

QUALIFICATIONS FOR SECURITIES PLEDGED AS COLLATERAL FOR ADVANCES:

I. Privately issued mortgage-backed securities 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.

Non-Agency MBS securities must represent an unsubordinated interest in the principal and interest payments on whole first mortgages, no more than 90 days delinquent. Securities must be rated "A" or higher by a Nationally Recognized Statistical Rating Organization (NRSRO). The Bank determines eligibility and obtains a current market valuation for all assigned securities. If approved, the Bank will pledge the securities as collateral by the next business day. Market values are subsequently updated daily if held with Home Loan Bank or weekly if held with a third party custodian.

II. 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 (*e.g. SLMA or, FSA*);
- (B) Securities backed by, or representing an equity interest in, mortgages or other loans referred to under privately issued mortgage-backed securities above.

III. Funds placed in Time Certificates of Deposit at the Bank (TCD's)

TCD's are set up with the Member Financial Services by purchasing a Certificate of Deposit. Pledging follows same procedures as securities.

IV. Commercial Mortgage Backed Securities

Privately issued mortgage-backed securities not otherwise eligible above;

Commercial Mortgage Backed Securities (CMBS) must represent an interest in the principal and interest payments on mortgages primarily secured by non-residential real estate rated "A" or higher by a Nationally Recognized Statistical Rating Organization (NRSRO). The Bank determines eligibility on a case by case basis and obtains a current market valuation for all assigned securities. If approved, the Bank will pledge the securities as collateral by the next business day. Market values are subsequently updated daily if held with Home Loan Bank or weekly if held with a third party custodian.

Note: Municipal and Corporate Bonds are not eligible.