



## REPORT FROM THE PRESIDENT



José R. González  
President and CEO

### A VITAL SOURCE OF GUIDANCE

Last month, the FHLBNY’s management team gathered with our Directors for the 2017 strategic Board off-site meeting. Spanning three days of comprehensive meetings, this annual event covers every aspect of our cooperative, from our performance to the products we offer, from our housing programs to the technology that runs our business, and from our membership to the environment in which we all operate. Each year, the strategic off-site provides us with the opportunity to discuss, develop and act on the strategies, initiatives and new

products that drive our cooperative forward.

Our Board is at the center of this activity, not only during the annual off-site, but at each of its meetings that take place throughout the year. Ours is an active and involved Board, comprised of industry leaders in banking, housing and community development. Our Member Directors – who are drawn from the shareholders of our cooperative – provide significant insight into the needs of the members we serve, while our Independent Directors offer counsel as to how our cooperative can best support our many housing and community development partners. And together, all of our Directors provide management with guidance that is vital to the strength and performance of our franchise, ensuring that our cooperative continues to act on our mission and ably serve our members and our region.

Our Board serves a key function not only for our franchise, but also for our members: they are your representatives in our cooperative. That is why it is so important for all of our members to participate in the annual Director Election process. On June 30<sup>th</sup>, materials relating to this process, including the FHLBNY’s official Certificate of Nomination,

were sent to all eligible shareholders. In total, five Directorships – one Member Directorship each representing our New Jersey, New York and Puerto Rico and U.S. Virgin Islands members; as well as two Independent Directorships representing our whole District – are up for election in 2017.

*“Our Board serves a key function not only for our franchise, but also for our members: they are your representatives in our cooperative.”*



Federal Home Loan Bank of New York  
101 Park Avenue  
New York, NY 10178

Eligible stockholders may, using the Certificate, nominate one person for each of their respective state's open Member Directorships. Separately, those individuals interested in being nominated for the two open Independent Directorships must first submit an Independent Director Application Form to the FHLBNY. A copy of the Independent Director Application Form can be found at [fhlbny.com/about-us/corporate-governance.aspx](http://fhlbny.com/about-us/corporate-governance.aspx) in the section entitled "About the FHLBNY's 2017 Director Election." All Certificates of Nomination and Independent Director Application Forms must be received at the FHLBNY by **5:00 p.m. ET on August 1, 2017.**

Our Board provides our management team with guidance and insight as we develop and execute on the strategies that benefit our entire cooperative, and I encourage all of our members to participate in the election process. In this regard, as you consider potential nominations for Member Directorships and give thought to persons who might be interested in Independent Directorships, please keep diversity in mind. Your participation in this year's Director election process is greatly appreciated, and will help keep the Board and the FHLBNY diverse and strong.

## RECOGNITION FOR DIRECTOR LARRY THOMPSON



As I noted, our Directors are industry leaders who lend their vast experience and expertise to our cooperative. The strength of our Board was on display at this year's Markets Choice Awards,

at which Larry Thompson, vice chairman of the Deposit Trust Clearing Corporation and an Independent Director on our Board, received Markets Media Group's Lifetime Achievement Award. The Markets Choice Awards serve to recognize "excellence in markets," and over the course of his career, Director Thompson has certainly earned this recognition.

## THE HISTORY OF A "CORE FIXTURE"

Just as our Board plays an important role in our franchise, so too does our franchise play an important role in our nation's housing market as part of the broader Federal Home Loan Bank System. Last month, the Consumer Federation of America issued "The Federal Home Loan Bank System: A Chronological Review and Discussion of Key Issues," an extensive and far-reaching history of our System and its impact. The report begins with the statement:

*"The Federal Home Loan Bank system has been a core fixture of US support for housing and home finance since its creation in 1932."*

Throughout our 85-year history, our cooperative has focused on providing this support, for both our members and the markets we serve. The Federal Home Loan Bank System ended 2016 with more than \$1 trillion in assets and approximately 7,100 members. Ours is a System that is both vast and vital, with funding that reaches every community in our nation. The Consumer Federation of America report, which can be found at [consumerfed.org](http://consumerfed.org), succinctly summarizes the importance of our System – past, present and future.

The FHLBNY's mission is an important one, and through the hard work of our team, our Board, our members and our community partners, we continue to act on it every day.

Sincerely,  
José R. González  
President and Chief Executive Officer

## DIRECTOR ELECTIONS

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## NEWS

### WELCOME NEW MEMBERS

Since our last edition, the FHLBNY has welcomed two members into our cooperative:

- » Advanced Financial FCU
- » South Jersey Federal Credit Union

[LinkedIn](#)

FOLLOW THE FHLBNY TO SEE HOW WE'RE CONNECTING TO COMMUNITIES

## NEW SECONDARY MARKET OUTLET FOR MORTGAGES



The Mortgage Asset Exchange (MAX) is a new multi-seller to multi-buyer residential mortgage loan trading platform developed by MAXEX, LLC (MAXEX), a leading financial services technology company founded by long-time mortgage industry veterans. Through a strategic

alliance with MAXEX, the FHLBNY is now able to offer qualified members the ability to sell residential mortgage loans to a wide variety of end Buyers, including some of the largest purchasers in the secondary market. Participating members will also be able to buy loans from other participating members, whether for investment purposes, to meet CRA requirements, or for other aggregation needs.

As a single destination for pricing, selling, purchasing, reviewing, and settling loans, MAX will help enable FHLBNY members to transact in the secondary mortgage market with greater confidence and more operational efficiency than ever before.

The MAX pilot program is now live and open to all FHLBNY members. We encourage you to take a look at MAX for your secondary market needs, as it supports a wide array of QM-eligible conventional mortgage products (both jumbo and conforming), new origination as well as seasoned loan transactions, flow and bulk execution strategies, and best efforts or mandatory delivery options. While the program will initially only involve servicing-released transactions, it is expected that a servicing-retained execution will also be available in the near future.

### KEY FEATURES OF MAX

#### Single Clearinghouse and Counterparty

MAXEX's wholly-owned subsidiary, MAXEX Clearing LLC, acts as the clearinghouse and is the single counterparty to both the Buyer and the Seller in each transaction. Standing in the middle as principal, MAXEX Clearing buys the loan from the Seller and simultaneously resells it to the Buyer, on identical, fully-disclosed terms, including identical representations and warranties. This creates a more efficient market by allowing Sellers to sell loans to, and Buyers to buy loans from, a wide spectrum of mortgage market participants, while only having to maintain a direct, contractual (and operational) relationship with one counterparty – MAXEX Clearing.

#### Single, Standardized Contract

All approved Buyers and Sellers (collectively, "Exchange Participants") agree to be governed by MAX Rules, which include standardized loan sale terms and a common set of representations and warranties that were developed through extensive collaboration with many of the market's leading participants. In stark contrast to the fragmented and "bespoke" nature of today's secondary market, the MAX platform allows Exchange Participants to execute a single, standardized legal agreement and effectively be able to transact with numerous counterparties on the same terms for every loan transaction.



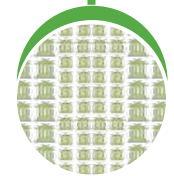
#### LENDERS/SELLERS BENEFIT FROM:

- » Increased Market Access
- » Reduced Costs
- » Unbiased Pricing
- » Improved Execution



#### BUYERS BENEFIT FROM:

- » Increased Market Access
- » Reduced Costs
- » Reduced Counterparty Risk
- » Enhanced Mortgage Asset



*“MAX is a powerful multi-seller to multi-buyer exchange platform and clearing house for residential mortgages.”*

## Centralized Approval and Monitoring

All Exchange Participants are qualified and continually vetted by MAXEX and the FHLBNY. As a long-standing practice, the FHLBNY routinely assesses the credit profile and ongoing financial health of each its member institutions, and therefore, is uniquely positioned to ensure that all Sellers on MAX are financially-sound originators. With its centralized approval and monitoring features, MAXEX aims to provide Buyers with a high degree of confidence when transacting on MAX.

## Independent Loan Audits

In order to detect and reduce the incidence of manufacturing defects (i.e., potential representation and warranty breaches), MAXEX performs a comprehensive independent loan audit of every loan traded through MAX. MAXEX's proprietary audit review engine extracts more than 1,600 data fields from a standard loan file and runs thousands of rules-based validation tests to check for document inclusion, data verification, cross-document data consistency,

and program/product eligibility. This highly automated process identifies any "hot spots" in a loan file before it is submitted to subject-matter experts for further analysis, with the goal of creating a scalable, accurate, and consistent loan review process that leads to defect-free mortgages and increased confidence for all Exchange Participants.

## Independent Dispute Resolution and Backstop

All Exchange Participants agree to settle any disputes through a binding, loser-pays arbitration process that is designed to expedite a fair resolution of legitimate claims while discouraging frivolous put-back requests. MAXEX guarantees the payment of all validated repurchase claims through: (i) the FHLBNY, which enforces its members' obligations so long as the member is solvent; and (ii) a separate public company, which provides a backstop should the Seller be insolvent or no longer a going concern. This backstop mechanism provides MAX Buyers with confidence that all counterparty obligations will be adequately and expeditiously met.

## THE BIG PICTURE

The FHLBNY is pleased to offer this exciting new program to its members. MAX's centralized participant approval and monitoring, independent loan audits, and backstop mechanism enhance the value of mortgage loans that trade through MAX and relieve both Buyers and Sellers of many of the risks and costs in today's secondary market. In addition, MAX's single counterparty structure allows for anonymous two-way trading, which enables all Sellers to receive best execution pricing for their loans, regardless of their size, transaction volume, or perceived counterparty risk. By more efficiently connecting Buyers and Sellers, MAX eliminates the middleman and reduces duplicative costs, thus further improving the overall execution for both Buyers and Sellers.

If you would like the FHLBNY to visit your offices and present this opportunity to your team, please contact your FHLBNY Calling Officer at **(212) 441-6700**.

## UPCOMING EVENTS

The FHLBNY looks forward to connecting with our members and business associates in person at the following upcoming events. Events are posted on our website and updated periodically.

» August 14  
**New Jersey Bankers Association (NJBankers) - Annual Summer Golf Outing and Networking Reception**  
*Bedminster, NJ*

» August 14-15  
**New York Credit Union Association - Northeast Economic Forum**  
*Schenectady, NY*

» September 13-15  
**NJBankers - Annual Senior Management Conference**  
*Atlantic City, NJ*

FHLBNY SESSION

» September 25-27  
**Independent Bankers Association of New York State - 43<sup>rd</sup> Annual Convention**  
*Niagara Falls, NY*

FHLBNY SESSION

» October 2  
**FHLBNY Stockholders' Reception & Dinner**  
*The Yale Club of New York City*

SAVE THE DATE  
*Registration coming soon*

» October 22-24  
**New Jersey Credit Union League - 83<sup>rd</sup> Annual Meeting and Convention**  
*Atlantic City, NJ*

VISIT OUR EXHIBIT

## ENHANCE YOUR LIQUIDITY POSITION WITH THE FHLBNY

As the economy continues to improve so does loan demand amongst our members. However, sustaining commensurate deposit growth is becoming more difficult due to regulation creating heightened competition for retail deposits. Large banks (total assets of \$50 billion and greater) are now required to meet the requirements of the U.S. Interagency's (comprised of the Federal Reserve, FDIC and OCC) Liquidity Coverage Ratio, which compels them to compete for retail deposits like never before. Smaller institutions are also feeling the impact of this regulation, and will continue to do so as their liquidity and interest rate risk positions are threatened. Now is the time to work towards optimizing your liquidity position at the FHLBNY to help you continue to attain and sustain balance sheet growth.

### MAXIMIZE YOUR BORROWING POTENTIAL WITH A COLLATERAL "CHECK-UP"

Various collateral requirements are in place for credit extensions in order to help protect members' investments in the cooperative and maintain the FHLBNY's ability to serve as a reliable, cost-effective, and accessible source of liquidity. With this in mind, "fix the roof" while it's sunny — don't wait for an emergency or regulatory exam to focus on ways to improve your liquidity position.

For example, did you know that if you are pledging whole loan residential mortgages, there may be opportunities to pledge additional mortgage types, such as home equities, multifamily and commercial real estate loans? There is also the potential to enhance the valuations of your pledged mortgages by providing additional data points in your monthly loan listing. Perhaps your loan data submission can be improved to rectify data issues that cause loans to be excluded from your pool of pledged mortgages — we can help with that as well. Your investment portfolio may also present another opportunity to broaden your pledged collateral. Be ready for that rainy day — let us perform a diagnostic collateral check-up to determine ways to expand your available liquidity.

### KEEP LIQUID SECURITIES UNENCUMBERED & ENHANCE MARGINS WITH THE MUNICIPAL LETTER OF CREDIT (MULOC)

MULOCs are tri-party agreements between the member institution, the FHLBNY, and a

municipal depositor, by which the FHLBNY guarantees performance by the member institution with its obligation to the municipal depositor. The MULOC is deemed as acceptable collateral to secure municipal deposits by the states of New York and New Jersey, as well as the U.S. Virgin Islands territory, and a member may use whole loan mortgages to collateralize the MULOC while leaving liquid securities unencumbered. The MULOC is operationally efficient and is a cost-effective alternative to purchasing low-yielding securities for the sole purpose of collateralizing municipal deposits.

Furthermore, using whole loan mortgages to collateralize MULOCs enable municipal deposits to be used for lending in your respective communities, rather than for funding security collateral. Regular Letters of Credit (L/Cs) are also available for other general purposes, such as facilitating residential housing finance or community lending, to assist with asset/liability management, liquidity, or other funding purposes.

### CONSIDER USING FHLBNY ADVANCES FOR FUNDING INSTEAD OF OBTAINING REPURCHASE AGREEMENTS

Through our advance programs, the FHLBNY offers members the ability to pledge relatively illiquid whole loan mortgages to obtain liquidity. Advances may offer a more economical and efficient way to obtain funding versus delivering securities for repurchase agreements — yet another way to keep liquid assets unencumbered.

### RESOURCES TO BOOST LIQUIDITY

- » **Learn the "ins & outs" of collateral pledging:** [FHLBNY.COM/ COLLATERAL](https://www.fhlbny.com/collateral).
- » **Read about our Letters of Credit as an alternate form of collateral:** [FHLBNY.COM/ LC](https://www.fhlbny.com/lc).
- » **Take a fresh look at our credit products:** [FHLBNY.COM/ CREDIT](https://www.fhlbny.com/credit).

*Your Calling Officer is always available to discuss how our advance programs may be used to meet your funding needs, and to help find ways to improve your institution's lending capacity for the benefit of our communities. Contact us today at (212) 441-6700.*

# MEMBERS, HOST YOUR NEXT MEETING IN OUR NEW HOME

As a benefit of membership, we invite you to use the FHLBNY's corporate headquarters as a resource for your next business meeting. Our brand new office space was designed to increase communication, collaboration and innovation to create a true strategic workplace to serve our members better. During your visit, we can schedule a tour for your group and share how our new office was built to reinforce our mission and commitment to our cooperative.

Contact your Calling Officer today at  
(212) 441-6700 to schedule your visit and tour.  
We look forward to hosting you.



THE CAPITAL MARKETS AND MEMBER SERVICES AREA –  
THE EPICENTER OF OUR BUSINESS AND NEW SPACE



OUR STRATEGY ROOM OVERLOOKS THE CAPITAL MARKETS AND MEMBER SERVICES AREA,  
AND FEATURES TEXTURED GLASS WALLS THAT DISPLAY MAPS OF COMMUNITY PROJECTS

## FEATURES & BENEFITS OF MEETING AT THE FHLBNY



### Location

*Our headquarter office is conveniently located in the heart of New York City. Grand Central Terminal is just a short walk away and a central transportation hub for NYC Transit and Metro North.*



### Flexible Meeting Spaces

*We offer a variety of conference room capacities and configurations. There are also smaller meeting spaces for break-out sessions, personal phone rooms for private calls and a 'grab and go café.'*



### State-of-the-art Technology

*LED screens, video-conferencing capabilities and smart boards are available in all meeting spaces.*



### Comfortable Atmosphere

*Natural and LED lighting is used throughout our office for optimal comfort.*



### FHLBNY Education Programs

*The FHLBNY can easily provide an educational segment to your meeting agenda. Visit our Education Programs page at [fhlbny.com/members/education-programs](http://fhlbny.com/members/education-programs) for more information on how we can custom-tailor a program for your group.*

## FEEDBACK WELCOME:

Have suggestions for a future topic? E-mail your thoughts to [fhlbny@fhlbny.com](mailto:fhlbny@fhlbny.com).  
Visit our Member Resource Center for more funding solutions articles: [fhlbny.com/members/resource-center](http://fhlbny.com/members/resource-center).

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#### Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This report may contain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based upon our current expectations and speak only as of the date hereof. These statements may use forward-looking terms, such as "projected," "expects," "may," or their negatives or other variations on these terms. The FHLBNY cautions that, by their nature, forward-looking statements involve risk or uncertainty and that actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to, regulatory and accounting rule adjustments or requirements, changes in interest rates, changes in projected business volumes, changes in prepayment speeds on mortgage assets, the cost of our funding, changes in our membership profile, the withdrawal of one or more large members, competitive pressures, shifts in demand for our products, and general economic conditions. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.