

Recent Member Advance Activity

January 13, 2012

We have seen some strong numbers in the latest economic releases that hopefully are a signal that the U.S. economy is getting ready to move beyond the great recession. Consumer confidence improved to 64.5 percent in December from 55.2 percent in November. The unemployment rate — at 8.5 percent — continued to trend down and nonfarm payrolls rose by 200,000 in December. Recent member activity might suggest that lending is picking up in some communities, necessitating longer-term funding.

FHLB Boston regular advance rates remain at or near historic lows reached in December 2011. As the year concluded, several members took advantage of this and utilized some structured advance solutions. There was activity in a 10/3 year Expander advance at 3.55 percent. This advance has a final maturity of ten years and allows the member to double the amount of the advance after three years (if they want to) for the remaining seven years at the same 3.55 percent coupon. This advance would appeal to members exposed to rising interest rates or who have recently booked long-term fixed-rate assets that would extend if interest rates rise. Members could also use this advance to replace any deposit outflows they may have experienced over the three-year period.

Other members have found value in the five-year Symmetrical Prepayment advance at 1.64 percent. While this advance is essentially a Classic advance, it contains a unique prepayment feature. The Symmetrical Prepayment advance can be prepaid at a gain in a rising-rate environment. In a falling-rate environment, the Symmetrical Prepayment advance would have a lower prepayment fee than a Classic advance.

FHLB Boston offers other advance solutions that might help you protect earnings from rising interest rates. The Capped Floater advance, Corridor advance, and the Collar advance are customizable by the member to meet their specific requirements.

For more information on any of the advance products or current rate indications, please contact your relationship manager or the Money Desk at 1-800-357-3452.