Case Study: Optimizing Collateral Strategy

FHLBank Boston

Strategic partnerships. Reliable funding.

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Overview

- Untapped Capacity
- Balancing Day-to-Day Needs with Contingent Liquidity Needs
- Enhancing the Overall Liquidity Profile

Access Is Not the Same as Usable Capacity

A member may have FHLBank Boston access but still feel constrained if collateral, Fed readiness, and procedures are not fully built out.

Small pledge → Untouched dry powder → Higher marginal funding cost

Access is not the same as usable capacity. The issue is usable, accessible, tested capacity.

Case Study Setup: A $1B Member

The institution has a strong lending franchise, but its liquidity stack is not built out enough to support active FHLBank Boston use.

Metric	Starting Position
Assets	$1.0B
Loans	$760M
Securities	$115M
Deposits	$880M
Current FHLBank Boston advances	$20M
Current FHLBank Boston available capacity	$35M
Fed / BIC readiness	Not operationally established or tested
Marginal funding pressure	Promo CDs
Management posture on advances	Viewed mainly as contingency liquidity

Source: FHLBank Boston illustrative case study assumptions and analysis.

Identifying Hidden Capacity on the Balance Sheet

Additional liquidity may already be accessible without adjusting asset mix.

1–4 Family Mortgages

- Refresh Qualified Collateral Report
- Evaluate listing

CRE / Multifamily

- Identify eligible stabilized loans
- Prepare for loan-level review

HELOCs / Home Equity

- Evaluate eligibility
- Add collateral depth

Securities / Cash

- Decide deliberately: pledge, hold liquid, or position elsewhere

Other Collateral

- Route to Fed/Borrower In Custody (BIC) or other secured lines

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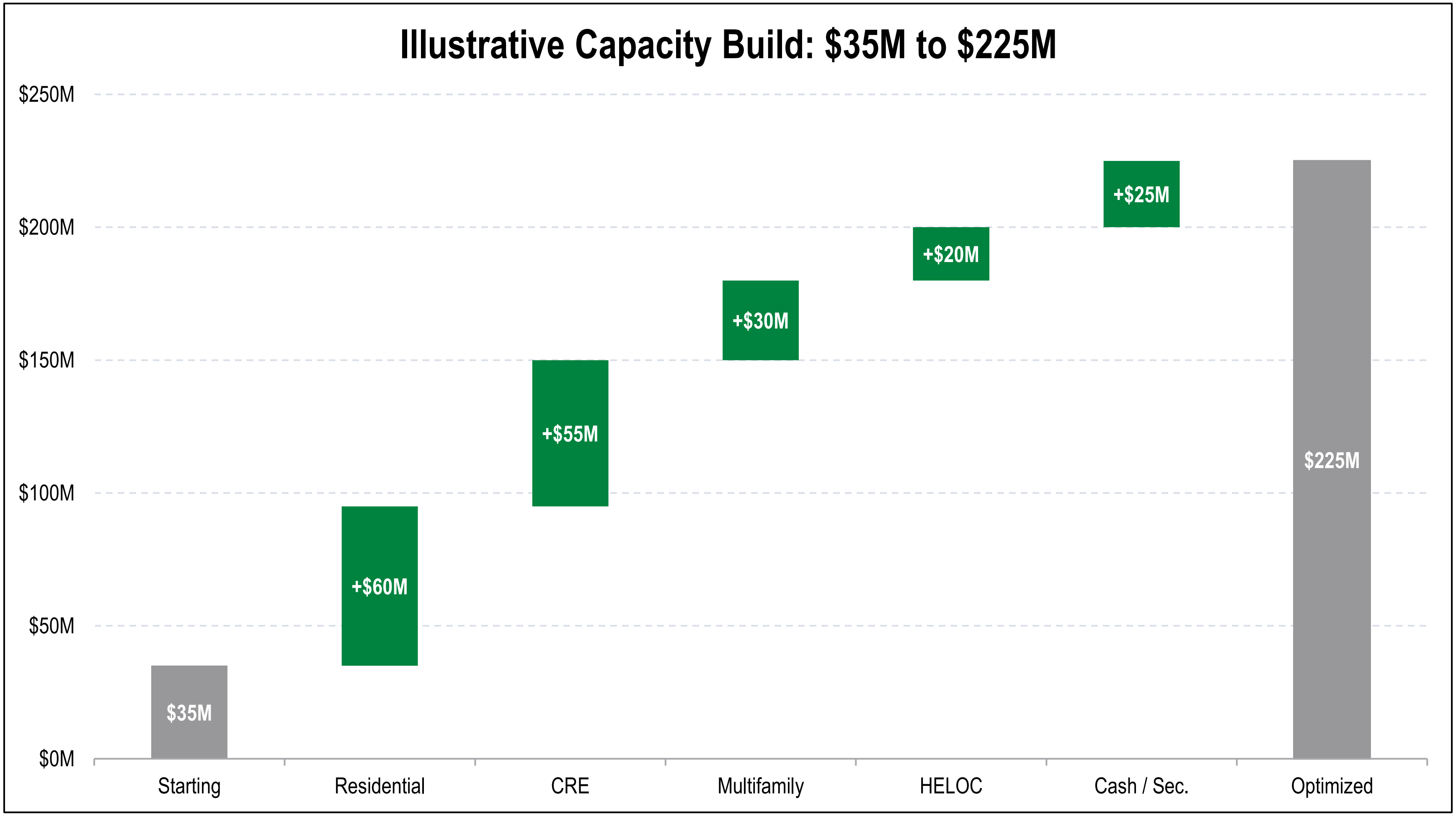
Source: FHLBank Boston collateral practices; illustrative example.

How Hidden Collateral Becomes FHLBank Capacity

After eligibility, valuation, and review, the member's available capacity increases from $35M to $225M.



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Source: FHLBank Boston illustrative case study assumptions and analysis.

Active Funding & Contingency Liquidity

Collateral optimization lets the member use advances as a funding tool while preserving other liquidity channels for backup.

Active Funding Capacity

FHLBank Boston

- Use for advances, ALM, LOCs, and funding flexibility

Contingency Backup

Fed / BIC / Other Secured Lines

- Maintain a separate tested source of emergency liquidity

On-Balance-Sheet Liquidity

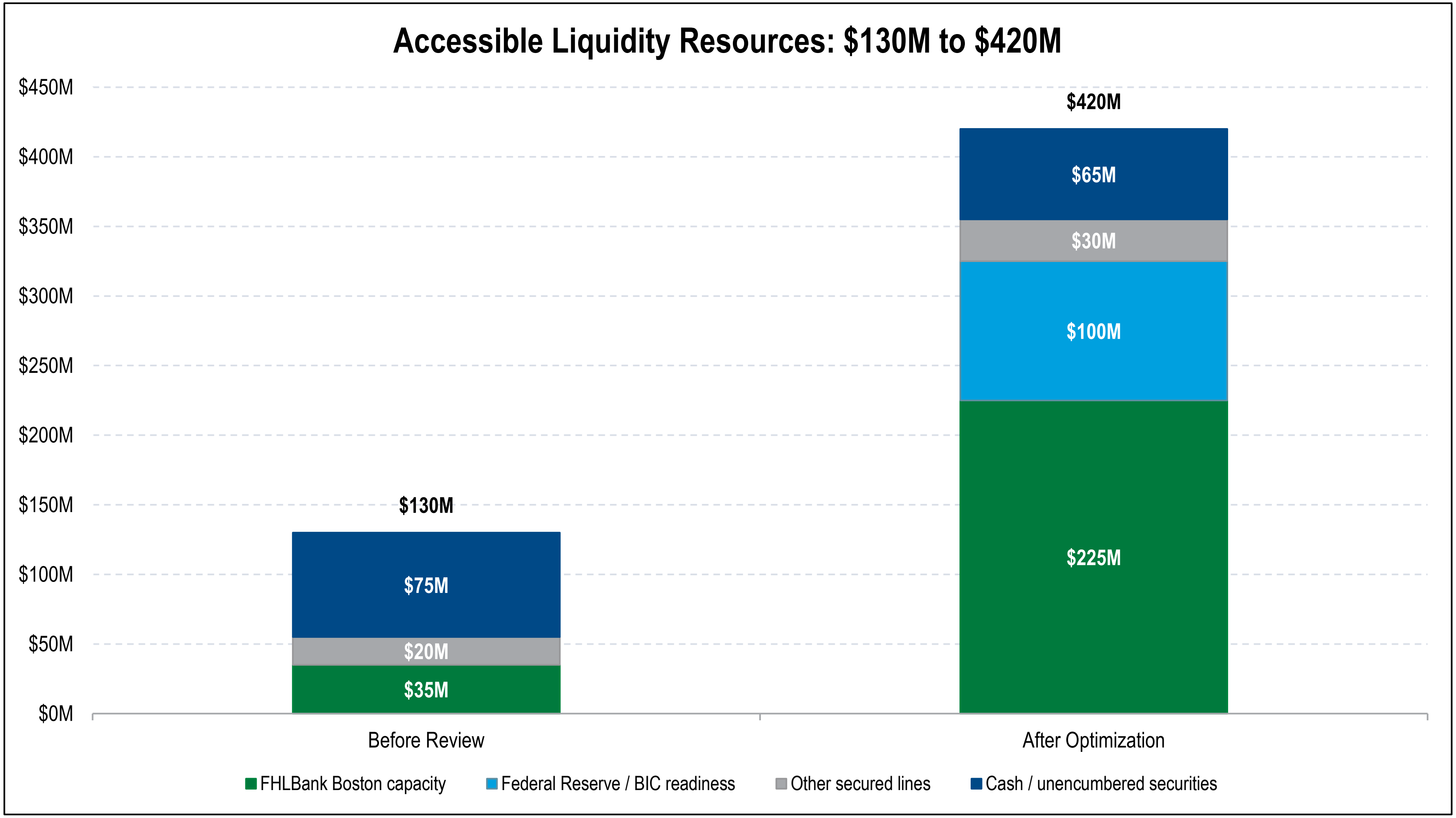
Cash & Unencumbered Securities

- Preserve day-one liquidity and liquidity-ratio support

Source: FHLBank Boston

Collateral Optimization Expands Accessible Liquidity

After routing assets across the liquidity stack, the member has more usable capacity and more contingency depth.



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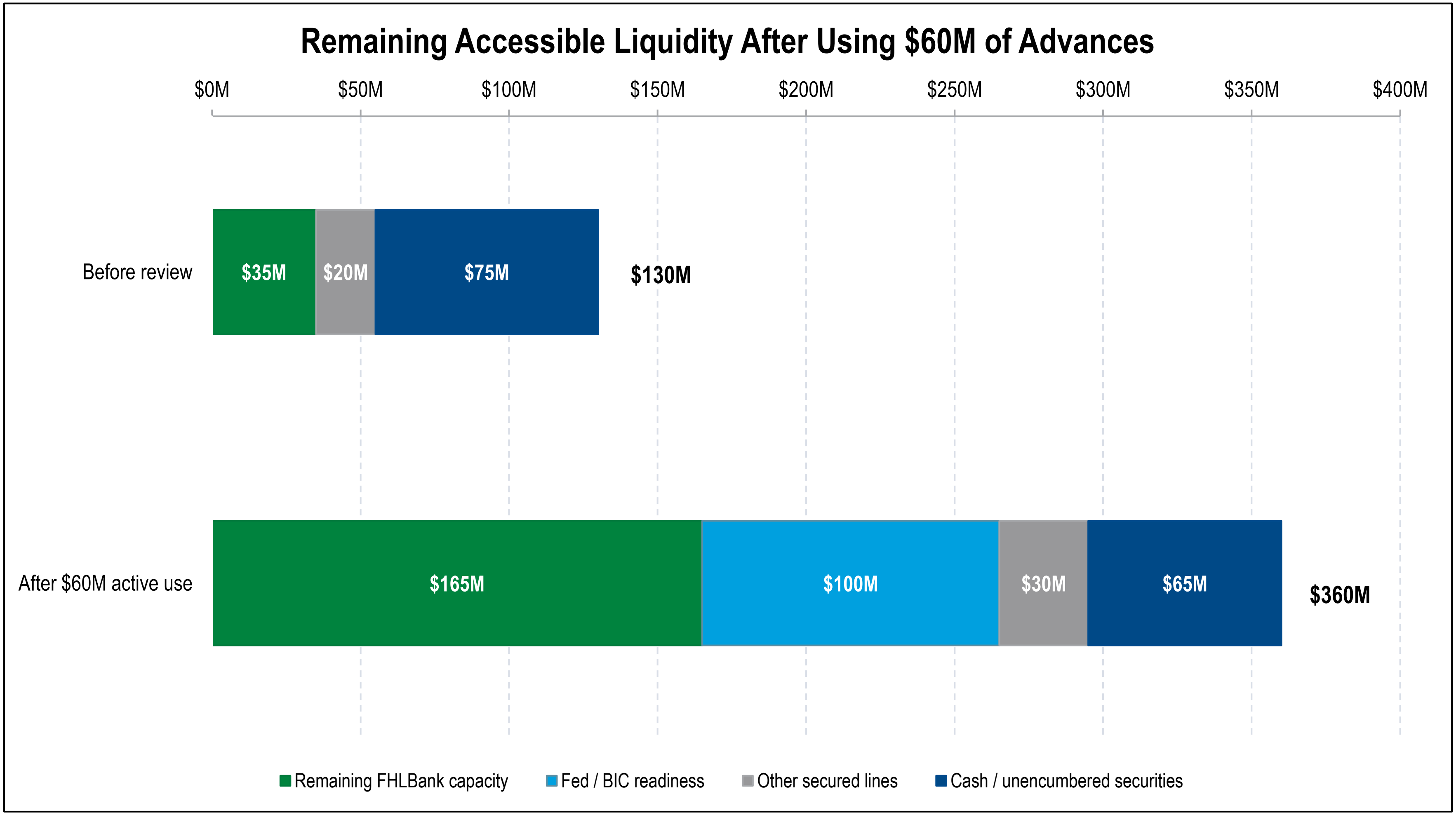
Source: FHLBank Boston illustrative case study assumptions and analysis.

Utilizing Capacity Without Using Up Dry Powder

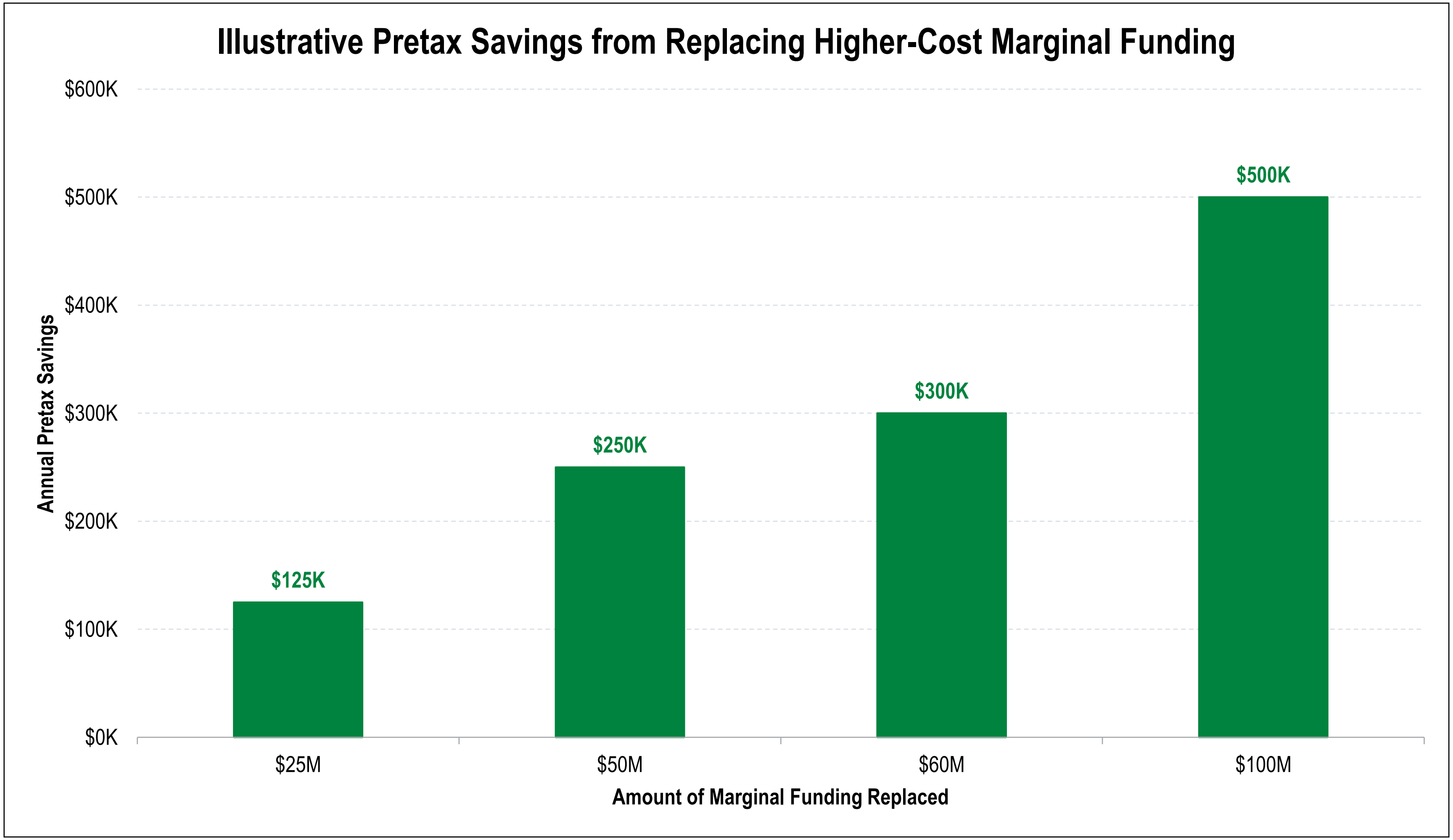
After putting on $60M of advances, the member still retains nearly three times its original accessible liquidity.



Source: FHLBank Boston illustrative case study assumptions and analysis.

Extra Capacity Can Create Pricing Discipline

When FHLBank Boston capacity is available, members can compare it against marginal funding instead of defaulting to paying up for rate-sensitive deposits or short wholesale funding.



Source: FHLBank Boston illustrative case study assumptions and analysis.

Turning Capacity into Funding Options

Once capacity exists, the member can choose the liability structure that fits liquidity, term, rate exposure and strategic needs.

Need	FHLBank Boston Can Help With
Liquidity	Overnight, short-term, seasonal and contingency funding
Duration	Term advances, laddering and maturity matching
Rate / ALM Positioning	Fixed, floating, amortizing and option-based structures
Strategic Use Cases	Deposit pricing discipline, LOCs for public deposits and MPF / mortgage liquidity

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Source: FHLBank Boston

FHLBank Boston as a Standing Funding Option

Capacity should be visible when funding decisions are made, not rediscovered only during stress.

Keep Capacity Current

- Increase pledge
- Refresh collateral data
- Monitor available capacity

Put It in the Funding Comparison

- Compare marginal deposit cost
- Evaluate term and rate structure
- Choose the first use case

Make It Repeatable

- Treasury / ALCO cadence
- Clear operational owners
- Periodic capacity refresh

Classification: Public

Source: FHLBank Boston

Created Flexibility, Preserved Capacity

The same balance sheet becomes more flexible when collateral is organized, capacity is enhanced and FHLBank Boston is available as an active funding tool.

FHLBank Boston Capacity

- $35M → $225M

Accessible Liquidity Stack

- $130M → $420M

After $60M Active Use

- $360M remaining

Before Review	After Review
Small usable line	Standing funding option
Emergency-only posture	Broader accessible liquidity stack
Pay up for marginal alternatives	Compare FHLBank Boston alongside other sources

Source: FHLBank Boston illustrative case study assumptions and analysis.

Thank You

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