



Federal Home Loan Bank
NEW YORK

Written Testimony of Jonathan West, Chief Legal Officer, and Alexies Sornoza, Senior Business Development Officer, Federal Home Loan Bank of New York, in support of Bill No. 35-0026 amending Title 22 Virgin Island Code relating to insurers becoming members of the FHLBank and insurance company insolvencies

April 4, 2023

The Federal Home Loan Bank of New York (“FHLBNY”), as a Congressionally established Government-Sponsored Enterprise, provides advances (i.e., secured loans) to insurance companies, commercial banks and credit unions that are members of the FHLBNY. The Federal Home Loan Banks were established by Congress during the depression to provide reliable emergency liquidity to stave off banking and insurance company runs at times of crisis.

Federal law provides that Federal Home Loan Banks are not subject to the “stay and voidable transfer” collateral clawback in cases of USVI-chartered bank or credit union failures. However, a gap exists in USVI law: if a USVI domiciled insurance company experiences financial difficulty and enters receivership, the FHLBNY may be stayed from accessing its pledged collateral and the receiver could void collateral transfers pledged under the valid FHLBNY funding or advance agreements.

The Bill also clarifies that like USVI chartered banks, USVI chartered insurance companies are expressly authorized under USVI law to voluntarily become members of the FHLBNY, if they otherwise meet the membership requirements of the FHLBNY and of the Federal Home Loan Bank Act (12 USC 1421 et seq).

The FHLBNY encourages the passage of this Bill, which would explicitly exempt the FHLBNY from “stays and voidable transfers” for collateral pledged to the FHLBNY by a troubled or insolvent insurance company member made in the ordinary course of our lending. The Bill establishes an orderly process for the FHLBNY to act as a resource and work with the receiver to provide funding to give time for the receiver to rehabilitate the insolvent insurance company. The Bill would also better enable the FHLBNY, in close coordination with the USVI insurance regulators (the Commissioner), in its capacity as a regulator of USVI domiciled insurance companies (excluding alien insurance companies), to provide emergency low-cost liquidity to troubled insurance companies. This reliable source of FHLBNY funding reduces the risk of loss to policyholders by having funds available to pay claims and other creditors to keep the company operating, until a workout solution may be found. In this regard, the FHLBanks have a successful track record of supporting troubled banks and working with FDIC receivers. This amendment will help the FHLBNY recruit insurance company prospects in USVI. It will also mitigate the need for more burdensome collateral terms, thereby allowing for increased liquidity support for both healthy and troubled USVI-based insurance companies.

The eleven FHLBanks have a ninety-year history of providing liquidity to address run risk as a “first responder” or “lender of second to last resort to the Federal Reserve”. This mission was tested and re-affirmed most recently with the loss of depositor confidence and failures of Silicon

Valley Bank and Signature Bank. Starting on Friday, March 10th through Friday, March 17th, the FHLBNY experienced record advance volumes and collateral pledges. Without this Bill, we would not be able to provide USVI insurance companies with the same level of liquidity support. This is why twenty-four states and Puerto Rico have already passed companion legislation, and the proposed Bill is in a form that also follows the National Association of Insurance Commissioners (NAIC) guidance.

While this Bill does not directly relate to affordable housing, it is important to note that under Federal law, 10% of the FHLBNY's annual net income is granted to low-income families through our Affordable Housing Program (AHP). These grants are provided to low-income families for rental assistance or home ownership. The need for affordable housing in USVI, like all over the country, is tremendous. In 2022, the FHLBNY disbursed \$52.7 million of AHP funds. While these funds are awarded annually by competitive application (submitted jointly by a member institution and non-profit/for-profit developer) to mainly New York or New Jersey, we are cautiously optimistic that this Bill will encourage healthy USVI insurance companies to join the FHLBNY and participate in the AHP application process. This year the FHLBNY updated its scoring criteria to increase the chances that the USVI and Puerto Rico AHP projects will be awarded funding. Our AHP team is also working in USVI and Puerto Rico to enhance non-profit capacity to allow them to better compete with sponsors and developers on the mainland.

Attached to our testimony is additional information on the FHLBNY, the Bill, and our programs, and we ask that these documents be included in the Committee's records.

We respectfully thank the 35th Legislature's Committee on Budget, Appropriations and Finance for its consideration of this Bill.

Jonathan R. West
SVP & Chief Legal Officer
Federal Home Loan Bank of New York
101 Park Avenue • New York, NY 10178

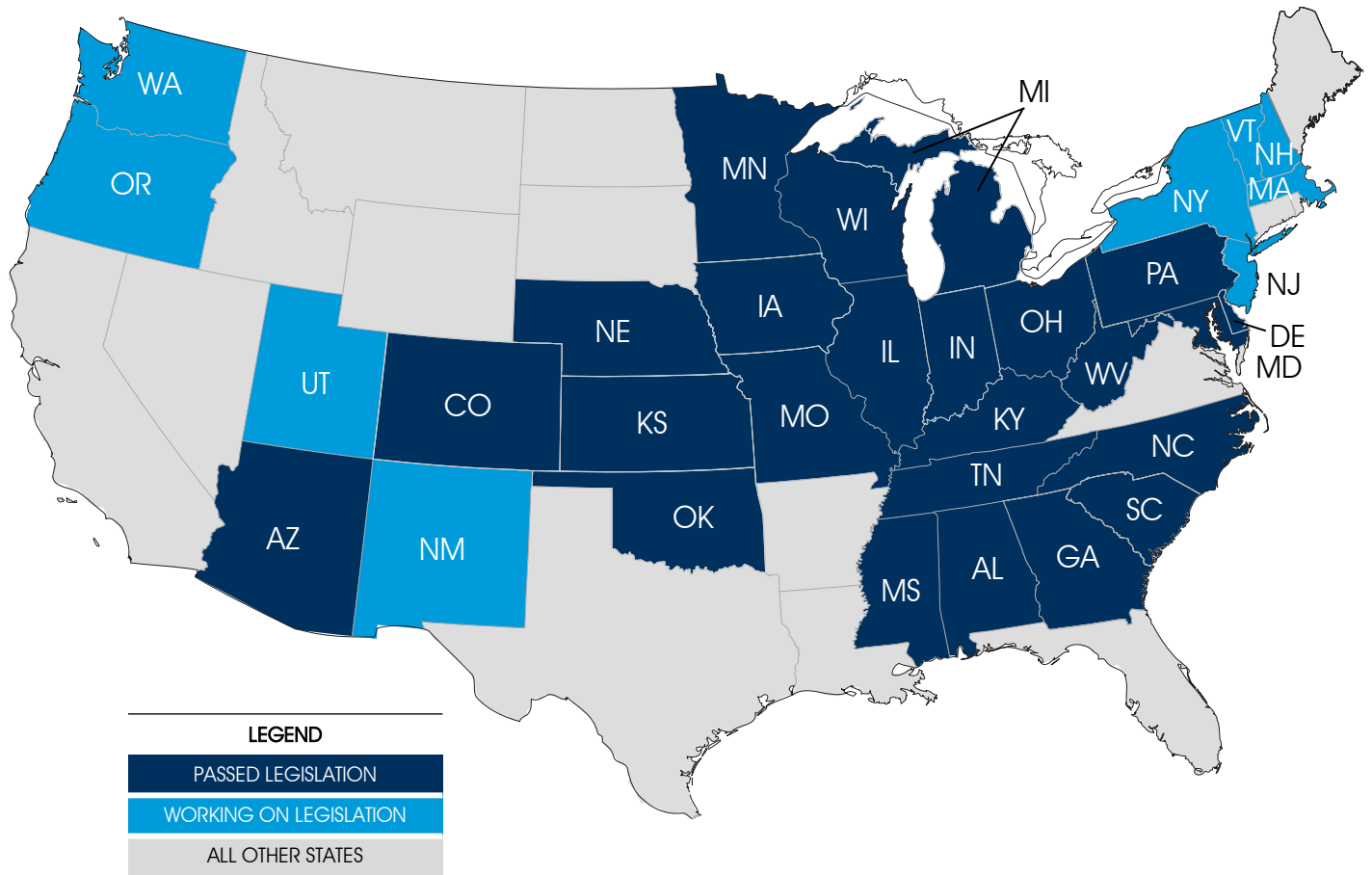
Alexies Sornoza
VP, Member Relations &
Senior Business Development Officer
Federal Home Loan Bank of New York
101 Park Avenue • New York, NY 10178

jonathan.west@fhlbny.com

alexies.sornoza@fhlbny.com

STATES WITH EXEMPTIONS FOR THE FHLBANKS FROM STAY AND VOIDABLE PREFERENCE

24 states & the Commonwealth of Puerto Rico have passed, and other states are working on passing, stay and voidable preference amendments



ALASKA	HAWAII	PUERTO RICO	U.S. VIRGIN ISLANDS

As of 3/30/2023



Federal Home Loan Bank
NEW YORK

- **Advanced** >\$2B of liquidity to USVI and Puerto Rico
- **Amended** Puerto Rico insurance law to accept FHLBNY Members and strengthen insurance insolvency plus USVI and PR banking laws to accept FHLBNY Municipal Letters of Credit (MULOC) for collateralization of public fund deposits.
- **Provided** Hurricane Relief, COVID-19, Earthquake Relief Funds
Donated to USVI and Puerto Rico charities
Offered grants to homeowners and small businesses
Announced \$1 billion in Community and Economic Development Advances related to Disaster Relief
- **Accepted** appointed PR and USVI affordable housing advisory council members, Amanda Silva and Robert Graham of Habitat PR and the VIHA. Elected independent board members representing the Caribbean region , Melba Acosta, Angela Weyne and Josie L. Thomas. Re-elected Carlos Vazquez to his third term as board member
- **Partnered** with USVI Office of Lt. Governor, USVI Division of Banking, Insurance and Financial Regulation, VI Housing Authority, VI Housing Finance Authority, Commissioner of Financial Institutions, SBA of USVI/PR, Puerto Rico Bankers Association, Commissioner of Insurance of Puerto Rico, Secretary of Housing of Puerto Rico, HUD Caribbean Region, Secretary of Treasury of Puerto Rico, FDIC Community Affairs, Federal Reserve Bank of NY, and many more....



The information provided by the Federal Home Loan Bank of New York (FHLBNY) in this communication is set forth for informational purposes only. The information should not be construed as an opinion, recommendation or solicitation regarding the use of any financial strategy and/or the purchase or sale of any financial instrument. All customers are advised to conduct their own independent due diligence before making any financial decisions. Please note that the past performance of any FHLBNY service or product should not be viewed as a guarantee of future results. Also, the information presented here and/or the services or products provided by the FHLBNY may change at any time without notice.

UPDATED: January 2023

CARIBBEAN REGION MEMBERSHIP & BUSINESS UPDATE

MEMBER	FHLBNY JOIN DATE	ADVANCES 12/31/22 (MILLIONS)	MULOCs 12/31/22 (MILLIONS)	SBRG Total (THOUS.)	HDP 2022 (THOUS.)	AHP 2022 (THOUS.)
FirstBank Puerto Rico	1949	\$675.00	\$200.00	\$332.5	\$38.2	-
Oriental Bank	1965	\$26.61	-	\$600	-	-
Banco Popular de Puerto Rico	1993	\$83.29	\$350.00	\$250	\$19	-
Popular Bank	2000	\$670.99	-	\$160	-	-
Merchants Commercial Bank	2008	\$20.00	-	\$300	-	-
Puerto Rico Housing Finance Authority	2010	-	N/A	N/A	N/A	-
Virgin Islands Housing Finance Authority	2014	-	N/A	N/A	N/A	-
Caribe Federal Credit Union	2016	-	-	-	-	-
Triple-S Salud, Inc.	2019	-	-	-	-	-
Triple-S Vida, Inc.	2019	-	-	-	-	-
Puerto Rico Federal Credit Union	2020	-	-	\$350	-	-
Universal Insurance Company	2020	\$25.70	-	-	-	-
Trans-Oceanic Life Insurance Company	2020	-	-	-	-	-
MAPFRE PRAICO Insurance Company	2020	-	-	-	-	-
Cooperativa de Seguros Múltiples de PR	2021	-	-	\$100	-	-
Triple-S Advantage, Inc.	2022	-	-	-	-	-
VAPR FCU	2022	-	-	-	-	-
United Surety and Indemnity Co.	2022	-	-	-	-	-
AIG Insurance Company - Puerto Rico	2022	-	-	-	-	-
TOTAL		\$1.502 B	\$550.0 M	\$2.092 M	\$57K	-



The information provided by the Federal Home Loan Bank of New York (FHLBNY) in this communication is set forth for informational purposes only. The information should not be construed as an opinion, recommendation or solicitation regarding the use of any financial strategy and/or the purchase or sale of any financial instrument. All customers are advised to conduct their own independent due diligence before making any financial decisions. Please note that the past performance of any FHLBNY service or product should not be viewed as a guarantee of future results. Also, the information presented here and/or the services or products provided by the FHLBNY may change at any time without notice.

UPDATED: January 2023



COMMUNITY SUPPORT ACTIVITIES IN THE CARIBBEAN REGION

CHARITABLE CONTRIBUTIONS

Charitable contributions were provided to a number of organizations working on the front lines and supporting communities across Puerto Rico and the U.S. Virgin Islands

2022 HURRICANE RELIEF - \$650 K

Hispanic Federation	\$200,000
Community Foundation of Puerto Rico	\$200,000
MMM Foundation	\$150,000
Taller Salud	\$100,000

2020 PR EARTHQUAKES RELIEF - \$500 K

PathStone Corporation – Puerto Rico	\$300,000
Americares	\$50,000
World Central Kitchen	\$50,000
Hispanic Federation	\$50,000
Red Cross	\$50,000

2022 Supplemental Charitable Contributions - \$400 K

- Enterprise Community Partners
(Capacity Building Program for USVI)

2017 HURRICANE RELIEF - \$1.05 M*

United Way of Puerto Rico	\$250,000
Comm. Foundation of the Virgin Islands	\$150,000
Catholic Charities	\$100,000
Americares	\$100,000
Red Cross	\$100,000
Salvation Army	\$100,000
Habitat of Humanity PR	\$75,000
PathStone Corporation - Puerto Rico	\$75,000
All Hands Volunteers	\$50,000
Virgin Islands Housing Authority	\$50,000

2020 COVID-19 RELIEF - \$75 K

The United Way of Puerto Rico	\$50,000
The Untied Way of the U.S. Virgin Islands	\$5,000
Family Resource Center (USVI)	\$5,000
My Brothers Workshop (USV)	\$5,000
Salvation Army (USVI)	\$5,000
Women's Coalition of St. Croix	\$5,000

*The charitable donations listed above include a donation of \$275K from the other Federal Home Loan Banks

VOLUNTARY GRANT PROGRAMS

COVID-19 SMALL BUSINESS RECOVERY GRANT PROGRAM

The Covid-19 Small Business Recovery Grant program provided \$8 million in grant funds to small businesses and non-profit organizations across the FHLBNY district that suffered a decrease in revenue as a result of the ongoing Covid-19 crisis. Of the \$8 million in total funding, \$2.02 million was provided to small businesses and non-profit organizations in communities across Puerto Rico and the U.S. Virgin Islands.

DISASTER RECOVERY GRANT PROGRAMS - HURRICANES IRMA & MARIA

Two disaster recovery grant programs, Homeowner Recovery Grant and Small Business Recovery Grant, provided \$5 million in grant funds to homeowners and small businesses across Puerto Rico and the U.S. Virgin Islands that sustained damage as a result of Hurricanes Irma and Maria in 2017. Of the \$5 million in total funding, \$3.6 million was provided to homeowners under the Homeowner Recovery Grant Program.

The information provided by the Federal Home Loan Bank of New York (FHLBNY) in this communication is set forth for informational purposes only. The information should not be construed as an opinion, recommendation or solicitation regarding the use of any financial strategy and/or the purchase or sale of any financial instrument. All customers are advised to conduct their own independent due diligence before making any financial decisions. Please note that the past performance of any FHLBNY service or product should not be viewed as a guarantee of future results. Also, the information presented here and/or the services or products provided by the FHLBNY may change at any time without notice.

UPDATED: January 2023



COMMUNITY AND ECONOMIC DEVELOPMENT SUPPORT ACTIVITIES IN THE CARIBBEAN REGION

HOUSING PROGRAMS

Each year since 1990, the FHLBNY has set aside 10% of its private earnings to support the creation and preservation of housing for lower income families and individuals through its affordable housing programs.

AFFORDABLE HOUSING PROGRAM

The Affordable Housing Program provides subsidized advances and grants to FHLBNY members to help households earning 80% or less of the area median income purchase or maintain their homes. It also enables organizations to purchase, rehabilitate, or construct apartment buildings in which at least 20% of the units are affordable to households earning 50% or less of the area median income.

Affordable Housing Program Awards Totals from program inception through 12/30/22 for PR/USVI

- \$14.2 million in grants awarded
- 27 projects supported
- 2,131 housing units
- \$199 million total development capital generated*

**The total development capital generated is an estimation that includes all sources of funding received to support affordable housing projects and their development, including AHP subsidy; ignoring modifications, recaptures, etc.*

FIRST-TIME HOMEBUYER PROGRAM

The first-time homebuyer program, Homebuyer Dream Program® (HDP) provide funds in the form of a grant to be used towards down payment and closing cost assistance to first-time homebuyers earning at or below 80% of the Area Median Income (AMI) and purchasing homes in New York, New Jersey, Puerto Rico or the U.S. Virgin Islands.

First-Time Homebuyer Program Performance Totals from program inception through 12/30/22* for PR/USVI

- \$3.7 million in grants
- 558 household closings

**HDP is a modernized replacement of the FHLBNY's First Home ClubSM, which was originally established in 1995.*

DISCOUNTED ADVANCES

COMMUNITY LENDING PROGRAMS

Members can take advantage of FHLBNY's Community Lending Programs (CLP) to gain access to a reliable source of funding at our lowest advance rates. CLP funds can be used to support projects that create housing and improve the economy by supporting small business, commercial, manufacturing, social service, and public facility lending activities, as well as the construction of public or private infrastructure, such as roads, utilities and sewers.

BUSINESS DEVELOPMENT ADVANCE

FHLBNY set aside \$1 million in interest rate subsidy in the form of zero percent advances to members to help finance loans to small businesses.

DISASTER RELIEF FUND

\$1 billion in discounted funds is available to members under the Disaster Relief Fund (DRF) to assist rebuilding and economic recovery efforts across in-district communities located in FEMA designated disaster areas.

Funds are available through CLP for both immediate gap financing and long-term funding in support of disasters ranging from the hurricanes and earthquakes in the Caribbean to the COVID-19 pandemic throughout our district.

Of the \$1 billion in available DRF funds, \$40.3 million was utilized by FHLBNY members in PR/USVI after Hurricanes Irma/Maria.

The information provided by the Federal Home Loan Bank of New York (FHLBNY) in this communication is set forth for informational purposes only. The information should not be construed as an opinion, recommendation or solicitation regarding the use of any financial strategy and/or the purchase or sale of any financial instrument. All customers are advised to conduct their own independent due diligence before making any financial decisions. Please note that the past performance of any FHLBNY service or product should not be viewed as a guarantee of future results. Also, the information presented here and/or the services or products provided by the FHLBNY may change at any time without notice.

UPDATED: January 2023



Federal Home Loan Bank
NEW YORK

AHP GENERAL FUND ELIGIBILITY

- Use of funds for acquisition, construction or rehabilitation
- Rental Housing
 - Permanent rental units or transitional housing
 - At least 20% of the units must be reserved for households that earn 50% or less of the area median income
- Owner-Occupied Housing
 - Single family, two-family, condos, co-ops
 - All units for households earning 80% or less of the area median income
- Project sponsor must demonstrate site control
 - Except for owner occupied rehabilitation projects (required at drawdown)

2023 AHP GENERAL FUND

- Approximately \$38,198,039 available for the 2023 AHP General Fund Round
- Maximum of \$40,000 per AHP targeted unit
- Maximum of \$1,500,000 per project
- Expected to launch in the 1st Quarter
- Application submission deadline will be approximately 45 days from when package is made available
- AHP funds may only be accessed through a participating FHLB NY member
- For list of FHLB NY members see www.fhlbny.com and click on “Members”
- AHP Applications must be submitted to the FHLB NY via the Bank’s secure portal
- There is no limit to the number of applications a member or a sponsor may submit

2023 PROGRAM UPDATES TO INCREASE COMPETITIVENESS FOR PR/USVI

- Six (6) points will be awarded for the financing of housing located in a permanently inhabited U.S. Territory (e.g., Puerto Rico, U.S. Virgin Islands)
- Preservation of Housing has been amended so that if a project preserves existing occupied housing units or replaces substandard occupied units, ten (10) points will be awarded
- Projects located in the United States Virgin Islands and Puerto Rico may receive five (5) points if certified to the ENERGY STAR Caribbean Program Requirements (Single-Family Homebuilders and Multifamily)
- Member Financial Participation (up to 6 points) has been streamlined to reduce documentation collection and utilize the Member Financial Participation Certification form

The information provided by the Federal Home Loan Bank of New York (FHLB NY) in this communication is set forth for informational purposes only. The information should not be construed as an opinion, recommendation or solicitation regarding the use of any financial strategy and/or the purchase or sale of any financial instrument. All customers are advised to conduct their own independent due diligence before making any financial decisions. Please note that the past performance of any FHLB NY service or product should not be viewed as a guarantee of future results. Also, the information presented here and/or the services or products provided by the FHLB NY may change at any time without notice.

UPDATED: January 2023



Q&A's for United States Virgin Islands Law Amendments for Membership and to Exempt the Federal Home Loan Bank from Stay and Voidable Preference Insurance Statutes

1. What is the Federal Home Loan Bank?

The Federal Home Loan Bank of New York (FHLB NY) is a part of a system of 11 regional Federal Home Loan (FHL) Banks. The system was created by an act of Congress, as a government-sponsored enterprise, to support mortgage lending, low-income housing development, and community investment after the Great Depression. FHL Banks are supervised by the Federal Housing Finance Agency (FHFA), which ensures that the Banks operate in a financially safe and sound manner and carry out their housing finance mission.

Each FHL Bank, like the FHLB NY, is a separate, government-chartered, member-owned cooperative. The members own stock in the FHL Bank. Congress designed the FHL Banks with certain market features to enable the Banks to provide low-cost wholesale funding to their coop members so that, in turn, those members could extend affordable credit and invest in their communities.

2. How does the Federal Home Loan Bank of New York serve its communities?

The FHLB NY serves 327 financial and insurance member institutions in its region of New York, New Jersey, Puerto Rico, and the U.S. Virgin Islands (as of December 31, 2022). Additionally, the FHLB NY serves 9 Housing Associates, including the Virgin Islands Housing Finance Authority.

Each year since 1990, by law, the Federal Home Loan Bank of New York has contributed 10% of its income to the Affordable Housing Program (AHP). This program subsidizes long-term financing for very low-, low- and moderate-income families. Since the program's inception, the Federal Home Loan Bank of New York has awarded more than \$17.9 million in subsidies to more than 2600 affordable housing projects in Puerto Rico and USVI communities. Further, by law, members of the FHL Banks, including insurance companies, must have mortgage-related assets that reflect a commitment to housing finance.

3. What does the proposed legislation do?

One of the primary purposes of the FHLB NY is to provide advances (i.e., loans) to insurance company members. Insurance companies use these advances to provide liquidity as the need arises (for example, when insurance claims spike). These advances must be fully secured by one or more specific types of collateral. Under existing USVI law, if one of the State domiciled member-insurance companies were to have financial difficulty and enter into receivership, the FHLB NY would be stayed from accessing its pledged collateral. The receiver could also void any transfers of collateral to the FHLB NY that were made within a certain period of time before the receivership was established. Under federal law impacting federally-insured depositories, like banks and credit unions, the FHL Banks are not subject to these "stay and voidable" transfer provisions.

Specifically, the proposed legislation would amend USVI's insurance company insolvency statutory provisions with respect to "stays" and "voidable transfers" with regard to the FHLB NY exclusively.

The proposed amendments would:

- a. Prevent the receiver from attempting to apply stay and voidable preference authority to the collateral pledged to the FHLBNY in a situation of an insurance company's insolvency. These changes would only apply to members of the FHLBNY. These changes would only apply to collateral pledged in the ordinary course of business by member insurance companies to the FHLBNY, and would not prevent the receiver from imposing stays or voiding transfers when fraud or bad conduct is involved.
- b. Establish an orderly process codified in law for the FHLBNY to work with the receiver to help the troubled insurance company. The proposed legislation requires that the FHLBNY act as a resource and assist the receiver with either an orderly liquidation or a rehabilitation of the insurance company, including by providing available options for the insurance company members to renew or restructure advances and the possible redemption or repurchase of FHLBNY stock. In the instance of a potential insolvency, the Federal Home Loan Bank is the only institution willing and able to provide liquidity to the troubled insurance company.

The proposed legislation would bring certainty regarding the FHLBNY's obligations under the law in the event of an insolvency, create parity with federal law covering banks and credit unions, and lower the collateral requirements of the FHLBNY for those USVI domiciled insurance companies which are members of the Bank. Importantly, the proposal would codify in law the role that the FHLBNY would play to assist the receiver in achieving the best possible outcome for the troubled insurance company. Finally, the proposed legislation contains all of the specific provisions recommended by the National Association of Insurance Commissioners (NAIC).

4. Which companies would be impacted by the proposed bill?

Member insurance companies of the FHLBNY are made up of only domiciled insurance companies in New Jersey, New York, Puerto Rico and the U.S. Virgin Islands, and only those insurance companies that meet the specific financial eligibility requirements of the FHLBanks. Some of USVI's largest and most reputable insurance companies such as Guardian Insurance Co., Dorchester Insurance Co. Ltd. The proposed legislation is narrow in its scope and would only apply to those domiciled insurance companies which are members of the FHLBNY cooperative. Alien insurance companies do not qualify for FHLBNY membership and are outside the scope of this proposed legislation.

5. Will this law create a special creditor preference for the Federal Home Loan Banks?

No. The standards of secured lending and perfection of collateral under the Uniform Commercial Code is unchanged. The priority distribution of claims statute is also unchanged. The proposed bill would prevent the receiver from clawing back collateral that was pledged to the FHLBNY under valid security agreements, in the ordinary course of business and which was perfected by the FHLBNY under the Uniform Commercial Code.

6. Will policyholders be disadvantaged by this law?

No. When lending to an insurance company, the FHLBNY carefully underwrites its lending decision and does not lend on an unsecured basis. In the unlikely event of an insurance failure, secured creditors are not part of the policyholder creditor class. The liquidity (cash proceeds) from the FHLBNY advances helps the receiver to continue to operate the trouble insurance company

for the benefit of policyholders, including the payment of claims. As a secured collateralized lender, the FHLBNY pursuant to Federal regulations (12 CFR 1266.4) is required to receive the approval of the insurance regulator before an advance may be made or renewed to a troubled insurance company. This coordinated approach to safely providing short-term emergency liquidity to troubled insurance companies aligns with the FHLBNY's congressional mission of being a stable, reliable liquidity provider to the nation's financial institutions. No other financial institution or creditor is similarly positioned to provide liquidity during an insurance company's financial trouble.

7. Will this law help the insurance regulator?

Yes. The insurance regulator will benefit because the bill provides for a coordinated dialogue between the receiver, appointed by the Commission, and the FHLBNY to prudently allow for needed liquidity for troubled insurance companies. This may reduce the risk of insurance company failures, and continued FHLBNY lending may give the insurance regulator more time or options to find a lower cost solution for an insurance company failure. This bill would bring the USVI law in line with the Federal standards for banks and credit unions and similar laws which have been adopted in 24 states & the Commonwealth of Puerto Rico to date. Several other states are presently considering similar legislation.

8. Are there examples of an FHLBank working with a regulator to assist a failing insurance company?

Yes. Shenandoah Life Insurance Company, which was a member of the FHL Atlanta Bank, and the Standard Life Insurance Company, which was a member of the FHL Indianapolis Bank. Both insurance companies, which were in receivership, were rehabilitated and eventually sold. The FHLBanks worked with the state regulators and receivers to enable the insurance companies to work through their financial issues.

9. Have the FHLBanks supported members in times of financial stress?

Yes. The FHLBanks fulfilled their Congressional mission of serving as a liquidity source for the nation's financial institutions during the 2007-2009 financial crisis. The FHLBank system was one of the first institutions to emerge as an important provider of liquidity. In the second half of 2007, the FHLBanks had increased their advance lending from \$235 billion to \$875 billion. By the first half of 2008, FHL Bank advances grew to \$914 billion, and climbed to about \$1 trillion by the end of 2008.

Specifically, with regards to insurance company members, the FHLBNY continued lend when other sources had dried up. For example, New York and New Jersey insurance companies, Prudential, MetLife and New York Life Insurance Company, members of the FHLBNY, each applied to their state regulators to increase their borrowings during the crisis. In 2007, the FHLBNY had lent \$4.6 billion to insurance companies; in 2008, advances to insurance companies more than quadrupled to \$19.1 billion, and in 2009, advances to insurance companies were at \$19.2 billion. On a system wide basis, in 2007, FHLBanks made \$28 billion in advances to insurance company members, and in 2008, advances jumped to \$54 billion.

The FHLBanks performed their mission during the crisis, never needed taxpayer assistance, and protected their members' investments in their FHLBank stock. In a study of the FHLBanks during the crisis, the Federal Reserve concluded that the FHLB System took the early lead in providing liquidity during the financial crisis, and "[h]ence, we view the FHLB system as the lender of next to last resort."

During the recent March 2023 Liquidity Crisis triggered in part by the failure of Silicon Valley Bank, the FHLBNY once again reaffirmed its mission of being a reliable liquidity source in times of market turmoil. The FHLBNY provided on March 10th \$9.5 billion in advances to our members (nearly all of which occurred following the SVB receivership announcement late-morning). March 13th resulted in more than \$16 billion in advances - a single day record in our 90-year history of operations. In total from March 10th through March 17th, the FHLBNY provided more than \$37 billion in new advances to stabilize the financial institutions and mitigate run risk.

10. What did the FHLBanks do during the COVID-19 crisis?

The written testimony of Dr. Mark A. Calabria, FHFA Director to the House Financial Services Committee on September 14, 2020 recognized the important role of System during the COVID-19 crisis when the financial markets were being disrupted:

“The vital support that the FHLBanks provided to the market in response to the financial stress caused by the pandemic. A core function of the FHLBanks is to provide liquidity in times of stress. This support is critical for small and community banks that often do not have access to other sources of low-cost funding. When the COVID-19 crisis began, the FHLBanks stepped up to keep liquidity in the market, meeting unprecedented advance demand from their member financial institutions. In March, while other liquidity sources dried up, FHLBank System advances grew by \$189.4 billion – or 30.7 percent – at their peak. For the quarter ending March 31, FHLBank System advances increased 25.8 percent to \$806.9 billion. While access to long term debt markets was severely limited, the System was able to fund this increased advance demand largely through discount notes and floating rate bonds indexed to the Secured Overnight Financing Rate (SOFR). For the first quarter of 2020, outstanding debt increased to \$1.18 trillion, growing at the fastest pace in recent history.”

The FHLBNY experienced similar emergency liquidity demands during the height of the COVID-19 pandemic. Advances increased to \$134 billion as of March 31, 2020 as compared to \$100 billion as of December 31, 2019 – a 34 percent increase. The FHLBNY also made available \$1 billion in “at cost” disaster relief advance funding, \$5 million in small business grants, and \$500,000 in charitable donations to assist families and businesses negatively impacted by COVID-19 in New York, New Jersey, Puerto Rico and the U.S. Virgin Islands.

11. Will member insurance companies of the FHLBNY cooperative benefit?

Yes. Insurance companies that are members of the FHLBNY will be able to borrow on more favorable terms by pledging less collateral to the Bank. The types of collateral that may be used for advances could also expand. A member company in receivership would benefit because the proposed bill requires that the FHLBNY work with the receiver to help resolve the issue that has caused the financial trouble.

12. Will USVI families benefit?

The FHLBNY does not deal directly with consumers. The FHLBNY only works through its member financial institutions. While there are no direct consumer benefits, there may be some indirect benefits helpful to the USVI. First, with the passage of the proposed legislation, it is expected that more USVI based insurance companies may voluntarily join the FHLBNY and borrow from the FHLBNY. This means that the insurance company will borrow under more favorable terms from the FHLBNY. Second, 10 percent of the profits from those borrowings are,

by Federal law, granted to low-income families to subsidize their rents or to purchase homes under the Federal Home Loan Bank's Affordable Housing Program. Since the program's inception, over 2,100 USVI and Puerto Rican families were awarded \$14.2 million in Affordable Housing Program grants. In addition, \$3.7 million went to over 500 first time homebuyers in the USVI and Puerto Rico to assist with down payments and closing costs. More borrowing translates into a greater share of profits being utilized for the FHLBNY's Affordable Housing Program.

Last Updated March 31, 2023