



## Advance Restructuring Program

Since the introduction of the Advance Restructuring Program, a number of members, with the approval and certification of their external auditing firms, have used the program and seen the following benefits:

- Extended liability base duration without increasing the overall size of their balance sheet
- Decreased cost on advances
- Added duration to funding mix to mitigate interest rate risk on longer-term loans

**Example:** In this transaction, a member was able to restructure \$77.5 million in advances.

<u>Original Advance Amount</u>	<u>Original Interest Rate</u>	<u>Maturity Date of Original Advance</u>	<u>Years to Maturity</u>
\$15,000,000	2.32%	9/15/2015	1.88
\$32,500,000	5.01%	1/27/2016	2.24
\$15,000,000	3.03%	6/9/2015	1.61
\$15,000,000	2.98%	9/11/2014	0.87
<b>\$77,500,000</b>	<b>3.71%</b>		<b>1.78</b>

  

<u>Restructured Advances</u>	<u>New (Blended) Interest Rate</u>	<u>Maturity Date of New (Restructured) Advance</u>	<u>Years to Maturity</u>
\$15,000,000	2.27%	2/8/2018	4.28
\$16,250,000	3.80%	2/7/2020	6.27
\$16,250,000	3.86%	2/8/2021	7.28
\$15,000,000	2.65%	2/8/2019	5.28
\$15,000,000	2.04%	2/8/2017	3.28
<b>\$77,500,000</b>	<b>2.95%</b>		<b>5.32</b>

**Result:** This member was able to accomplish their well-defined goals by restructuring several existing advances. The member lowered their cost on advances by 76 basis points and extended their liability maturities by over 3.5 years. As the chart shows, this decrease in the cost on advances should result in a yearly interest savings of \$589,000. Ultimately, this restructuring strategy allowed the member to hold some of their 15-year mortgage production on balance sheet without increasing advance balances.

Decreased cost of advance: 0.76%

Increase in liability base duration: 3.54 years

**Net interest savings for 2013: \$589,000**

If you are interested in looking into restructuring some of your existing advances, please contact your Vice President – Member Services. In order to be considered an eligible advance product, the existing advance must be a long-term fixed rate advance or a convertible advance. Members will only be allowed to restructure into a long-term fixed rate advance for the same dollar amount as the original advance.

*The Federal Home Loan Bank of Des Moines does not provide accounting advice. Members should consult with their own independent accounting firms or advisers with respect to restructured advances.*