



Rates Reach Historical Lows

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Five- and seven-year Federal Home Loan Bank of Boston rates are reaching 20-year historical lows (see graph below). Most banks are flush with liquidity, and the expectation is that rates may not increase in the near term. But who knows for sure? It may be time to hedge the balance sheet with very cheap, longer-term funding. The five-year advance is now over 300 basis points below its 20-year average, and the seven-year advance is 260 basis points below its average for the same period.

Regardless of the rate environment, a five-year advance priced at 2.32 percent and a seven-year advance priced at 3.14 percent should fit nicely into any balance sheet. If you want to reduce the advance rate even further, consider applying for Community Development advance (CDA) funding. A five-year CDA is currently priced at 2.06 percent and a seven-year CDA is priced at 2.85 percent. If you like five-year funding below 3 percent, perhaps it's time to consider even longer-term extension (six- and seven-year advances) to hedge interest-rate risk. Consider taking down six and seven-year CDA advances below 3 percent. Please contact your relationship manager for assistance in applying for CDA funding.

5 and 7 Year Bullets

