



## **QUALIFICATIONS FOR SECURITIES PLEDGED AS COLLATERAL FOR ADVANCES:**

- I. All securities pledged by members and housing associates must:
  - a. represent an unsubordinated interest in the underlying collateral;
  - b. be rated "A"\* or higher by a Nationally Recognized Statistical Rating Organization (NRSRO); and
  - c. have a verifiable market price
  
- II. Agency Securities – Agency securities include, but are not limited to:
  - a. Securities issued, insured or guaranteed by the United States Government, or any agency thereof, or
  - b. Mortgage-backed securities issued or guaranteed by Ginnie Mae, Freddie Mac, Fannie Mae, or any other agency of the United States Government (e.g. SLMA or, FSA).
  - c. AAA rated senior unsecured debt guaranteed by the FDIC under the Temporary Liquidity Guarantee (TLGP) where the issuing entity has a long-term issuer rating of A or better, ignoring rating modifiers. Debt issued before April 1, 2009, must have a maturity date of June 30, 2012, or earlier while debt issued after April 1, 2009 must have a maturity date of December 31, 2012.
  
- III. Privately issued residential or commercial mortgage-backed securities secured with:
  - a. US properties
  - b. first whole residential or commercial mortgages
  - c. second whole residential mortgages
  
- IV. Securities Not Eligible for Pledging shown with the related Bloomberg class identifiers, where applicable, include, are but not limited to:
  - Interest Only Tranches (IO, NTL)
  - Principal Only Tranches (PO)
  - Residual Tranches (R, NPR)
  - Mezzanine Tranches (MEZ, AM)
  - Subordinate Tranches (SUB, AJ, SSUP)
  - Structured Collateral, CDO, Re-Remics (SC, CDO, CRE-CDO, RE-REMIC, RE SEC)
  - Reverse Mortgages are the underlying collateral
  - Z Bonds (Z)
  - Partial Z Bonds (PZ)
  - 2nd lien Residential, FICO<=660/Not Reported
  - 1st & 2nd Lien Residential, 2nd Lien>25%/Not Reported, FICO <=660/Not Reported
  - 2nd Lien Residential, FICO>660, rated AA\* or below
  - 1st Lien Residential FICO <=660, rated AAA\* or below
  - Municipal Bonds
  - Corporate Bonds
  - Securities with non-US Collateral
  - 1st or 2nd Lien Residential originated on or after 7/10/07
  - Farmer Mac (Federal Agriculture Mtg.)



We perform due diligence on each security pledged and reserve the right to accept or decline collateral pledge based on complexity and information available.

\*The Bank will use the lowest credit rating if more than one major credit rating agency rates the security. Securities placed on credit watch for potential downgrade by a credit rating agency will be considered to be at the next lowest rating level regardless of modifier.