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Ratings

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Federal Home Loan Bank of New York

Primary Credit Analyst:
E.Robert Hansen, CFA, New York + 1 (212) 438 7402; robert.hansen@spglobal.com

Secondary Contact:
Catherine C Mattson, New York + 1 (212) 438 7392; catherine.mattson@spglobal.com

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Rating Score Snapshot

Issuer Credit Rating
AA+/Stable/A-1+

SACP: aa → **Support: +1** → **Additional factors: 0**

SACP: aa		
Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Very strong	+2
Risk position	Very strong	+2
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +1	
ALAC support	0
GRE support	+1
Group support	0
Sovereign support	0

Issuer credit rating
AA+/Stable/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Government-related entity (GRE) with a very high likelihood of extraordinary government support.	Significant concentrations by borrower and collateral type, including to the U.S. residential mortgage market.
Important funding and liquidity source for the U.S. banking system, thereby supporting the housing market.	Geographically restricted to a limited region of the U.S.
Excellent loan asset quality and overcollateralized lending portfolio, which has resulted in no losses on advances.	Some uncertainty regarding potential regulatory and legislative changes, though the Federal Home Loan Bank (FHLB) System is likely to retain its importance.
Very strong risk-adjusted capital ratios	

Our issuer credit rating on the Federal Home Loan Bank of New York (FHLB NY) considers its government-supported role in providing liquidity to member institutions, excellent asset quality, very strong capital ratios, low funding costs, and conservative risk management. During the banking sector challenges in 2023, when some banks experienced significant deposit outflows, FHLB NY and the other FHLBs quickly provided liquidity to their members and managed their own funding.

We expect FHLB NY and other FHLBs to maintain their strong financial profiles and controls, provide for members' additional liquidity needs, support the U.S. housing sector, remain solidly profitable, and continue to retain earnings.

The rating on FHLB NY is one notch higher than the bank's stand-alone credit profile of 'aa'. This reflects our expectation that the likelihood of the bank receiving extraordinary government support, if needed, is very high, because of the FHLB System's importance to the U.S. housing market and the U.S. banking system.

The FHLB System faces some uncertainty related to potential legislative and regulatory changes. These changes are associated with reforms that would update the mission of the System to reflect the core objectives of providing stable and reliable liquidity to its members and supporting housing and community development. In our view, these potential initiatives, which we do not see as imminent, are unlikely to meaningfully change the role of the FHLB System in housing finance and as a liquidity provider for the U.S. banking system.

Outlook

S&P Global Ratings' outlook on FHLB NY is stable, in line with the stable outlooks on our ratings on the U.S. sovereign and the debt of the FHLB System. The outlook reflects our expectation that the bank will continue to provide funding and liquidity to its members, maintain very strong capital ratios, conservatively manage its loan exposures, and continue to support the U.S. housing sector.

Downside scenario

If we change our rating or outlook on the U.S. sovereign, we would likely reflect that change in our ratings on the FHLB System's debt and on FHLB NY. Although less likely, we could also lower the rating if the role of the FHLB System in housing finance were diminished, thereby reducing its importance to the government.

Upside scenario

We could raise our ratings on the FHLB System if we were to raise our sovereign rating on the U.S.

Anchor: Adjusted Higher To Reflect The FHLBs' Regulated Status, Low Competitive Risk, And Favorable Funding

Our anchor for our ratings on U.S. finance companies that we rate under our financial institutions criteria, including the FHLBs, is 'bb+'. Because of the FHLBs' public policy role and regulatory status, we apply a sector-specific anchor adjustment to raise the anchor for these entities by three notches to 'bbb+'. This is to account for the Federal Housing Finance Agency's (FHFA) regulatory oversight; the favorable funding FHLBs enjoy through their close relationship with the U.S. government; their strong competitive position alongside other housing-related government-related entities (GREs), including Fannie Mae and Freddie Mac, in the U.S. housing finance market; and the statutory priority of liens in a bank wind-down situation.

Business Position: Established And Long-Standing Market Position

FHLB NY is a government-chartered institution that benefits from its established market position, recurring business volume, and public policy role, which we believe offset some of the risks associated with its lack of business diversification.

FHLB NY is one of the largest banks in the FHLB System (by assets), with total assets of roughly $168 billion as of June 30, 2024. It serves member institutions in New York, New Jersey, Puerto Rico, and the U.S. Virgin Islands.

The bank's lack of business diversification hurts its overall business position, in our view. However, FHLB NY has some diversification across its members, which include credit unions, commercial banks, thrifts, insurance companies, and community development institutions.

A relatively small number of members account for a large proportion of FHLB NY's advances, which highlights its borrower concentration risks. For example, the bank's five largest member borrowers represented most of its total advances as of June 30, 2024, with the largest borrower being Flagstar Bank N.A., a subsidiary of New York Community Bancorp (not rated). However, we think the FHLB's substantially overcollateralized advances largely mitigate any borrower concentration risk.

The FHLBs are wholesale lenders that help finance the U.S. banking industry. They provide secured loans, known as advances, to their members. The FHLB's advance volume and revenue are typically countercyclical since members rely more on it in times of stress as a reliable funding source.

The FHLB System is over 90 years old and consists of 11 independently owned and operated cooperatives, each operating within its own district. The importance of the FHLB System to the U.S. banking sector was highlighted by its ability to quickly provide liquidity during the U.S. regional banking challenges in 2023, the height of the COVID-19 pandemic, and the Great Recession.

Capital And Earnings: Very Strong Risk-Weighted Capital Ratios

We believe FHLB NY benefits from its member-capitalized co-op structure and low-risk collateralized lending business. The FHFA requires FHLBs to keep capital above 4% of assets and a leverage ratio above 5%. FHLB NY had a capital-to-assets ratio of 5.27% (regulatory) and a leverage ratio of 7.91% as of June 30, 2024.

FHLB NY's risk-adjusted capital ratio was 22.7% as of March 31, 2024, by our calculation. We expect this ratio to remain well above 15%--a level we consider very strong--over the next several years because members must scale their capital contributions to support their borrowings.

We expect net earnings to remain solid and rise slightly in 2024 from elevated levels in 2023. Net income for the second quarter of 2024 was $181.3 million, down 16.0% from the second quarter of 2023.

We view the bank's earnings volatility and low net interest margin (0.60% in second-quarter 2024) somewhat negatively, but we view its very strong loan performance and very strong capital ratios favorably. We expect advances to remain stable as continued deposit pressures roughly offset efforts by members to reduce on-balance-sheet liquidity.

Risk Position: Collateralized Lending And Statutory Priority Of Liens

No FHLB has ever suffered a loss on a collateralized advance to a member. All advances to member institutions are collateralized by loans and securities with an estimated value significantly in excess of loan advances. As of June 30, 2024, FHLB NY had roughly $114 billion of member advances (excludes letters of credit).

We believe collateral minimizes the potential for credit losses. FHLB NY monitors the financial condition of its members and manages collateral guidelines, advance rates, and security agreements to further mitigate credit risk.

Importantly, any security interest that an insured depository institution grants to the bank generally has priority over the claims and rights of other parties, including depositors. For non-depositories, FHLB NY, like other FHLBs, relies on strict borrowing limits and collateral guidelines to mitigate credit risk, for which an FHLB is not guaranteed priority status in liquidation.

FHLB NY takes little interest rate risk, in our view. We believe the FHLB System's funding is primarily based on debt issuance using SOFR. The bank also issues fixed-rate callable and noncallable bonds and swaps most of its fixed-rate interest exposure to floating.

Funding And Liquidity: Low Cost Collective Funding Aids Stability

FHLB NY benefits from its collective funding with the FHLB System, the "joint and several" obligation between all FHLBs, and the FHLB System's diverse and global investor base. The "joint and several" obligation stipulates that should an FHLB be unable to meet its debt obligations, the other FHLBs must step in to cover those obligations to prevent a default.

The FHLB System continues to enjoy ready access to funding markets, aided by its diverse and global investor base and its attractively priced debt--as its small spread to U.S. Treasury obligations suggests.

Members' demand for liquidity increased significantly in the first half of 2023 in response to banking sector challenges, which FHLBs quickly funded. We also view positively that the FHLBs have been able to quickly reduce their balance sheets as demand for advances has moderated in recent quarters.

We consider FHLB NY's liquidity adequate given its on-balance-sheet liquidity and good access to funding through the FHLB System. The bank's securities portfolio (held for liquidity purposes) totaled $26.6 billion as of June 30, 2024--a large proportion of which was fed funds sold. In addition, regulatory liquidity requirements mandate that the FHLBs maintain between 10 days and 30 days of liquidity, and we think the FHLB NY meets these requirements.

Support: A Very Important Role In The Policy Framework For U.S. Housing

Our ratings on FHLB NY reflect our opinion that there is a very high likelihood that the U.S. government would provide the bank with timely and sufficient extraordinary support in the event of financial distress. Therefore, our issuer credit rating on the bank reflects a one-notch uplift from the stand-alone credit profile.

We base our opinion on:

- FHLB NY's very important role in providing low-cost funding to support housing and community development in the U.S., which we believe is a key economic and political objective of the U.S. government; and
- The bank's very strong link with the U.S. government, because a financially distressed or defaulted FHLB could significantly damage the government's reputation, and we believe the government has the administrative capacity and mechanisms (via the FHFA) to respond to an FHLB's distress in a timely manner.

Moreover, the government has a track record of providing very strong and timely credit support to FHLBs, in our opinion, as their inclusion in a U.S. Treasury credit facility for GREs created in September 2008 may suggest.

We continue to monitor legislative proposals and court rulings that could affect the FHLBs, which are regulated by the FHFA. That said, we do not anticipate any meaningful reform in the next 12-24 months.

Environmental, Social, And Governance

Social factors are a modestly positive factor in our credit rating analysis of FHLB NY. As a GRE with a mandate to support housing and community development, FHLB NY's public policy role and regulated status support its credit quality. The bank's cooperative structure allows it to provide immediate and low-cost funding to its member institutions (especially during periods of market stress), with less focus on short-term profitability.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Federal Home Loan Banks, Aug. 16, 2024

- U.S. Bank Shareholder Payouts May Rise In 2024, Despite Higher Capital Depletion In Stress Test, July 3, 2024
- Rating Component Scores For U.S., Canadian, And Bermudian Banks, June 28, 2024
- Comparative Statistics: U.S. Banks (April 2024), April 10, 2024
- Outlooks On Five U.S. Regional Banks Revised To Negative From Stable On Commercial Real Estate Risks; Ratings Affirmed, March 26, 2024
- Federal Home Loan Banks Should Maintain Key Financing Role Despite Potential Reforms, Dec. 6, 2023

Ratings Detail (As Of September 13, 2024)*	
Federal Home Loan Bank of New York	
Issuer Credit Rating	AA+/Stable/A-1+
Issuer Credit Ratings History	
10-Jun-2013	AA+/Stable/A-1+
08-Aug-2011	AA+/Negative/A-1+
15-Jul-2011	AAA/Watch Neg/A-1+
Sovereign Rating	
United States	AA+/Stable/A-1+
Related Entities	
Federal Home Loan Bank of Atlanta	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Boston	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Chicago	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Cincinnati	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Dallas	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Des Moines	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Indianapolis	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Pittsburgh	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of San Francisco	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Bank of Topeka	
Issuer Credit Rating	AA+/Stable/A-1+
Federal Home Loan Banks	
Senior Unsecured	AA+
Senior Unsecured	AA+/A-1+
Short-Term Debt	A-1+
Short-Term Debt	AA+/Stable

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable

Ratings Detail (As Of September 13, 2024)*(cont.)

across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.