Federal Home Loan Bank of New York

June 23, 2008

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Dear Mr. Feldman:

Thank you for providing the Federal Home Loan Bank of New York ("FHLBNY") with the opportunity to comment on the interim final Covered Bond Policy Statement ("Policy Statement") issued by the Federal Deposit Insurance Corporation ("FDIC") on April 15, 2008.

While not explicitly stated, certain specific issues raised by the FDIC in the Policy Statement for public comment could, depending on how such issues are resolved, have direct implications on the use of Home Loan Bank advances by insured depository institutions that are also our members. Specifically, the FDIC has asked for comments as to "(w)hether an institution's percentage of secured liabilities to total liabilities should be factored into an institution's insurance assessment rate or whether the total secured liabilities should be included in the assessment base." In addition, the FDIC has also asked for comments as to "(w)hether, as part of this Policy Statement, there should be an overall cap for secured liabilities."

The FHLBNY has approximately 300 member institutions, of which almost 75% rely on advances as a regular and sensible source of funding. Access to this readily-available source of low cost funds is a competitive advantage that only Home Loan Bank members enjoy. Moreover, access to advances promotes strong and stable lenders and a stable financial services component - a key component – in our economy. Factoring an institution's percentage of secured liabilities to total liabilities into an institution's insurance assessment rate or including total secured liabilities in the assessment base would effectively **levy a Home Loan Bank advances usage penalty on member institutions. This would negatively impact the funding cost advantage currently enjoyed by our member community lenders as well as the communities that they serve.**

While the foregoing might in and of itself lead some members to utilize other, less reliable sources of funds, assigning an overall cap on all secured liabilities, including Home Loan Bank advances, would clearly force member institutions to choose alternative funding sources that may not be optimal with respect to managing their funding and interest rate risks. The negative impact of these actions will ultimately be borne by the communities that our members serve, as higher funding costs will be passed on to the consumer and as members choose to curtail lending that is no longer economically viable.

It is also important to note that, just like any funding sources, properly structured liabilities are essential to the safe and sound management of a financial institution. The insurance assessment should be based on risk rather than an arbitrary amount or ratio on any balance sheet items. The primary regulators are in the best position to judge the appropriateness of the balance sheet management and the risk it poses to the insurance funds. The ratings (CAMELS) should be the best basis for the calculation base for insurance assessment.

Through advantaged pricing, diverse product offerings and collateral practices that help members liquefy a wide range of mortgage assets held in portfolio, the FHLBNY has been able to help meet members'

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short-and long-term funding needs. It is well recognized that Home Loan Bank advances serve as a vital tool that enable members to effectively manage interest rate risk while funding prudent asset growth and allowing for the realization of optimal spreads on core business activity. Our cooperative model also provides members with significant additional benefits that grow commensurate with the level of business that they conduct with the FHLBNY, individually and collectively. In addition to receiving an above market dividend on their capital investment, members have access to "at-cost" Community Lending Program funds as well as grants through the Bank's Affordable Housing Program. These programs directly assist members in supporting community development and affordable housing initiatives within their lending communities. The Affordable Housing Grant Program, mandated by FIRREA in 1989, is funded each year through an allocation of 10% of the FHLBNY's prior years' earnings ($40 million allocated for 2008).

For over 75 years, the FHLBNY has effectively served its membership through widely ranging economic cycles and various financial crises. A consistent hallmark of our service as a provider of low cost liquidity to our members has been ease of accessibility and utmost reliability. Since the current credit crisis began, our members (and other financial institutions) have seen firsthand the lack of reliability of other liquidity sources. While the Wall Street firms and money center banks were restricting the usage of their repo lines by discouraging their customers through exorbitant haircuts and higher rates, advances from the FHLBNY remained readily available to members at relatively low rates and with collateral haircuts increasing appropriately to manage risks. As a result, over the past 10 months, the FHLBNY has experienced a 40% increase in overall member usage of its advance products. However, it should be noted that our 220 actively borrowing members have on average, an advances-to-total-assets ratio of less than 10%. This illustrates the fact that members do have diverse funding sources and they do not solely or predominantly rely on FHLBNY advances for their funding needs. They should therefore not be penalized for accessing this reliable and economically advantageous source of funding.

In today's banking environment, competition for core deposits is stiffer than ever. Besides competing against locally-based banking competitors, FHLBNY member institutions also face numerous cyber-space competitors. These Internet-based deposit aggregators are able to "pay up" for available savings dollars, without the physical restrictions and overhead expenses of "brick and mortar" branches. Community banks are still very much in need today; however, the traditional local deposit gathering/loan generating community bank model is difficult to maintain in this age of Internet banking. Home Loan Bank advances offer a competitively priced supplemental source of reliable funding when deposit balances are volatile.

We appreciate the FDIC's focus on and resolve in ensuring that all insured depository institutions maintain prudent liquidity management practices, while also keeping the costs to the Deposit Insurance Fund in a receivership situation at reasonable levels. **However, we strongly urge the FDIC to avoid taking any action that would place an implicit or explicit constraint on the utilization of advances by Home Loan Bank members. The FHLBNY is a reliable, strategic partner in providing access to advances – a critical liquidity management tool for members as they support the housing, commercial and economic development lending needs of their communities.**

Once again, thank you for the opportunity to present our views on the Policy Statement. Please contact me at 212-441-6801 if you would like to discuss this further.

Sincerely,

Alfred A. DelliBovi

Alfred A. DelliBovi
President and CEO
Federal Home Loan Bank of New York