# Collateral Procedures

## June 1, 2007

Amended December 2007

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# Collateral Procedures

Collateral Procedures provide members and housing associates guidelines to identify, pledge, and maintain eligible collateral with the Bank enabling efficient access to the Bank's credit products. For the Bank's policies on credit and collateral, please see the Member Products Policy also available on this website.

The Bank grants or renews credit solely on a secured basis. A member or housing associate must execute one of the Bank-approved forms of advances, pledge and security agreements prior to the Bank granting credit and all collateral pledged to the Bank must comply with the terms of such agreement. The Bank requires a member or housing associate to pledge and maintain sufficient eligible collateral to secure all extensions of credit (advances, letters of credit, and member credit enhancement obligations) at all times.

The Bank supports the expansion of fair and equitable home ownership opportunities. To discourage predatory lending practices, which are inconsistent with such opportunities, and to protect the Bank from potential liabilities, the Bank has adopted an Anti-Predatory Lending Policy for residential mortgage loans pledged as collateral; as such policy may be amended from time to time. The policy is available on the Bank's public website at www.fhlbdm.com.

To be considered eligible collateral, assets pledged to the Bank must comply with applicable laws and regulations and must comply with eligibility requirements established by the Bank from time to time. Eligibility requirements are specified in instructions and checklists contained in the Collateral Forms on the Bank's website at www.fhlbdm.com.

Collateral staff can be contacted via email at advancecollateral@fhlbdm.com or by phone at 800-544-3452 extension 5408 for assistance in identifying and pledging eligible collateral.

The terms referenced in these procedures are defined in the attached Glossary. It is important that these procedures be read using the Bank's definitions.

## 1. Advance, Pledge, And Security Agreements

The type of advance, pledge, and security agreement executed by the member or housing associate may determine the types of collateral that can be pledged and the method and frequency of reporting required. The Bank in its sole discretion determines the appropriate form of advances, pledge and security agreement that each member or housing associate must execute based on the Bank's determination of the member's, housing associate's, or guarantor's creditworthiness.

1.1 Blanket Pledge Agreement

An advance, pledge, and security agreement in which the member grants the Bank a security interest in all mortgage collateral, securities collateral, and other collateral held by the member to secure indebtedness to the Bank. Members under the blanket agreement generally have the broadest access to collateral types and may report/assign loan collateral using streamlined reporting methods.

1.2 Specific Pledge Agreement

An advance, pledge, and security agreement pursuant to which the member grants the Bank a security interest in specifically identified loans to secure indebtedness to the Bank. Members under the specific agreement may be limited to certain types of collateral and are required to periodically provide detailed listings of all loans pledged.

1.3 Delivery Pledge Agreement

An advance, pledge, and security agreement pursuant to which the member or housing associate grants a security interest in specifically identified loans and/or securities. The member or housing associate is required to deliver original loan documents to the Bank and the securities to either the Bank or an approved custodian for safekeeping.

## 2. Eligible Collateral

All loans pledged to the Bank must meet the eligibility requirements as specified in the loan eligibility checklists which can be found on the Bank's website at Forms, Checklists, and Instructions. The Bank, from time to time, may establish additional eligibility criteria for various types of eligible collateral.

The Bank may accept the following types of collateral. No loan may be accepted as collateral if any director, officer, employee, attorney, or agent of the Bank or of the member is personally liable thereon or if the loan is 90 days or more delinquent.

1. Mortgage Loans – Fully disbursed whole first mortgage loans on improved (one to four family and multi-family) residential real property.

2. Privately issued mortgage-backed securities secured by first mortgage loans on one to four family residential properties excluding:

   (A) Securities that represent a share of only the interest payments or only the principal payments from the underlying mortgage loans;
   (B) Securities that represent a subordinate interest in the cash flows from the underlying mortgage loans;
   (C) Securities that represent an interest in any residual payments from the underlying pool of mortgage loans; and
   (D) Other securities that the Bank in its sole discretion deems to be high risk.

3. Agency Securities – Agency securities include:

   Securities issued, insured, or guaranteed by the United States Government, or any agency thereof, including without limitation:

   (A) Mortgage-backed securities issued or guaranteed by Freddie Mac, Fannie Mae, Ginnie Mae, or any other agency of the United States Government;
   (B) Mortgages or other loans, regardless of delinquency status, to the extent that the mortgage or loan is insured or guaranteed by the United States or any agency thereof, or otherwise is backed by the full faith and credit of the United States, and such insurance, guarantee or other backing is for the direct benefit of the holder of the mortgage or loan; and
   (C) Securities backed by, or representing an equity interest in, mortgages or other loans referred to under privately issued mortgage-backed securities above.

4. Funds placed in Time Certificates of Deposit at the Bank

5. Other Real Estate Related Collateral[1]

   The Bank only accepts pledges of other real estate related collateral if the member has executed the Bank approved form of advances, pledge and security agreement known as a Blanket Pledge Agreement subject to the following exceptions:

   - The Bank may accept fully disbursed whole first mortgage commercial real estate loans from member's signing other advances, pledge, and security agreements if the member is rated "A" or higher by a nationally recognized statistical rating organization, the Bank reviews the loans prior to accepting the pledge, and the loans are delivered to the Bank; and
   - Privately issued mortgage-backed securities rated "A" or higher, subject to the exclusions for privately issued mortgage-backed securities in Section 2.1 (2) above.

   Eligible other real estate-related collateral may include, but is not limited to:

   (A) Second mortgage loans on one to four family residential property, including home equity loans, and home equity lines of credit (HELOC);
   (B) Fully disbursed whole first mortgage loans on commercial real estate loans;
   (C) Fully disbursed whole first mortgage loans on agricultural real estate;
   (D) Securities representing a whole interest in such loans subject to the exclusions for privately issued mortgage-backed securities in Section 2.1 (2) above; and
   (E) Mortgage loan participations in fully disbursed first mortgage loans secured by either one to four family, multi-family, commercial, or agricultural real estate.
   (F) Construction loans, no more than thirty days delinquent, for non-speculative (permanent take-out required) one to four family residential properties.

6. Community Financial Institution (CFI) Collateral[1]

   The Bank only accepts pledges of Community Financial Institution Collateral

[1] A member's combined capacity to pledge "Other Real Estate Related Collateral" and "CFI Collateral" excluding second mortgage loans and home equity lines of credit on one to four family property is limited in aggregate to 300% of the member's (or applicable guarantor's) equity capital.

if the member meets the definition of a CFI and has executed the Bank approved form of advances, pledge and security agreement known as a Blanket Pledge Agreement.

Eligible CFI collateral includes:

(A) Business Loans;
(B) Agri-Business Loans; and
(C) Securities representing a whole interest in such loans subject to the exclusions for privately issued mortgage-backed securities in Section 2.1 (2) above.

If the Bank deems itself to be under-collateralized and all eligible collateral listed above has been pledged to the Bank, the Bank may consider accepting other property to secure existing credit, provided such property has a readily ascertainable value and the Bank can perfect a security interest in such property.

The Bank in its sole discretion may restrict the types of eligible collateral acceptable to the Bank as security for credit exposures based upon the creditworthiness or operations of the borrower, the quality of the collateral, or other reasonable criteria.

2.1 Eligible Member Affiliate Collateral

Assets held by an Affiliate of a member that are eligible as collateral may be used to secure credit to that member only if:

(A) The collateral is pledged to secure either the member's obligation to repay the Bank or a surety or other agreement has been executed under which the Affiliate has assumed, along with the member, a primary obligation to repay the Bank.

(B) The Bank obtains and maintains a legally enforceable security interest in which the Bank's legal rights and privileges with respect to the collateral are functionally equivalent in all material aspects to those that the Bank would possess if the member were to pledge the same collateral directly, and such functional equivalence is supported by documentation the Bank deems adequate.

2.2 Housing Associate's Collateral

Housing Associates are required to deliver to the Bank sufficient eligible collateral to secure total extensions of credit from the Bank. The Bank will accept as collateral the following types of securities and mortgages that are owned by the

housing associate free and clear of any liens, encumbrances, or other interests.

- FHA mortgages and Ginnie Mae securities backed by FHA mortgages; and

- If the housing associate is a State Housing Finance Agency (SHFA) using advances or standby letters of credit to benefit low- and moderate-income families as defined by §§142 (d) and 143 (f) of the Internal Revenue Code, the SHFA may also pledge mortgage loans on one to four family or multi-family residential property that have a readily ascertainable value, can be reliably discounted to account for liquidation and other risks, and can be liquidated in due course and as to which the Bank can perfect a security interest. The SHFA must certify that the funds will be used in accordance with Section 10 (b) of the Bank Act and must describe the households, including income levels, to be served.

2.3 Collateral Restrictions

The Bank, at its sole discretion, may

- Determine which form of advances, pledge and security agreement a member or housing associate may execute;
- Restrict a member's or housing associate's use of certain categories of collateral;
- Limit the maximum unpaid principal balance of any loan secured by a single property to $50,000,000;
- Require the member to maintain the original promissory note executed by the borrower;
- Prescribe the manner in which members or housing associates report collateral;
- Require a member or housing associate to list or deliver some or all collateral pledged to the Bank;
- Require a member or housing associate to pledge collateral in a prescribed order based upon the Bank's Credit Committee determination of marketability and liquidity of the collateral or of the member's or housing associate's creditworthiness; and
- File UCC-1 financing statements on collateral.

2.4 Collateral Maintenance Levels

The discounts or haircuts, known as collateral maintenance levels (CMLs) applied to the unpaid principal balance or market value, if available, for each type of eligible collateral can be found at Collateral Maintenance Levels. The amount of the discount may vary based upon the form of advance, pledge, and security agreement executed

by the member or housing associate.

If the Bank's Credit Committee determines that there has been a material adverse change in a member's, housing associate's, or guarantor's condition, the Credit Committee may approve the establishment of CMLs appropriate to secure all extensions of credit owed by the member or housing associate. Any such CMLs that differ from those published in the Collateral Procedures and the rationale for establishing such different levels shall be reported to the Bank's Board of Directors at its next regularly scheduled meeting based on normal month-end cutoffs for processing.

## 3. Pledging Loans as Collateral

For assistance in identifying and pledging loans as collateral, contact the Collateral Staff at advancecollateral@fhlbdm.com or 800-544-3452 extension 5408.

### 3.1. Blanket Pledge Status

If a member has executed a Blanket Pledge Agreement and the Bank has not otherwise notified the Member that it must list or deliver qualifying loans to the Bank, the member must submit Borrowing Base Certificates (BBCs) to the Bank for each type of qualifying loan category that it elects to report. The BBC forms, instructions for completing forms, and eligibility checklists can be found on the Bank's website at Forms, Checklists, and Instructions. The eligibility checklists assist members and housing associates in identifying loans eligible for pledging as collateral.

Members must submit the BBC to the Bank prior to its initial borrowing and no later than 45 days after the end of each subsequent calendar quarter. Members should submit these forms on a more frequent basis when conditions warrant (for example, following the acquisition or sale of a loan portfolio).

#### 3.1.1 Assignments

Members must complete the applicable form in accordance with the related instructions and checklists. The forms may be submitted to the Bank via fax or email. The first submission of the forms may use loan balances as of month-end; however, subsequent submissions should be as of each quarter-end.

#### 3.1.2 Releases

Members wishing to discontinue pledging loans or a type of loan must

provide the Collateral Department written notice of such intent in lieu of a BBC.

3.2. Specific Listing Status

Members and housing associates that have executed the Specific Pledge Agreement are required to provide loan-level information for all loan collateral pledged. Members signing the Blanket Pledge Agreement must provide loan lists if they voluntarily elect to list or if the Bank requires a loan list. Based upon the quality of the collateral, the Bank may, at its sole discretion, grant lower collateral maintenance levels on specifically listed loans.

The Bank requires all members or housing associates listing loans to assign the loans to the Bank and to provide periodic updates of the loan's status. Listed loans are subject to monthly collateral fees detailed in the Bank's Collateral Fee Schedule.

3.2.1 Assignment of Listed Loans

Members or housing associates assign loans to the Bank by completing the Confirmatory Assignment of Mortgages (Form C-220) and Schedule of Listed Loans (Form C-221). Instructions for completing Form C-221 can be found on the Bank's website at manual preparation or electronic preparation.

3.2.2 Release of Listed Loans

Members or housing associates complete Request to Release Listed Loans (Form C-229) to remove a pledged loan. The Bank requires ineligible loans to be removed from the loan listing within 30 days of becoming ineligible.

3.3. Delivery Status

A member must deliver qualifying loans to the Bank if it has executed a Delivery Pledge Agreement or if the Bank notifies the member that the member must deliver qualifying loans to the Bank based upon the following criteria:

- The Member is not insured or chartered and regulated by an agency of the federal government;
- The Member's ratio of Tier I leverage capital to risk weighted assets is less than 4.0 percent or total capital to risk weighted assets is less than 8.0 percent;

- There are indications of potential unrecorded losses that, if recognized in the Member's financial statements, would reduce the ratios to less than the stated requirements above;
- Federally-insured financial institutions with a CAMELS rating of "4" or "5"; or
- The Bank believes conditions exist such that collateral should be in the possession of the Bank.

Credit union members will be required to deliver pledged loans in the event the Bank is unable to negotiate a satisfactory Intercreditor Agreement with the member's corporate central credit union or the central liquidity facility.

3.3.1 Procedures for Delivering Loans

When the member or housing associate is required to deliver mortgage collateral to the Bank, the following documents as applicable must be sent to the Bank using an insured, overnight express carrier:

- Confirmatory Assignment of Mortgages (Form C-220);
- Schedule of Listed Loans (Form C-221) or electronic equivalent;
- Original Note;
- Copy of Mortgage/Deed of Trust or Security Agreement;
- Copy of UCC-1 Financing Statement;
- Copy of the Title Insurance Policy;
- Copy of HUD Settlement Statement;
- Truth-in-Lending Disclosure; and
- Original Loan Guaranty Certificate (VA), Mortgage Insurance Certificate (FHA) or Assignment of Guaranty (USDA/FSA).

Delivered loans are subject to monthly collateral fees detailed in the Bank's Collateral Fee Schedule.

3.3.3 Release of Delivered Loans

Members or housing associates may request the return of individual delivered loans at any time provided the Bank retains sufficient delivered collateral to secure outstanding credit exposures. If a delivered loan becomes ineligible (i.e. paid-in-full, classified as substandard, etc.), the loan must be removed from pledged collateral immediately.

Requests to release individual delivered loans should be itemized on Request to Release Listed Loans (Form C-229), signed by an authorized

signer, and faxed or emailed to the collateral department. The Bank returns original loan documents via overnight courier within one business day of receiving the request.

If the Bank determines that collateral delivery by member or housing associate is no longer required, all delivered loan documents will be returned to the member or housing associate within 30 days.

## 4. Pledging Securities as Collateral

For assistance in pledging securities as collateral, contact the Collateral Staff at advancecollateral@fhlbdm.com or 800-544-3452 extension 5408.

The Bank requires that all securities pledged to the Bank as collateral be held in the Bank's safekeeping department or at an approved third-party custodian.

At its discretion, the Bank may require that the securities be maintained in a segregated account, with the Bank named as the beneficiary. Prior Bank approval must be obtained prior to substituting pledged securities with like collateral. Requests for sale, removal or substitution of pledged securities must be communicated to the Bank's collateral department at least one business day prior to the required delivery date.

### 4.1 Securities Safekept at the Bank

The Bank does not charge fees for pledging securities safekept at the Bank's safekeeping department. Additionally, proceeds from securities' payments and maturities are automatically deposited to the member's or housing associate's demand deposit account provided all outstanding credit exposures remain fully secured.

#### 4.1.1 Assigning Securities as Collateral

An authorized signer of the member or housing associate must complete, sign, and fax or email Exhibit A – Confirmatory Assignment of Securities Form C-318 to the Bank's collateral department. Collateral balances will be updated within one business day following receipt of a properly completed assignment.

Instructions for transferring securities to the Bank's safekeeping department can be found on the Bank's website at Delivery Instructions or by contacting Member Financial Services at safekeeping@fhlbdm.com or 800-544-3452 extension 5415.

#### 4.1.2 Release of Pledged Securities

An authorized signer of the member or housing associate must complete, sign, and fax or email Request to Release Assigned Securities (Form C-310) to the collateral department. The collateral department will release the security within one business day provided outstanding credit exposures are fully secured.

The Bank's safekeeping department must be provided delivery instructions for all securities to be transferred out of the member's or housing associate's account.

4.2 Securities Safekept by a Custodian

For a list of approved third-party custodians, contact the Collateral Department. The fees for pledging securities using an approved custodian can be found on the Collateral Fee Schedule.

Prior to posting pledged securities to a member's or housing associate's account, the Bank must be in possession of a Custodial Agreement executed by the member, custodian, and the Bank. The custodian must provide the collateral department with a monthly report to allow for reconciliation of pledged collateral.

4.2.1 Assigning Securities as Collateral

An authorized signer of the member or housing associate must complete, sign, and fax or email Exhibit A – Confirmatory Assignment of Securities (Form C-419) to the Bank's collateral department. The collateral department updates collateral balances within one business day of receipt of confirmation by the custodian.

4.2.2 Release of Pledged Securities

An authorized signer of the member or housing associate must complete, sign, and fax or email Request to Release Assigned Securities (Form C-411) to the collateral department. Provided outstanding credit exposures are fully secured, the collateral department will release the security within one business day and notify the custodian of the release.

## 5. Pledging Time Certificates of Deposit

Members or housing associates pledging a Time Certificates of Deposit (TCD) held at the Bank should follow the procedures detailed in Section 4.1 - Securities Safekept at the Bank. Only deposits at the Bank can be used as collateral for credit exposures.

## 6. Forms, Checklists and Instructions

6.1. Borrowing Base Certificate Forms, Instructions, and Checklists

Used for loans pledged under the Blanket Pledge Agreement.

| Borrowing Base Certificate | Form Number | Eligibility Checklist |
|---|---|---|
| Loans Held for Sale/Warehoused Loans | C – 202 | CL – 202 |
| Government Guaranteed 1-4 Family Residential Loans | C – 203 | CL - 203 |
| Residential 1-4 Family First Mortgage Loans | C – 204 | CL – 204 |
| Agriculture Real Estate First Mortgage Loans | C – 205 | CL – 205 |
| Commercial Real Estate First Mortgage Loans | C – 206 | CL – 206 |
| Residential 1-4 Family Second Mortgage Loans | C – 207 | CL – 207 |
| Multi-family Real Estate First Mortgage Loans | C – 208 | CL – 208 |
| Home Equity Line of Credit Loans (HELOC) | C – 213 | CL – 213 |
| 1-4 Family First Mortgage Construction Loans | C – 224 | CL – 224 |
| Participation Loans Residential 1-4 Family First Mortgages* | C – 216 | CL – 216 |
| Participation Loans Commercial Real Estate First Mortgages* | C – 217 | CL – 217 |
| Participation Loans Multi-Family First Mortgages* | C – 218 | CL – 218 |
| Participation Loans Agriculture Real Estate First Mortgages* | C – 219 | CL – 219 |
| Secured Business Loans | C – 214 | CL – 214 |
| Secured Business Lines of Credit | C – 226 | CL – 226 |
| Secured Agri-Business Loans | C – 215 | CL – 215 |
| Secured Agri-Business Lines of Credit | C - 227 | CL - 227 |

* Contact the Collateral Department at advancecollateral@fhlbdm.com or 800-544-3452 extension 5408 for additional pledging requirements before submitting participation loans as collateral for the first time.

## 6.2. Forms for Listed or Delivered Loans

All loans listed or delivered to the Bank must satisfy the eligibility requirements contained in the checklists detailed in Section 6.1.

| Form Name | Form Number |
|---|---|
| Confirmatory Assignment of Mortgages/Deeds of Trust | C – 220 |
| Schedule to List Mortgages | C – 221 |
| Assignment of Other Guaranteed Loans | C – 222 |
| Request to Release Listed or Delivered Mortgage Loans | C – 229 |

Instructions for completing and submitting Form C – 221, either manually or electronically can be found at Collateral Forms.

## 6.3. Pledged Securities Forms

### 6.3.1. Forms Used When Securities are Held with Home Loan Bank

| Form Name | Form Number |
|---|---|
| Confirmatory Assignment of Securities, Exhibit A | C – 318 |
| Request to Release Securities | C - 310 |
| Transferring Securities into FHLB – Delivery Instructions | C – 525 |

### 6.3.2. Forms Used When Securities are Held with Custodial Bank

| Form Name | Form Number |
|---|---|
| Confirmatory Assignment of Securities, Exhibit A | C – 419 |
| Request to Release Securities | C – 411 |
| Custodial Agreement | |

## 7. Glossary

**Advance** – An extension of credit from the Bank to a member or housing associate.

**Affiliate** – Any business entity that controls, is controlled by, or is under common control with a member.

**Agricultural Real Estate Loan**s - Other Real Estate Related Collateral secured by a first mortgage on agricultural real estate.

**Agency CMO & REMIC MBS** – Securities represented by agency-backed, collateralized mortgage obligations and real estate mortgage investment conduits (excluding interest only, principal only and residual tranches) will be accepted as collateral on a case-by-case basis.

**Agri-Business Loans** – Secured loans to finance agricultural production and other loans to farmers that are within the legal lending limit of the Community Financial Institution.

**Bank** – The Federal Home Loan Bank of Des Moines.

**Bank Act** – The Federal Home Loan Bank Act.

**Blanket Pledge Agreement** –An advance, pledge and security agreement pursuant to which the member grants the Bank a security interest in all mortgage collateral, securities collateral, and other collateral held by the member to secure indebtedness.

**Business Loans** – Secured commercial and industrial loans that are within the legal lending limit of the Community Financial Institution.

**Capital Deficient** – A member that fails to meet its minimum regulatory capital requirements as defined or otherwise required by the member's appropriate federal banking agency, insurer or, in the case of members that are not federally insured depository institutions, state regulator.

**CFI** – See Community Financial Institution.

**CMO** – Collateralized Mortgage Obligation.

**Community Investment Cash Advance (CICA)** – an advance that can be used for a wide variety of purposes to meet local affordable housing and community development needs.

**CMBS** – Commercial real estate mortgage-backed securities.

**Collateral Maintenance Level (CML)** – The factor by which collateral is discounted to calculate the advance or borrowing equivalent of such collateral. For example, a Collateral Maintenance Level of 125% implies that $1,000,000 of collateral pledged supports $800,000 in borrowings. The CML is the mathematic inverse of the loan-to-value ratio (80% = 1.0 divided by 1.25).

**Commercial Real Estate Loans** – Other Real Estate Related Collateral secured by a first mortgage on commercial real estate.

**Community Financial Institution (CFI)** – An institution that has its deposits insured under the Federal Deposit Insurance Act and three-year average assets less than $599 million. This asset cap is based on changes in the Consumer Price Index and indexed annually.

**Construction Loans** – Other Real Estate Collateral secured by a first mortgage on real property for the purpose of constructing improvements to the real property. Eligible construction loans are limited to loans secured by non-speculative 1-4 family residential properties.

**Convertible Advance** – Convertible (putable) advances are (i) an advance that the Bank may, at its discretion, terminate and require the member to repay at predetermined dates prior to the stated maturity date of the advance, or (ii) an advance with a strike, which is a fixed-rate advance that requires the member to repay the advance when the three-month LIBOR reaches or exceeds an agreed upon level. If the Bank terminates a convertible (putable) advance prior to the stated maturity date the Bank shall offer to provide replacement funding to the member provided the member is able to satisfy the normal credit and collateral requirements of the Bank for the replacement funding request.

**Credit Enhancement Fee (CE Fee)** – A fee payable monthly by an MPF Bank to a Participating Financial Institution (PFI) in consideration of the PFI's obligation to fund the realized loss for a master commitment, subject to the terms and fee rate applicable to such master commitment and MPF mortgage product which may include performance and risk participation features.

**Credit Enhancement Obligation** – A contingent liability for PFIs that results from selling mortgage loans to the Bank.

**Delivery Pledge Agreement –** An advance, pledge and security agreement pursuant to which the member grants the Bank a security interest only in specifically identified collateral categories to secure indebtedness to the Bank. Under the Delivery Pledge Agreement, the member must deliver all loan collateral pledged to the Bank.

**eAdvantage** – A private, secure, "members-only" website that allows members and eligible housing associates to conduct business and access their accounts using the internet.

**Federal Housing Finance Board** – An agency of the United States Government that has regulatory authority and supervisory oversight responsibility for the twelve Federal Home Loan Banks.

**FHA** – Federal Housing Administration.

**Ginnie Mae** – Government National Mortgage Association.

**HELOCs** – Home equity lines of credit secured by one-to-four family properties.

**Housing Associate** – A chartered institution or state housing finance agency that has been approved as a housing associate that may obtain advances from the Bank if certain requirements are met (formerly known as a nonmember mortgagee).

**Internal Credit Rating (ICR)** – A scoring system used by the Bank to measure the financial condition of a member or housing associate. The ICR is based on quantitative and qualitative factors.

**Indebtedness** – advances, standby letters of credit, and the member's credit enhancement exposure obligations.

**LIBOR** – London Inter-Bank Offered Rate.

**Master Commitment** – An agreement, including any addenda or attachments thereto, executed by a Participating Financial Institution (PFI) and an Mortgage Partnership Bank (MPF) Bank in accordance with the MPF Guides which provides the terms under which the PFI will deliver mortgages to the MPF Bank.

**Member** – Any institution that has been approved for membership in the Bank and which has purchased capital stock in the Bank.

**Mortgage Partnership Finance (MPF)** — A mortgage purchase program established by the Federal Home Loan Bank of Chicago to provide a competitive secondary market alternative for members of participating Federal Home Loan Banks.

**MPF Provider** – The Federal Home Loan Bank of Chicago

**Multi-Family Loans** – First mortgage loans on multi-family residential real estate.

**Participating Financial Institution (PFI)** –An eligible member or housing associate participating in the MPF program.

**Policy –** Member Products Policy.

**REMIC** – Real Estate Mortgage Investment Conduit.

**Regulatory Capital** – Paid-in capital stock, as defined in the Bank's Capital Plan, including mandatorily redeemable capital stock classified as a liability under Statement of Financial Accounting Standard 150, plus retained earnings

**Residential Housing Finance Assets** – Includes any of the following:

(1) Loans secured by residential real property;
(2) Mortgage-backed securities;
(3) Participations in loans secured by residential real property;
(4) Loans or investments qualifying under the definition of "community lending" in 12 C.F.R. §900.1;
(5) Loans secured by manufactured housing, regardless of whether such housing qualifies as residential real property; or
(6) Any loans or investments which the Bank, in its discretion, otherwise determines to be residential housing finance assets.

**Residential Mortgage Collateral** – Residential mortgages loans and securities backed by residential mortgage loans pledged to the Bank as collateral.

**Rural Capital Advance** – This is a Community Investment Cash Advance available for economic development initiatives in rural areas.

**Second Mortgage Loans** – Second mortgage loans on one to four family residential real estate.

**State Housing Finance Agency (SHFA)** –A public agency, authority, or publicly sponsored corporation that serves as an instrumentality of any state or political subdivision of the state, and functions as a source of residential mortgage loan financing in that state; or a legally established agency, authority, corporation, or organization that serves as an instrumentality of any Indian tribe, band, group, nation, community, or Alaska Native village recognized by the United States or any state, and functions as a source of residential mortgage loan financing for the Indian or Alaska Native community.

**Specific Pledge Agreement –** An advance, pledge and security agreement pursuant to which the member grants the Bank a security interest only in specifically identified collateral categories to secure indebtedness to the Bank. Members under the specific agreement are limited to certain types of collateral and are required to periodically

provide detailed listings of all loans pledged.

**Standby Letter of Credit** – An undertaking by the Bank on behalf of a member or housing associate that represents an obligation to the beneficiary (1) to repay money borrowed by or advanced to or for the account of the member or housing associate or (2) to make payment on account of any indebtedness undertaken by the member or housing associate, or (3) to make payment on account of any default by the member or housing associate in the performance of an obligation. It does not include a commercial letter of credit or any short-term self-liquidating instrument used to finance the movement of goods.

**Tangible Capital** –

(1) Capital, calculated according to generally accepted accounting principles, less "intangible assets" except for purchased mortgage servicing rights to the extent such assets are included in a member's core or Tier 1 capital, as reported in the member's Thrift Financial Report for members whose primary federal regulator is the Office of Thrift Supervision, or as reported in the Report of Condition and Income for members whose primary federal regulator is the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, or the Board of Governors of the Federal Reserve System.

(2) Capital calculated according to generally accepted accounting principles, less intangible assets, as defined by the Bank for members that are not regulated by the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, or the Board of Governors of the Federal Reserve System; provided that the Bank shall include a member's purchased mortgage servicing rights to the extent such assets are included for the purpose of meeting regulatory capital requirements.

**Total Credit Exposure** – A member's or housing associate's advances, Standby Letters of Credit, Credit Enhancement Obligations, and other extensions of credit from the Bank.

**USDA** – United States Department of Agriculture.

**U.S. Treasury Securities** – Direct obligations of the United States Treasury, including bills, notes and bonds.

**VA** – Veterans Administration.