adequately capitalized:
- » The Credit Policy & Review department will take action to limit the risk to the FHLBNY. Examples include limitations to:
 - Restricted to Short Term Advances Only
 - May be subjected to more stringent collateral requirements
 - May be required to submit a capital plan
 - May be required to receive approval of member's primary regulator to continue accessing advances



Housing and Community Lending

Help turn home-ownership and community development dreams into reality

Community Lending Programs

Community Investment Program (CIP)

Rural Development Advance (RDA)

Urban Development Advance (UDA)

Affordable Housing Program (AHP)

First Home Clubsm



The Affordable Housing Program

A STRONG COMMUNITY PARTNER

- » 10% of FHLBNY net income is earmarked for AHP projects
- » Provides subsidies to support the creation and preservation of housing for lower income families and individuals
- » Members apply in conjunction with community groups
- » Applications must support the purchase, construction, or rehabilitation of owner-occupied or rental housing
- » Competitive program

Affordable Housing Program Activity in New Jersey

(since 1990)

Number of Grants Awarded: **456**

Total Grant Dollars Awarded: **\$146,700,586**

Total Units of Housing: **18,969**

Total Estimated Development Capital: **\$2.93 billion**



First Home Clubsm Overview

Provides down payment and closing cost assistance to first time homebuyers

First Home Clubsm

REQUIREMENTS:

- » Household income cannot exceed 80% of area median income
- » Member establishes dedicated deposit account and extends mortgage loan
- » Household must save for a minimum of 10 months
- » FHLBNY matches household savings 4:1 up to \$7,500 per unit
- » Must participate in first-time homebuyer counseling (minimum of 6 hours)
- » Residential 1-4 family



BENEFITS:

- » Creates homeownership opportunities
- » Provides residential lending opportunities
- » Increases banking relationships
- » Enhances CRA credit
- » Creates partnerships with local non-profit organizations
- » Enhances public relations and community position



Mortgage Partnership Finance[®] Program



Improve your competitive position with the Mortgage Partnership Finance Program (MPF[®])

- » Transfer interest-rate risk to FHLBNY
- » Maintain customer relationship
- » Retain or release servicing
- » Eliminate holding 30yr FRM in your own portfolio
- » Receive servicing & credit enhancement fees



Continuous Educational Outreach Initiatives

We provide relevant education, emerging topics, and trends to our Members.

FHLBNY Resource Center — Created to Help You Maximize Your Membership

Gain access to educational information and various tools to help address your institution's unique set of challenges, such as:

- » Managing interest rate risk
- » Increasing profitability
- » Increasing Net Interest Margin
- » Locking in spreads to preserve margins
- » Mitigating Net Interest Income at Risk and Economic Value of Equity at Risk
- » Achieving asset/liability management goals without increasing the size of the balance sheet

Examples of the materials you can find:

- » Strategy articles
- » Presentations, Tutorials and Webinars
- » Workshops and Tools
- » Fact Sheets and Other Information

Take advantage of this readily available center by visiting: www.fhlbny.com/members/resource-center

Through the FHLBNY Resource Center you can also request a Member-Director Education Session

This program is specifically created for our Members' Board of Directors and managers, and is customized to address their specific needs and concerns, as well as a wide range of issues commonly faced by most community lenders.



“As long as markets remain open, and a member has pledged sufficient qualifying collateral and is willing to purchase the requisite amount of capital stock, *the FHLBNY will always continue to lend to our members to help you meet your community's needs.*”

José R. González
President and CEO



Federal Home Loan Bank
NEW YORK

Advancing Housing and Community Growth

Adam Goldstein

SVP, Head of Sales & Marketing

212-441-6703

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