

Amortizing Advance Primer

I. Product Information

Available Structures

Amortizing advances are available with final maturities out to 20 years and amortization terms out to 30 years. Amortizing advances may have maturities that are shorter than the amortization term. In these cases, the advance would have a balloon payment, due at maturity, which would be greater than the regular monthly payment. An Amortizing advance with a 5/20 structure would have a maturity of 5 years and an amortization term of 20 years. An Amortizing advance has a level payment, fixed term, and fixed rate throughout its term. Monthly payments, comprised of principal and interest, are due on the first business day of each month. The monthly payment amount is calculated using the actual number of days between payments, which can vary between 27 and 33 days. Since interest is calculated on an actual/360-day basis, the portion of the monthly payment applied to principal will not increase each month like on a typical mortgage. These advances can be requested for same day disbursement until noon, and are available until 3:00 p.m. for next day disbursement. Amortizing advances are prepayable, in minimum amounts of \$100,000 and in intervals of \$100,000 thereafter, subject to a fee. If a member makes a partial prepayment, the Bank will recalculate the monthly principal and interest payment.

Additional Characteristics

As stated above, Amortizing advances typically disburse either same day or next day. Members can choose to enter into forward rate commitments, where they can lock in a guaranteed rate up to 2 years before disbursement. If a member chooses to forward start an Amortizing advance, it will be charged a forward rate commitment premium that is added to the advance rate. The member would then have the option to disburse this advance any time during this two-year period. The member is contractually required to disburse the advance once it has been locked in, although they may disburse it and immediately prepay.

Although the Bank only lists 10 standard Amortizing advance structures on its daily rate sheet, there is also an extended rate sheet available on FHLBBoston.com or linked here. Members may call the Money Desk at 800-357-3452 to request further non-standard structures. Typically the Bank will price structures with maturities out to 20 years and amortization terms out to 30 years.

A member can borrow Amortizing advances up to the maximum of its available collateral, subject to credit approval by the Bank. Members may have to purchase additional activity capital stock in some cases. The activity stock capitalization requirement on an Amortizing advance is 4.5 percent.

II. Uses

Members use Amortizing advances for a variety of reasons. Some members use Amortizing advances to fund mortgages or investments (mortgage -backed securities) that also have periodic principal payments. Amortizing advances with structures such as 5/20 or 10/20 are often used by members to closely match the cash flows of fixed-rate Commercial Real Estate loans while locking-in spread. The outstanding principal balance of the amortizer will decline each month, allowing members the flexibility to adjust their borrowing position. Members who are liability sensitive (exposed to rising rates) may choose to borrow long-term amortizers to fund long-term loans or investments. Members who are asset sensitive (exposed to falling rates) typically prefer Amortizing advances because a portion of the advance is paid off each month and if interest rates decline the member can borrow new funds, if needed, at lower rates.

The Bank has onsite financial strategists who can help members best decide what type of funding meets their specific needs. If you would like a strategist to put together an analysis, please call the strategists at 800-357-3452 or via email at strategies@fhlbboston.com.

A member should review the [Products and Solutions Guide](#) prior to taking an Amortizing advance so as to understand the terms of the contract and the prepayment provisions.

This statement does not purport to disclose all of the risks and other material considerations associated with an Amortizing advance. Members should not construe this disclosure statement as business, legal, tax, or accounting advice from the Bank. Members should consult with their own business, legal, tax, and accounting advisers with respect to Amortizing advances and should refrain from entering into Amortizing advances unless they have fully understood the terms and risks of the Amortizing advance.