



# The MCV Process from Start to Finish

Collateral Training Series for Members

# Key Objectives

## **After our session today, you will:**

- Have A Better Understanding Of The MCV Process
- Discover Best Practices For Preparing For The MCV
- Be Able To Identify Solutions To Common Eligibility Issues

# MCV Basics



WHY?



WHAT?



WHEN?



WHERE?



WHO?



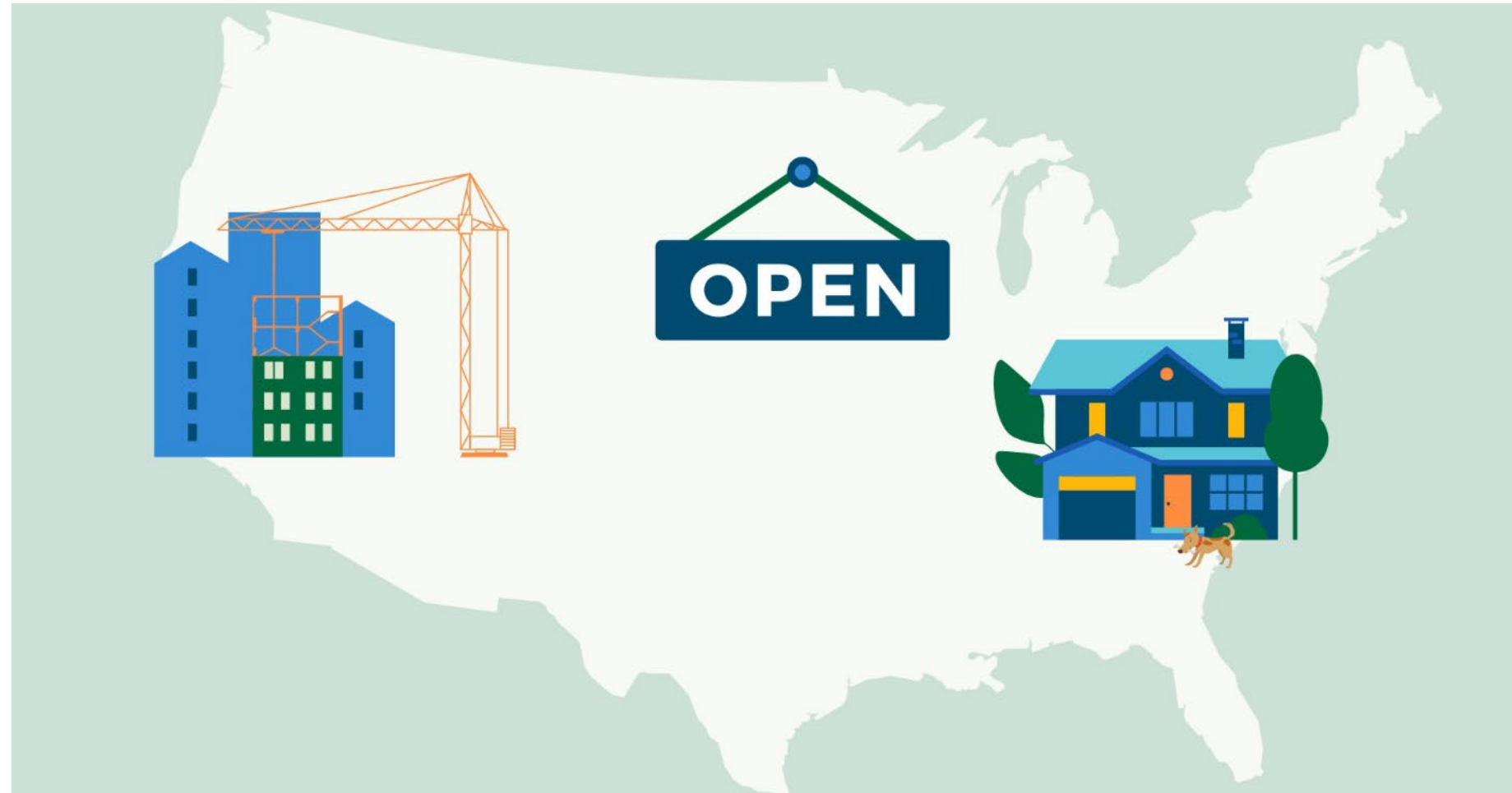
HOW?



# The Value of Collateral

**Sure And  
Reliable Source  
Of Funding**

**Strong  
Cooperative  
That Puts  
You In Control**





# Test Your Knowledge – POLL

**What does MCV stand for?**

A. Member Capacity Valuation

**B. Member Collateral Verification**

C. Member Capacity Valuation

D. Many Collateral Victories



# What is an MCV?

- Routine risk management practice
- A review required by our regulators for all members pledging loan collateral
- A process to determine lending amount per member
- An opportunity to review your pledging procedures and processes



# When will the review take place?

Members will have an MCV every five years, or more frequently



The Bank determines the **frequency** and **scope** of MCVs based on various factors:

- Your financial condition
- Your total credit exposure and reliance on pledged loan collateral
- Your last MCV date
- Your last MCV was an optional NMCV, with full-scope required
- Your Pledge Agreement type



# Where will the review take place?

The Collateral Review Analyst assigned to your review will discuss options to conduct it remotely or at your institution's location.

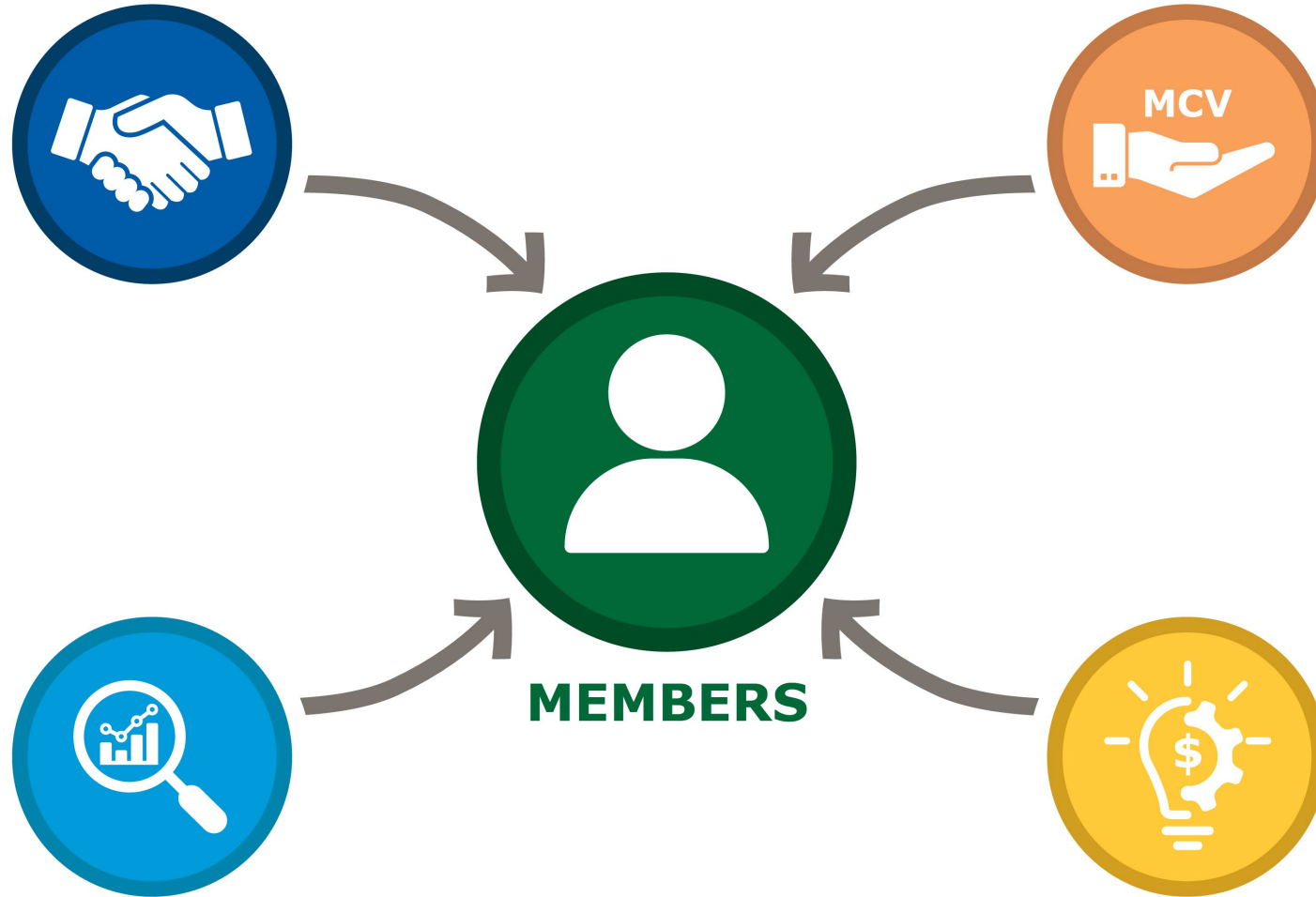
Many steps can be completed remotely, while some require on-site verification such as existence of collateral.





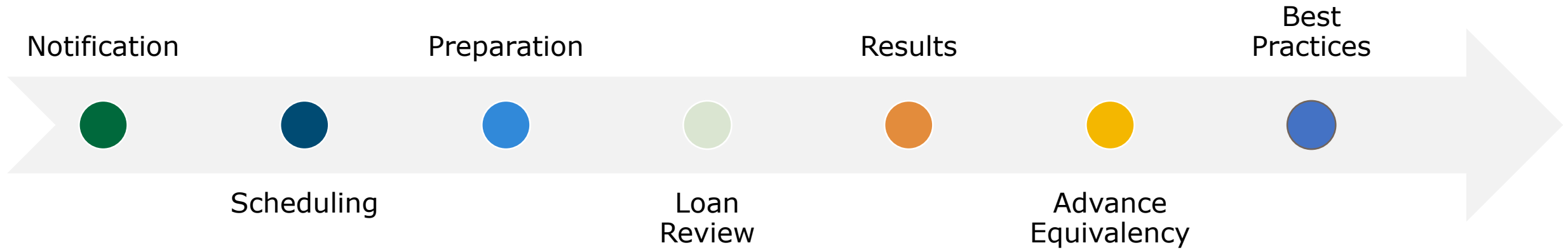


# Who is involved?





# How does the MCV Process Work?





# Member Notification



## Member Collateral Verification

Member Number: N/A  
Date: Jun 02, 2023

Dear FHLB Des Moines Member,

FHLB Des Moines requires a periodic review of a member's collateral pledged to secure advances and other credit exposures. This is a Federal Housing Finance Agency regulation requirement as described in the [Member Products Policy](#). The review process is referred to as a [Member Collateral Verification \(MCV\)](#) and is performed by the Bank's collateral risk review analysts.

Your institution is required to have an MCV completed in the second half of 2023. Our decision was based upon an analysis of several factors such as the types of collateral pledged, outstanding extensions of credit from FHLB Des Moines, the date of the last collateral review and reported financial condition.

One of our collateral risk review analysts will contact you to schedule a mutually convenient time to conduct the MCV. This is a full review of loan eligibility conducted on a sample of pledged loans against the FHLB Des Moines eligibility guidelines as described in the [eligibility checklists](#).

Recently, you received this notification from FHLB Des Moines.

Your review will take place between **July** and **December** of this year and may already have been scheduled.

Notification

Preparation

Results

Best Practices

Scheduling

Loan Review

Advance Equivalency



# Scheduling

A mutually agreed upon date will be scheduled for your review.

We can work around:

- Vacation Time/Leave
- Other Examiners
- Unavoidable Conflicts

Notification

Preparation

Results

Best Practices

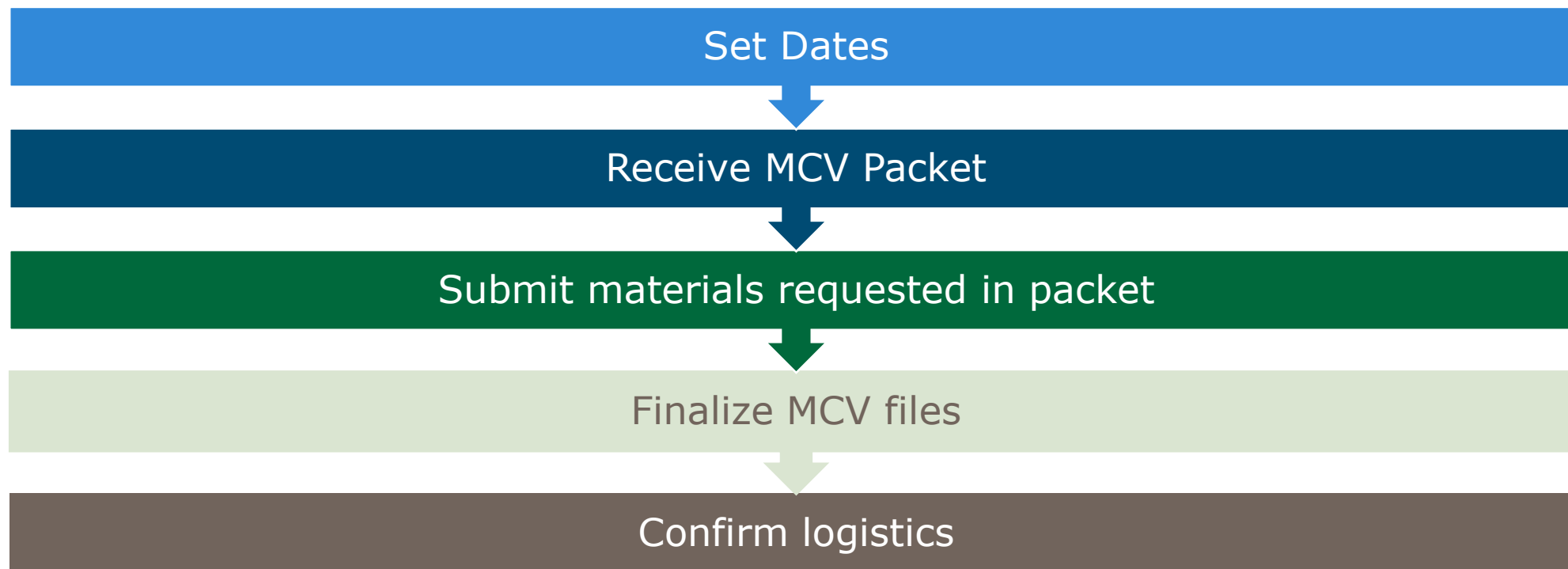
**Scheduling**

Loan Review

Advance Equivalency



# Preparation



Notification

**Preparation**

Results

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# Loan Review

## The Collateral Analyst will:

1. Confirm the existence of your collateral.
2. Verify your pledged loans meet the eligibility requirements published in the eligibility checklists.
3. Determine the Adjusted Eligibility Factor (AEF) of your loan collateral pledged.

Notification



Scheduling



Preparation



**Loan Review**



Results



Advance Equivalency



Best Practices





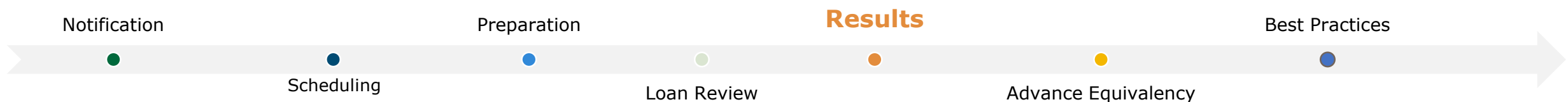
# Results

At the end of your loan review, the Collateral Review Analyst will schedule an Exit Meeting to share your results with you and your team.

Exit Meetings are typically scheduled within 4-6 weeks of loan review.

We recommend including:

- Primary Member Contact
- Collateral BBC Contact
- Collateral Listing Contact
- MCV Contact





# Test Your Knowledge

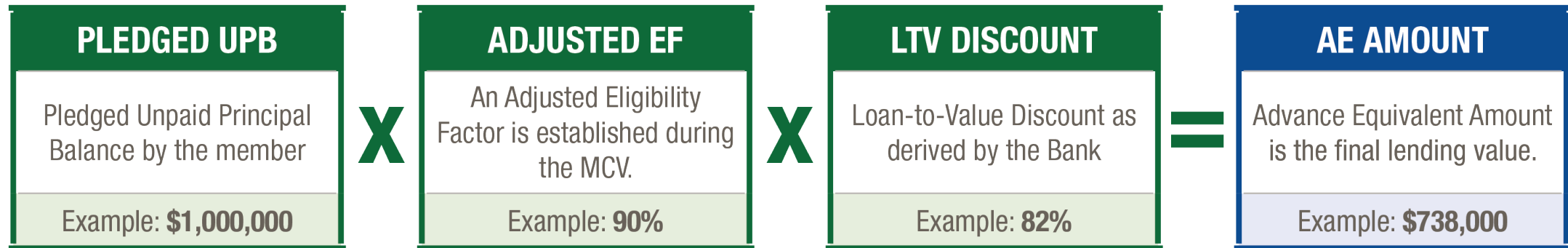
## True or False -

As a member, you have the ability to maximize your collateral capacity by maintaining or achieving the highest possible Adjusted Eligibility Factor as a result of your next MCV.





# Advance Equivalency



Notification

Scheduling

Preparation

Loan Review

Results

**Advance Equivalency**

Best Practices



# Test Your Knowledge

**What are the two main issues that account for ineligible loans?**

- A. Past-Due Loans and Substandard Loans
- B. Insider Loans and Other Creditor Loans
- C. Loans Pledged Incorrectly and Missing Original Documentation**
- D. Loans Not Payable to Pledgor and Non-Compliant Loans



# Loan Eligibility

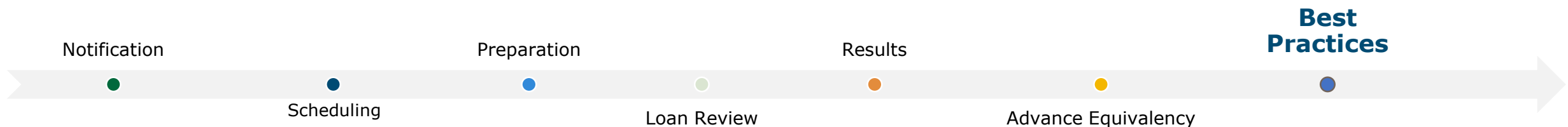
## **Over 20% of ineligible loans are:**

- Loans pledged in the wrong category
- Loans with missing original documentation



# Best Practices

- Ensure eligible loans are pledged in the correct collateral type codes
- Ensure loans do meet eligibility guidelines
- Review your previous MCV results for pledging and eligibility issues, and then determine if you adequately addressed those issues
- Consistently look for opportunities to pledge eligible loans
- Utilize your relationship manager and collateral team for guidance





# Q&A Session



# Thank You!

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