Federal Home Loan Bank
NEW YORK

PRINCIPAL-DEFERRED ADVANCE (PDA)

A Hybrid Advance Product

The Principal-Deferred Advance is a hybrid advance combining the Fixed-Rate Advance and the Amortizing Advance. The PDA begins as a Fixed-Rate Advance, allowing members to choose a specific amount of time they would like to defer the principal payment of the advance up to 5 years. When the lockout, or principal-deferred, period ends the advance becomes an Amortizing Advance, where the member makes principal and interest payments on the loan up to another 30 years.

Example: 30-year PDA with a 5-year Principal-Deferred Period	
Years 1-5	**Years 6-30**
Principal-Deferred Period; Pay Interest Only Mimics Fixed-Rate Advance	Principal and Interest Payments Monthly Mimics Amortizing Advance

Features:

- Rate: fixed over the life of the advance
- Day count basis: 30/360
- Initial payment frequency: first business day of each month
- Term: 1-30 years after principal-deferred period
- Maximum principal-deferred period: 5 years
- Maximum settlement: 12 months out
- Prepayable: yes

Benefits:

- Valuable asset/liability management tool
- Fully amortizing back-end with a choice of varying balloon terms
- Mirrors characteristics of a typical construction deal with a permanent take-out
- No embedded options in the advance

Best used for:

- Members who match fund construction-to-permanent loans
- Members who want to pre-fund a branch
- Liquidity

For more information on how the Principal-Deferred Advance can help meet your institution's funding needs, contact a Calling Officer at (212) 441-6700.

Note: Advances may be collateralized with eligible mortgages or securities identified in the Member Products Guide.