



Advance Restructuring Options

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By Loughlin Cleary, Relationship Manager

To date, over \$1.5 billion of advances have been restructured, most into new classic advances using the Federal Home Loan Bank of Boston's restructuring solution. Members can restructure outstanding advances for certain eligible product types and blend the contractual prepayment fee into the rate of a new long-term advance. There is no cash settlement of the prepayment fee since it is blended into the rate of the new advance.

Members willing to "cash settle" the prepayment penalty can restructure existing advances into many different product types, including the Classic Plus Cap advance, Symmetrical Prepayment advance, Corridor advance, Collar advance, or any other structured advance product. In cash-settle restructuring, members prepay the advance, including any prepayment penalties, and simultaneously take down new advance funding. The prepayment penalty is then accreted by the member over the life of the new advance to calculate the effective advance yield.

Structured products typically require a minimum of \$10 million for execution. To satisfy this requirement, members can aggregate several restructured advances into a total of \$10 million or more, or restructure the advance using a Bank special offering. During a special, the Bank aggregates multiple member advance requests to reach market minimums and obtain optimal pricing.

As an example, one member recently cash settled and restructured \$5.5 million of bullet advances into a new five-year Classic Plus Cap advance, with a 2 percent strike versus three-month LIBOR. The initial advance rate was 2.65 percent that translated into a weighted average effective rate of 3.70 percent after the prepayment fee accretion. The details of the execution are below. This member added a weighted average of 44.1 months of extension, and reduced the weighted average advance rate by 0.44 percent, while adding additional interest-rate protection with the cap.

If you would like more information on advance restructuring using structured advance products please call your relationship manager. Additional information on all of the structured products can be found on our web site at www.fhlbboston.com.

MEMBER BANK

Prepay Fee: Cash Settled

Prepaid Advances							
Maturity Date	Balance	Adv Rate	Months to		Prepay Fee ¹	Fair Value	Description
			Maturity				
6/13/2012	1,500,000.00	4.31	12.0		58,687.71	103.91	LT FIXED
6/13/2013	1,000,000.00	4.47	24.0		77,214.22	107.72	LT FIXED
9/19/2012	3,000,000.00	3.96	15.2		133,401.17	104.45	LT FIXED
Weighted Average/Total:	5,500,000.00	4.15	15.9		269,303.10	104.90	

New Advances							
Yrs to Mat	Adv Rate ²	Price of new advance	Percent Change	Accounting Treatment:	Effective yield of new advance	Effective yield of new advance vs.	
						prepaid advance	Extension in Months
5.00	2.65	96.46	3.54%	Modification	3.49%	(0.82)%	48.0
5.00	2.65	99.58	0.42%	Modification	4.31%	(0.16)%	36.0
5.00	2.65	98.51	1.49%	Modification	3.61%	(0.35)%	44.8
5.00	2.65	98.15	1.85%		3.70%	(0.44)%	44.1

¹ Prepay fees are indicative levels only. Members must call the Bank for executable levels.

² Advance rate includes a 1x notional cap struck on 3ml @ 2.00%.

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