



Member Products Policy

Effective May 1, 2011



TABLE OF CONTENTS

OVERVIEW	1
ANTI-PREDATORY LENDING POLICY	2
STATEMENT ON SUBPRIME AND NONTRADITIONAL LOANS	5
CREDIT STANDARDS	6
COLLATERAL STANDARDS	9
CREDIT PRODUCTS	18
COMMUNITY INVESTMENT PROGRAMS	24
SYSTEMS AND INTERNAL CONTROLS	26
OPERATIONAL AND PERSONNEL CAPACITY	26
GLOSSARY	26



I. OVERVIEW

FHLB Des Moines Member Products Policy (MPP) addresses the Bank's management of products offered by the Bank to members and housing associates, including but not limited to advances, standby letters of credit (LOC), standby bond purchase agreements (SBPA) and the Mortgage Partnership Finance® (MPF®) program¹.

Except as otherwise required or otherwise provided in this policy, all existing and future transactions shall be governed by this policy. This policy is supplemented by [Collateral Procedures](#), which includes collateral maintenance levels, eligibility guidelines, and fee schedules, and can be amended, superseded, or replaced by the Bank's management at anytime. This policy and the Collateral Procedures supersede any prior Member Products Policy, Member Products and Services Policy, or Guide to Credit and Collateral Policies and Procedures. Unless as otherwise specified in the Advances, Pledge and Security Agreement (APSA) between the Bank and a member or housing associate, the terms and conditions of this Policy are effective when published to the membership of the Bank.

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

The policy is established by the Bank's Board of Directors. The policy is subject to the provisions of the Federal Home Loan Bank Act, the policies, directives, and regulations of the Federal Housing Finance Agency (FHFA), and the Bank's Enterprise Risk Management Policy. Administration of this policy will be consistent with the provisions of applicable law and regulations, including but not limited to the requirement that the Bank's Board of Directors administer the affairs of the Bank fairly and impartially and without discrimination in favor of or against any member. To the extent this policy may be found to be inconsistent with applicable law, regulation, or FHFA policies or directives, the applicable law, regulation or FHFA policies or directives shall govern.

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 and securities backed by residential mortgage loans pledged to the Bank as collateral and residential mortgage loans purchased from members, which is incorporated herein, as such policy may be amended from time to time.

¹ Mortgage Partnership Finance and MPF are registered trademarks of the Federal Home Loan Bank of Chicago, the MPF Provider.

The Bank has also implemented policies and practices to limit credit exposures to subprime and nontraditional mortgage loans.

Officers and/or Committees that are referred to in the policy are authorized by the Board of Directors to take the actions specified herein. The Bank in its sole discretion by action of its Board of Directors may amend this policy at any time.

II. ANTI-PREDATORY LENDING POLICY

The Bank requires that residential mortgage collateral and purchased mortgage loans comply with applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, anti-predatory lending laws). For example, anti-predatory lending laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:

- Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
- Requiring mandatory arbitration provisions with respect to dispute resolution in the loan documents; or
- Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.

Any residential mortgage collateral that does not comply with all applicable anti-predatory lending laws will be ineligible as collateral to support advances or other transactions with the Bank. Additionally, a loan cannot become a purchased mortgage loan or be given collateral value if:

- The annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z);
- The loan has been identified by a member's primary federal regulator as possessing predatory characteristics;
- The loan includes mandatory prepaid, single premium credit insurance;
- The loan is subject to state and/or local laws where one or more of the major credit-rating agencies (Standard and Poor's, Moody's Investors Service, and/or Fitch Ratings) will not rate a security (or securities) in which the underlying collateral pool contains such a loan;
- The loan is defined as a High Cost Loan, Covered Loan or Home Loan as categorized under one or more federal, state or local predatory lending laws as having certain potentially predatory characteristics;

- The loan includes penalties in connection with the prepayment of the mortgage beyond the early years of the loan, to the extent that such penalties are prohibited or limited by applicable anti-predatory lending laws; or
- The loan requires mandatory arbitration with respect to dispute resolution, to the extent that such requirements are prohibited or limited by applicable anti-predatory lending laws.

Pledgors of residential mortgage collateral, as well as sellers of purchased mortgage loans, are responsible for avoiding all unlawful practices and terms prohibited by applicable anti-predatory lending laws. The Bank will take those steps it deems reasonably necessary in order to confirm or monitor compliance with this Anti-Predatory Lending Policy.

The Bank will adopt procedures to monitor for member compliance with this Anti-Predatory Lending Policy that will:

1. Ensure that all members have executed the representation and warranty certification described below;
2. Ensure that all pledging subsidiaries and affiliates of members have executed the representation and warranty certification described below;
3. Review member regulator exam reports for findings pertaining to fair lending and/or abusive lending practices; and
4. Monitor member regulator alerts for newly issued supervisory agreements, memoranda of understanding, or cease and desist orders pertaining to fair lending and/or abusive lending practices.

If abusive lending issues are identified by the member's regulator, or if, Bank staff identifies anti-predatory lending abuses, then the member will be required to undertake a review of its policy and procedures for compliance with the Bank's collateral policies. At its discretion, the Bank may permit such a review to be conducted by the member's internal auditor or the Bank may choose to conduct the review itself or use a third party, at the expense of the member.

In addition, the Bank reserves the right to require evidence reasonably satisfactory to the Bank that residential mortgage collateral does not violate applicable anti-predatory lending laws. With respect to residential mortgage collateral purchased by the pledgor, the pledgor is responsible for conducting due diligence that it deems sufficient to support its certification and indemnification agreements with the Bank.

In addition to the terms and conditions of the Bank-approved forms of advances, pledge and security agreement, each pledgor must execute a representation and warranty certification with the Bank that:

1. Certifies its understanding and compliance with the Bank's Anti-Predatory Lending Policy and all applicable anti-predatory lending laws; and
2. Certifies it will maintain qualifying collateral and will:
 - a. substitute eligible collateral for any residential mortgage collateral that does not comply in all material respects with applicable anti-predatory lending laws or this Anti-Predatory Lending Policy; and
 - b. indemnify, defend and hold the Bank harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the pledge of any residential mortgage collateral that does not comply in all material respects with applicable anti-predatory lending laws or this Anti-Predatory Lending Policy.

The Bank will not knowingly accept as eligible collateral residential mortgage collateral that violates anti-predatory lending laws or this Anti-Predatory Lending Policy. If the Bank knows or discovers that such residential mortgage collateral violates applicable anti-predatory lending laws or this Anti-Predatory Lending Policy, the Bank may, in addition to all available rights and remedies at law or in equity:

1. Require the pledgor to substitute eligible collateral;
2. Value such residential mortgage collateral at zero for collateral purposes; and/or
3. Require the pledgor to undertake a review of its policies, practices and procedures for complying with the Bank's collateral policies

Under the terms and conditions of the Bank's Participating Financial Institution Agreement, each member Participating Financial Institution has represented and warranted to the Bank that it:

1. Is aware of and will comply at all times with the Mortgage Partnership Finance Origination Guide and the Mortgage Partnership Finance Servicing Guide (collectively, the "MPF Guides), including the anti-predatory policy and provisions contained therein;
2. Will comply at all times with the requirements of all applicable anti-predatory lending laws; and

3. Will indemnify, defend and hold harmless the Bank from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including without limitation, legal fees and expenses, that result from the sale of any Acquirement Member Asset that does not comply in all material aspects with the anti-predatory lending laws.

The Anti-Predatory Lending Policy and related provisions contained in the MPF Guides, as may be amended, are adopted as policy by the Bank as they relate to purchased mortgage loans.

III. STATEMENT ON SUBPRIME AND NONTRADITIONAL LOANS

The Bank supports the fair and equitable expansion of loan programs that increase opportunities for consumers to become homeowners and recognizes that properly managed subprime and nontraditional loan programs, as defined in Section V, Collateral Standards, of this policy, increase those opportunities for a wider variety of borrowers to purchase a home. While most of these alternative mortgage products are responsible and appropriate, the unsuitability of these products to certain borrowers may create undesirable results for both the borrower and the lender. Therefore, the Bank is implementing policies and risk management practices that establish appropriate risk limits for credit exposure resulting from concentrations of subprime and nontraditional residential mortgage loans and private label mortgage-backed securities where the underlying mortgages are deemed to have subprime or nontraditional characteristics pledged as collateral for members' credit exposures.

The standards implemented by the Bank incorporate guidelines established in the *Interagency Guidance on Nontraditional Mortgage Product Risks*², the *Statement on Subprime Mortgage Lending*³ issued by the Office of the Comptroller of the Currency, Office of Thrift Supervision, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and National Credit Union Administration (Agencies) and guidance issued by the FHFA.

The Collateral Standards section, Section V, of this policy and the Bank's Collateral Procedures should be read in conjunction with this policy. These standards provide detailed information on pledging requirements, eligibility guidelines, concentration limits, collateral maintenance levels, collateral review procedures, and fee schedules related to subprime and nontraditional loans. The Collateral Procedures can be amended, superseded, or replaced by the Bank's management at anytime.

² Federal Register, Volume 71, Number 192, October 4, 2006, pp. 58609-58618.

³ Federal Register, Volume 72, Number 131, July 10, 2007, pp. 37569-37575.

IV. CREDIT STANDARDS

A. Credit Underwriting

The Bank's decision to grant, renew, limit or deny the extension of credit (advances, standby letters of credit, standby bond purchase agreements and mortgage credit enhancement obligation), and the terms and conditions of any such credit, are based on the Bank's sole determination of the member's, housing associate's, or guarantor's creditworthiness. The Bank's determination of creditworthiness is generally based on a member's, housing associate's, or guarantor's capital adequacy, earnings, asset quality, liquidity, regulatory status, and, if available, external credit ratings.

The Bank may also consider whether the member, housing associate, or guarantor is engaging or has engaged in any unsafe or unsound banking practices, is capital deficient, is sustaining operating losses, has financial or managerial deficiencies that bear upon the member's, housing associate's, or guarantor's creditworthiness, or has any other deficiencies, as determined by the Bank, in deciding whether to grant, renew, limit or deny extensions of credit. The Bank may require a member, housing associate, or guarantor to submit additional information to the Bank in order for the Bank to complete its credit underwriting.

1. Member's Total Credit Exposure:

The Bank establishes the criteria for the Internal Credit Rating (ICR) and total credit exposure to total assets as set forth below and may increase or decrease a member's borrowing capacity or change the member's ICR grade at any time when deemed necessary.

In general, the maximum amount of credit the Bank may be willing to extend to a single member is a percentage of the member's total assets based upon the Bank's credit rating procedures.

The maximum member total credit exposure to total assets may not exceed 35% unless exceptions are approved in accordance Bank policy and procedure.

In addition, the Bank may limit the amount of credit exposure it will extend to any one member based upon several criteria including but not limited to:

- Creditworthiness of the member or guarantor;
- Type of collateral pledged as security;
- Maturity and type of advances outstanding to the member; and
- Reliance on Bank advances relative to the member's assets and other sources of liquidity.

a. The ratio of a member's convertible advances to its total assets may not exceed 50% of the member's total credit exposure to total assets limit.

b. Exceptions to Maximum Credit Exposure Limits:

If all or any part of a member's total credit exposure to the Bank is guaranteed by another entity, the portion of the total credit exposure that is guaranteed by the guarantor is based on the guarantor's total assets. Any portion of a member's total credit exposure that is not guaranteed by a guarantor is based on the member's total assets.

A member may request that the Bank allow the member to exceed its total credit exposure limit or convertible advances limit.

2. Housing Associate's Total Credit Exposure:

The Bank limits a housing associate's Total Credit Exposure to 30% of the housing associate's total assets. The ratio of a housing associate's convertible advances to its total assets may not exceed 50% of the housing associate's total credit exposure limit.

A housing associate may request that the Bank allow the housing associate to exceed its total credit exposure or convertible advance exposure limit.

3. Community Development Financial Institution (CDFI) Total Credit Exposure (Non-Federally Insured Institutions):

The Bank limits a non-federally insured CDFI's total credit exposure up to 30% of the CDFI's total assets. The ratio of a CDFI's convertible advances to its total assets may not exceed 50% of the CDFI's total credit exposure limit.

A CDFI may request that the Bank allow it to exceed its total credit exposure or convertible advance exposure limit.

B. Limitations on Access to Credit Products

If the Bank determines that there has been a material adverse change in a member's, housing associate's, or guarantor's condition, the Bank may deny credit, limit total credit exposure, and/or change the ICR grade.

1. Members without Positive Tangible Capital:

a. New Extensions of Credit:

The Bank will not grant new credit to a member without positive tangible capital unless the member's appropriate federal banking agency or insurer⁴ requests in writing that the Bank make such an extension of credit.

b. Renewal of Existing Credit Exposures:

The Bank may renew outstanding credit exposures to a member without positive tangible capital for successive terms of up to 30 days each. However, the Bank shall honor any written request of the appropriate federal banking agency or insurer that the Bank not renew such advances.

The Bank may renew outstanding credit exposures for a term greater than 30 days to a member without positive tangible capital at the written request of the appropriate federal agency or insurer.

2. Capital Deficient Members:

The Bank may grant or renew an extension of credit to a member with positive tangible capital that is capital deficient unless the Bank has received written notice from the member's appropriate federal banking agency or insurer that the member's use of the Bank's credit facilities has been prohibited.

3. In the event a member's access to credit products is restricted pursuant to this section, the Bank shall not fund future dated credit products not exercised prior to the imposition of the restriction.
4. A member must advise the Bank in writing, via email or facsimile immediately upon a determination of its failure to meet any of its regulatory capital requirements.

The Bank will evaluate any request for new credit or the renewal of existing credit products and determine if such an extension of credit can be safely made, ensure that the Bank's interest in the collateral is perfected and that the Bank has received sufficient assurance from the appropriate federal banking agency or insurer that payment of all obligations will occur if the member defaults.

The Bank shall promptly provide FHFA with a copy of any written requests received from a member's federal banking agency or insurer.

⁴ In the case of members that are not federally insured depository institutions, the references to "appropriate federal banking agency or insurer" shall mean the member's state regulator acting in a capacity similar to an appropriate federal banking agency or insurer.

C. Special Provisions

1. Default:

In the event of a default in the payment of principal and/or interest on any advance, or in the event of any other default defined in the Bank-approved forms of advances, pledge and security agreements, the Bank has the right to declare all indebtedness to the Bank of the defaulting member, housing associate, or guarantor immediately due and payable and subject to any and all prepayment fees and charges.

2. Termination of Membership or Merger:

Upon withdrawal from membership, the Bank shall determine an orderly schedule for liquidating any indebtedness of the member.

In the event of a termination of membership, whether by merger, acquisition, regulatory action or otherwise, the Bank may allow a nonmember to assume or maintain outstanding extensions of credit. Extensions of credit to nonmembers must be fully secured by eligible collateral and the Bank may require collateral to be delivered to the Bank. The Bank's [Capital Plan](#) addresses the repurchase or redemption of Bank capital stock upon withdrawal or termination of membership.

3. Transfer of Advances:

The Bank will not allow any extensions of credit to be transferred between unaffiliated members except in conjunction with mergers and acquisitions or regulatory action. In the event an extension of credit is transferred by operation of law as the result of a member's merger into another institution, the member shall notify the Bank and execute any required Bank documentation to evidence the assumption of the extension of credit by the acquiring institution.

In addition, the Bank, in its sole discretion, may consider a request for a transfer of extensions of credit between affiliated members. Members must notify the Bank of such requests and obtain the Bank's prior approval before any transfer of an extension of credit to an affiliated member is effective. The Bank's Capital Plan addresses the transfer of capital stock.

V. COLLATERAL STANDARDS

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 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.

A member or housing associate must be in compliance with applicable collateral requirements prior to the Bank granting an extension of credit. The Bank requires a member or housing associate to pledge and maintain sufficient eligible collateral to secure all extensions of credit.

All collateral:

1. Must have a readily ascertainable market value;
2. Can be reliably discounted to account for liquidation and other risks;
3. Capable of being liquidated in due course; and
4. The Bank must be able to perfect its security interest in the collateral.

The Bank reserves the right to accept, reject or ascribe such value to collateral as the Bank deems necessary to protect the Bank's security interest. At the request of the Bank, borrowers shall assign additional or substituted collateral for advances at any time the Bank shall deem it necessary for the Bank's protection.

Each member is required to purchase and maintain Bank capital stock in accordance with the Bank's [Capital Plan](#), which governs capital stock requirements for extensions of credit. Although Bank capital stock is pledged to the Bank under the advances, pledge, and security agreement, by applicable statute and regulation, Bank capital stock cannot be used to satisfy applicable collateral requirements.

To be considered eligible collateral, assets pledged to the Bank must comply with applicable laws, regulations, and guidance issued by federal regulators, 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 Procedures](#) on the Bank's website at www.fhlbdm.com.

A. Subprime and Nontraditional Loans

The Bank acknowledges that no single criterion consistently and accurately describes subprime or nontraditional loans but adopts the following definitions for the management of credit risk.

The definitions below apply to owner and non-owner occupied one-to-four family residential loans and residential mortgage-backed securities pledged as collateral. The definitions do not apply to government insured mortgage loans or securities and do not apply to home equity lines of credit (HELOCS) originated as simultaneous second lien mortgage loans.

1. Subprime Loans:

Subprime loans are loans originated or acquired after July 10, 2007 to borrowers with any of the following characteristics:

- Credit bureau score (FICO⁵ score) of 660 or less;
- Evidence of delinquencies⁶, foreclosures, judgments, or bankruptcies; or
- Debt-to-income ratios of 50% or greater, or otherwise limited ability to cover family living expenses after deducting monthly debt-service requirements from monthly income.

Subprime loans will also include first or second lien 1-4 family residential mortgages that are originated as a product available to or under a lending program targeting borrowers with any of the above subprime characteristics.

2. Nontraditional Loans:

Nontraditional loans include, but are not limited to, first or non-revolving second lien 1-4 family residential mortgage loans that allow borrowers to defer the repayment of principal and/or interest.

Conventional residential loans meeting one or more of the following criteria may be subject to additional due diligence during collateral reviews, higher collateral maintenance levels, or classified as ineligible for pledging as collateral. All other residential subprime or nontraditional loan portfolios are ineligible for pledging as collateral.

The Bank requires that members and housing associates certify that pledged residential mortgage loans and residential mortgage-backed securities (RMBS) originated or acquired after July 10, 2007 comply with applicable guidance. Loans and RMBS that do not comply with the published guidance are not eligible for pledging to the Bank. As part of the collateral review process, the Bank will monitor compliance to the interagency guidance.

B. Member Collateral

The Bank may accept the following types of eligible collateral secured by property located in the United States or its territories. Loans and securities that are not eligible as collateral can be found at Section V.B.6.

⁵ FICO® is a registered trademark of Fair Isaac Corporation.

⁶ Two or more 30-day delinquencies in the last 12 months or one or more 60-day delinquencies in the last 24 months.

1. Mortgage Loans – Mortgage loans include:
 - a. Fully disbursed whole first mortgage loans on improved (one to four family and multi-family) residential real property, or
 - b. Privately issued mortgage-backed securities secured by first mortgage loans on one to four family residential properties.

2. Agency Loans and Securities – Agency loans and securities include:

Loans and 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. Federal Family Education Loan Program (FFELP) guaranteed student loans;
 - c. 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
 - d. Securities backed by, or representing an equity interest in, mortgages or other loans referred to in Section V.B.2.c. (excluding Student Loan Asset-Backed Securities).
3. Funds placed in Time Certificates of Deposit at the Bank.
 4. Other Real Estate Related Collateral⁷:

The Bank only accepts pledges of other real estate related collateral if the member has executed the Bank approved Blanket or Specific advances, pledge and security agreement subject to the following exceptions:

- The Bank may accept fully disbursed whole first mortgage agricultural and commercial real estate loans from members signing the Delivery advances, pledge and security agreement if the member is rated “A” or higher by Standard & Poors’, Moody’s Investor Service or Fitch Ratings, the Bank reviews the loans prior to accepting the pledge and the loans are delivered to the Bank; and
- The Bank may accept private label mortgage-backed securities rated “A” or higher.

⁷ 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.

In determining the applicable credit rating, the Bank:

- Applies the most recent NRSRO credit rating;
- Uses the lowest credit rating if more than one credit rating applies;
- Disregards credit rating modifiers (e.g. A+ or A-=A);
- Reduces a credit rating to the next lower grade if the rating is placed on “credit watch” for potential downgrade by an NRSRO.

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 owner and non-owner occupied commercial real estate loans;
- c. Fully disbursed whole first mortgage loans on agricultural real estate;
- d. Securities representing a whole interest in such loans;
- e. Mortgage loan participations in fully disbursed first mortgage loans secured by either one to four family, multi-family, commercial or agricultural real estate; and
- f. Construction loans, no more than thirty days delinquent, for non-speculative (permanent take-out required) one to four family residential properties.

5. Community Financial Institution (CFI) Collateral:

The Bank only accepts pledges of Community Financial Institution Collateral 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. Secured business loans and lines of credit;
- b. Secured agri-business loans and lines of credit; and
- c. Securities representing a whole interest in such loans.

6. Community Development Financial Institution (CDFI) Collateral (Non-Federally Insured Institutions)

The Bank only accepts pledges from non-federally insured Community Development Financial Institutions if the member has executed the Bank

approved form of advances, pledge and security agreement known as a Delivery Pledge Agreement.

Eligible CDFI collateral is limited to eligible collateral described in Section V.B.1a, 2a, 2c, 2d, and 3 of this policy.

7. Ineligible Collateral:

a. Ineligible loan collateral includes, but is not limited to (see Collateral Procedures for additional information):

- Residential mortgage loans originated or acquired on or after July 10, 2007 not in compliance with interagency guidance related to subprime and nontraditional lending;
- Loans to directors, employees, attorneys or agents of the Bank, member or housing associate;
- Loans with capitalized interest;
- Loans that allow the capitalization of interest;
- Loans that do not require specified principal and interest payments to fully amortize the loan;
- Loans past due 90 or more days;
- Loans to depository institutions and acceptances of other banks;
- Loans to individuals for household, family, and other personal expenditures;
- Obligations of states and political subdivisions in the U.S.;
- Loans to nondepository financial institutions and other loans, and
- Lease financing receivables.

b. Ineligible privately issued securities include, but are not limited to:

- Securities that represent a share of only the interest payments or only the principal payments from the underlying mortgage loans;
- Securities that represent a subordinate interest in the cash flows from the underlying mortgage loans;
- Securities that represent an interest in any residual payments from the underlying pool of mortgage loans;
- Residential private label securities issued or acquired after July 10, 2007 unless the issuer provides an enforceable representation and warranty that all loans contained in the security comply with interagency guidance on subprime and nontraditional lending;

- Securities issued by states and political subdivisions in the U.S.;
- Asset-backed securities;
- Structured financial products;
- Other domestic and foreign debt securities;
- Other domestic and foreign equity securities; and
- Other securities that the Bank in its sole discretion deems to be high risk.

The Bank at its discretion may further restrict the types of eligible collateral acceptable to the Bank as security for an advance, based upon the creditworthiness or operations of the borrower, the quality of the collateral, or other reasonable criteria.

The Bank may take a security interest in the following collateral whether it is eligible or ineligible to be pledged to the Bank to protect its interests as security for the total credit exposure to the Bank:

- Loans secured by real estate;
- Loans to finance agricultural production and other loans to farmers;
- Commercial and industrial loans;
- Loans to depository institutions and acceptances of other banks;
- Loans to individuals for household, family, and other personal expenditures;
- Obligations of states and political subdivisions in the U.S.;
- Loans to nondepository financial institutions and other loans;
- Lease financing receivables;
- U.S. Treasury securities;
- U.S. Government agency obligations (excluding mortgage-backed securities);
- U.S. Government-sponsored agency obligations (excluding mortgage-backed securities);
- Securities issued by states and political subdivisions in the U.S.;
- Mortgage-backed securities issued or guaranteed by an U.S. government agency or government sponsored agency;
- Mortgage-backed securities issued or guaranteed by U.S. non-governmental entities;
- Asset-backed securities;
- Structured financial products;
- Other domestic and foreign debt securities; and
- Other domestic and foreign equity securities.

8. Other Collateral Terms:

The Bank, from time to time, may establish or modify eligibility criteria for various types of eligible collateral.

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.

C. Collateral Fees

Please refer to the [Collateral Fees](#) on the Bank's website for a current schedule of fees the Bank charges for pledging, maintaining, and releasing certain types of collateral.

D. 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, and/or the existence of subprime or nontraditional loans. The Bank reviews and approves collateral maintenance level at least annually.

In determining eligibility and the CML for privately issued securities, 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.

If the Bank determines that there has been a material adverse change in a member's, housing associate's or guarantor's condition, the Bank may establish CMLs appropriate to secure all extensions of credit owed by the member or housing associate.

E. Collateral Verification

As required by regulation, the Bank periodically reviews the existence, eligibility, and characteristics (underwriting, documentation and routine administration) of collateral pledged to the Bank. Additionally, for loans originated or acquired after July 10, 2007 and determined to be either subprime or nontraditional the Bank will evaluate compliance to guidelines published by federal regulatory agencies.

Institutions having subprime or nontraditional loans may be required to provide the Bank additional information regarding the performance and characteristics of such loans.

The Bank determines the frequency and scope of collateral verifications based on various factors, including but not limited to, the following:

- Member's ICR;
- Collateral reporting and/or delivery status;
- Types of pledged collateral;
- Identified concentrations of subprime and nontraditional loans; and
- Total Credit Exposure.

The member or housing associate must pay any applicable fees and costs incurred by the Bank in connection with the collateral verification of that member or housing associate. See [Collateral Fees](#) for a current schedule of fees the Bank charges for collateral verification.

Based on the results of a member's or housing associate's collateral verification, the Bank may change the CML of collateral pledged by the member or housing associate to the Bank within ranges published in Collateral Procedures. The Bank may at its sole discretion change CML's from those published in the [Collateral Procedures](#).

F. 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;
- 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 determination of marketability and liquidity of

the collateral or of the member's or housing associate's creditworthiness;
and/or

- File UCC-1 financing statements on collateral.

G. 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:

1. 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.
2. 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.

H. Housing Associate's Collateral

Housing associates and State Housing Finance Agencies (SHFA) 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 collateral that are owned free and clear of any liens, encumbrances, or other interests, for advances or qualifying letters of credit. With the exception of cash collateral, CML's for housing associates and SHFAs are higher than for members and can be found at [Collateral Maintenance Levels](#).

1. Both housing associates and SHFAs may pledge FHA mortgages or a whole interest in the principal and interest payments due on a pool of mortgage loans insured by the FHA provided the housing associate provides evidence that such securities are backed solely by FHA mortgage loans.
2. SHFAs may also pledge eligible collateral described in Section V.B.1, 2 and 3 of this policy if they provide a certification that the use of funds benefits individuals or families meeting the income requirements in section 142(d) or 143(f) of the Internal Revenue Code (26 U.S.C. 142(d) or 143(f)).

VI. CREDIT PRODUCTS

The Bank offers a variety of credit products to meet the financial needs of members and housing associates. These include short-term, long-term, and adjustable rate funding,

letters of credit, and mortgage loan purchase programs. Additional information regarding credit products can be found on the Bank's website at www.fhlbdm.com.

A. Advances

1. Purposes for Long-term Advances:

The Bank makes long-term advances, defined as having an original term to maturity of greater than 5 years, only for the purpose of enabling any member to purchase or fund new or existing Residential Housing Finance Assets (RHFA), which include for CFIs, business, farm, and agri-business loans. Prior to approving a request for a long-term advance, the Bank shall determine that the principal amount of all long-term advances currently held and requested by the member does not exceed the total book value of RHFA held by the member. The Bank shall determine the total book value of such RHFA using the most recent regulatory report of condition, financial statement or other reliable documentation made available by the member. Community Investment Advances are exempt from this requirement.

2. Advance Pricing:

The Board of Directors authorizes advance pricing according to the following methodology:

- Bank's all-in marginal cost of funds for a given maturity and structure adjusted for differences in interest payment frequency; plus
- general and administrative costs; plus
- risk adjustments, as needed, in order to compensate for liquidity, market, credit, operational and other risks as may be identified by the Bank from time to time; plus
- a profit margin.

Applying the above-mentioned methodology and criteria, the Bank establishes differential pricing of advances based on the following categories:

- Advance product;
- Advance maturity; and
- Individual advance transaction size as approved by the Board of Directors from time-to-time.

The methodology used for advance pricing shall not result in lower prices than the methodology used for pricing Community Investment Advances with the same terms and conditions under Section VII.B.3. of this Policy.

Interest on all advances begins accruing on the day the advance settles.

The Board of Directors authorizes the Bank President to implement this advance pricing methodology.

3. Advance Prepayment Fees:

Advance prepayment fees charged by the Bank make the Bank financially indifferent to the member's or housing associate's decision to repay the advance prior to its maturity date.

For callable advances, the member or housing associate owns the right to terminate the advance after the lockout period and according to the stipulated call frequency. Repayments of advances on a designated call date with proper call notice are not considered prepayments and therefore are not subject to prepayment fees. Repayments made on a date other than a designated call date are considered prepayments and are subject to the applicable prepayment fees.

The Bank calculates prepayment fees for all advances initiated on or after May 1, 2009, using the following methodology shown below. Prepayment fees on advances dated prior to May 1, 2009, generally used a methodology to discount the value of the lost interest spread over the remaining life of the advance. Advance confirmations detail the methodology for determination of prepayment fees.

All future cash flows (i.e., interest and remaining principal) scheduled up to and including the stated maturity date (or expected maturity date based on the Bank's assessment of the option exercise date in the case of an option-embedded advance) shall be discounted based on the Bank's current available cost of funds for each scheduled future cash flow payment date. The present value of the cash flows in excess of the remaining face amount of the advance plus any time value associated with option-embedded advances shall be deemed the prepayment fee. The computed prepayment fee excludes accrued interest. Accrued interest, the remaining face amount of the advance, and the prepayment fee shall be due to the Bank on the date of prepayment.

Prepayment fee = Present Value of Cash Flows (formula defined below) + any Time Value (time value is applicable to option-embedded advances only) – the outstanding face amount of the advance.

$$NPV = \sum_{t=1}^n \frac{C_t}{(1+r_t)^t} - C_0$$

Where:

NPV = Net present value

t = The time of the cash flow;

n = The time to stated maturity (or expected maturity for advances with embedded option);

r = The discount rate (the Bank's cost of funds at time t);

C_t = The net cash flow (the amount of cash) at time t ;

C_0 = The outstanding face amount of the advance on the computation date ($t = 0$).

Upon payment of the prepayment fee, the rights and obligations of each party for the advance shall cease.

B. Mortgage Partnership Finance (MPF) Program

The Bank purchases eligible mortgage loans from Participating Financial Institutions (PFIs) through the MPF program. The Federal Home Loan Bank of Chicago, the MPF Provider, developed the MPF program and provides program and operational support to the participating Federal Home Loan Banks and their PFIs. MPF program and product information can be obtained on the Bank's website at www.fhlbdm.com or at (www.fhlbmpf.com).

The Bank's Anti-Predatory Lending Policy governs the purchase or acquisition of mortgage loans from PFIs and adopts the anti-predatory lending policy and related provisions contained in the MPF Origination, Underwriting, and MPF Servicing Guides, as amended from time-to-time.

The MPF Origination and MPF Underwriting Guides provide detailed eligibility, underwriting, and documentation standards for loans purchased under the MPF program. Ineligible loans include, but are not limited to, loans with the following features:

- Prepayment penalties;
- Balloon payments; and
- Adjustable interest rates or the interest rate exceeds published limits.

Due to the risk sharing arrangements with PFIs, the Bank does not impose limits on subprime or reduced documentation loans provided the PFI obtains documentation required under approved automated underwriting standards. Loans originated on or after July 10, 2007 must comply with all aspects of federal regulatory guidance related to subprime and nontraditional loans. The Bank routinely reviews a sample of purchased loans for compliance to underwriting criteria.

Additionally, the Bank offers the MPF Xtra product to approved PFIs. Under MPF Xtra, the loans are sold through an intermediary to Fannie Mae. As a result, loans are subject to underwriting, pricing and servicing requirements of Fannie Mae as documented in the MPF Xtra Manual.

1. Credit Underwriting:

In addition to the underwriting standards in Section IV.A above, The Bank also evaluates a prospective PFIs experience in mortgage origination, servicing, and investor reporting.

2. Mortgage Purchase Limits:

A single PFI may execute one or more master commitments with the Bank for no more than an aggregate of \$250 million per 12-month period, assuming the Bank retains 100% interest in the loans delivered under those master commitments. To the extent that interests in portions of loans delivered to the Bank are sold, other than loans sold under the MPF Xtra product, the Bank may enter into additional master commitments with the PFI provided that the aggregate amount of loans retained by the Bank during the applicable period does not exceed the amount in the preceding sentence.

3. Pricing:

The Bank purchases mortgages in accordance with the current prices posted by the Bank on the MPF Provider's eMPF website for traditional MPF products, and via the MPF Xtra Service Center for the MPF Xtra product. The Bank has the option to follow posted prices or adjust its price based upon the Bank's risk-adjusted assessment of profitability.

4. Credit Enhancement/Government Loan Fees:

For master commitments, other than the MPF Xtra product, entered into after the effective date of this Policy, the Bank pays credit enhancement/government loan fees for the MPF programs as specified in the MPF Guides.

For master commitments, other than the MPF Xtra product, executed prior to the effective date of this Policy, the Bank shall pay the credit enhancement/government loan fees specified in such commitments, provided however, that if the terms of master commitments are amended for any material reason after the effective date of this Policy, the credit enhancement/government loan fees that the Bank pays shall be the fees in the MPF Guides.

5. Other MPF Fees:

PFI's may be charged fees specified in the MPF Origination Guide, the MPF Xtra Manual and the MPF Servicing Guide. When assessed, the Bank imposes those fees in accordance with those Guides as updated from time to time by the MPF Provider.

6. PFI Quality Control Verification:

The MPF program requires each PFI to conduct quality control reviews on a quarterly basis amounting to ten percent of loans sold to the Bank. The Bank periodically verifies that PFI's are conducting these quality control reviews in accordance with MPF program requirements.

Based on the results of a PFI's quality control verification, the Bank may determine, in its sole discretion, whether the PFI is eligible to sell loans to the Bank in the future.

C. Standby Letters of Credit

1. Credit Underwriting:

Please refer to Section IV.A. for a description of the Bank's Credit Underwriting, which is used to approve the issuance of Standby Letters of Credit.

2. Purposes for which Standby Letters of Credit May Be Issued:

The Bank may issue irrevocable and confirming Standby Letters of Credit on behalf of members or housing associates for any of the following purposes:

- Facilitate residential housing finance;
- Facilitate community lending;
- Assist members or housing associates with asset/liability management; and
- Provide members or housing associates with liquidity or other funding.

Standby Letters of Credit must contain a specific expiration date or be for a definite term and require approval in advance by the Bank of any transfer of the Standby Letter of Credit from the original beneficiary to another person or entity.

3. Fees for Standby Letters of Credit:

Please refer to the [Letter of Credit](#) fee schedule for information about the fees the Bank charges for issuing Standby Letters of Credit.

The Bank assesses a processing fee for any draw made on a standby letter of credit which is detailed on fee schedules published on the Bank's website at www.fhlbdm.com.

D. Standby Bond Purchase Agreements

Standby Bond Purchase Agreements support the Bank's mission activities by providing contingent liquidity support for Des Moines district housing associates' Variable-Rate Bond Obligation issuances. Variable-Rate Bond Obligations are variable rate, tax-exempt bonds that are a funding source for housing associates' homeownership loan programs.

1. Credit Underwriting:

Eligible housing associates have a minimum long-term rating of A- or equivalent and a stable outlook at the time the Standby Bond Purchase Agreement is executed. Bond programs supported by Standby Bond Purchase Agreements will be required to have a minimum long-term rating of AA- or equivalent at the time the agreement is executed.

2. Purposes for Which Standby Bond Purchase Agreements May Be Issued:

The Bank may issue Standby Bond Purchase Agreements supporting publicly traded bonds that provide financing for district home ownership programs.

3. Fees for Standby Bond Purchase Agreements:

The Bank will establish fees for executing each Standby Bond Purchase Agreement based on factors including market conditions, housing associates' ratings, bond ratings and term of the agreement.

VII. COMMUNITY INVESTMENT PROGRAMS

The Bank offers two Community Investment Programs, the Affordable Housing Program (AHP) and the Community Investment Advance (CIA).

A. Affordable Housing Program

The [Affordable Housing Program](#) helps members assist their communities by providing access to subsidized and other low-cost funding that creates opportunities for affordable housing. AHP is a cash grant program that benefits projects targeting very low-, low-, and moderate-income households. As required by the Federal Home Loan Bank Act, the Bank allocates 10 percent of its annual

regulatory income to AHP for grants to be awarded the following year. The details of the Bank's AHP are contained in the Bank's annual [AHP Implementation Plan](#).

B. Community Investment Advance Program

[CIA](#) is an advance program that supports residential, commercial, and economic development activities that contribute to the revitalization of low and moderate income households or economically depressed areas in urban centers and rural communities. These funds are designated to assist members in meeting residential and commercial lending needs.

The Bank's Board of Directors annually establishes limits on the total amount of funds available for the CIA advance programs and the total amount of CIA advances to a member. CIA advances are provided at below market interest rates that represent the Bank's cost of funds plus a markup to cover administrative expenses. The markup is determined by the Bank's Asset-Liability Committee. The Board of Directors monitors the estimated costs of this program annually and uses this information when establishing the program limits.

The Bank's Community Investment Department must review and approve all requests for CIAs prior to disbursement to ensure that the use of funds is consistent with regulatory requirements. CIAs are available for terms of a minimum of one year to a maximum of 20 years. The minimum Residential CIA amount is \$100,000, and the minimum Commercial CIA amount is \$25,000.

CIAs are available for:

- Commercial loans and financing for small businesses and small farms, and for other targeted industries and activities, including loans and financing for purchase or refinance, new construction, rehabilitation, or development; including real estate, equipment, and working capital financing;
- Residential loans and financing for purchase or refinance, new construction, rehabilitation, or development of affordable owner-occupied or rental housing.

1. CIA Limits:

The CIA limit per member and limits on the total amount of funds available for CIA is established by the Bank's Board of Directors annually as detailed in the Limits on CIA advances section of the Community Lending Plan.

2. Pricing:

The Board of Directors authorizes CIA pricing that includes the sum of the following specific criteria:

- the Bank’s cost of funds for different advance products and maturities adjusted for differences in interest payment frequencies; and
- the Bank’s administrative costs.

Applying the above-mentioned methodology and criteria, the Bank establishes differential pricing of CIA based on the following categories:

- Advance product; and
- Advance maturity.

As with all advances, interest begins accruing on the day the advance settles.

The Board of Directors authorizes the Bank President to implement the foregoing CIA pricing methodology.

3. Prepayment Fees:

CIAs are subject to the appropriate fee for the type of advance obtained. See Prepayment Fees, Section VI.A.3.

VIII. SYSTEMS AND INTERNAL CONTROLS

The Bank maintains risk management policies to address applicable regulations that require the Bank to have an infrastructure in place reasonably designed to ensure the maintenance of appropriate systems, procedures, and internal controls.

IX. OPERATIONAL AND PERSONNEL CAPACITY

As part of its strategic planning process, which includes its annual operating and capital budget, the Bank determines any resources it needs for the maintenance of appropriate operational and personnel capacity.

X. 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 Loans – 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 – Federal Home Loan Bank of Des Moines.

Bank Act – 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.

CMO – Collateralized Mortgage Obligation.

Community Investment Advance (CIA) – 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, Non-owner Occupied – Other Real Estate Related Collateral secured by a first mortgage on commercial real estate. Loans secured by commercial real estate are those commercial real estate loans where the primary source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property.

Commercial Real Estate Loans, Owner Occupied – Other Real Estate Related Collateral secured by a first mortgage on commercial real estate. Loans secured by owner occupied commercial real

Community Financial Institution (CFI) – An institution that has its deposits insured under the Federal Deposit Insurance Act with average total assets over the preceding three-year period as adjusted annually by the Federal Housing Finance Agency based on changes in the Consumer Price Index.

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 resulting 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 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 Agency – An agency of the United States Government that has regulatory authority and supervisory oversight responsibility for the twelve Federal Home Loan Banks, Fannie Mae, and Freddie Mac.

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 – Federal Home Loan Bank of Chicago.

MPP – Member Products Policy.

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.

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. §900.2;
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 – Community Investment Advance available for economic development initiatives in rural areas.

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

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 Bond Purchase Agreement (SBPA) – A contingent liquidity facility provided to district Housing Associates to support the issuance of tax-exempt floating rate securities (Variable Rate Demand Obligations) issued to support affordable housing. The agreement obligates the Bank to purchase Variable Rate Demand Obligations that cannot be remarketed in a timely fashion.

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.

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.

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 I 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 – The Bank measures a member’s or housing associate’s total credit exposure as the sum of the current balance of all advances, mortgage credit enhancement obligations, face value of any standby letters of credit, standby bond purchase agreements (SBPA), and other extensions of credit.

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