

Discounted Long-Term Funding On Demand: The Advance Renewal Discount Program

With the Federal Reserve recently initiating the first of what the market anticipates will be multiple interest rate hikes this year and long-term rates continuing their climb higher, interest in extending advance maturities has been on the rise. As a result, members have been utilizing a variety of the FHLB Boston's advance solutions and special offerings to help hedge against any further increase in long-term rates.

While our opportunistic advance specials remain popular, a growing number of members are taking advantage of a Bank program that offers the ability to extend advance maturities at discounted rates at any time. The Advance Renewal Discount Program (ARDP) allows members to get an automatic discount when replacing a maturing advance with a new, long-term advance (with two days' prior notice).

In order to qualify for the program, the new advance must:

- Have a maturity of one year or longer;
- Amount to at least 50 percent of the maturing advance, with a minimum of \$1 million; and
- Be a Classic Advance.

Recent enhancements to the ARDP have further increased the discount for members interested in borrowing additional funds. Currently, discounts associated with the program are as follows:

Advance Amount	and	% of Maturing Advance	Term of New Advance	
			≥ 1Y	≥ 2Y
≥ \$1 million		50%	3 bp	8 bp
≥ \$1 million		125%	5 bp	10 bp

Since its rollout, 44 members have taken advantage of the ARDP to renew and extend 127 advances totaling over \$1.25 billion. Advances renewed through the program have extended out as far as seven years, with the majority receiving a discount of eight points or greater.

If you are interested in utilizing the ARDP to secure discounted long-term funding or would like to learn more about the program, please contact the Money Desk at 800-357-FHLB(3452) or your relationship manager.