Products and Solutions Guide

FHLBBoston

May 5, 2015

Federal Home Loan Bank of Boston | 800 Boylston Street | 9th floor | Boston, MA 02199 | www.fhlbboston.com

Table of Contents

FHLBBoston

FHLBBoston

Building Communities – Building New England

The mission of the Federal Home Loan Bank of Boston is to provide highly reliable wholesale funding and liquidity to its member financial institutions in New England. We deliver competitively priced financial products, services, and expertise that support housing finance, community development, and economic growth, including programs targeted to lower-income households.

Chartered in 1932, the Federal Home Loan Bank of Boston is one of 12 Federal Home Loan Banks across the country. The Bank is a cooperative that serves the six New England states. Our members are our shareholders and our customers and we are committed to providing members with financial products and services that help build vibrant communities within established risk management parameters.

The Bank provides highly reliable wholesale funding and liquidity to our member financial institutions. We deliver competitively priced financial products, services, and expertise that support housing finance and community economic growth, including programs targeted to lower-income households.

The Products and Solutions Guide is designed to help members understand and use our products, solutions, services, and pricing. It also provides information about the Bank's credit and collateral policies, and the Mortgage Partnership Finance® (MPF®) program, as well as the requirements for accessing those products and services in a safe and sound manner.

About the Guide

The Bank's board of directors established the Products and Solutions Guide and reviews and re-adopts it at least annually.

Please note that the Products and Solutions Guide is also the Bank's Credit Policy and the Bank's Products Policy.[1] Accordingly, any reference in any agreement or other document to the Bank's Credit Policy or the Bank's Products Policy means the Products and Solutions Guide. The Bank may change the guide's terms at any time without prior notice.

The Products and Solutions Guide is available on the Bank's web site.

Each section of this guide includes contact information to direct members to the appropriate personnel at the Bank. A full listing of Bank contacts may also be found at the end of this guide.

Please note: Housing associates are governed by a separate Products and Solutions Guide, which is available from the Collateral Department (617-292-9729 or collateral@fhlbboston.com) upon request.

In the event of any conflict between the terms of this Products and Solutions Guide and any prior versions of the Bank's Credit Policy or the Bank's Products Policy, this Products and Solution Guide shall control.

1 The Products and Solutions Guide serves as the Bank's Products Policy in accordance with 12 CFR Part 917.4.

Credit Products

The Bank offers short-, medium-, and long-term loans known as advances. These advances offer fixed or variable rates and several choices for payment of principal and interest. The Bank also offers forward commitments to take down advances. Some advances contain embedded options, interest-rate caps, or interest-rate floors. The Bank offers discounted advances for funding eligible affordable-housing and community-development initiatives. In addition to advances, the Bank offers noncash credit products such as letters of credit.

We want our members to have the tools and information necessary to select the best financial solutions. In addition to your relationship manager, the Bank's financial strategists are available to produce an analysis that can help guide you to ultimately select the funding solution that meets your specific needs. Our strategists may be reached at 1-800-357-3452 or via e-mail at strategies@fhlbboston.com.

Please note that the Bank does not act as a financial adviser, and members should independently evaluate the suitability and risks of our solutions. Please fully assess these risks and their implications prior to obtaining products from the Bank. We strive to make all maturities available every business day, subject to market conditions.

For more information about our credit products, please call your relationship manager at 1-888-424-3863, the Money Desk at 1-800-357-3452, or consult the Bank's web site, **www.fhlbboston.com**.

The product and solution descriptions that appear in the following pages of this guide are meant as summaries only and do not purport to disclose all risks and other material terms and conditions associated with such products and solutions. Nothing in this guide shall be deemed business, legal, tax, or accounting advice from the Bank. Members are encouraged to consult their own business, legal, and accounting advisers with respect to the Bank's products and solutions and should refrain from utilizing any of the Bank's products and solutions unless they have fully assessed the risks and terms.

The Bank's confirmations for advances are available in Appendix D of this guide. A member should review not only this guide, but also the advance confirmation associated with any Bank product or solution prior to utilizing such product or solution so as to understand the terms, including, without limitation, the prepayment provisions.

FHLBBoston

Daily Cash Manager Advance

Overnight funding.

Common Uses

- Manage daily liquidity needs.

Terms

One day.

Disbursement

Funds are available the same day or next business day.

Principal and Interest

- Principal and interest are due at maturity, which is the next business day.
- Interest is calculated on an actual/360-day basis.

Additional Information

For further details, including comments on risks, please see **Daily Cash Manager**.

FHLBBoston

Rollover Cash Manager Advance

Overnight funding with an automatic rollover at maturity.

Common Uses

- Manage daily liquidity needs.

Terms

Maturity is one day, with an automatic rollover to a new one-day advance at the prevailing rate.

Disbursement

Funds are available same day or the next-day.

Principal and Interest

- Principal may be paid on a date you choose.
- Payment of interest is due monthly on the second business day of the month.
- Interest is calculated on an actual/360-day basis.

Additional Information

For further details, including comments on risk, please see **Rollover Cash Manager Advance**.

IDEAL Cash Manager Advance

Overnight funding using your IDEAL Way Line of Credit.

Common Uses

- Manage daily liquidity needs.

Terms

One day.

Disbursement

Funds are available the same day and can be accessed by wiring funds from your IDEAL Way demand account, causing an overdraft.

Principal and Interest

- Principal is due at maturity. Payment of interest is due monthly on the second business day of the month.
- Interest is calculated on an actual/360-day basis.

Additional Information

- Capital stock deficiencies caused by IDEAL Cash Manager advances will be automatically satisfied through a capital stock purchase prior to the payoff of the advance.
- For further details, including comments on risks, please see **IDEAL Cash Manager Advance**.

The IDEAL Way Line of Credit

- The IDEAL Way Line of Credit allows members to access liquidity quickly and conveniently, without calling the Money Desk.
- It is a fixed amount, typically two percent of assets, and can easily be set up and/or changed by the member by making a request through the Money Desk.
- Members are required to maintain collateral equal to the entire amount of the IDEAL Way Line of Credit, whether used or not.
- For more information about the IDEAL Way Line of Credit, please contact the Money Desk at 1-800-357-3452 or moneydesk@fhlbboston.com.

Amortizing Advance

A fixed-term and rate advance with an amortizing principal.

Common Uses

- Fund short- or long-term assets whose principal balance declines on a monthly basis due to amortization and/or prepayment.

Terms

Maturities available for terms out to 20 years with principal-amortization periods out to 30 years.

Disbursement

Funds will be available the same day if you call by noon and the following day if requested by 3:00 p.m.

Principal and Interest

- Principal and interest are due on the first business day of the month.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **Amortizing Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **Amortizing Advance**.

Classic Advance

Nonamortizing, fixed-term and rate advance.

Common Uses

- Manage liquidity needs.
- Manage interest-rate risk.
- Fund short- or long-term assets.

Terms

Maturities available for terms out to 20 years.

Disbursement

Funds are typically available the same day if you call by noon. They are available the following day if requested by 3:00 p.m.

Principal and Interest

- Principal is due at maturity and interest is due on the second business day of the month.
- For advances with maturities of one year or less, you may choose to pay principal and interest at maturity. If chosen, the advance rate may be higher than the posted rate.
- For advances with maturities of more than one year, principal is due at maturity and interest is due either monthly, on the second business day of the month, or semi-annually. If interest is due semi-annually, the advance rate may be higher than the posted rate.
- Interest is calculated on an actual/360-day basis.

Prepayment

Please see the **Classic Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **Classic Advance**.

Classic Plus Cap Advance

Nonamortizing, fixed-term advance with an interest rate that will adjust periodically below the initial rate if LIBOR exceeds a predetermined strike rate you choose.

Common Uses

- Limit exposure to rising interest rates with the added benefit of a reduced interest rate if rates rise above the cap strike level.
- Fund short- or long-term assets.

Terms

- Maturities are available for terms out to 20 years.
- The advance contains an embedded LIBOR-indexed interest-rate cap, which will reduce the advance rate below the initial rate, if LIBOR exceeds a predetermined strike rate you choose.
- The notional amount of the cap must be at least equal to the amount of the advance and no greater than three times the amount of the advance.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity and interest is due at one- or three-month intervals, in accordance with the index.
- Interest is calculated on an actual/360 basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **Classic Plus Cap Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **Classic Plus Cap Advance**.

FHLBBoston

Community Development Advances

Discounted advances that support affordable housing and economic development initiatives.

Types:

CDA

Discounted advance that supports a variety of economic development and mixed-use initiatives, including loans for small businesses, social-service or public-facility initiatives, and infrastructure improvements. These advances can also be used to support commercial, industrial, and manufacturing initiatives:

- Initiatives benefitting households with incomes at or below 115 percent of area median income for a rural initiative, or 100 percent of AMI for an urban initiative for a family of four, based on the income guidelines as published annually by HUD.
- Initiatives located in a census tract at or below 115 percent of AMI for a rural initiative or 100 percent of AMI for an urban initiative.

CDA Extra

Deeply discounted advance that supports:

- Affordable housing initiatives serving households at or below 115 percent of AMI.
- Economic development or mixed-use initiatives serving households at or below 80 percent of AMI.

Terms

Pre-approval is necessary. To apply for a Community Development advance, members must submit an online **application**.

Annual approvals per member are limited to:

$35 million for CDA; and

$15 million for CDA Extra.

Disbursement

Members must take down a Community Development advance within six months of the date of approval, unless the application included an approved request for a longer take-down period.

Available Products and Maturities

Community Development Advance program advances are available with maturities of one year and longer. The following advances are always available as Community Development advances: Classic, Member-Option, and Amortizing. Other Community Development advances may be available upon request.

Reporting

The Bank does not require annual reporting for Community Development advances, but it does reserve the right to monitor compliance with the certifications made in the confirmation for the advance.

Additional Information

For further details, please see **Community Development Advances**.

Expander Advance

Nonamortizing, fixed-term and rate advance. You have a one-time opportunity to increase the principal amount of the advance by 100 percent of the original amount, at the original interest rate, for the remaining term of the advance.

Common Uses

- Limit exposure to rising interest rates.
- Fund short- or long-term assets.

Terms

- Maturities are available for terms out to 20 years.
- The expansion date may be selected from one to 10 years from the original disbursement date.

Disbursement

- Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity and interest is due on the second business day of the month.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **Expander Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **Expander Advance**.

Forward Starting Advance

Lock in current fixed rates and delay funding the advance for up to two years. Classic and Amortizing advances may be customized to use the forward starting feature.

Common Uses

- Access the current rate environment without adding additional liquidity.
- Lock in rates for anticipated future funding needs.
- Allow borrowers to lock in rates on loans with future closing dates.
- Manage anticipated deposit runoff or uncertainty in the future.

Terms

- Maturities available for terms out to 20 years.

Disbursement

- Funding can be delayed for up to two years.

Principal and Interest

- Principal and interest are due based on the terms of the specific advance utilized. Interest begins accruing at disbursement.
- Interest is calculated on an actual/360-day basis.

Additional Information

- Members will be required to collateralize and purchase activity-based capital stock at the time of disbursement.
- For further details, including comments on risks, please see the **Forward Starting Advance**. Please call the Money Desk at 1-800-357-3452, for indications on specific structures.

HLB-Option Advance

Nonamortizing, fixed-rate and term advance. The Bank holds the option to cancel the advance on specified dates prior to maturity.

Common Uses

- Generally used in a flat yield-curve environment to obtain a lower cost of funding than a Classic advance with a maturity equal to the lockout period.
- Fund short- or long-term assets.

Terms

- Maturities available for terms out to 20 years, but always with the condition that the Bank may cancel the advance prior to final maturity.
- There is an initial lockout period during which the Bank cannot cancel the advance. You may choose a lockout period of three months to 10 years.
- We may cancel the advance only on scheduled cancellation dates, after the initial lockout period. The Bank makes no warranties as to the circumstances under which it might cancel an advance.
- The Bank will provide notice of cancellation in writing at least four business days before the cancellation date.
- Some HLB-Option advances are offered with only one cancellation date. Others are offered with a series of cancellation dates at regular intervals, usually quarterly.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity and interest is due on the second business day of the month.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- If the Bank exercises its option to cancel, you must repay the advance, but you may replace the advance with a new advance. The new advance may be for any structure and term to maturity agreed upon between the member and the Bank. The rate on the new advance will be that in effect at the time the new advance is taken.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **HLB-Option Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks please see **HLB-Option Advance**.

HLB-Option Plus Cap Advance

Nonamortizing, fixed-rate and term advance. The Bank holds the option to cancel the advance on specified dates prior to maturity. Also, the advance rate may decrease if LIBOR rises above a strike rate you choose.

Common Uses

- Generally used in a flat yield-curve environment to obtain a lower cost of funding than a Classic advance with a maturity equal to the lockout period. Added benefit of a reduced interest rate if rates rise above the cap strike level.
- Fund short- or long-term assets.

Terms

- Maturities available for terms out to 20 years, but always with the condition that the Bank may cancel the advance prior to final maturity.
- There is an initial lockout period during which the Bank cannot cancel the advance. You may choose a lockout period of three months to 10 years.
- The rate adjusts periodically based on an embedded interest-rate cap position. The rate cannot go above the original, stated rate.
- The notional amount of the embedded cap can be from 100 percent to 300 percent of the amount of the advance. It is a factor in determining the amount of the rate adjustment.
- We may cancel the advance only on scheduled cancellation dates, after the initial lockout period. The Bank makes no warranties as to the circumstances under which it might cancel an advance.
- The Bank will provide notice of cancellation in writing at least four business days before the cancellation date.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity and interest is due on the second business day of the month.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- If the Bank exercises its option to cancel, you must repay the advance, but you may replace the advance with a new advance. The new advance may be for any structure and term to maturity agreed upon between you and the Bank. The rate on the new advance will be that in effect at the time the new advance is taken.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **HLB-Option Plus Cap Advance Confirmation**.

Additional Information

For further details, including comments on risks please see **HLB-Option Plus Cap Advance**.

FHLBBoston

Knockout Advance

Nonamortizing, fixed-term and rate advance. The advance will be cancelled automatically if LIBOR equals or exceeds a specified strike rate on selected dates, both selected by the member.

Common Uses

- Generally used in a flat yield-curve environment to obtain a lower cost of funding than Classic advances with a maturity equal to the lockout period.
- Fund short- or long-term assets.

Terms

- Maturities available for terms out to 20 years, but always with the condition that the advance will be terminated prior to final maturity if LIBOR equals or exceeds the specified strike rate on a specified date.
- The Knockout advance is offered with an initial lockout period during which the advance will not be terminated. You may choose a lockout period of three months to 10 years. After the initial lockout period, the Bank will automatically cancel the advance on any specified cancellation date if LIBOR equals or exceeds the strike rate, four London business days prior to the scheduled cancellation date.
- Some Knockout advances are offered with only one cancellation date. Others are offered with a series of cancellation dates at regular intervals, usually quarterly.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity. Interest is due monthly on the second business day of the month.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- If the Knockout Advance is cancelled, you must repay the advance, but you may replace the advance with a new advance. The new advance may be for any structure and term to maturity agreed upon between you and the Bank. The rate on the new advance will be that in effect at the time the new advance is taken.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **Knockout Advance Confirmation** for more information of prepayment fees.

Additional Information

For further details, including comments on risks please see **Knockout Advance**.

Member-Option Advance

Nonamortizing, fixed-term and rate advance. Members have the option to cancel the advance on specified cancellation dates they select.

Common Uses

- Manage interest-rate risk.
- Fund short- or long-term assets.
- Manage exposure to prepayment risk of assets.

Terms

- Maturities are available for terms out to 20 years.
- The member must provide notice of cancellation in writing at least four business days before the cancellation date.

Disbursement

Funds will be available three business days after the trade date.

Principal and Interest

- Payment of principal is due at maturity. Interest is due monthly on the second business day of the month.
- Interest is calculated on an actual/360-day basis.

Prepayment

- Advances may be prepaid in full or in part, on specified cancellation dates with no prepayment fee. Typically, the cancellation dates are the first or third anniversary of the disbursement and semiannually thereafter. (Other prepayment structures may be available.)
- The advance may be prepaid, subject to a fee, on any date other than a specified cancellation date.

Please see the **Member-Option Advance Confirmation** for more information onprepayment fees.

Additional Information

For further details, including comments on risks, please see **Member-Option Advance**.

New England Fund

Discounted advances that support affordable housing and economic development initiatives.

The New England Fund offers low-cost, fixed-rate advances for eligible affordable housing and economic development initiatives that benefit households or neighborhoods with incomes up to 140 percent of the area median family income.

Member institutions may apply to the NEF for funding in support of proposed developments, programs, or loans that meet the eligibility guidelines specified below. Mortgage loans eligible for the NEF include those originated or purchased by members.

Income Guidelines

Where mentioned below, "area median income" and AMI refer to the area median income as defined by the U.S. Department of Housing and Urban Development. You can use the Federal Financial Institutions Examination Council's Geocoding System to determine the median-income percentage for a particular address.

Eligible One- to Four-Family Loans

One- to four-family mortgage loans are eligible if they are:

- Made to individual homeowners whose incomes do not exceed 140 percent of the area median income;
- Part of a Massachusetts 40B initiative where the loan supports an "affordable" subdivision or condominium where the incomes of at least 25 percent of the individual homeowners will not exceed 80 percent of the AMI; or
- Part of a Massachusetts 40R initiative or Rhode Island Comprehensive Permit initiative where the loan supports an "affordable" subdivision or condominium where the incomes of at least 20 percent of the individual homeowners will not exceed 80 percent of the AMI.

Residential Multifamily Rental and Cooperative Mortgages

Multifamily rental or cooperative projects are eligible if:

- The incomes of at least 80 percent of the residents do not exceed 140 percent of the AMI;
- The rents for at least 80 percent of the units are affordable to residents whose incomes do not exceed 140 percent of the AMI (i.e., affordable rents do not exceed 30 percent of 140 percent of the AMI);
- Part of a Massachusetts 40B initiative where 25 percent of the units are affordable to residents whose incomes do not exceed 80 percent of the AMI;
- Part of a Massachusetts 40R initiative or Rhode Island Comprehensive Permit initiative where at least 20 percent of the units are affordable to residents whose incomes do not exceed 80 percent of the AMI; or
- The project qualifies for Low Income Housing Tax Credits, whether or not such credits are used.

New England Fund

Nonresidential Community Economic Development Loans

Non-residential community economic development projects or programs are eligible if:

- The project is located in a census tract, neighborhood, or other geographic area for which the AMI does not exceed 140 percent of the AMI for the larger geographic area (e.g., PMSA or county);
- The project primarily serves individuals or households with incomes that do not exceed 140 percent of the AMI; or
- The project primarily employs individuals from households with incomes that do not exceed 140 percent of the AMI. If the employees' household incomes are unknown, a project is eligible if it primarily employs individuals whose salaries do not exceed 80 percent of the AMI for one-person households.

Terms

Pre-approval is necessary. To apply for the NEF advance, members must submit an **online application**.

Disbursement

Members must take down an NEF advance within 12 months of the date of approval, unless the application included an approved request for a longer take-down period.

Available Products and Maturities

NEF advances are available with maturities out to 20 years. The following advances are available as NEF advances: Classic, Member-Option, and Amortizing.

Reporting

The Bank does not require annual reporting for NEF advances, but it does reserve the right to monitor compliance with the certifications made in the confirmation for the advance.

Additional Information

For further details, please see **New England Fund**.

FHLBBoston

Symmetrical Prepayment Advance

Nonamortizing, fixed-term and rate advance with a special prepayment feature that allows you to prepay the advance at its approximate market value. Any gain will be passed through to the member subject to certain limitations.

Common Uses

- Manage liquidity needs.
- Manage interest-rate risk.
- Fund short- or long-term assets.
- In a rising-rate environment, the gain from prepayment can be used to offset the loss on sale of securities or other assets.

Terms

Maturities are available for terms out to 20 years.

Disbursement

Funds are available next day.

Principal and Interest

- Payment of principal is due at maturity and interest is due on the second business day of the month.
- Members may choose monthly or semi-annual interest payments prior to initiation.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- Interest is calculated on an actual/360-day basis.

Prepayment

- Advances may be prepaid with two business days notice to the Bank, in an amount equal to the approximate market value of the advance. Any gain will be passed through to the member subject to certain limitations.
- For further detail on the actual prepayment amount calculation, please see the **Symmetrical Prepayment Advance table**.

Please see the **Symmetrical Prepayment Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **Symmetrical Prepayment Advance**.

Capped Floater Advance

Nonamortizing, fixed-term advance with an interest rate that periodically adjusts according to changes in LIBOR and is capped at a strike level you choose.

Common Uses

- Limit exposure to rising interest rates while participating in a declining interest rate environment.
- Fund LIBOR-indexed assets containing a lifetime cap.

Terms

- Maturities available for terms out to 20 years.
- Rates adjust monthly or quarterly, depending on the index you choose. However, the rate is capped at a predetermined strike level.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Payment of principal due at maturity. Interest is due on rate-adjustment dates.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **Capped Floater Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **Capped Floater Advance**.

Collar Advance

Nonamortizing, fixed-term advance with an interest rate that periodically adjusts according to changes in LIBOR. The advance contains a combination of an interest-rate cap and an interest-rate floor you choose. The interest rate on the advance floats within the cap and floor.

Common Uses

- Cost effective alternative to a Capped Floater advance to limit exposure to rising interest rates while giving up some of the benefit of falling interest rates.
- Fund LIBOR-indexed assets.

Terms

- Maturities available for terms out to 20 years.
- Adjustable rate with an embedded interest-rate collar. The collar features a combination of an interest-rate cap and an interest-rate floor. The cap sets the maximum rate the member will pay on the advance. The floor offsets a portion of the cost of the cap, but it sets a minimum rate on the advance.

Disbursement

Funds are available two business days from the trade date.

Principal and Interest

- Principal due at maturity. Interest is due on rate-adjustment dates.
- Rates adjust monthly or quarterly, depending on the index you choose, on indicated reset dates, based on LIBOR.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- Interest is calculated on an actual/360-day basis.

Prepayment

The advance may be prepaid, subject to a fee. Please see the **Collar Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **Collar Advance**.

Corridor Advance

Nonamortizing, fixed-term advance containing two interest-rate caps that you choose. The advance rate periodically adjusts according to changes in LIBOR if the index is below cap one; it will be fixed if the index is between caps one and two, and it will periodically adjust when the index exceeds cap two.

Common Uses

- Manage exposure to rising interest rates for a short (one- to three-year) time horizon.
- Fund adjustable-rate assets and realize a wider margin on the transaction as long as market rates remain within an interest-rate corridor.

Terms

- Maturities available for terms out to 20 years.
- Adjustable rate with an embedded interest-rate corridor. The corridor features two interest-rate caps. The higher cap offsets the cost of the lower cap, but may cause the advance to revert back to an adjustable rate.

Disbursement

Funds are available in two business days after the trade date.

Principal and Interest

- Principal is due at maturity. Interest is due on rate-adjustment dates.
- Rates adjust monthly or quarterly, depending on the index you choose, on indicated reset dates, based on LIBOR.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **Corridor Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risk, please see **Corridor Advance**.

Curve Flattener Advance

A fixed-term, floating-rate advance that provides protection from a flattening yield curve since the advance rate decreases as the yield curve flattens. The advance rate periodically adjusts and is the sum of two components — a fixed component and a rate differential component based on the rate differential between two points, chosen by the member, on the Constant Maturity Swap yield curve.

Common Uses

- Provides protection from a flattening yield curve since the advance rate will decline as the reference yield curve flattens.
- Manage interest-rate risk.

Terms

- Maturities available for terms out to 20 years.
- Adjustable rate with an advance rate that is the sum of two components, a fixed component and a rate differential component. The fixed component is determined on the trade date of the advance and remains fixed throughout the term of the advance. The advance rate adjusts quarterly based on the rate differential between two points on the CMS yield curve. The rate differential component evaluates the difference between two points, chosen by the member (longer term minus shorter term), on the CMS yield curve. This difference is added to the fixed component to determine the advance rate.
- The interest rate can reset at an interest rate less than zero.

.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity. Interest is due on rate-adjustment dates.
- Rate adjusts quarterly based on the rate differential between two points on the CMS yield curve which is added to the fixed component.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **Curve Flattener Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risk, please see **Curve Flattener Advance**.

Curve Steepener Advance

A fixed-term, floating-rate advance that provides protection from a steepening yield curve since the advance rate decreases as the yield curve steepens. The advance rate periodically adjusts and is the difference between two components – a fixed component and a rate differential component based on the rate differential between two points, chosen by the member, on the Constant Maturity Swap yield curve.

Common Uses

- Provides protection from a steepening yield curve since the advance rate will decline as the reference yield curve steepens.
- Manage interest-rate risk.

Terms

- Maturities available for terms out to 20 years.
- Adjustable rate with an advance rate that is the difference between two components, a fixed component and a rate differential component. The fixed component is determined on the trade date of the advance and remains fixed throughout the term of the advance. The advance rate adjusts quarterly based on the rate differential between two points on the CMS yield curve. The rate differential component evaluates the difference between two points, chosen by the member (longer term minus shorter term), on the CMS yield curve. This difference is subtracted from the fixed component to determine the advance rate.
- The interest rate can reset at an interest rate less than zero.

.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity. Interest is due on rate-adjustment dates.
- Rate adjusts quarterly based on the rate differential between two points on the CMS yield curve which is subtracted from the fixed component.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see the **Curve Steepener Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risk, please see **Curve Steepener Advance**.

Discount Note Auction-Floater Advance

Nonamortizing, fixed-term advance with an interest rate that adjusts periodically according to changes in the Federal Home Loan Bank System's Office of Finance discount note auction rates.

Common Uses

- Manage liquidity needs.
- Fund adjustable-rate assets.
- Manage exposure to declining interest rates.
- Long-term funding commitment at short-term interest rates.

Terms

Maturities are available in terms out to 20 years.

Disbursement

Funds are available the next day.

Principal and Interest

- Principal is due at maturity. Interest is due on the rate-adjustment date.
- Rates reset every four or 13 weeks, depending on the index you choose, on indicated reset dates, based on the result of the prior day's discount-note auction.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. There is no fee if paid at reset dates. Please see the **Discount Note Auction-Floater Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risk, please see **Discount Note Auction-Floater Advance**.

Flipper Advance

Nonamortizing, floating-to-fixed-rate advance where the Bank holds the option to cancel the advance on certain specified dates after a specified lockout period. During the lockout period, the advance rate will adjust periodically according to changes in LIBOR and generally be sub-LIBOR (the spread to LIBOR is determined by the member). If the advance is still outstanding after the lockout period, it will flip to a predetermined fixed rate.

Common Uses

- Generally used in a flat yield curve environment when margins are under pressure. Sub-LIBOR funding for the lockout period is available.
- Manage interest-rate risk.

Terms

- Maturities are available for terms out to 20 years, but always with the condition that the Bank may cancel the advance prior to final maturity. There is a lockout period during which the Bank cannot cancel the advance. You may choose a lockout period of three months to 10 years.
- We may cancel the advance at the end of the lockout period. After the lockout period, the Bank may cancel the advance only on a scheduled cancellation date, if any. The Bank makes no warranties as to the circumstances under which we might cancel an advance.
- The Bank will provide notice of cancellation in writing at least four business days before the cancellation date.
- Some Flipper advances are offered with only one cancellation date. Others are available with a series of cancellation dates at regular quarterly or annual intervals.
- The interest rate can reset at a rate less than zero.
- The Bank holds the option to cancel on certain specified dates. If the advance is not cancelled at the end of the lockout period, the advance will convert, or flip, into a fixed-rate advance. We may cancel the advance on any subsequent scheduled cancellation date, if any.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- The principal is due at maturity. Interest is due monthly on the second business day of the month.
- During the lockout period, rates adjust monthly or quarterly, depending on the index you choose, on indicated reset dates, based on LIBOR.
- If the Bank exercises its option to cancel, you must repay the advance, but you may replace it with a new advance. The new advance may be for any structure and term to maturity agreed upon between you and the Bank. The rate on the new advance will be that in effect at the time the new advance is taken.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advance may be prepaid, subject to a fee. Please see the **Flipper Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks please see **Flipper Advance**.

Flipper Advance with Guaranteed Flip

Nonamortizing, floating-to-fixed-rate advance. During the floating-rate period, the advance rate will adjust periodically according to changes in LIBOR and generally be sub-LIBOR (the spread to LIBOR is determined by the member). After the floating-rate period, it will flip to a predetermined fixed rate until maturity.

Common Uses

- Generally used in a flat yield curve environment when margins are under pressure. Sub-LIBOR funding for the floating-rate period is available.
- Manage interest-rate risk.

Terms

- Maturities are available for terms out to 20 years. You may choose a floating-rate period of three months to 10 years.
- The interest rate can reset at a rate less than zero.
- After the floating-rate period, the advance will convert to a predetermined fixed-rate advance until maturity.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- The principal is due at maturity. Interest is due monthly on the second business day of the month.
- During the floating-rate period, the advance rate adjusts monthly or quarterly, depending on the index you choose, on indicated reset dates, based on LIBOR.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advance may be prepaid, subject to a fee. Please see the **Flipper Advance with Guaranteed Flip Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **Flipper Advance with Guaranteed Flip**.

LIBOR-Indexed Advance

Nonamortizing, fixed-term advance with an interest rate that adjusts periodically, according to changes in LIBOR.

Common Uses

- Manage liquidity needs.
- Fund adjustable-rate assets.
- Manage exposure to declining interest rates.
- Long-term funding commitment at short-term interest rates.

Terms

Maturities are available for terms out to 20 years.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity and interest is due on rate adjustment dates.
- Rates adjust monthly, quarterly, or semiannually, depending on the index you choose, on indicated reset dates.
- The minimum offering size is $10 million. Offering size orders for less than $10 million will be aggregated with other requests for advances with identical terms and will be executed when orders total $10 million.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. There is no fee if prepaid at reset dates. Please see the **LIBOR-Indexed Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **LIBOR-Indexed Advance**.

The Slider Advance

Nonamortizing, fixed-term advance, with an interest rate that adjusts periodically to changes in LIBOR and an embedded interest-rate floor position. For every basis point LIBOR sets below the strike rate of the floor, the advance rate will decline by two basis points.

Common Uses

- Manage exposure to declining short-term interest rates.
- Fund adjustable rate assets.

Terms

- Maturities available for terms out to 20 years.
- The rate of the advance cannot go below zero.

Disbursement

Funds are available two business days after the trade date.

Principal and Interest

- Principal is due at maturity. Interest is due on the rate-adjustment date.
- Rates adjust monthly or quarterly, depending on the index you choose, on indicated reset dates, based on LIBOR.
- Interest is calculated on an actual/360-day basis.

Prepayment

Advances may be prepaid, subject to a fee. Please see **The Slider Advance Confirmation** for more information on prepayment fees.

Additional Information

For further details, including comments on risks, please see **The Slider Advance**.

FHLBBoston

Advance Restructuring

A solution that extends the maturity and reduces the rate of existing advances.

Through this product, members can restructure outstanding advances for certain eligible product types and blend the contractual prepayment fee into the rate of a new long-term advance. There is no cash settlement of the prepayment fee since it is blended into the rate of the new advance. This allows members to extend the maturity of their existing advances at a lower rate on the new advances compared with the rate on the original advances — without taking additional cash or purchasing additional stock.

The Bank will also remodify advances that were restructured more than 12 months ago.

To help you determine whether this product may be beneficial to your institution, please contact your relationship manager.

For more information, see the **Advance Restructuring Solution** presentation.

Advances Pricing

The Bank prices credit products consistently and without discrimination to all members applying for advances no matter the size of the financial institution. We must also ensure regulatory compliance while making advances profitable in order to meet our financial performance objectives and provide an adequate return to our member shareholders. We strive to provide a rate that is competitive with comparable funding alternatives available to members.

We are also prohibited by regulation from pricing our advances below our marginal cost of matching term and maturity funds in the marketplace, including embedded options, and the administrative cost associated with making such advances to members. However, we may price advances on a differential basis, such as the creditworthiness of members, volume, or other reasonable criteria applied consistently to all members.

With these regulatory parameters in mind, we price all credit products according to market conditions and the following specific criteria:

- The Bank's cost of funds;
- The Bank's cost of delivering products (general and administrative expenses); and
- Bank profitability targets and risk/return objectives.

The Bank's Asset-Liability Committee establishes minimum spread requirements relative to its funding costs for all products.

Please note that pricing for the Daily Cash Manager advance is primarily based on the federal funds market, which is highly variable and dynamic. As a result, pricing is subject to change more frequently and at irregular intervals compared with other advances products.

PAID Program

We offer discounts on the Rollover Cash Manager, Classic, Amortizing, and Symmetrical Prepayment advance products with at least one year to maturity based on the member's percentage of advances to assets under the Percent of Assets Incentive Discount (PAID) program. The discounts under this program are one, two, and three basis points for members with advances-to-assets ratios of 10 percent, 15 percent, and 20 percent, respectively. These discounts apply only to rates on programs outside the AHP, CDA, and NEF programs that are not discounted in any other way.

Special Advance Offerings

From time to time, the Bank offers scheduled and unscheduled specials on pricing.

In order to promote equal access to "special" pricing to all members, we offer specials that approximate those offered for single large transactions.

Our **rates** are available in real time on our website. Or you may call your relationship manager at 1-888-424-3863 or the money desk at 1-800-357-3452, moneydesk@fhlbboston.com for rate information.

Letters of Credit

Standby and confirming.

Common Uses

- Securing public unit deposits.
- Credit support for certain tax-exempt and taxable bonds.
- Performance guaranty in lieu of a construction performance bond.
- Collateral for obligations arising pursuant to an interest-rate swap.
- Credit support for other financial obligations.

Terms

Three months to 10 years.

Must be used to:

- Facilitate residential housing finance or community lending.
- Assist with asset/liability management.
- Provide liquidity or other funding.

Issuance

For securing public-unit deposits, next business day if application is received by noon. Issuances for other uses vary, depending on complexity.

Additional Information

For further information, see Letters of Credit.

Letters of Credit Pricing and Fees

Legal fees and operational expenses incurred on a letter of credit may be passed through to the member as a processing fee.

LOC fees are calculated and billed on an actual/360 basis. See the letter of **credit pricing schedule**.

Fees upon draws on a letter of credit made by a beneficiary take into account all direct and indirect costs in satisfying the draw. Fees reflect the imputed rate of return that would have been earned and the taxes that would have been paid if the Bank were a private corporation. They are calculated by applying a cost-of-capital adjustment factor to the assets used in satisfying the draw.

Fixed-balance letter of credit fees are based on the face value of the letter of credit and are the greater of (a) a minimum dollar fee or (b) a fee based on the face value of the letter of credit multiplied by a basis points amount per annum determined by the maturity of the letter of credit. In the case of a confirming letter of credit supporting a bond transaction, a one-time processing fee will be added to the fee described previously under (b), and a minimum dollar fee will not apply.

Refundable-balance letter of credit fees are calculated in the same manner as fixed-balance letter of credit fees. However, if during the term of the letter of credit the average daily balance in the account throughout the term of the LOC is below the original face amount of the Refundable Balance LOC, a portion of the fee is eligible for a refund to the member when the LOC matures (or annually, whichever occurs first).

Variable-balance letter of credit fees are based on the quarterly average outstanding balance of deposits that are collateralized by the letter of credit and reported to the Bank by the member multiplied by a basis points amount per annum determined by the maturity of the letter of credit plus a processing fee. Deposit balances must be reported within 15 days following the reporting quarter-end. Average deposit balances that exceed the face value of the letter of credit are not guaranteed by the letter of credit.

Members should contact their relationship manager at 1-888-424-3863, or the Money Desk at 1-800-357-3452, or moneydesk@fhlbboston.com for information regarding **collateral requirements and pricing for letters of credit**.

Asset-Purchase Programs

The Bank participates in the Mortgage Partnership Finance® (MPF®)[1] program, which is an attractive alternative to the traditional secondary market. Through MPF, the Bank purchases eligible mortgages from participating members. Members originate and service the loans and are paid fees in return for retaining a portion of the credit risk associated with the loans. The Bank manages the interest-rate, liquidity, and prepayment risks, as well as a portion of the credit risk of the loans purchased.

We also facilitate the sale of loans to Fannie Mae by participating members through the MPF Xtra® program and the sale of high-balance loans to a third-party investor through the MPF Direct® program.

The MPF program is administered by the Federal Home Loan Bank of Chicago. As the MPF Provider, FHLB Chicago sets base prices, rates, and fees associated with various MPF products using observable third-party pricing sources as inputs to its proprietary pricing model. The Bank has the ability to adjust prices based on various criteria including volume, credit risk, or level of interest rates. The MPF Provider publishes updated quotations on its secure eMPF® web site, **www.fhlbmpf.com**, during normal business hours. Participating members can execute delivery commitments of less than $1 million directly via the web site. Larger commitments require a phone call to the MPF hotline, 1-877-463-6673. This practice ensures the accuracy of the price quote.

We do not adjust pricing based on the size of the delivery commitment or other factors.

For more information about our asset purchase programs, please contact the MPF staff or your relationship manager at 1-888-424-3863.

1 Mortgage Partnership Finance®, MPF®, MPF Xtra®, eMPF®, and MPF Direct® are registered trademarks of the Federal Home Loan Bank of Chicago.

Correspondent Services

We also provide a variety of correspondent services for cash management and investment. Cash management services include IDEAL Way demand deposit accounts, IDEAL Way lines of credit, custodial mortgage accounts, funds transfer services, and Fed settlement services. Our investment services include several short- and long-term deposit programs and safekeeping and trading services.

For more information about the Bank's **correspondent services**, please contact your relationship manager at 1-888-424-3863, or customer service at 1-800-358-9709.

Underwriting Requirements

General Requirements

The Bank's decision to extend credit to a member is based on our analysis of the member's financial condition and the level, value, and quality of the member's eligible collateral. The Bank is responsible for ensuring that all extensions of credit comply with applicable statutes, Federal Housing Finance Agency regulations, and the Bank's guidelines.

To protect our cooperative and your investment, the Bank monitors each member's financial condition on a continuous basis to assure that extensions of credit are made in a safe and sound manner. Our primary tools for monitoring include quarterly financial reports, federal and state examination reports, audited financial reports, publicly available reports, and interviews with senior management during periodic financial reviews by the Credit Department.

The Bank's assessment of your financial condition is focused on key financial and management indices including:

- capital adequacy
- asset quality and composition
- management
- earnings
- liquidity
- interest-rate risk management

The Bank's primary measurement for capital adequacy is "tangible equity capital," which the Bank defines as total equity capital as reported in accordance with generally accepted accounting principles less goodwill and certain other intangible assets. The Bank also considers the financial condition of a member's parent holding company and/or affiliates when extending credit to a member.

The Bank reserves the right to not extend credit to any member that the Bank determines, in its sole discretion, fails to meet the Bank's underwriting guidelines.

Credit Status Categories

Depository Institution Members:

The Bank assigns each depository institution member to one of the following three credit status categories based on our assessment of the member's overall financial condition and certain other factors included in this guide:

- Category 1: Members that are in generally satisfactory financial condition.
- Category 2: Members that show weakening financial trends in key financial indices and/or regulatory findings.
- Category 3: Members with financial weaknesses that present the Bank with an elevated level of concern.

At a minimum, members with a ratio of tangible equity capital to assets of less than 4.50 percent will not be eligible for Category 1 status, and members with a tangible capital ratio of less than 3.50 percent will be assigned to Category 3 status.

Note: All changes to a depository institution member's category and/or borrowing status are reviewed and approved by the Bank's internal Credit Committee. The Bank will notify the member of any such changes in writing.

Member Status Implications:

The assignment of a depository institution member to a particular credit status category impacts the member's specific collateral requirements. Please refer to these requirements in the **Collateral section** of this guide.

Insurance Company Members:

Insurance company members are not placed in the same credit status categories as depository institutions because they are subject to different laws and regulations in their particular states.

Underwriting Requirements

Member Requests for Extensions of Credit

Members may request an extension of credit from the Bank by calling the Money Desk at 1-800-357-3452.

Category 3 depository institution members are required to complete and submit the **Supplement-A to Application for Advance** (Supplement-A) when requesting an extension of credit from the Bank.

Some insurance company members may be required to complete a similar supplement. Your relationship manager will notify you if this requirement applies to your institution.

For purposes of the Supplement-A process, the Bank considers the transfer of an IDEAL Way advance to an overnight or other regular advance to be a disbursement of new funds because the IDEAL Way line of credit reverts to its original amount when an IDEAL Way advance is transferred.

Note: Supplement-A is generally not required for a request to roll an existing maturing advance into a new advance with a maturity of six months or less and does not involve the disbursement of new funds. Please direct any questions regarding Supplement-A to the Credit Department at 617-425-9540.

Residential Asset Form for Insurance Companies

The Bank is required to confirm that members maintain adequate residential housing finance assets, including mortgage-backed securities equal to or greater than advances disbursed with more than a five-year term. If you will be borrowing with a term of more than five years, our Money Desk staff will ask you to complete and submit a new **Residential Housing Finance Assets form** before borrowing. This form will ask for the total amount of housing assets from your last quarterly report. Keep in mind that the form is not required for a term of five years or less.

Maturity and/or Other Borrowing Restrictions

The Bank may impose a maturity and/or other borrowing restrictions on a member if the Bank determines that the member's financial condition presents the Bank with an elevated level of risk, such as, if a member fails to comply with any of its regulatory capital requirements. Restrictions may also apply to a member that is affiliated with a holding company or other affiliated entity that is not in compliance with its regulatory capital requirements or that is operating in receivership, conservatorship, bankruptcy, or under the control of the regulatory entity.

Statutory Restrictions

Finance Agency regulations prohibit the Bank from extending new credit to a member that becomes insolvent on a tangible equity capital basis. However, the Bank, in its sole discretion, may renew maturing advances to such a member into an overnight Rollover Cash Manager Advance, or may require prompt repayment of maturing advances. An insolvent member also may not maintain an IDEAL Way line of credit with the Bank. In addition, the Bank may deem a member that is operating under the control of its primary regulator to be insolvent on a tangible equity capital basis.

Underwriting Requirements

Total Extensions of Credit

A member's total extensions of credit may not, at any time, exceed 50 percent of its total assets as determined by the Bank. Members must immediately contact the Bank's Credit Department at 617-425-9540 if this situation occurs. The Bank, with the approval of its president, may grant exceptions to this limitation on a case-by-case basis. The Bank will consider the following factors in determining whether a member will be allowed to obtain advances in excess of 50 percent of assets:

- The strategic reason for the higher level of borrowings;
- The level and quality of the member's eligible collateral;
- The member's overall financial condition;
- The member's asset size;
- The level and stability of the member's capital;
- Whether the member has support (or risk exposure) within a holding company structure, or from an affiliate or a subsidiary;
- The member's or holding company's NRSRO rating, if any.

The Bank will assign a depository institution member whose total advances exceed 50 percent of its assets to either Category 2 or Category 3 status as the Bank deems appropriate.

Material Adverse Event

Each member is required to immediately call the Credit Department (617-425-9540) to notify the Bank of any material adverse event and then to follow up in writing detailing the event. A "material adverse event" is one or more of the following:

- The occurrence of any event or series of events with the cumulative effect of adversely impacting the business, operations, properties, assets, or condition (financial or otherwise) of such member or any of its affiliates or its parent;
- The impairment of such member's ability to perform its obligations under its advances agreement or other agreements with the Bank; and
- The impairment of the Bank's ability to enforce its rights under the advances agreement or other agreements with such member.

Additional Information

For additional information on the Bank's underwriting requirements, please contact your relationship manager at

1-888-595-8733, or the Credit Department at 617-425-9540.

Collateral Requirements

Each member is required to pledge sufficient eligible collateral to secure advances (both new and outstanding), lines of credit, letters of credit, and other amounts payable to the Bank, as well as to participate in the asset purchase program, and to enter into derivative transactions.

In the true spirit of our cooperative, the Bank's robust collateral requirements are in place to protect our members' investment in the Bank and our financial and regulatory positions. Every member is required to pledge the required amount of eligible collateral to secure all extensions of credit from the Bank. The following collateral requirements are in place to help ensure that the Bank remains in compliance with all statutes and regulations. Please direct any questions regarding the Bank's collateral requirements to the Collateral Department at 617-292-9729 or collateral@fhlbboston.com.

Collateral Requirements

Finance Agency regulations require that all extensions of credit from the Bank to members be fully secured by eligible collateral at all times. The Finance Agency regulations also identify the general types of assets that the Bank may consider as eligible collateral. Members are required to pledge eligible collateral to use the Bank's products and solutions.

Eligible Collateral – Depository Institutions

Eligible collateral includes:

- Cash on deposit at the Bank that is specifically pledged to the Bank as collateral
- Fully disbursed whole first-mortgage loans on improved residential real estate
- Debt instruments issued or guaranteed by the U.S. government or any of its agencies
- MBS issued or guaranteed by the U.S. government or any of its agencies
- Certain private-label MBS representing an interest in whole first-mortgage loans on improved residential real estate
- Small-business, small agri-business, and small-farm loans from member community financial institutions.
- In addition, under the Other Real Estate Related Category, other collateral types such as certain home-equity loans, home-equity lines of credit, first-mortgage loans on commercial real estate, and certain commercial mortgage-backed securities may be considered by the Bank if such collateral:
  1. has a readily ascertainable value;
  2. can be reliably discounted to account for liquidation and other risk;
  3. can be liquidated in due course, if necessary.
- In all instances the Bank must be able to perfect its security interest in such collateral.

See Appendix A for detailed collateral eligibility guidelines.

Note: *Contact the Collateral Department at 617-292-9729 or collateral@fhlbboston.com for additional information regarding the pledging of eligible securities.*

Collateral Requirements

Each member is required to pledge sufficient eligible collateral to secure advances (both new and outstanding), lines of credit, letters of credit, and other amounts payable to the Bank, as well as to participate in the asset purchase program, and to enter into derivative transactions.

Eligible Collateral – Insurance Company Members

Eligible collateral includes:

- Cash on deposit at the Bank that is specifically pledged to the Bank as collateral
- Fully disbursed whole first-mortgage loans on improved residential real estate
- Debt instruments issued or guaranteed by the U.S. government or any of its agencies
- MBS issued or guaranteed by the U.S. government or any of its agencies
- Certain private-label MBS representing an interest in whole first-mortgage loans on improved residential real estate

In addition, under the Other Real Estate Related Category, other collateral types such as first-mortgage loans on commercial real estate, and certain commercial mortgage-backed securities may be considered by the Bank if such collateral:

1. has a readily ascertainable value;
2. can be reliably discounted to account for liquidation and other risk; and,
3. can be liquidated in due course, if necessary.

- In all instances the Bank must be able to perfect its security interest in such collateral.

See Appendix A for detailed collateral eligibility guidelines.

Eligible Collateral – Community Development Financial Institutions (CDFIs)

Eligible collateral for CDFIs will be based on the version of the Bank's Advances Agreement they choose to sign. Please see page 62 of this guide for more information on Advance Agreements.

Under the Blanket Lien option, eligible collateral includes:

- Cash on deposit at the Bank that is specifically pledged to the Bank as collateral
- Fully disbursed whole first-mortgage loans on improved residential real estate
- Debt instruments issued or guaranteed by the U.S. government or any of its agencies
- MBS issued or guaranteed by the U.S. government or any of its agencies

Under the Specific Lien option, eligible collateral includes:

- Cash on deposit at the Bank that is specifically pledged to the Bank as collateral
- Debt instruments issued or guaranteed by the U.S. government or any of its agencies
- MBS issued or guaranteed by the U.S. government or any of its agencies

See Appendix A for detailed collateral eligibility guidelines.

Note: *Contact the Collateral Department at 617-292-9729 or collateral@fhlbboston.com for additional information regarding the pledging of eligible securities.*

Conditions to the Bank's Acceptance of Collateral

In general, in order for the Bank to accept an asset as eligible collateral, among other things, each of the following conditions must be met:

- The asset must be owned by the member free and clear of all other liens or claims, including UCC filings and other pledge and security agreements.
- The asset must not have been in default within the most recent 12-month period, except that whole first-mortgage loans on owner-occupied one-to-four family residential property are eligible collateral provided that the borrower is not in arrears by two or more payments.
- Mortgages and other loans are considered eligible collateral, regardless of delinquency status, to the extent that the mortgages or loan are insured or guaranteed by the U.S. government or agency thereof.
- The asset must not be classified as substandard, doubtful, or a loss by the member or the member's regulatory authority, or reported as troubled debt restructure.
- The asset must not be encumbered by private transfer fee covenants, including securities backed by such mortgages, and securities backed by the income stream from such covenants — except for certain allowed transfer fee covenants (contact the collateral staff if you have questions).
- The asset cannot secure indebtedness — including mortgages — on which any director, officer, employee, attorney, or agent of the member or of any Federal Home Loan Bank is personally liable.
- The asset must comply with the Subprime and Nontraditional Loan Guidelines as detailed in **Appendix C**.

A residential mortgage loan[1] that is secured by the borrower's primary residence — whether pledged individually or as part of a private-label (non-agency) MBS — will not be accepted as collateral if it meets one or more of the following criteria:

- The annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Equity Ownership Protection Act of 1994 (HOEPA);[2]
- The loan has been identified by a member's primary federal regulator as possessing predatory characteristics;
- The loan includes prepaid, single-premium credit insurance;
- The loan is subject to state and/or local laws where one or more of the major credit-rating agencies (Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings) will not rate a security (or securities) in which the underlying collateral pool contains such a loan;
- The loan is defined as a High-Cost Loan, Covered Loan, or Home Loan, generally categorized under one or more federal, state, or local laws as having certain potentially predatory characteristics;
- The loan includes penalties in connection with the prepayment of the mortgage beyond the early years of the loan; or
- The loan requires mandatory arbitration to settle disputes.

The Bank reserves the right, in its sole discretion, to refuse to accept certain assets as collateral including, without limitation, assets constituting eligible collateral.

1 A "residential mortgage loan" is a mortgage loan secured by a one-to-four family residential property. For the Bank's purposes, the definition includes mortgage loans and home equity loans and open-ended home equity lines of credit, including those secured by junior liens.

2 The applicable thresholds are noted in Truth in Lending - Regulation Z -12 CFR 226.32.

Collateral Maintenance Level

Collateral Maintenance Level

The amount of collateral that a member is required to maintain with the Bank at all times is referred to as its collateral maintenance level. Unless otherwise specified in writing by the Bank to the member, a member's collateral maintenance level is the aggregate amount of eligible collateral as defined in this guide, and accepted by the Bank, that has a valuation equal to the aggregate amount of the Bank's extensions of credit to the member. When determining that a member has met its collateral maintenance level, the Bank applies a collateral valuation discount (haircut) to all eligible collateral, based on the Bank's analysis of the risk factors inherent in the collateral. The Bank reserves the right, in its sole discretion, to adjust collateral discounts applied. The market values for eligible securities will be determined on the basis of market bid-price quotations for the same or comparable securities as determined by, or in a manner satisfactory to the Bank.

In the event that the value of a member's eligible collateral acceptable to the Bank becomes insufficient to satisfy the member's collateral maintenance level, including, without limitation, due to market depreciation, loan amortization or loan payoffs, the member is required to pledge additional eligible collateral acceptable to the Bank so that the aggregate amount of the member's eligible collateral acceptable to the Bank is sufficient to satisfy the collateral maintenance level.

All fees and costs incurred by the Bank in connection with its collateral requirements may be charged to the member.

The specific types of eligible collateral, additional conditions to the Bank's acceptance of collateral, and the related percentages of book value, market value, or unpaid principal (as applicable) applied to collateral are discussed in more detail in **Appendix A** to this guide.

Use of Custodians

If a member uses an approved third-party custodian to hold eligible collateral otherwise required to be delivered to the Bank, it must provide the Bank with a first-priority security interest by entering into a control agreement with the custodian and the Bank.

Collateral Pledging Requirements – Depository Institutions

The primary distinction in the Bank's collateral requirements for depository members in Category 1, Category 2, and Category 3 is the degree of documentation the member provides the Bank.

All securities must be delivered to the Bank or an approved third-party custodian[1] regardless of a member's credit status.

With respect to loan collateral, members in Category 1 may generally report (on at least a quarterly basis) summary totals on their Qualified Collateral Reports for owner-occupied one-to-four family residential mortgage loans. All other loans must be listed.

Conversely, Members in Category 2 and Category 3 must list all loans. In addition, members in Category 3 must deliver to the Bank (or an approved third-party) all loan documentation required by the Bank.[2] The chart below summarizes the Bank's requirement.

Depository Institutions	Category 1	Category 2	Category 3
One- to four-family owner-occupied residential mortgage loans	Report totals	List	List and Deliver
All other loans	List	List	List and Deliver
Securities	Deliver	Deliver	Deliver

All loan level listings shall be in a format approved by the Bank and delivered to the Bank at least quarterly (or more frequently as determined by the Bank).

1 The Bank reserves the right, at any time, to require members that have delivered securities to an approved third-party custodian to deliver the securities instead to the Bank.

2 Delivery of loan collateral may also be required of members, regardless of credit status, if the Bank determines that a creditor has filed a UCC financing statement on all of a member's assets or a significant percentage of a member's collateral pledged to the Bank.

Collateral Requirements

Member's Specific Collateral Recordkeeping Requirements – Depository Institutions

Category 1 Members:

1. May use, commingle, encumber, or dispose of any portion of their collateral as long as:
   a. there has been no event of default under the member's "Agreement for Advances, Collateral Pledge, and Security Agreement;" and
   b. the remaining eligible collateral accepted by the Bank still satisfies the collateral maintenance level. Upon receipt of a member's request along with confirmation that the member's remaining collateral would still satisfy the collateral maintenance level, the Bank will execute releases to facilitate dispositions of collateral by the member.
2. Agree to permit Bank personnel to conduct periodic on site reviews to verify collateral pledged.

Category 2 Members:

1. Are required to segregate and label all loans pledged as "Collateral for the Federal Home Loan Bank of Boston."
2. May not commingle, encumber, or dispose of any collateral without the express written consent of the Bank.
3. Agree to permit Bank personnel to conduct periodic on site reviews to verify listed collateral that is pledged.

Category 3 Members:

1. Are required to deliver to the Bank or to a Bank-approved third party custodian an amount of eligible collateral, acceptable to the Bank, sufficient to satisfy the collateral maintenance level along with any required assignment of collateral to the Bank.
2. May not use, commingle, encumber, or dispose of collateral that has been assigned and delivered without the express written consent of the Bank.
3. Are required to segregate on site and mark as property of the Bank all ancillary documents that pertain to collateral that has been delivered to the Bank.
4. Are required to notify the Bank of the acceptance of proceeds from the repayment of notes pledged to the Bank as collateral. The Bank may require the delivery of an amount of collateral equal to the proceeds of the repayment of the notes into a collateral account to secure the member's indebtedness to the Bank.
5. Agree to permit Bank personnel to conduct periodic on-site reviews to verify listed collateral that is pledged.

Collateral Requirements

Collateral Pledging Requirements – Insurance Company Members

1. Are required to deliver to the Bank or to a Bank-approved third party custodian an amount of eligible collateral, acceptable to the Bank, sufficient to satisfy the collateral maintenance level along with any required assignment of collateral to the Bank.
2. May not use, commingle, encumber, or dispose of collateral that has been assigned and delivered without the express written consent of the Bank.
3. All documents requested by the Bank pertaining to collateral must be held at an approved third party custodian. In addition, depending on the type and nature of collateral, the Bank may require other information. This may include financial information and rent rolls on commercial properties, among others.
4. A servicer/special servicer arrangement must be in place to act on the behalf of the Bank. The member may use its current servicer with the approval of the Credit Department, subject to maintaining a satisfactory financial condition. Failure to maintain this status will result in the transfer of servicing of the pledged loan collateral to the Bank's control.
5. Lockbox arrangement at the property level or at the insurance company level must be in place for the benefit of the Bank prior to receiving credit for loan collateral.
6. Are required to notify the Bank of the acceptance of proceeds from the repayment of notes pledged to the Bank as collateral. The Bank may require the delivery of an amount of collateral equal to the proceeds of the repayment of the notes into a collateral account to secure the member's indebtedness to the Bank.

Additional Collateral Requirements

The Bank reserves the right to take any and all actions to protect its security position, assure compliance with this guide and to safeguard members' investment in the Bank should the Bank identify potential risks. Such actions may include, but are not limited to, requiring the delivery of additional collateral, whether or not such additional collateral would be deemed eligible collateral pursuant to this guide, and requiring a member to complete further steps in order to perfect the Bank's security interest in the members' pledged collateral. At the request of the Bank, each member agrees to execute, deliver to the Bank and/or record, as applicable, such instruments, assignments and other documents, and to take other actions necessary or desirable, to evidence, preserve and/or protect the security interest of the Bank in the collateral.

Eligible Assets Held in a Real Estate Investment Trust (REIT) and/or a Passive Investment Company (PIC), and/or Security Corporation

Assets of a member that have been transferred to a REIT and/or PIC, or other separately incorporated subsidiary typically do not constitute eligible collateral for the Bank's purposes. However, in certain cases the Bank may allow a member to include such assets in its collateral pledge provided that: (i) with respect to a REIT or PIC, the subsidiary pledges assets that constitute eligible collateral on behalf of the member; and (ii) with respect to a security corporation, the member pledges the stock certificate(s) that prove its ownership of the security corporation, and the assets in the security corporation are comprised solely of eligible collateral as determined by the Bank. All assets of a security corporation must be held in safekeeping at the Bank. (Before pledging these assets as collateral, please contact the Collateral Department).

Please direct any questions regarding the Bank's collateral requirements to the Collateral Department at 617-292-9729 or collateral@fhlbboston.com.

Appendices

FHLBBoston

Federal Home Loan Bank of Boston | 800 Boylston Street | 9th floor | Boston, MA 02199 | www.fhlbboston.com

Eligible Collateral and Collateral Valuation

The assets listed below constitute the Bank's overall eligible collateral types. Please refer to page 38 to see the collateral types that may be pledged by member type.

The Bank may, in our sole discretion, refuse certain collateral or adjust collateral discounts or valuations based on:

- The financial condition of the member
- The review of the overall quality and volatility of the value of the collateral pledged. We make this determination based on the result of on site member collateral reviews and our risk analysis.

The Bank will determine market value for all types of collateral at its sole discretion, and may determine to value collateral at the unpaid principal balance. Residential one- to four-family owner-occupied loans must not be delinquent by two or more payments. All other eligible collateral must not have been in default within the most recent 12-month period.

The following tables summarize the valuation that we generally apply for collateral purposes. The five categories of eligible collateral are cash, securities, residential first-mortgage loans, community financial institution (CFI) collateral, and other real estate-related collateral.

Please contact the Collateral Department at 617-292-9729 or collateral@fhlbboston.com if you have questions regarding eligible collateral.

Cash Collateral

Eligible Collateral	Valuation	Comments
Cash	100 percent of balance	Cash must be on deposit in a collateral account at the Bank
For members that sign the Bank's Specific Lien Advances Agreement and choose to pledge only cash, a two percent collateral maintenance level will be required.		

Securities

- All members are required to deliver to the Bank or to a Bank-approved third-party custodian all securities pledged as collateral for the Bank's extensions of credit.
- Members that use a Bank-approved third-party custodian must execute a "control agreement" with the custodian and the Bank. All pledged securities must be maintained in a segregated account under the Bank's exclusive control and have daily pricing of market values available to the Bank. *Note:* The Bank may require members that use a third-party custodian to instead deliver these securities to the Bank at any time.
- A member that holds securities in a security corporation subsidiary may be allowed by the Bank to deliver as eligible collateral the stock certificate(s) that evidence its ownership of the security corporation subsidiary. If allowed, the member is required to safekeep the underlying securities with the Bank.

Eligible Collateral and Collateral Valuation

- The Bank does not accept as collateral derivatives of eligible securities that contain excessive interest-rate and/or other financial risk, including, but not limited to, interest-only or principal-only strips of securities, or residual or "Z" tranches of collateralized mortgage obligations.
- The Bank does not accept as collateral securities that are backed by properties encumbered by private transfer fee covenants, and securities backed by the income stream from such covenants — except for certain allowed transfer fee covenants.
- The Market value for securities is determined on the basis of market bid-price quotations for the same or comparable securities as determined by, or in a manner satisfactory to, the Bank.

Eligible Collateral	Valuation	Comments
U.S. Government and Agency Securities, (excluding FNMA and FHLMC mortgage-backed securities (MBS)	97 percent of market value (remaining term to maturity three years or less); 95 percent of market value (remaining term to maturity greater than three years	
FNMA and FHLMC MBS, and Agency CMOs	93 percent of market value	
Non-Agency MBS	50 percent of market value	Only depository institution members may pledge this collateral. Limited to AAA-rated securities backed by prime loan collateral as determined by the Bank. Borrowing capacity limited to the amount of the member's GAAP capital. Must represent an unsubordinated interest in whole first-mortgage loans on improved residential property not more than 90 days delinquent. All underlying mortgage loans must meet the other eligibility requirements for residential loans as outlined in this guide.
Securities representing an equity interest in collateral eligible for advances	Valuation is determined in accordance with the valuation applicable to the un-derlying assets	Must represent an undivided equity interest in underlying assets of a security corporation subsidiary, all of which qualify as eligible collateral under the guide.
Note: For Insurance company members and non-depository community development financial institutions that execute a specific lien agreement, discounts applied to collateral are increased by 20 percent. For example, a discount of 10 percent increases to 12 percent.		

Eligible Collateral and Collateral Valuation

Residential First-Mortgage Loans

Definition of Owner-Occupied Principal Residence: Loans secured by owner-occupied dwellings. An owner-occupied dwelling is the borrower's primary residence. First lien owner-occupied residential loans are included in this section. (Second liens on owner-occupied residences are included in other real estate-related collateral).

Definition of Non-Owner-Occupied Residence: Second homes, vacation homes, or other investor type properties. These loans must be listed. First liens on non-owner occupied loans are included in this section. *Please note:* Second liens on non-owner-occupied residences are not eligible as collateral.

Other Eligibility Guidelines

- Eligible residential first-mortgage loan collateral that becomes subject to a superior lien, including, but not limited to tax liens, mechanics liens, UCC filings or any other encumbrance, loses its eligibility.
- Eligible residential first-mortgage loan collateral must not be delinquent by two or more payments.
- Eligible residential first-mortgage loan collateral may not be classified as substandard, doubtful, or loss by the member or by its regulator, or reported as troubled debt restructuring.
- Eligible residential first-mortgage loan collateral may not include loans to officers, directors, employees, attorneys, or agents of the member institution or the Bank.
- Eligible residential first-mortgage loan collateral must not be encumbered by private transfer fee covenants — except for certain allowed transfer fee covenants (contact the collateral staff if you have questions).
- Eligible residential first-mortgage loan collateral with loan-to-value (LTV) ratios over 90 percent at the time the loan is originated (with the exception of Loans insured under Title II of the National Housing Act, i.e., insured by the FHA) must have private mortgage insurance.
- Loans must fully comply with either or both, as applicable, the Interagency Guidance on Nontraditional Mortgage Product Risks issued by the FFIEC on October 4, 2006, and/or the Statement on Subprime Mortgage Lending Risks dated July 10, 2007, to be eligible as collateral.
- Loans that allow for negative amortization of the principal balance, including pay-option adjustable-rate mortgage loans, and home equity conversion mortgages (also known as "reverse mortgages") are not eligible as collateral.
- Loans for which the borrower's ability to service the debt is not evidenced by written documentation may only be pledged if the member is providing the Bank with loan level data for all of its pledged residential one- to four-family loan collateral.
- Loans that meet the Bank's definition of both a subprime and nontraditional loan may only be pledged if the member is providing the Bank with loan level data for all of its pledged residential one- to four-family loan collateral.
- Fully disbursed, closed-end home equity loans secured by first liens on owner-occupied, one- to four-family family residential real estate are included within this section for one- to four-family mortgage loan collateral. However, home equity loans secured by junior liens, or home equity lines of credit (HELOCs) – whether secured by first liens or junior liens on one- to four-family family residential property – are considered other real estate-related collateral for purposes of this guide.

Eligible Collateral and Collateral Valuation

Other Eligibility Guidelines (specific to fully disbursed, whole first mortgages secured by residential, owner-occupied one-to-four family manufactured housing property):

In addition to the eligibility requirements for residential first-mortgage loans listed above, to be considered as eligible collateral, manufactured housing loans must meet the following additional requirements:

- The manufactured housing must be located in a state where applicable state law defines the purchase or holding of manufactured housing as the purchase or holding of real property;

Please note that the Bank may require that a member that seeks to pledge loans secured by manufactured housing as collateral deliver to the Bank a legal opinion in form and substance satisfactory to the Bank's legal department demonstrating that the forgoing requirement has been satisfied.

- Be on land owned by the borrower consistent with existing requirements for one- to four-family site built homes (i.e., the borrower must own the home and the underlying land);
- Be permanently affixed or anchored to a foundation, connected to utilities, and any wheels, axles, and trailer hitches removed;
- The mortgage must include both the land and improvements — including the manufactured home; and
- Loan documentation must include the make, model, and serial identification number on the mortgage and all other requirements necessary to perfect a lien on such property.

Note: If you plan to pledge eligible manufactured housing one- to four-family residential loans as collateral, please contact the Collateral Department at 617-292-9729 or collateral@fhlbboston.com for specific pledging instructions.

Eligible Collateral and Collateral Valuation

Eligible Collateral	Valuation	Comments
Fully disbursed whole first mortgages secured by owner-occupied one- to four-family residential property 100 percent participation certificates backed by this type of collateral are the equivalent of whole loans	Conventional – up to 80 percent of unpaid principal balance Nontraditional – up to 75 percent of unpaid principal balance Subprime – up to 75 percent of unpaid principal balance **Note:** Nontraditional and subprime mortgage loans are defined in accordance with Appendix C of this guide. Eligible mortgage loans that do not meet these definitions are considered "conventional"	The maximum valuations are available to Category 1 members that choose to provide loan-level data for these pledged collateral categories. Actual valuation is based on the Bank's risk analysis. For Category 1 members that choose not to provide loan-level data for these collateral categories, the maximum valuations are 75 percent for conventional loans, 65 percent for nontraditional loans, and 60 percent for subprime loans. For Category 2 and Category 3 members, the maximum valuation is 75 percent for conventional loans, 65 percent for nontraditional loans, and 60 percent for subprime loans. Actual valuation is based on the Bank's risk analysis. Borrowing capacity from eligible subprime loans for all members is limited to an amount no greater than the lesser of: (i) one-half the member's total collateral borrowing capacity; or (ii) two times the member's most recently reported GAAP capital amount.
Fully disbursed whole first mortgages secured by owner-occupied one- to four-family residential property fully insured by the FHA	90 percent of unpaid principal balance with a loan level listing 85 percent of unpaid principal balance without a loan level listing	For Category 1 members that provide a loan level listing, the valuation will not exceed 90 percent For Category 1 members that do not provide a loan level listing, the valuation will not exceed 85 percent. For Category 2 and Category 3 members, the valuation will not exceed 90 percent. Collateral valuation for members that list or deliver loans is based on the Bank's risk analysis.
Mortgages or other loans, with the exception of SBA and USDA loans, regardless of delinquency status, to the extent that the mortgages or loans are insured or guaranteed by the U. S. or any agency thereof	75 percent of unpaid principal balance	Such insurance or guaranty must be for the direct benefit of the member pledging the mortgage or loan as collateral. The Bank must be able to perfect its security interest in the insurance guarantee on such loans. The Bank does not accept loans guaranteed by SBA or the U.S. Department of Agriculture as collateral because the Bank is not able to perfect its security interest in the insurance guarantee of these loans at this time.

Eligible Collateral and Collateral Valuation

Eligible Collateral	Valuation	Comments
Fully disbursed whole first mortgages on residential, owner-occupied one- to four-family manufactured housing property	Conventional – up to 80 percent of unpaid principal balance Nontraditional – up to 75 percent of unpaid principal balance Subprime – up to 75 percent of unpaid principal balance Note: Nontraditional and subprime mortgage loans are defined in accordance with Appendix C of this guide. Eligible mortgage loans that do not meet these definitions are considered "conventional"	The maximum valuations are available to Category 1 members that choose to provide loan-level data for manufactured housing loan collateral. (Actual valuation is based on the Bank's risk analysis). For Category 1 members that choose not to provide loan-level data for conventional manufactured housing loans, the maximum valuation is 75 percent. Category 1 members may pledge nontraditional and subprime manufactured housing loans provided they provide the Bank with a loan level listing for all pledged nontraditional and subprime one- to four-family loans (site-built and manufactured housing loans). The maximum valuation for this collateral is 75 percent. (Actual valuation is based on the Bank's risk analysis). For Category 2 and Category 3 members, the maximum valuation is 75 percent for conventional manufactured housing loans, 65 percent for nontraditional loans, and 60 percent for subprime loans. (Actual valuation is based on the Bank's risk analysis). Borrowing capacity from eligible subprime loans for all members is limited to an amount no greater than the lesser of: (i) one-half the member's total collateral borrowing capacity; or (ii) two times the member's most recently reported GAAP capital amount.

Eligible Collateral and Collateral Valuation

Eligible Collateral	Valuation	Comments
Fully disbursed whole first mortgages secured by non owner-occupied one- to four-family residential property	Up to 75 percent of unpaid principal balance	Requires a specific loan level listing to the Bank; at least quarterly, or more often as determined by the Bank. Actual collateral valuation for members that list or deliver loans is based on the Bank's risk analysis.
Fully disbursed whole first mortgages secured by residential property of five or more units	Up to 73 percent of the lower of market value or unpaid principal balance	Requires review and acceptance by the Bank before pledging. Actual collateral valuation for members that list or deliver loans is based on the Bank's risk analysis.
Fully disbursed whole first mortgages secured by residential property of five or more units insured by the FHA	90 percent of unpaid principal balance without a loan level listing	Requires a specific loan level listing to the Bank at least quarterly, or more often as determined by the Bank. Actual collateral valuation for members that list or deliver loans is based on the Bank's risk analysis.
Note: For Insurance company members and non-depository community development financial institutions that execute a specific lien agreement, discounts applied to collateral are increased by 20 percent. For example, a discount of 25 percent increases to 30 percent.		

CFI Collateral

- Eligible community financial institution collateral (CFI) can only be pledged by members that qualify as a CFI in accordance with **Federal Housing Finance Agency regulations**.
- A CFI is defined as a member FDIC-insured depository institution with total average assets over the preceeding three-year period of an amount set and adjusted annually by the FHFA based on changes in the Consumer Price Index.
- CFI collateral must be reviewed and accepted by the Bank prior to pledging as eligible collateral. If accepted, as collateral, the member must provide the Bank with a specific loan level listing for accepted loans at least quarterly, and more often as determined by the Bank.
- CFI collateral must have a readily ascertainable value and the Bank must be able to perfect a security interest in this collateral.

Eligible Collateral	Valuation	Comments
Secured small-business, small-agribusiness, and small-farm loans. (Small farm loans are loans secured primarily by farmland).	50 percent of the lower of market value or unpaid principal balance	CFI loans must be within the member's legal lending limit to one borrower.

Eligible Collateral and Collateral Valuation

The eligibility guidelines for other real estate related collateral differ across the three segments of Bank membership. For convenience, these guidelines are dictated in this section of Apendix A.

Note: For insurance company members and non-depository community development financial institutions that execute a specific lien agreement, discounts applied to collateral are increased by 20 percent. For example, a discount of 35 percent increases to 42 percent.

Other Real Estate-Related Collateral - All Members

- Other real-estate-related collateral is limited to a discounted amount up to two times the member's GAAP capital.
- Other real estate-related collateral must have a readily ascertainable value, the Bank must be able to perfect a security interest in this collateral, and the Bank must be able to sell the property in a reasonable time frame if liquidation of collateral is necessary.
- Other real estate-related collateral must meet the other eligibility requirements for residential loans as outlined in this guide. Please reference the Bank's **Collateral Pledging Guidelines** for more information.
- Other real estate-related collateral must be reviewed and accepted by the Bank prior to pledging as eligible collateral.
- If accepted, the member must provide the Bank with a specific loan level listing for accepted loans at least quarterly, and more often as determined by the Bank.

Eligible Collateral	Valuation	Comments
Fully disbursed whole first mortgages secured by commercial real estate	Up to 65 percent of the lower of market value or unpaid principal balance as determined by the Bank. Actual valuation up to 65 percent is based on the Bank's risk analysis.	All commercial real estate loans are accepted as collateral at the Bank's discretion. In some cases members may have commercial real estate loans that are secured with higher-risk property types such as those with potential environmental risks, single- or special-purpose properties, or properties that have limited improvements. These loans may have limited maretability if the Bank needed to liquidate the collateral and are generally not considered eligible collateral. Commercial real estate loans funded through the Bank's Affordable Housing Program may be acceptable as collateral provided the loans meet the eligibility requirements described above. Please contact the Bank's Collateral Department at 617-292-9729 or collateral@fhlbboston.com for further information.
Fully-disbursed second-lien home equity loans and first- or second-lien home equity lines of credit (HELOCs) secured by the borrower's primary residence. This collateral is eligible for pledging by depository institution members only.	Up to 50 percent of unpaid principal balance (the balance drawn by the borrower in the case of a line of credit).	Must be secured by the borrowers' primary residence.The combined loan-to-value ratio (CLTV) of the loan cannot exceed 80 percent. All other home equity loans and HELOCs are not considered eligible collateral. The Bank calculates CLTV by adding the loan balance, or, in the case of HELOCs, the maximum amount of the line of credit, to the first lien loan balance and dividing the total amount by the appraised value of the residence.

Eligible Collateral and Collateral Valuation

Eligible Collateral	Rating[2]	Term to Maturity	Valuation
Commercial Mortgage Backed Securities[1]	AAA	Less than five years	85 percent of market value
	AAA	Five years or greater	80 percent of market value
	AA	Less than five years	75 percent of market value
	AA	Five years or greater	65 percent of market value
	A[3]	Less than five years	65 percent of market value
	A[3]	Five years or greater	50 percent of market value

1. CMBS is eligible under the other real estate related collateral category. All collateral pledged under the ORERC category is limited to a discounted amount up to two times the member's GAAP Capital (for Insurance Company members that report under the Statutory Accounting Principles, SAP Capital will be used).

2. The lowest rating by either Moody's, S&P, or Fitch will be used to consider eligibility.

3. CMBS that is rated only A by either Moody's, S&P, or Fitch will be limited to a discounted amount of 20 percent of your total pledge of CMBS collateral.

Note: For Insurance company members and non-depository community development financial institutions that execute a specific lien agreement, discounts applied to collateral are increased by 20 percent. For example, a discount of 35 percent increases to 42 percent.

Eligible Collateral and Collateral Valuation

In addition to the criteria provided in the table above, the following criteria must also be met for CMBS to be deemed eligible collateral:

- Domestic CMBS deals only with a maximum threshold of 25 percent for any single loan or single borrower in the pool of collateral;
- Securities have to be publicly registered and publicly traded;
- A daily market price must be available from the Bank's custodian, Citibank, or an approved third-party custodian, and cash flows must be available for ongoing monitoring/modeling for the Bank to accept the CMBS as collateral;
- Minimum of 50 loans in the issue;
- Only senior tranches;
- All loans securing the bond must be secured by a first mortgage (no junior liens);
- Maximum weighted average LTV of 80 percent within the deal; and minimum weighted average DSCR of 1.20X.

CMBS with the following characteristics will be deemed ineligible to be pledged as collateral:

- Single property, single asset type, or single borrower;
- Non-public deals (private placement) or no CUSIP for pricing;
- CMBS denominated in currency other than U.S. dollars.
- Deals secured by land only loans;
- Securities sponsored by the member or any of its affiliates;
- Subordinate tranches such as mezzanine and junior tranches (AM, AJ, class etc.);
- Securities that represent a share of only the interest payments or the principal payments from the underlying loans; and
- Any CMBS that has experienced interest payment shortfalls or that allows for the deferment of interest payments if there is a shortfall in cash flows (Available Funds Class).

The Bank will review each CMBS pledged, and reserves the right to reject collateral for any reason.

Anti-Predatory Lending Policy

All members must file an anti-predatory lending statement with the Bank as a requirement for borrowing.

The Bank supports the expansion of fair and equitable homeownership opportunities. To discourage predatory lending practices, which are inconsistent with such opportunities, and to protect the Bank from potential liabilities, the Bank has established the following anti-predatory lending policy ("APL Policy") with respect to residential mortgage loans and securities backed by residential mortgage loans pledged by members to it as collateral ("Residential Mortgage Collateral") or purchased from members ("Acquired Member Assets").

The Bank requires that Residential Mortgage Collateral and Acquired Member Assets comply with applicable federal, state, and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, "Anti-Predatory Lending Laws"). For example, Anti-Predatory Lending Laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:

- Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
- Requiring mandatory arbitration provisions with respect to dispute resolution in the loan documents; or
- Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.

Any Residential Mortgage Collateral that does not comply with all applicable Anti-Predatory Lending Laws will be ineligible as collateral to support advances or other activity with the Bank. Additionally, the Bank will not give collateral value for any residential mortgage loans on owner-occupied property, whether pledged individually or as part of a private-label (nonagency) MBS, if it meets one or more of the following criteria:

- The annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Equity Ownership Protection Act of 1994 (HOEPA);.
- The loan has been identified by a member's primary federal regulator as possessing predatory characteristics;
- The loan includes prepaid, single-premium credit insurance;
- The loan is subject to state and/or local laws where one or more of the major credit-rating agencies (Standard and Poor's, Moody's Investors Service, and/or Fitch Ratings) will not rate a security (or securities) in which the underlying collateral pool contains such a loan; or
- The loan is defined as a High-Cost Loan, Covered Loan, or Home Loan as are loans categorized under one or more federal, state, or local predatory lending laws as having certain potentially predatory characteristics.
- The loan includes penalties in connection with the prepayment of the mortgage beyond the early years of the loan.
- The loan requires mandatory arbitration to settle disputes.

Anti-Predatory Lending Policy

Members are responsible for avoiding all unlawful practices and terms prohibited by applicable Anti-Predatory Lending Laws, regardless of whether they originate or purchase the Residential Mortgage Collateral being pledged to the Bank. The Bank will take those steps it deems reasonably necessary in order to confirm or monitor members' compliance with this policy. The Bank will adopt procedures to monitor for member compliance with this APL Policy which will:

1. Ensure that all members have executed the representation and warranty Certification;
2. Ensure that all pledging subsidiaries and affiliates of members have executed the representation and warranty Certification;
3. Review member regulator exam reports for findings pertaining to fair lending and/or abusive lending practices;
4. Monitor member regulator alerts for newly issued supervisory agreements, memoranda of understanding, or cease and desist orders pertaining to unfair lending and/or abusive lending practices;
5. If abusive lending issues are identified by the member's regulator, or if, Bank staff identifies APL abuses then the member will be required to undertake a review of its policy and procedures for compliance with the Bank's collateral policies. At its discretion, the Bank may permit such a review to be conducted by the member's internal auditor or the Bank may choose to conduct the review itself or use a third party, at the expense of the member.

In addition, the Bank reserves the right to require evidence reasonably satisfactory to the Bank that Residential Mortgage Collateral does not violate applicable Anti-Predatory Lending Laws. With respect to Residential Mortgage Collateral purchased by the member, the member is responsible for conducting due diligence that it deems sufficient to support its certification and indemnification agreements with the Bank. In addition to the terms and conditions of the Bank's Advances and Security Agreement ("Advances Agreement"), each member must execute a Certification agreement with the Bank that: (1) certifies its understanding and compliance with the Bank's APL Policy and all applicable Anti-Predatory Lending Laws; and (2) certifies it will maintain qualifying collateral and will (a) substitute eligible collateral for any Residential Mortgage Collateral that does not comply in all material respects with applicable Anti-Predatory Lending Laws or this APL Policy; and (b) indemnify, defend and hold the Bank harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the pledge of any Residential Mortgage Collateral that does not comply in all material respects with applicable Anti-Predatory Lending Laws or this APL Policy.

The Bank will not knowingly accept as eligible collateral Residential Mortgage Collateral that violates applicable Anti-Predatory Lending Laws or this APL Policy. If the Bank knows or discovers that such Residential Mortgage Collateral violates applicable AntiPredatory Lending Laws or this APL Policy, the Bank may, in addition to all available rights and remedies at law or in equity (1) require the member to substitute eligible collateral, (2) value such Residential Mortgage Collateral at zero for collateral purposes, and (3) require the member to undertake a review of its policies, practices, and procedures for complying with the Bank's collateral policies.

Anti-Predatory Lending Policy

Per the terms and conditions of the Bank's Participating Financial Institution Agreement ("PFI Agreement"), each member-PFI has represented and warranted to the Bank that it: (1) is aware of and will comply at all times with the Mortgage Partnership Finance Origination Guide and the Mortgage Partnership Finance Servicing Guide (collectively the "MPF GUIDES"), including the anti-predatory lending policy and provisions contained therein; (2) will comply at all times with the requirements of all applicable Anti-Predatory Lending laws; (3) will sell only eligible Residential Mortgages that comply in all material respects with applicable Anti-Predatory Lending Laws; and (4) will indemnify, defend and hold the Bank harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the sale of any Residential Mortgage that does not comply in all material respects with applicable Anti-Predatory Lending Laws.
The anti-predatory lending policy and related provisions contained in the MPF Guides, as may be amended, are adopted as policy by the Bank as they relate to Acquired Member Assets.

Subprime and Nontraditional Loan Guidelines

The purpose of these guidelines is to establish the risk-management guidelines and exposure limits around subprime and nontraditional mortgage loans accepted as collateral for advances by the Bank.

Definitions

- A "subprime loan" is a loan where the representative FICO score of any borrower relied upon as a source of repayment for the loan is 660 or lower. The representative FICO score is the one most recently obtained by the member. If the member obtains two FICO credit scores for a borrower, the lower of the two scores is the representative FICO score. If the member obtains three FICO scores for a borrower, the middle score is the representative FICO score. When there are multiple borrowers, determine the applicable representative score for each individual borrower (as above) and select the lowest applicable score from the group of borrowers as the representative credit score for the mortgage. The FICO score is the primary means by which the Bank identifies a subprime loan. The FICO score should be used to identify a subprime loan whenever possible. In some cases, a FICO score is not available. In these cases, the Bank defines a subprime loan as a loan to a borrower with a weak credit history. A weak credit history is characterized by a history of late payments, bankruptcy, judgments, repossession, and/or foreclosure.
- A "nontraditional loan" is a mortgage loan that allows the borrower to defer repayment of the principal. Nontraditional mortgage products include such products as "interest-only" mortgages where a borrower pays no loan principal for the first few years of the loan, and mortgage products that have balloon features at the maturity date.
- A "subprime MBS" is a non-agency MBS where the underlying pool of mortgage loans at the time of the origination of the security has a weighted average FICO score below 660 and/or where the underlying mortgage pools includes subprime loans in an amount greater than one-third of the pool balance.
- A "nontraditional MBS" is a non-agency MBS where more than one-third of the underlying mortgage pool at the time of origination of the security consists of nontraditional loans.

Advances Collateral – Loans

The Bank accepts subprime loans and nontraditional loans that are underwritten in accordance with applicable regulatory guidance as eligible collateral for Bank advances. Any loans that meet the definition of a subprime and/or nontraditional loan in accordance with these guidelines and that were originated on or after July 10, 2007, must comply with the "Interagency Guidance on Nontraditional Mortgage Product Risks" and "Statement on Subprime Mortgage Lending" issued by the federal banking regulators on October 4, 2006, and July 10, 2007, respectively. If any such loan does not comply with this guidance as applicable, it is not eligible as collateral. In addition, the Bank does not accept as eligible collateral any mortgage loan that allows for negative amortization of the principal balance, including, but not limited to, pay-option ARM mortgage loans.

The Bank recognizes that these types of loans may present incremental credit risk to the Bank. Therefore, the Bank has monitoring and review procedures in place to measure the incremental risk presented by this collateral and to mitigate this incremental credit risk.

Subprime and Nontraditional Loan Guidelines

Exposure Monitoring

Members in Category 1 status disclose in their collateral reporting the amount of subprime loans and nontraditional loans that are included in their collateral pledge. Members in Category 2 or Category 3 status are required to submit a detailed listing of the loan collateral that they pledge to the Bank. Based on this analysis, the Bank may determine to increase the discount applied to the collateral or to exclude it as eligible collateral.

Risk Limits and Collateral Valuation

The Bank recognizes that subprime and nontraditional loans pose incremental credit risk to the Bank. In recognition of this potential incremental risk, the Bank applies higher collateral valuation discounts to nontraditional and subprime loans of 35 percent and 40 percent, respectively, when such loans are pledged by Federal Home Loan Bank of Boston members in Category 1 without a specific listing. The Bank establishes discounts for subprime and nontraditional loans pledged by members that specifically list or deliver this collateral based on its risk analysis of the loans pledged. The Bank does not accept loans that meet the definition of both a subprime loan and a nontraditional loan without a specific listing from any member, regardless of collateral status. In addition, the Bank limits the amount of borrowing capacity that a member may derive from subprime loan collateral to the lower of two times its most recently reported GAAP capital or one-half of its total borrowing capacity.

Advances Collateral – Mortgage-Backed Securities

The Bank does not accept Nontraditional MBS or Subprime MBS as collateral for advances. Any security acquired by the member on or after July 10, 2007 that includes a loan or loans that meet the definition of a Subprime and/or Nontraditional Loan in accordance with these guidelines must comply with the "Interagency Guidance on Nontraditional Mortgage Product Risks" and "Statement on Subprime Mortgage Lending" issued by the federal banking regulators on October 4, 2006 and July 10, 2007, respectively. The member must obtain and enforceable representation and warranty from the issuer of the security that all of the loans comply with the guidance noted. If the member is unable to obtain such a representation and warranty from the issuer, then the security will not be eligible as collateral.

For all pledges of non-agency MBS collateral, members must complete a pre-pledge checklist describing the security and the collateral backing the security. Based on this pre-pledge checklist and other analytical tools available to the Bank, including Bloomberg, rating agency subscriptions, and Intexnet, the Bank assesses the credit risk associated with the security based on the risk profile of the underlying loan collateral, structural or third-party credit enhancements to the security, and the collateral valuation discount applied. Based on this analysis of the security, the Bank may determine not to accept a security as collateral, or to adjust the collateral valuation discount applied.

Subprime and Nontraditional Loan Guidelines

Advances Collateral – Mortgage-backed Securities

The Bank does not accept nontraditional or subprime MBS as collateral for advances. Any security acquired by the member on or after July 10, 2007, that includes a loan or loans that meet the definition of a subprime and/or nontraditional loan in accordance with these guidelines must comply with the "Interagency Guidance on Nontraditional Mortgage Product Risks" and "Statement on Subprime Mortgage Lending" issued by the federal banking regulators on October 4, 2006, and July 10, 2007, respectively. The member must obtain and enforceable representation and warranty from the issuer of the security that all of the loans comply with the guidance noted. If the member is unable to obtain such a representation and warranty from the issuer, then the security will not be eligible as collateral.

For all pledges of non-agency MBS collateral, members must complete a pre-pledge checklist describing the security and the collateral backing the security. Based on this pre-pledge checklist and other analytical tools available to the Bank, including Bloomberg, rating agency subscriptions, and Intexnet, the Bank assesses the credit risk associated with the security based on the risk profile of the underlying loan collateral, structural or third-party credit enhancements to the security, and the collateral valuation discount applied. Based on this analysis of the security, the Bank may determine not to accept a security as collateral, or to adjust the collateral valuation discount applied.

The following advances confirmations can be downloaded in PDF format.

Confirmation for Amendment and Restatement of Advance

Confirmation for Amortizing Advances

Confirmation for Capped Advances

Confirmation for Classic Plus Cap Advances

Confirmation for Collared Advances

Confirmation for Corridor Advances

Confirmation for Community Development Member Option Advances

Confirmation for Community Lending Advances

Confirmation for Curve Flattener or Steepener Advance

Confirmation for Daily Cash Manager Advances

Confirmation for Discount Note Floating Auction Rate Advances

Confirmation for Expander Advances

Confirmation for Fixed-Rate Advances

Confirmation for HLB Convertible Option Advances (Flipper)

Confirmation for HLB Convertible Option Advances (Flipper with Guaranteed Flip)

Confirmation for HLB-Option Advances

Confirmation for HLB-Option Plus Cap Advances

Confirmation for Knockout Advances

Confirmation for LIBOR Floating Rate Advances

Confirmation for Member Option Advances

Confirmation for Rollover Cash Manager Advances

Confirmation for Slider Advances (LIBOR Floating Rate Advance with Declining Rate Participation)

Confirmation for Symmetrical Prepayment Advances

Supplement-A to Application for Advance

Borrowing Documentation

Depository Institution Members

All depository institution members are required to execute the Agreement for Advances, Collateral Pledge, and Security Agreement (**Advances Agreement**), which establishes the Bank's lien on all eligible member assets to secure all extensions of credit.

Insurance Company Members

As an alternative to executing our standard Advances Agreement, insurance company members may execute the Agreement for Advances, Collateral Pledge, and Security Agreement for Insurance Company Members, which establishes a specific lien on assets pledged to us to secure all advances made to the member by the Bank. Because of laws and regulations in their particular states, certain insurance companies may be required to execute special Advances Agreements designed for members in those states. Connecticut insurance company members require such special Advances Agreements.

Non-Depository Community Development Financial Institution Members

As an alternative to executing our standard Advances Agreement, non-depository community development financial institution members may execute the Agreement for Advances, Collateral Pledge, and Security Agreement for Non-Depository Community Development Financial Institution Members, which establishes a specific lien on assets pledged to us to secure all advances made to the member by the Bank.

All Members

All members must file an anti-predatory lending statement with the Bank as a requirement for borrowing.

Other Documentation

The Bank reserves the right to require, in its sole discretion, additional documentation, including, without limitation, agreements, resolutions, certifications, legal opinions, and applications, as a pre-condition to any member obtaining an extension of credit from the Bank.

Release of Collateral

The Bank requires members to pledge adequate eligible collateral to satisfy their Bank-approved collateral maintenance levels. From time to time, a member that has listed or delivered collateral to the Bank, the Bank's designee, or an approved third-party custodian may request the release of excess collateral (pledged collateral that exceeds the member's individual collateral maintenance level). This process is detailed in the **Collateral Release Procedure**. Supporting releases are included in the **Request for Release of Pledged Loan Collateral**, the **Request to Release Pledged Securities Collateral**, and the **Safekeeping Transaction form**.

Bank Contacts

Customer Service	1-800-358-9709	customerservice@fhlbboston.com
Credit	1-617-425-9540	credit@fhlbboston.com
Collateral	1-617-292-9729	collateral@fhlbboston.com
Housing and Community Investment	1-888-424-3863	housing@fhlbboston.com
Money Desk	1-800-357-3452	moneydesk@fhlbboston.com
Mortgage Partnership Finance®	1-888-424-3863	mpf@fhlbboston.com
Relationship Managers	1-888-424-3863	memberservices@fhlbboston.com

"Mortgage Partnership Finance" is a registered trademark of the Federal Home Loan Bank of Chicago.