

ALM, Liquidity & Funding Strategies for the Current Environment



June 18, 2026

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Presenters



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Overview

- Deposit Pricing & Strategy
- Optimized Short-Term Wholesale Funding
- Mortgages

Housing & Community Investment: Program Updates

Key 2026 funding windows, deadlines, and availability updates for members.

Jobs for New England (JNE)

Application round opened February 11
Funding releases: March 4, May 6,
July 8
Subsidy cap steps up to \$250,000 on
July 8

Down Payment Assistance (EBP, LUH, HOW)

Member application period closed
February 27
Homebuyer enrollments began April 1
Funding drops: April 1/15, May 1/15,
June 1/15

Permanent Rate Buydown (PRB)

2026 funds exhausted
Watch for future availability / updates

Affordable Housing Program (AHP)

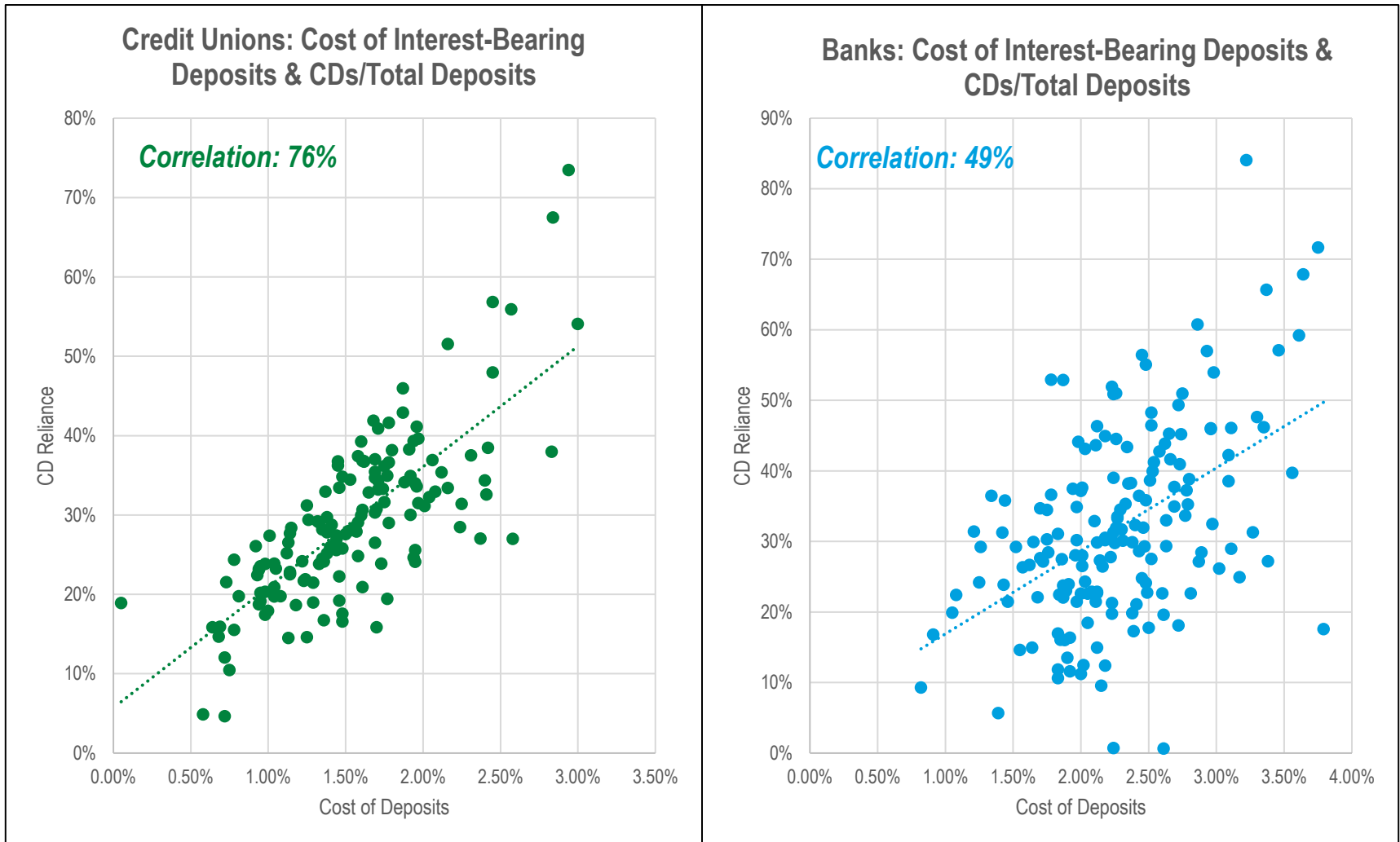
2026 round opens June 1
Sponsor applications due July 16
Member review/submission deadline
July 30
Awards expected by December 24

Deposit Pricing & Strategy



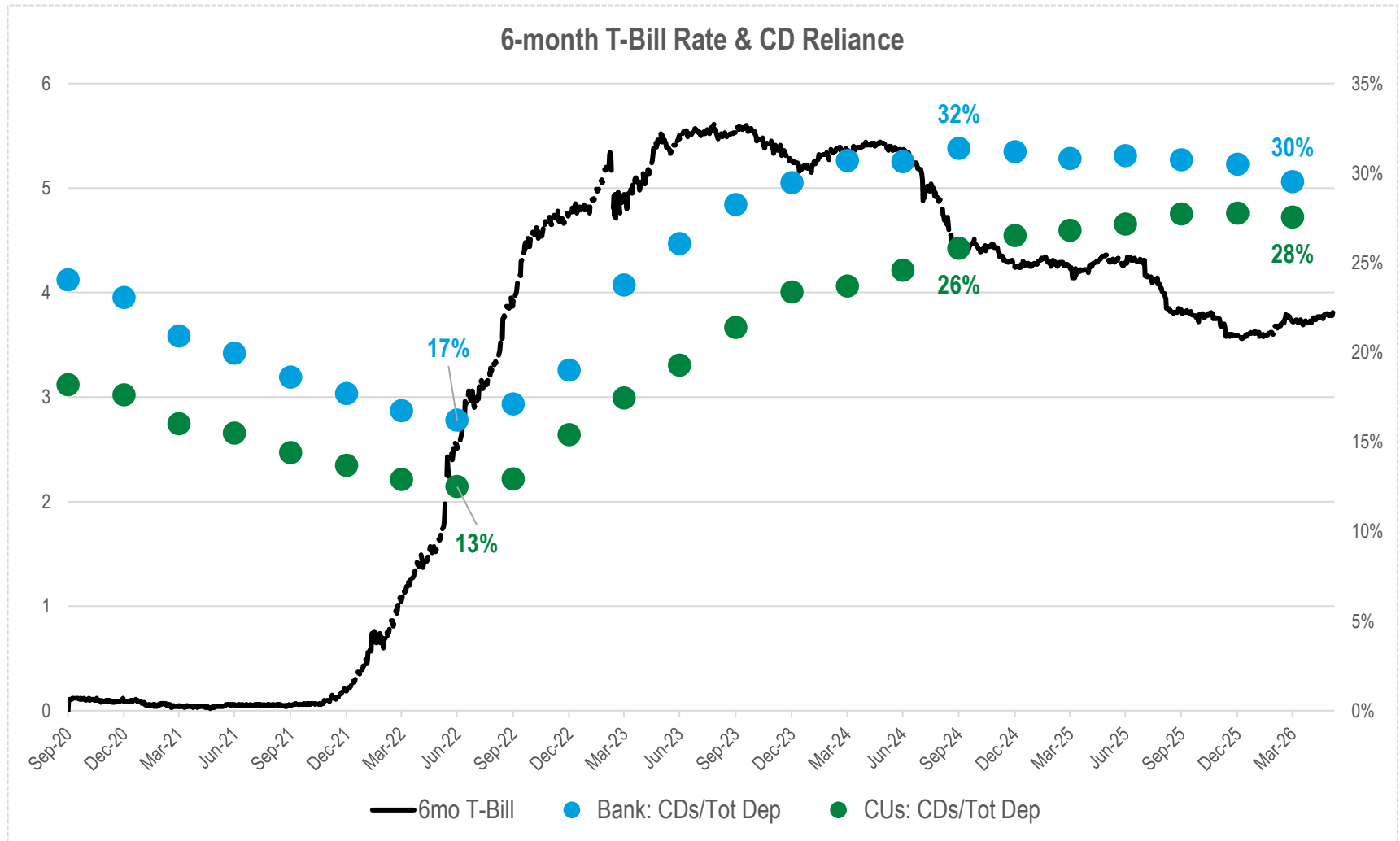
CD Reliance and Pressure on Funding Costs

As term deposits concentration grows, the cost of that funding tends to rise as well.



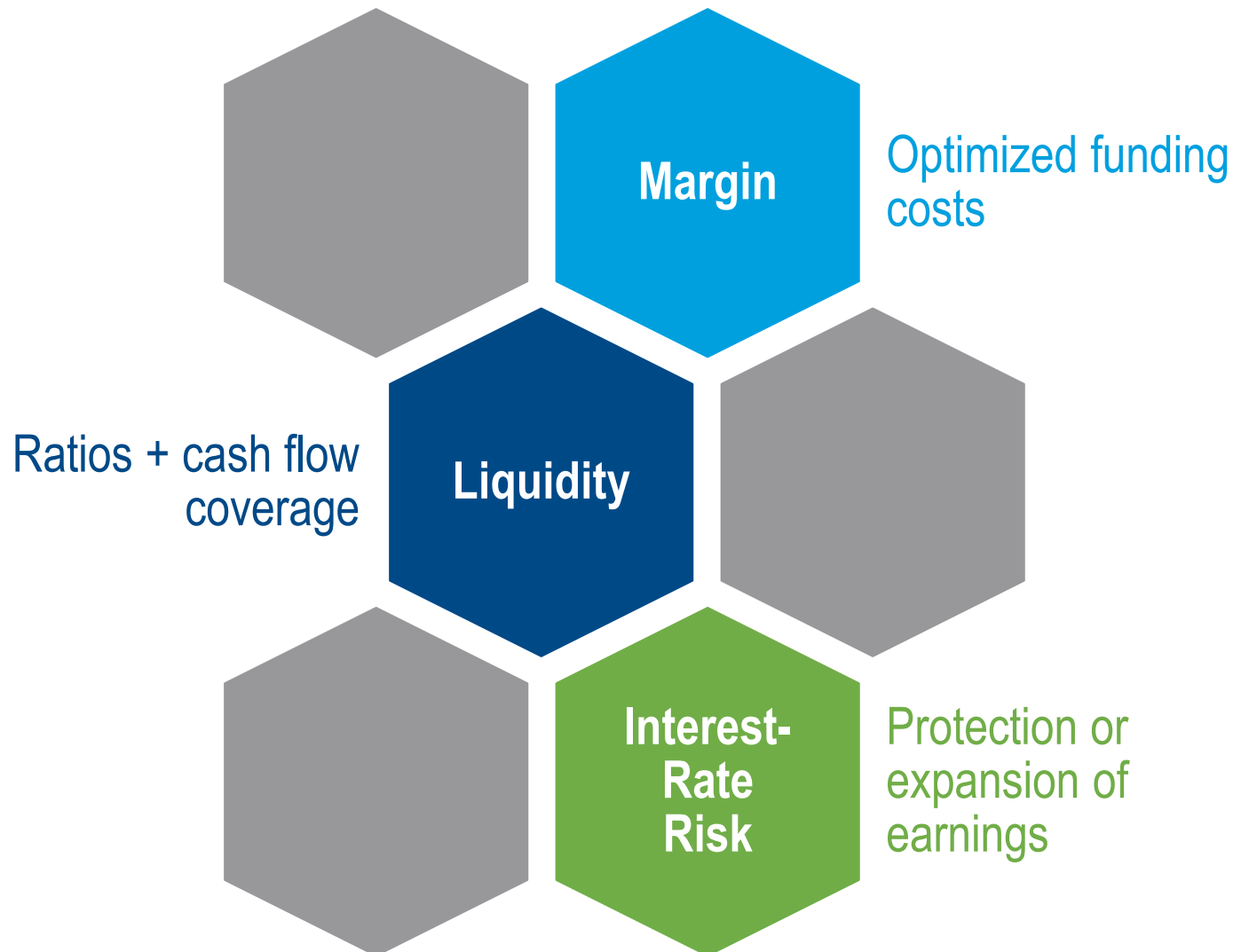
Impact of Short-Term Rates on CD Demand

The 500-basis point rate shock in 2021-2022 caused a pivot in the multi-decade secular shift away from term deposits.



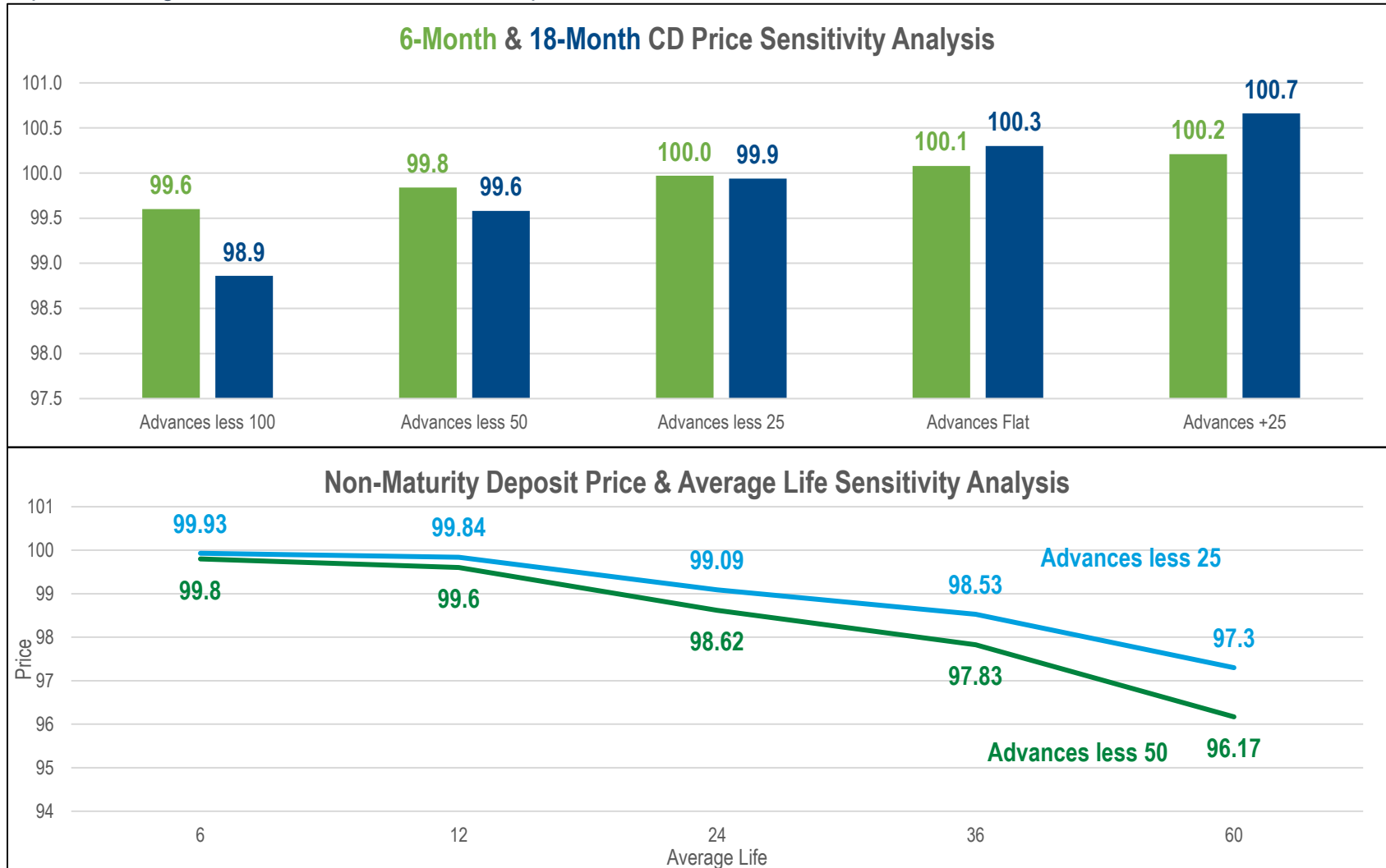
What Benefits Accrue from Funding Decisions?

What are the characteristics that come with specific funding choices, whether it is deposits or wholesale?



The Value of Different Deposit Types

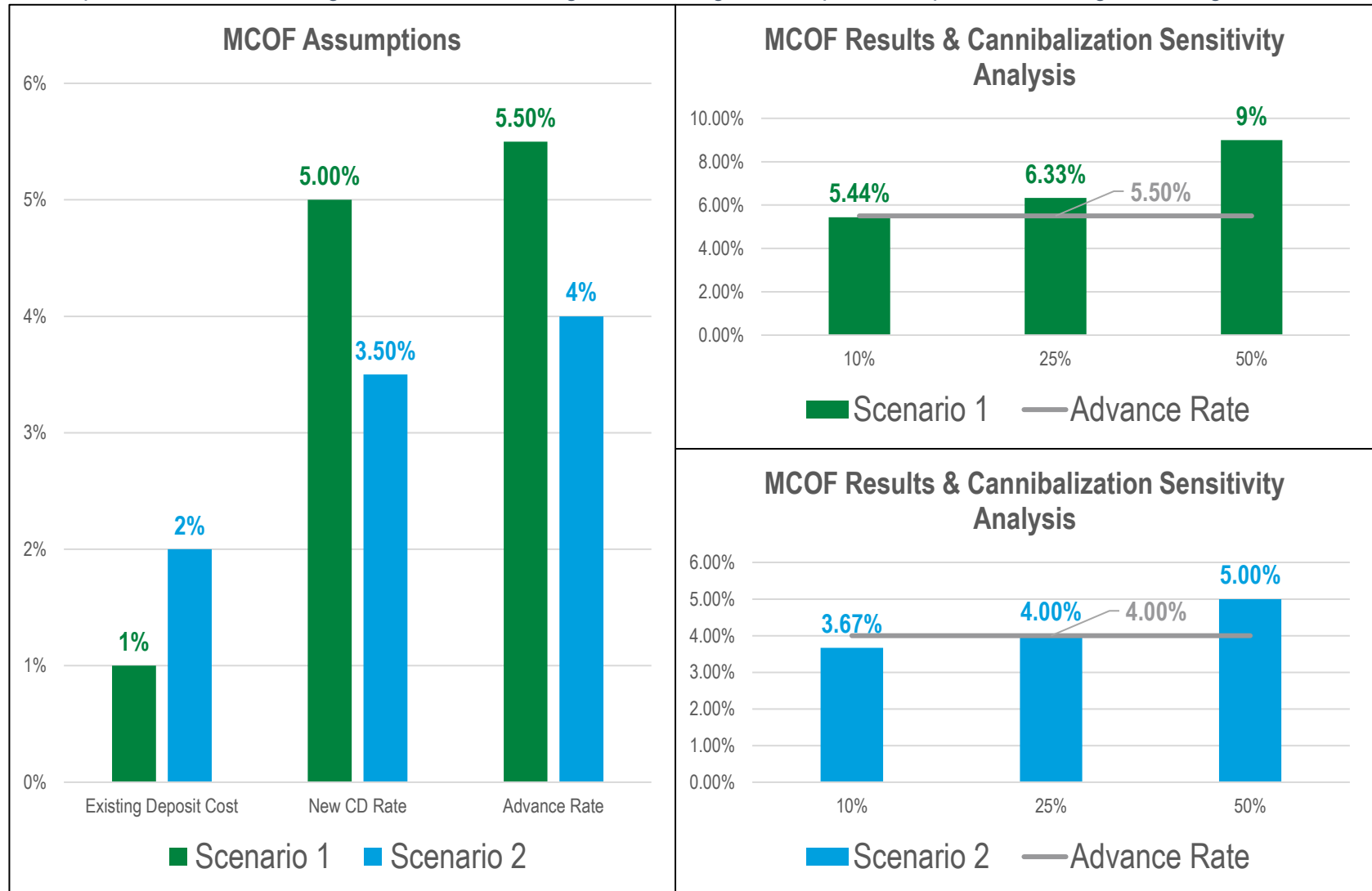
Pricing relative to Treasuries/advances can vary, but the average life assumption for non-maturity deposits create a potential edge vs. the finite nature of term deposits.



Source: FHLBank Boston

Marginal Cost of Funds Considerations

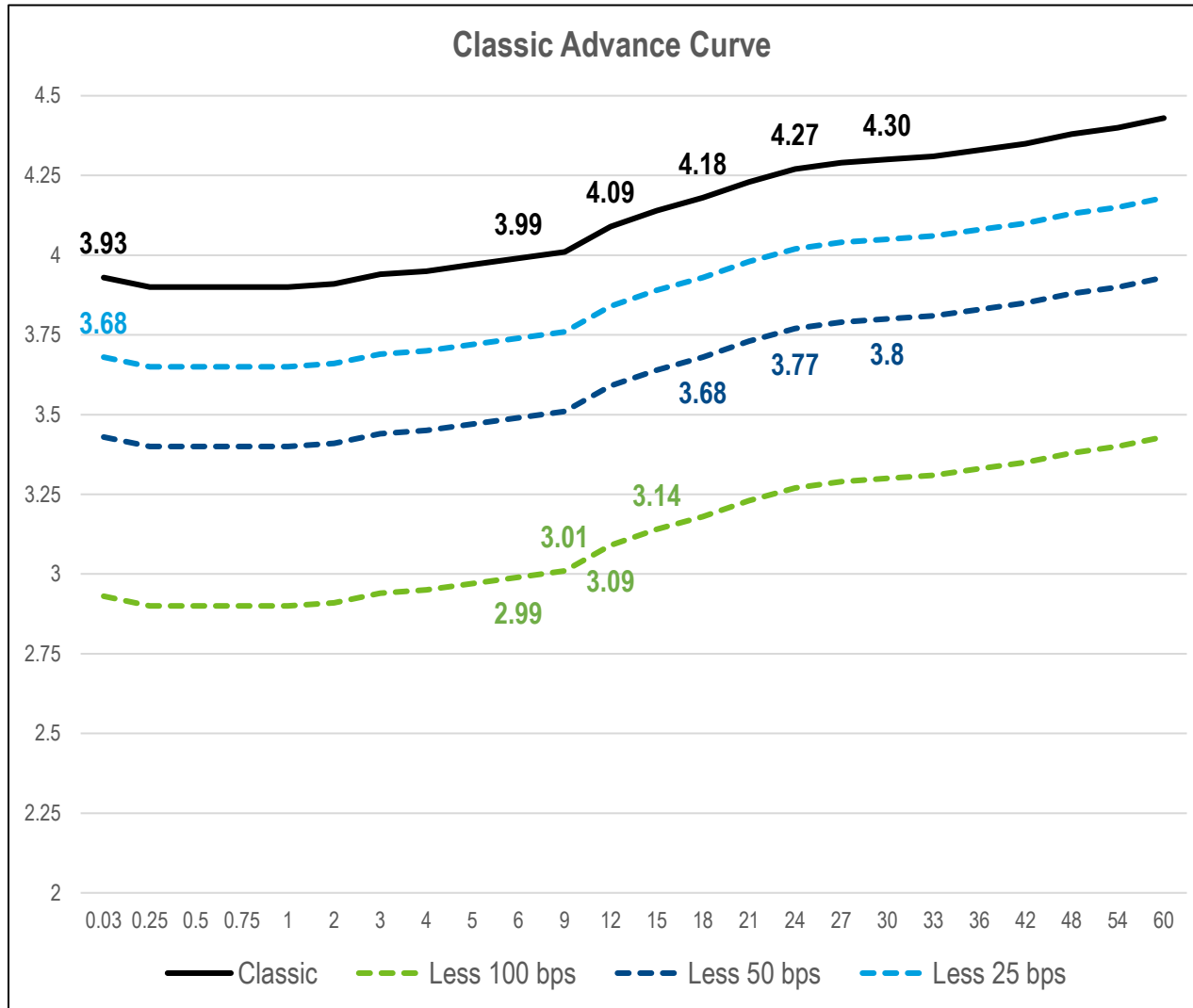
As the spread between existing cost and the clearing rate converge, the impact of deposits switching or leaving is muted.



Source: FHLBank Boston

Utilizing Advances to Price Deposits Efficiently

Leverage the just-in-time advances curve to align deposit pricing with unique balance sheet considerations.



Money Market Accounts DCM less 25 bps

- More flexibility to reprice, due rates or growth
- Lowest nominal point on curve
- Backfill with SOFR Floater

Shorter CD's (6-12 months) Classic Advance less 100 bps

- Positive slope offers lower starting point
- Less IRR/liquidity protection drives lower rate
- Backfill with CDA

Longer CD's (18-24 months) Classic Advance less 50 bps

- Positive slope may entice customers to extend
- Added duration may allow for more asset extension
- Backfill with Classics/putables

Source: FHLBank Boston

Optimized Short-Term Wholesale Funding



SOFR 101

SOFR is an overnight secured rate tied to Treasury repo markets, and it serves as the reference point for several floating-rate advance structures.

What is SOFR?

- The Secured Overnight Financing Rate measures the cost of financing Treasury securities overnight.

How is it Calculated?

- SOFR is a New York Fed-administered rate based on transaction-level Treasury repo data.

Why is it Important?

- SOFR can move day to day, but the cost of floating-rate funding depends on where it averages over the life of the borrowing.

What Impacts SOFR?

SOFR can move with repo-market pressure, quarter-end balance sheet dynamics, collateral demand, and overall front-end funding conditions.

Policy / Front-end Rates

- Fed target range, IORB, ON RRP

Repo Market Supply/Demand

- Treasury collateral, cash supply, dealer balance sheets

Technical Dates

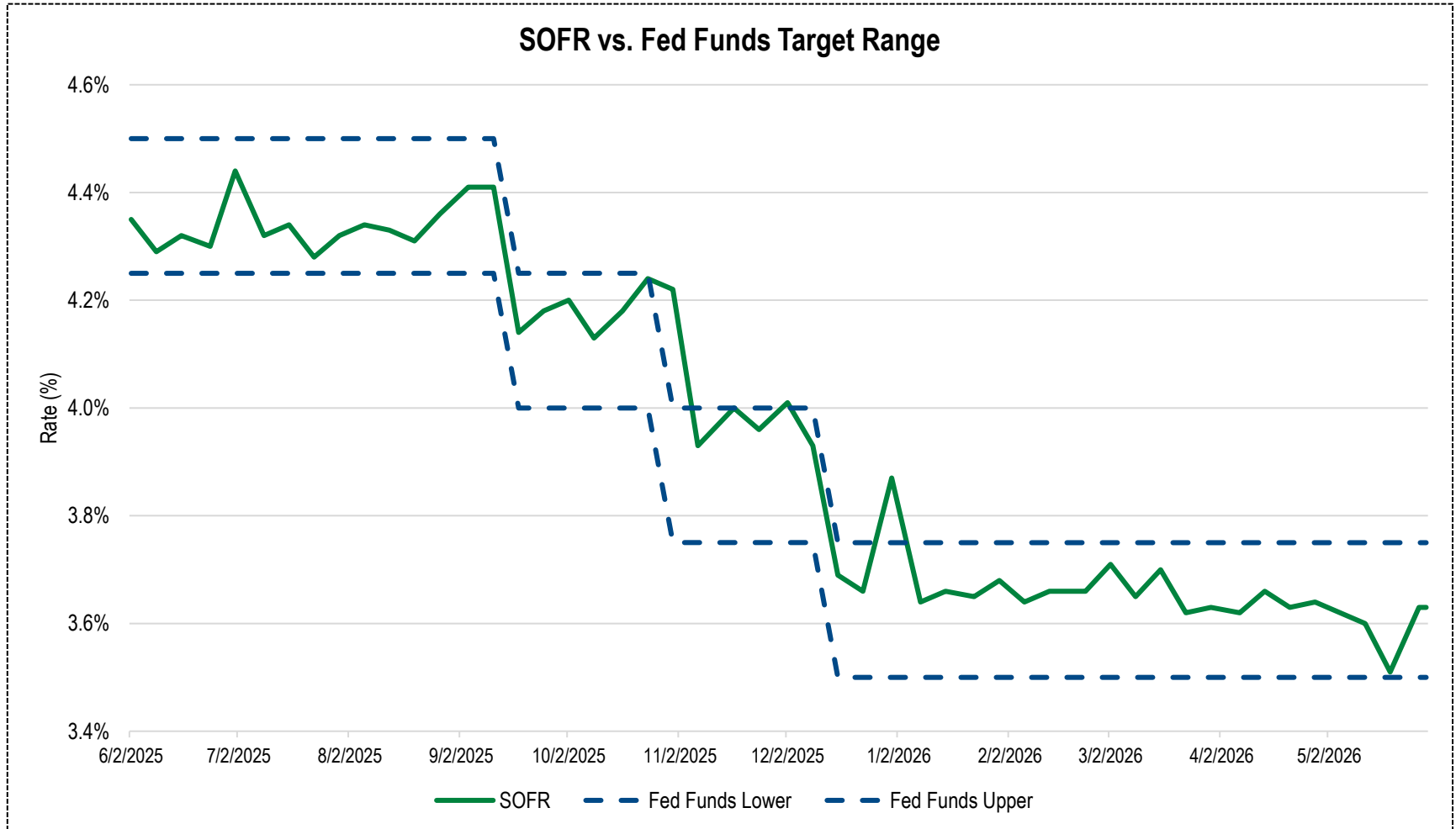
- Month-end, quarter-end, year-end

Market Stress / Balance Sheet Pressure

- Temporary spikes can occur, but averages dilute short-lived moves

SOFR & the Fed Funds Range

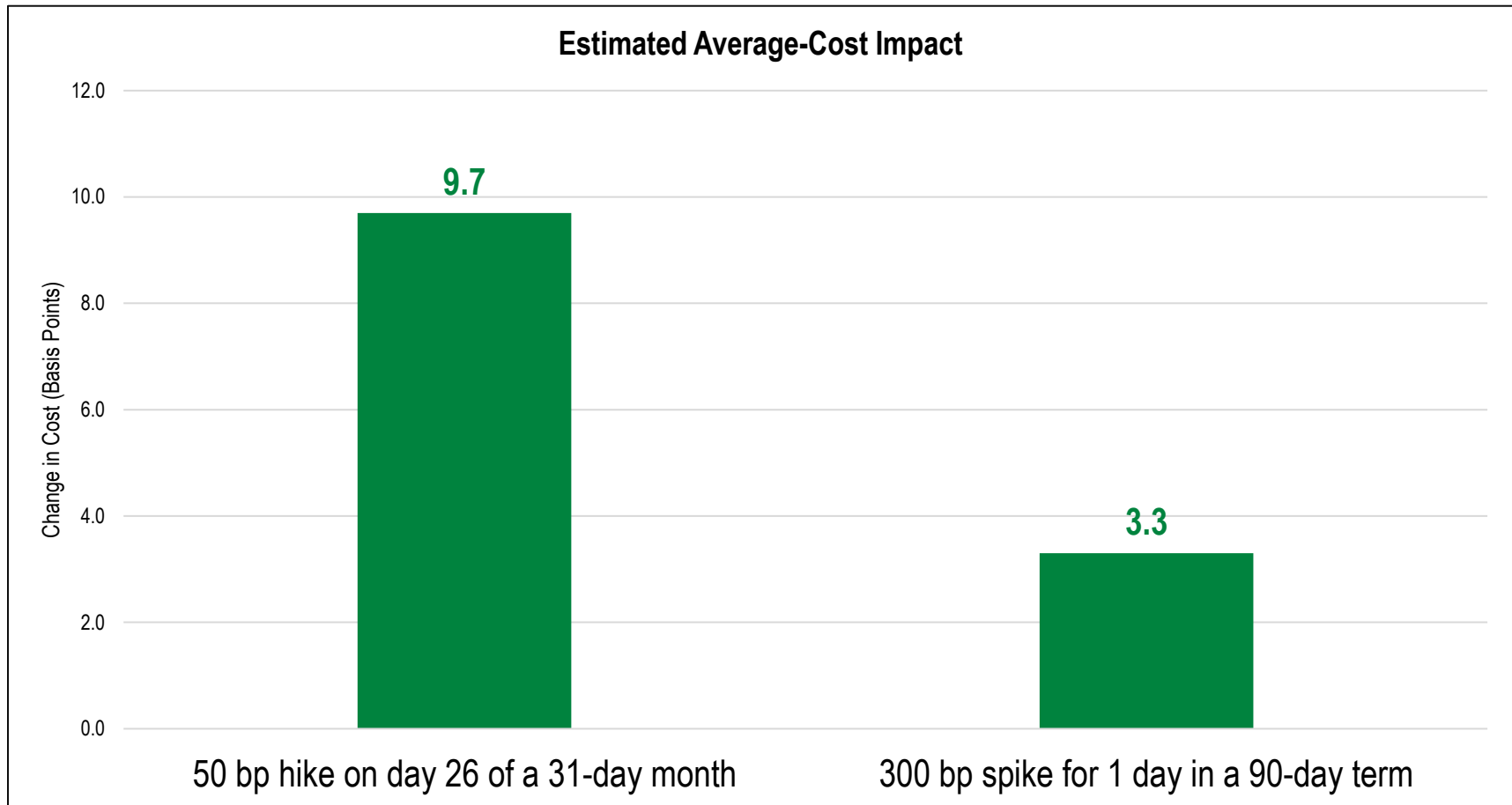
That matters because a SOFR-indexed advance can start below comparable short-term fixed alternatives.



Source: New York Fed, Federal Reserve via FRED, FHLBank Boston

Overnight Repricing Averaged Across the Term

A one-day SOFR move does not equal the cost impact over a one-month or three-month advance.



Source: FHLBank Boston

Approx. impact = rate shock × days affected ÷ days in term

Short-Term Advance Solutions

The right comparison depends on how long the funding need lasts and how much certainty the member wants.

Daily Cash Manager Advance

- **Fit:** Overnight or uncertain funding
- **Value:** Maximum flexibility
- **Tradeoff:** No term certainty

SOFR-Indexed Advance

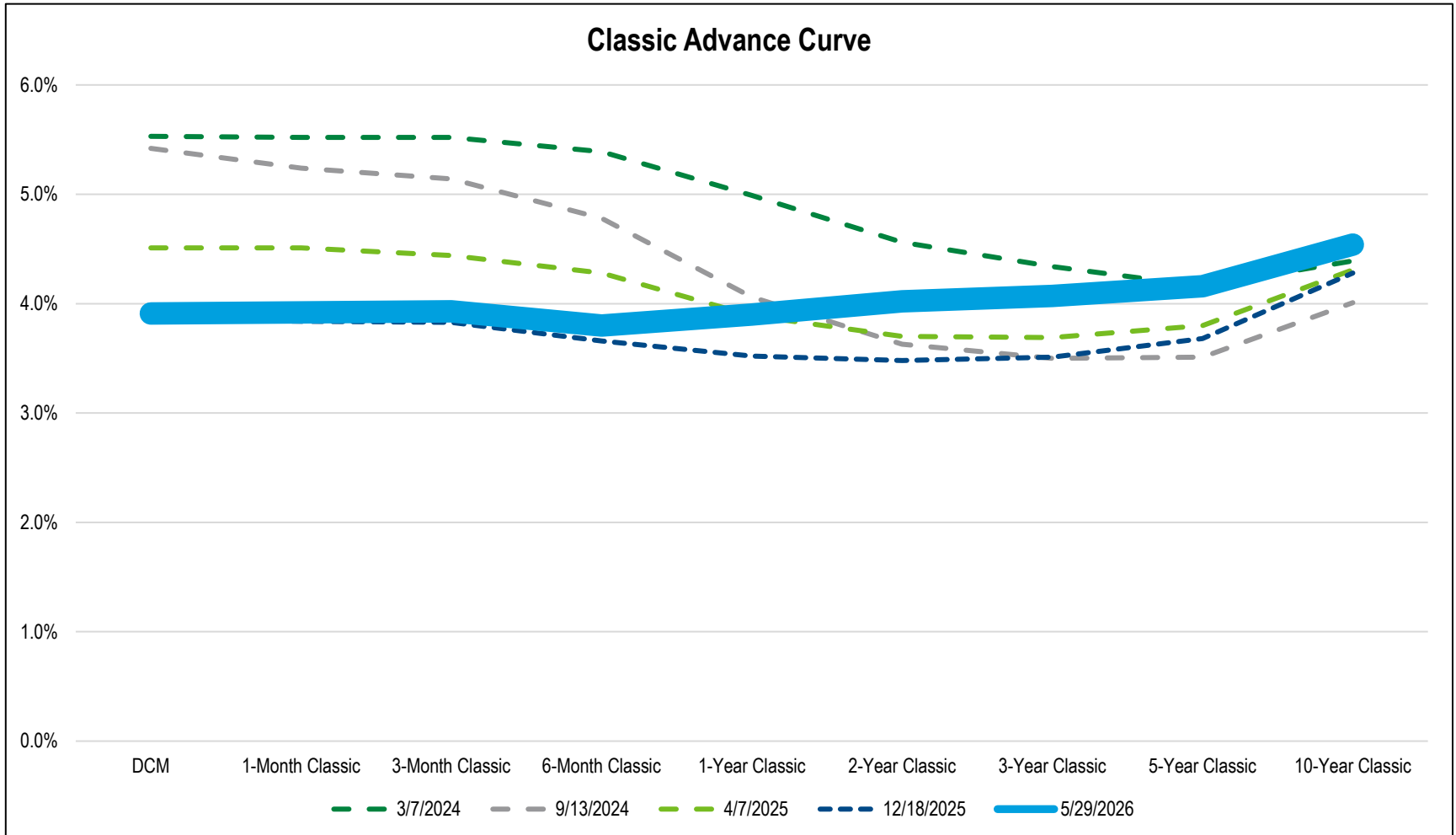
- **Fit:** Short-term funding where fixed certainty may be costly
- **Value:** Term funding with floating exposure
- **Tradeoff:** Rate can reset during the term

Classic Advance

- **Fit:** Known need or budget certainty
- **Value:** Fixed cost for the full term
- **Tradeoff:** Market rate expectations are already priced in

The Return to a “Normal” Yield Curve Shape

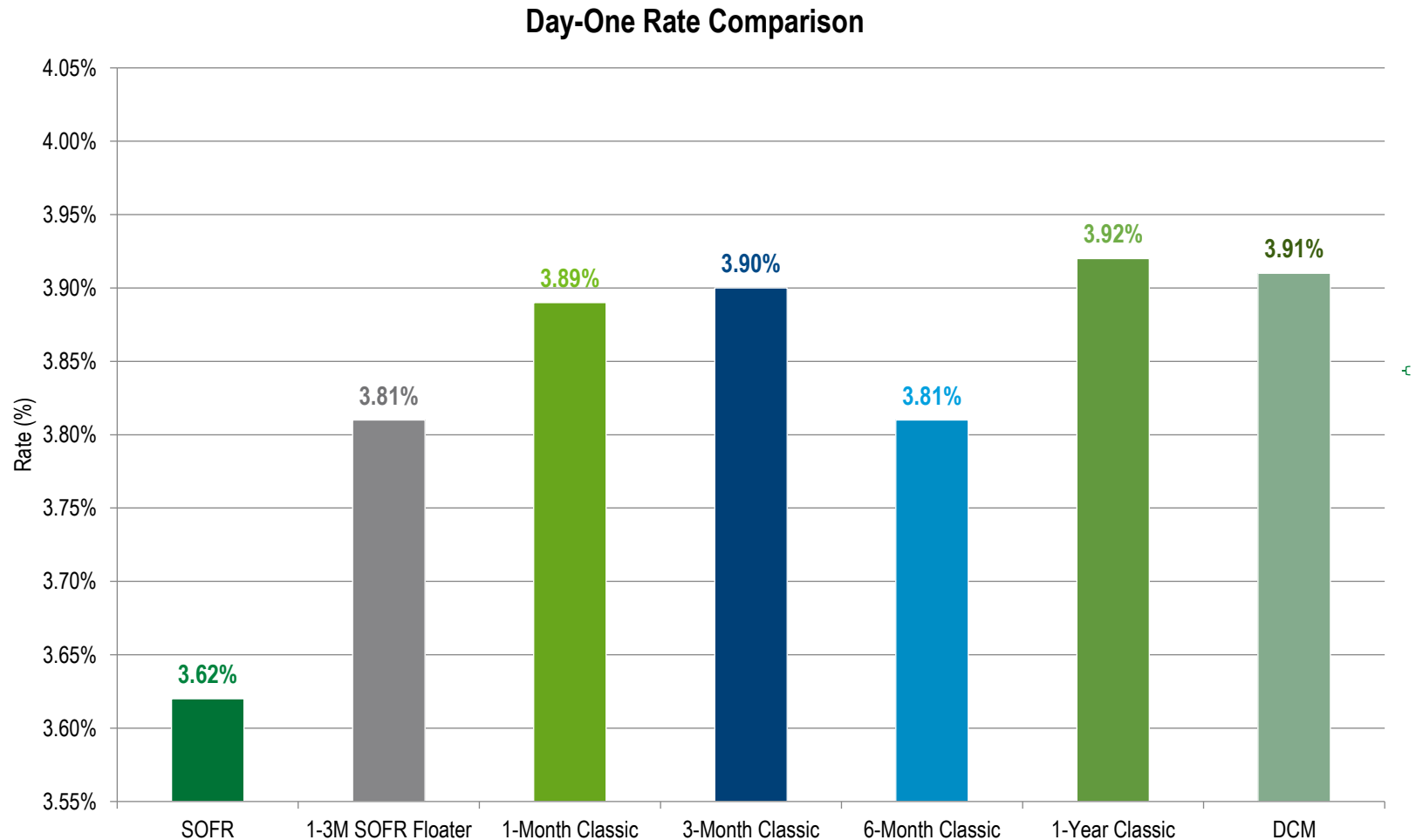
After persisting in an inverted position for a while, the yield curve now is upward sloping.



Source: FHLBank Boston

Short-Term Solutions: Day One Rates

SOFR-Indexed Advance rates are currently starting below comparable short-term fixed funding, creating day-one savings.

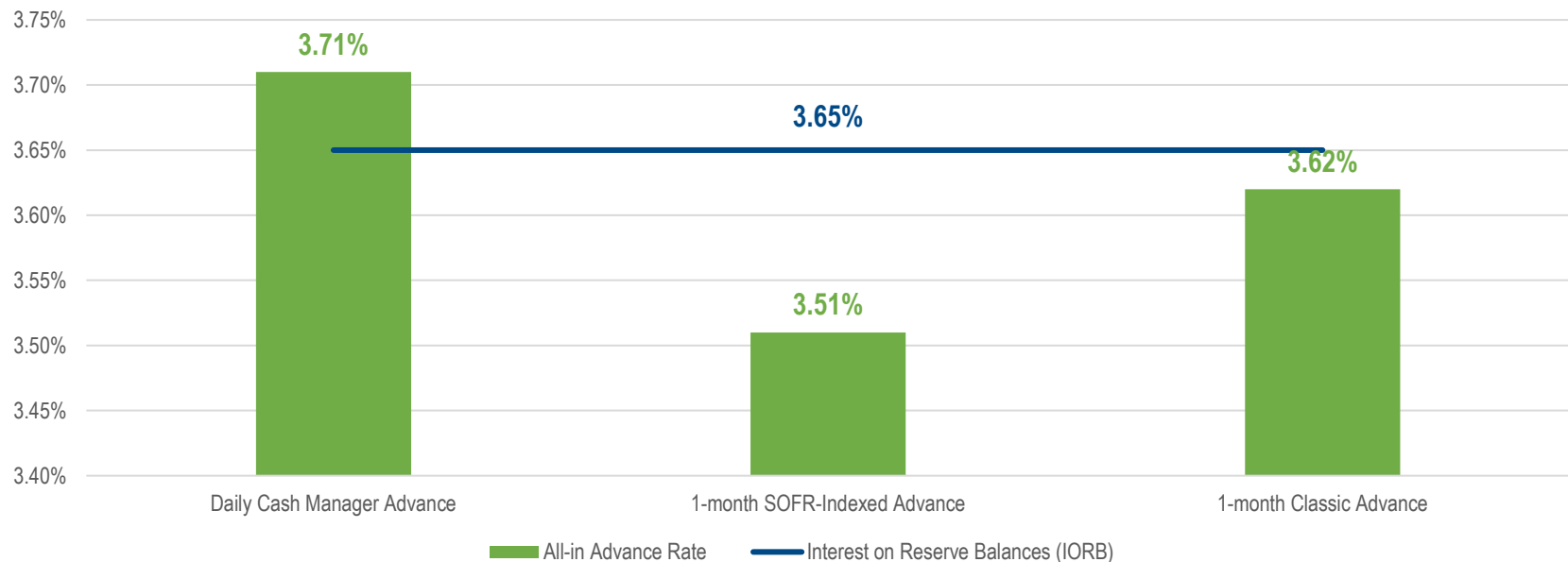


Source: New York Fed, FHLBank Boston

Scenario Analysis: Unchanged Rates

The benefit of a lower starting point plus additional capital stock gives the SOFR-Indexed Advance an initial cushion vs. other short-term alternatives.

Short-Term Advance Alternatives
Estimated Day 1 Dividend-Adjusted Rate



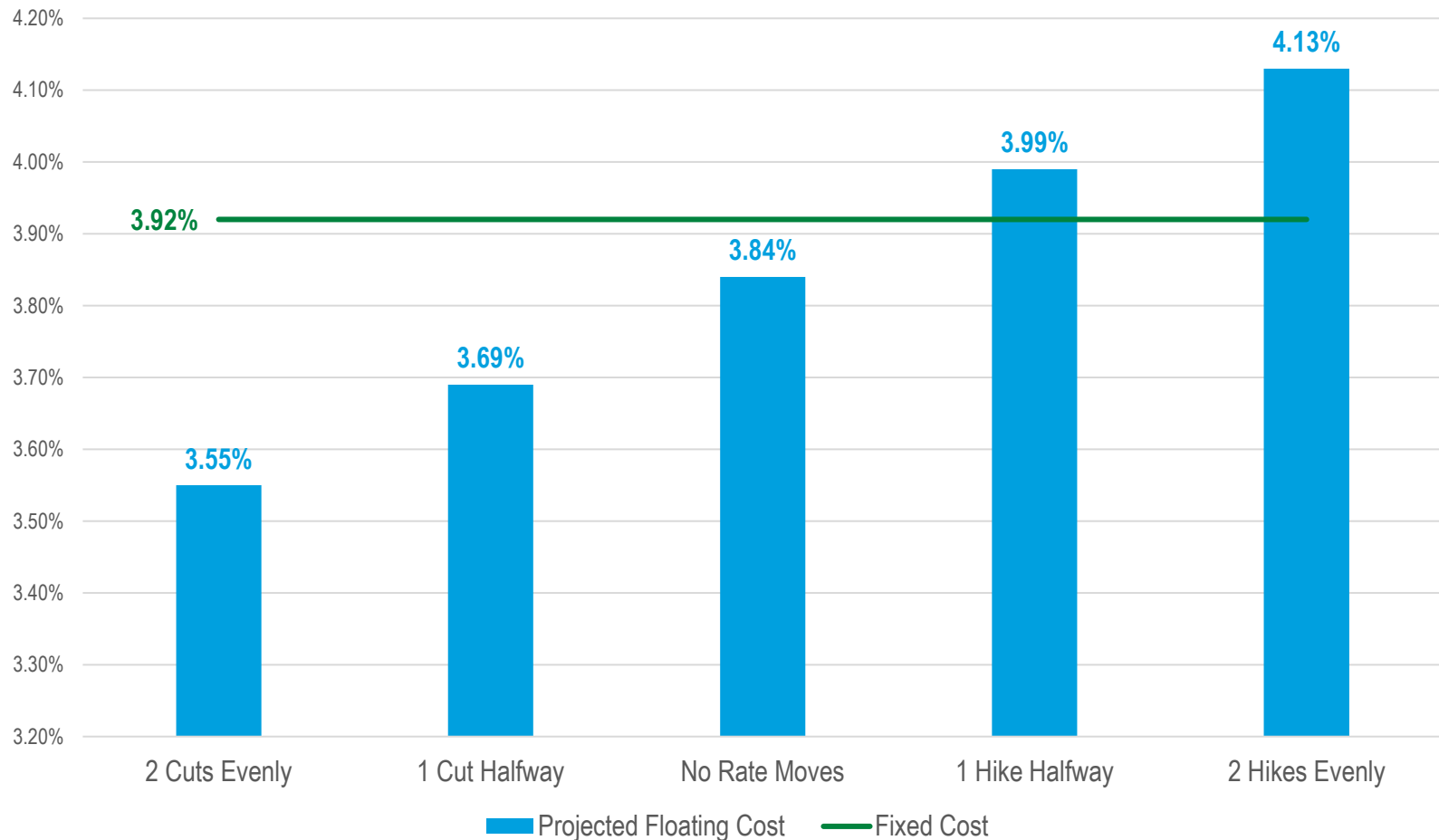
Advance Type	Posted Rate	Activity stock	Dividend Benefit	Estimated All-in rate	Savings vs. 1-month Classic
Daily Cash Manager	3.91%	3.00%	20.1 bp	3.71%	-8.7 bp
1-month SOFR-Indexed	3.78%	4.00%	26.8 bp	3.51%	+11.3 bp
1-month Classic	3.89%	4.00%	26.8 bp	3.62%	0.0 bp

Source: New York Fed, FHLBank Boston

Scenario Analysis: 1-Year Horizon

Given current market pricing and expectations of no near-term cuts, the breakeven rate for where floating outperforms fixed is just below one full hike at the midpoint of the selected term.

Fixed vs. Floating, 1-Year Horizon

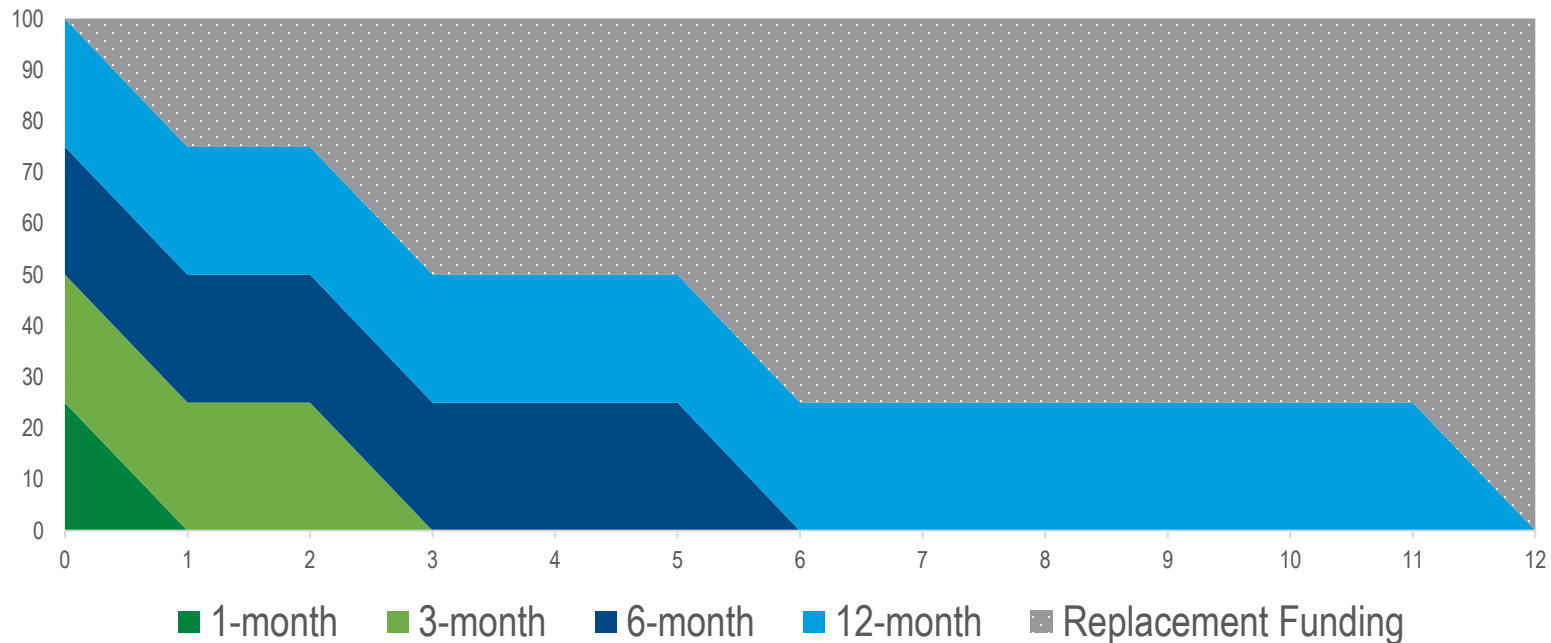


Source: FHLBank Boston

Balancing Current & Future Liquidity Needs

As a recurring funding need proves more durable, a member can layer the balance by stability, using longer SOFR terms for the durable base, shorter terms for seasonal and monthly flex, and DCM to fill in the gaps.

Example SOFR-Indexed Advance Ladder Funding



Funding Considerations

Pay down advances efficiently if liquidity needs are reduced

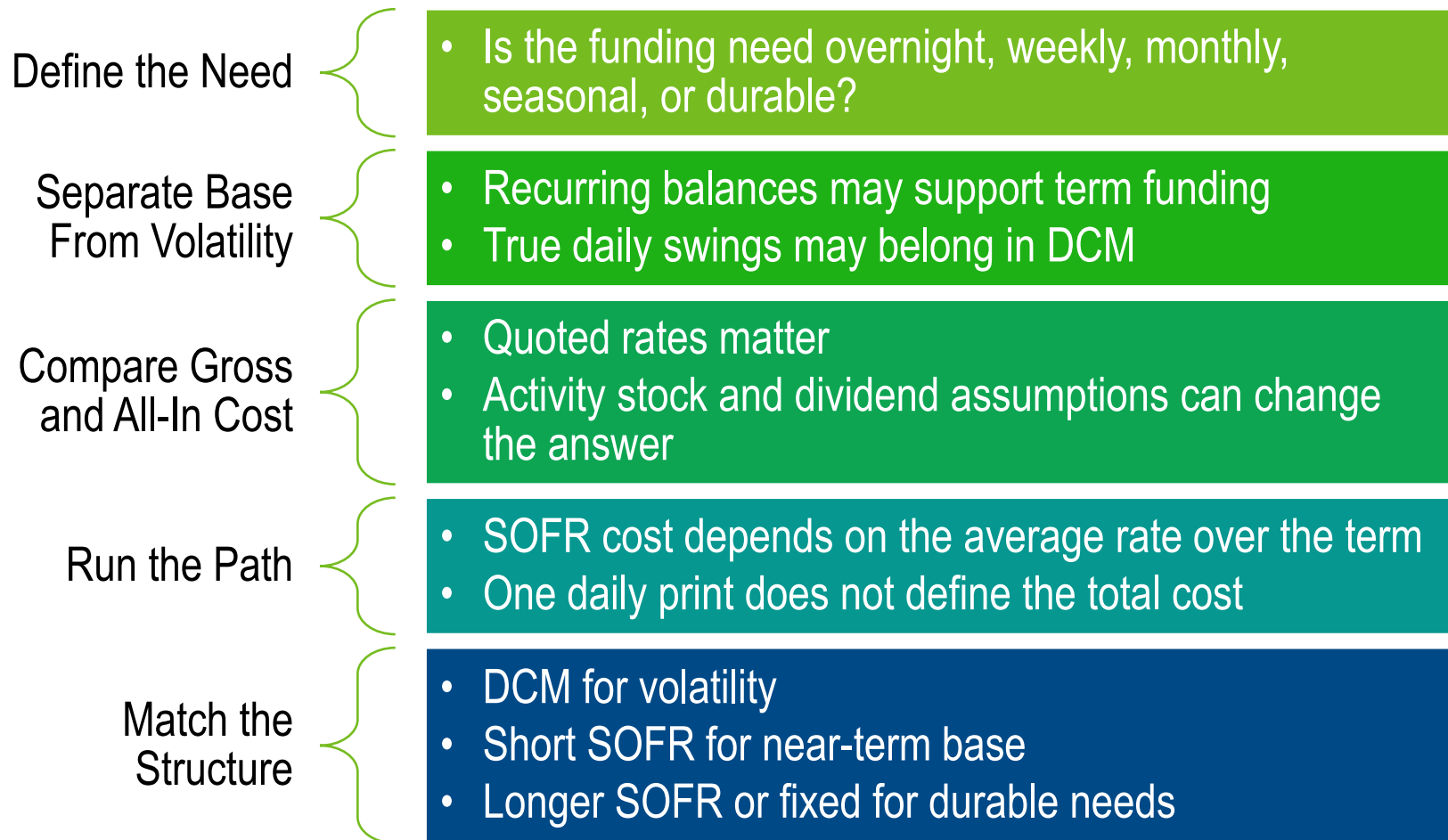
Replace at shorter terms if liquidity is building up

Term out if rate conditions and balance sheet needs call for it

Source: New York Fed, FHLBank Boston

From Rate View to Funding Structure

The decision to utilize floating funding should match the expected life, stability, and all-in cost of the funding need, as well as balance sheet considerations.



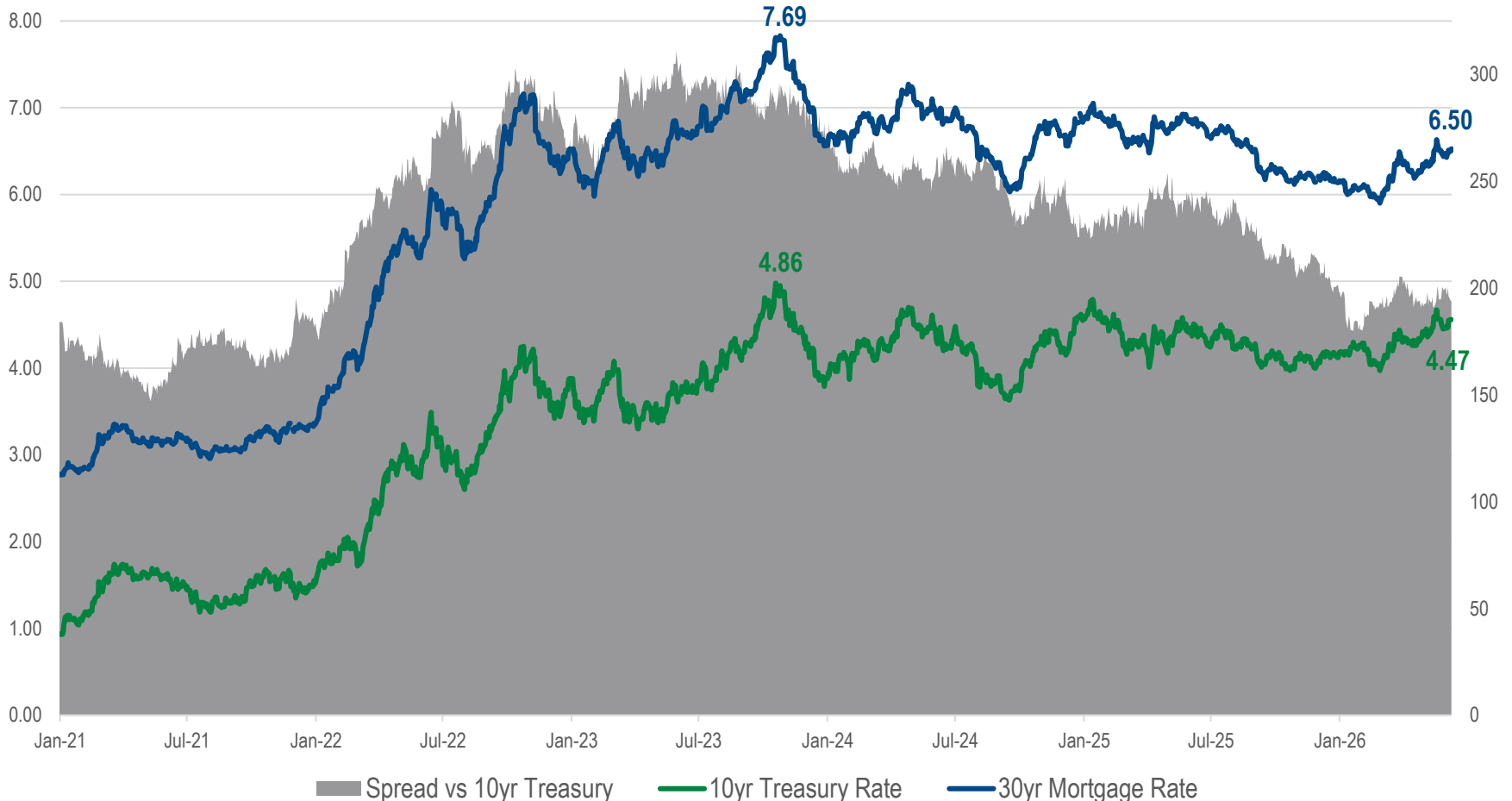
Mortgages



Higher Rates but Narrower Spreads

After briefly moving into a 5% handle, mortgage rates have moved back up, but spreads remain tighter vs. 2023 peaks.

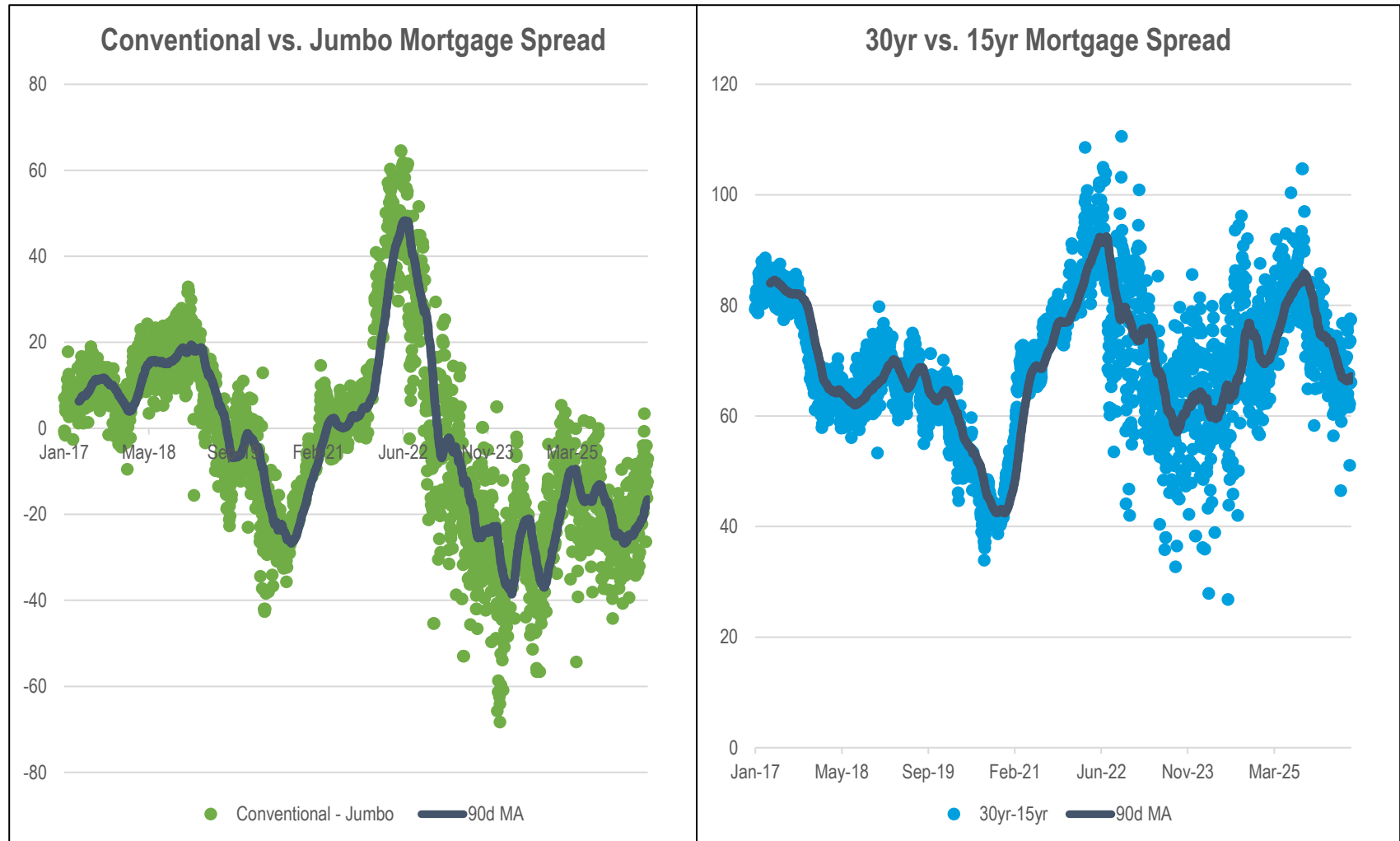
30yr Mortgage rate vs. 10yr Treasury Rate



Source: Optimal Blue via FRED, FHLBank Boston

Spreads vs. 30-Year Mortgages: Jumbos & 15-Year

There's some additional yield (and prepay risk) in jumbos, and excess spread in 30's vs. 15's is trending lower.

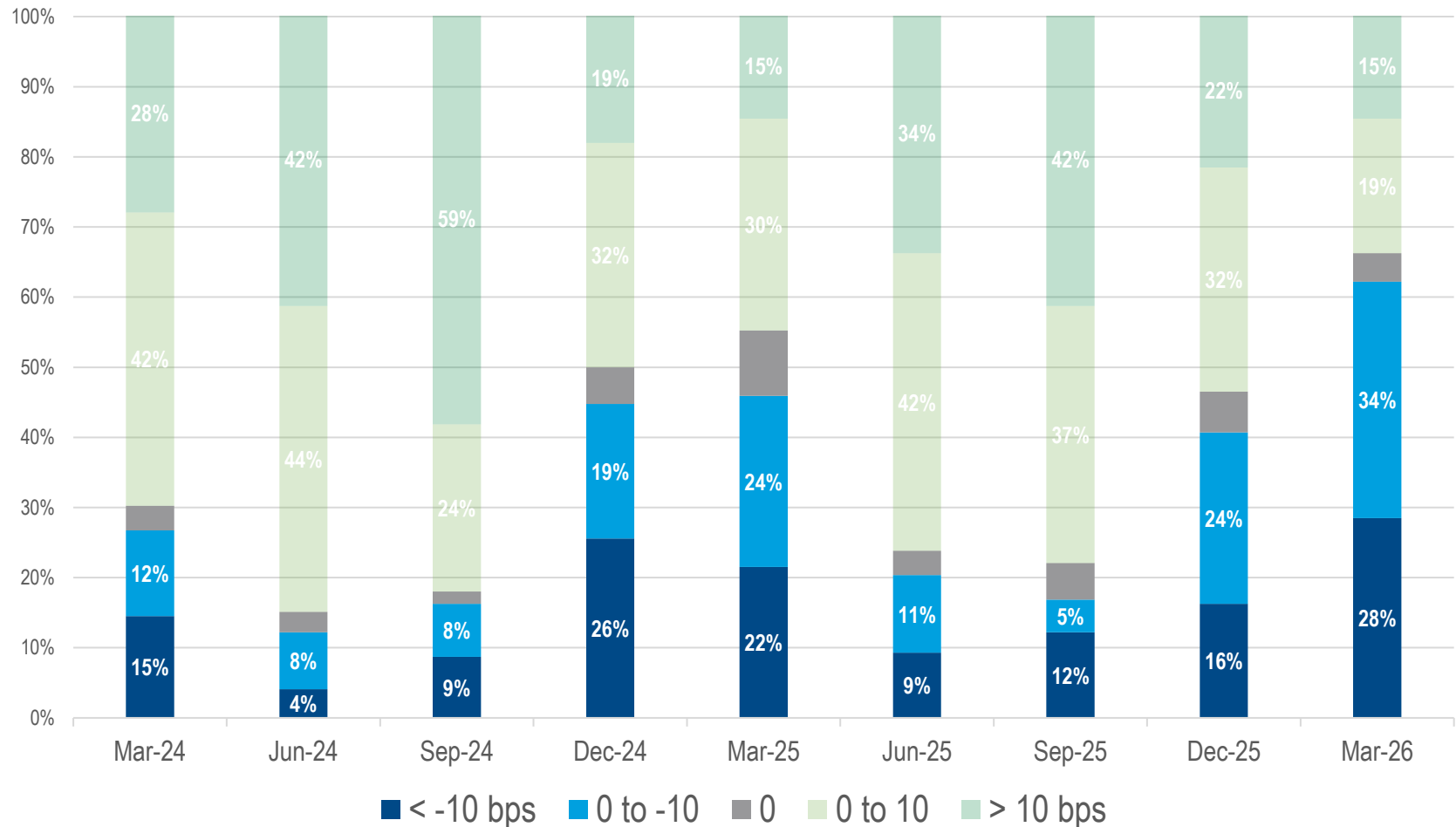


Source: Optimal Blue via FRED, FHLBank Boston

Downward Pressure on Yields?

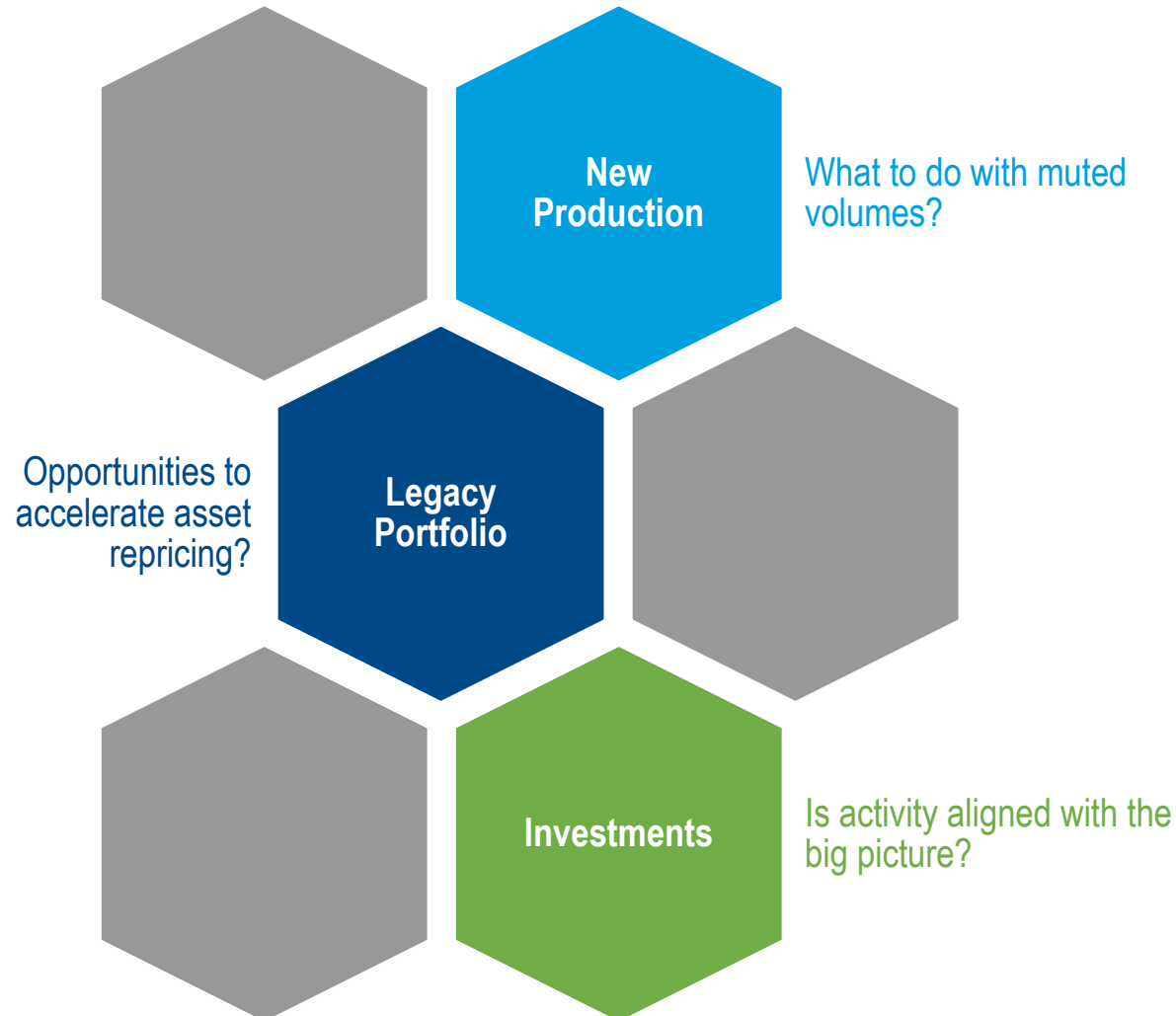
Despite a marginal rate (6%+) much higher than the current portfolio (4-5%), most banks saw a contraction in yields.

Banks: Q/o/Q Change in Yield on Residential Loans



Forward-Looking Mortgage Strategy

Navigating slow growth, downward pressure on yields, and overall composition of the balance sheet.



Seasoned Loan Sales

Is there opportunity to reposition legacy assets that may be sub-optimal from an earnings, rate and prepay perspective?

Redeploy to Meet Loan Growth

- Opportunity to fund activity in wider spread sectors

Redeploy to Add to Investments

- Opportunity to recalibrate interest-rate and liquidity profile

Redeploy to pay down higher cost funding

- Opportunity to moderate balance sheet growth

Breakeven Analysis: Months Needed to Recoup Loss if Proceeds are Redeployed into Other Assets
Assumed Loan Rate = 3.50%

New Asset Yield ↓ Sale Price →	80.0%	82.5%	85.0%	87.5%	90.0%	92.5%
5.0%	480.0	336.0	240.0	171.4	120.0	80.0
5.5%	266.7	202.4	153.2	114.3	82.8	56.7
6.0%	184.6	144.8	112.5	85.7	63.2	43.9
6.5%	141.2	112.8	88.9	68.6	51.1	35.8
7.0%	114.3	92.3	73.5	57.1	42.9	30.3

Source: FHLBank Boston

Investment Strategies

Marrying the current landscape with potential future states of the balance sheet.

“Pre-replace” maturing investments

- Utilize short-term funding to accelerate asset yield turnover

Hedge the big income simulation risk- long rates down a lot

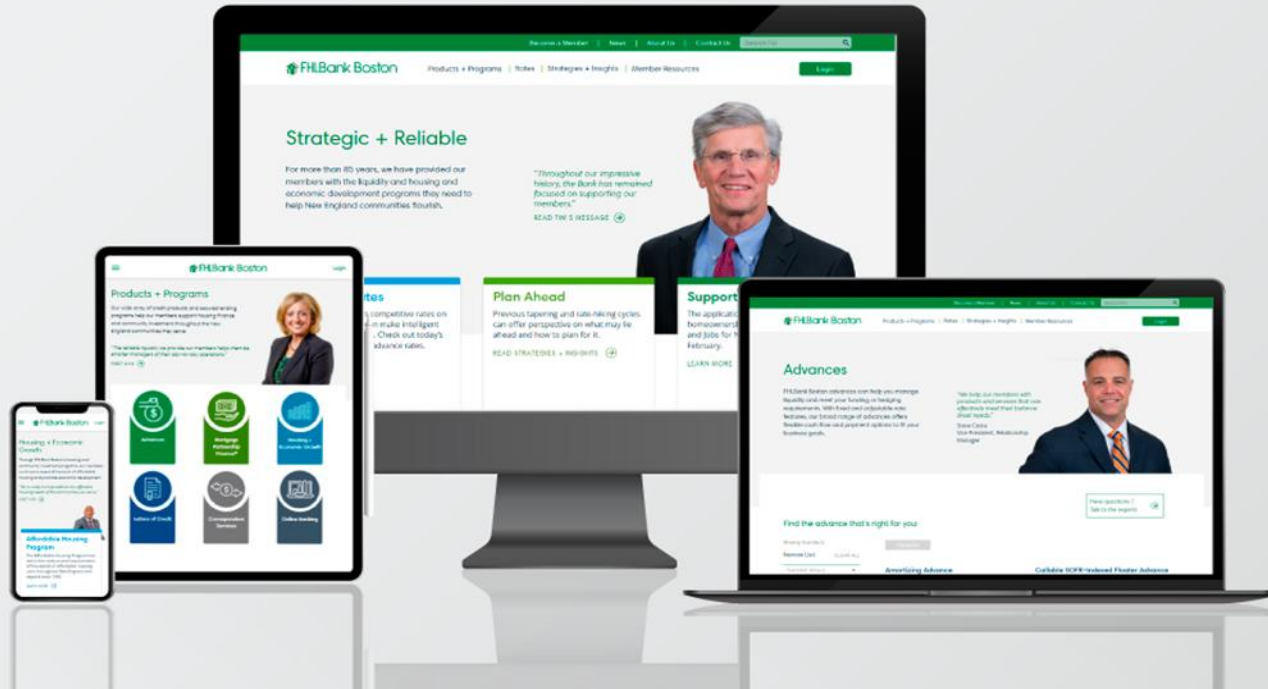
- Hindsight 20/20- what size & structure is beneficial before a shift in the cycle?

Stay ready for a sharp spread widening event

- Willingness & ability to be opportunistic when volatility pops?

Questions?





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Thank You



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