



## FHLBNY LETTER OF CREDIT (L/C)

### Form a Strategic Alliance with an FHLBNY L/C

The sought-after idea of collateralizing your municipal deposits at your local community lender with a triple-A-rated Letter of Credit is now a reality through the Federal Home Loan Bank of New York's (FHLBNY) L/C program. In the past, some institutions did not have this alternate way to collateralize municipal deposits. Now several states have amended their laws to permit these institutions to utilize an FHLBNY L/C as eligible collateral.

#### What is an FHLBNY L/C?

An L/C is a credit instrument issued by a financial institution guaranteeing payment on behalf of its customer to a beneficiary, normally to a third party but sometimes to the institution's customer, for a stated period of time and when certain conditions are met.

An FHLBNY L/C substitutes the issuing institution's credit for the credit of the FHLBNY. The FHLBNY L/C has a triple-A counter party credit rating. According to Moody's Investors Service, a triple-A-rating is judged to be the best quality and carry the smallest degree of investment risk.

#### Benefits of Accepting an FHLBNY L/C:

- » **No cost to you** – The L/C is paid for by the FHLBNY member institution, not the municipality
- » **Immediate pay out with submission of proper draw certificate** – In the unlikely event of a default in performance by the member institution, municipalities get paid promptly, as opposed to selling securities to the market. Municipalities will receive, on the day of the transaction, a one page L/C via fax with the original sent via an overnight delivery service
- » **Efficient operational process** – The L/C eliminates the need for the depository institution to match securities and monitor margin calls, which reduces operational expenses

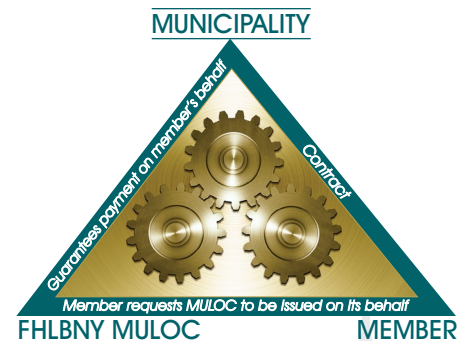
#### How to Request an FHLBNY L/C:

Only members of the FHLBNY can request a L/C from the FHLBNY, so you must work with your depository institution. With over 330 members, it's a good chance that your current depository institution is an FHLBNY member.

A complete listing of FHLBNY members can be found on our website at [www.fhlbny.com/members](http://www.fhlbny.com/members) under *Membership List*.

For more information on this tri-party agreement and the benefits it offers, contact us at (212) 441-6700.

Check out the L/C section on our website at [www.fhlbny.com/LC](http://www.fhlbny.com/LC).



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