

Members Borrow at a Rate Below One Basis Point

August 3, 2012

The Federal Home Loan Bank of Boston offers the Flipper advance as a solution to members' shrinking net-interest margins. The Flipper features a floating rate selected by the member that adjusts quarterly throughout the lock-out period. After that, the Bank may flip the advance to a predetermined fixed rate for the remaining term or cancel it.

Members have originated over \$120 million in Flipper advances since the start of the second quarter. While the maturities and lock-out periods have varied, each new Flipper had an initial rate *below one basis point*. This is useful as members attempt to lower their funding costs to offset declining asset yields and improve their margins during the lock-out period.

Flipper advances originated in late April recently underwent their initial rate reset. Needless to say members were pleased when informed that the advance rate for the next quarter had reset below zero (between negative 1.19 basis points and negative 1.29 basis points). Several other Flipper advances are scheduled to reprice over the next several weeks. If three-month LIBOR remains at its current level, the rate on these advances will also reset below zero.

To find out more about the Flipper advance, please see the product [primer](#) or call the Money Desk at 800-357-3452.