



# **Collateral Procedures**

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# Collateral Procedures

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These Collateral Procedures (Procedures) supplement the Bank's Member Products Policy (MPP) and may be amended, superseded or replaced by the Bank's management from time to time. The Procedures provide Members and Housing Associates the tools to help identify, pledge and manage Eligible Collateral. The pledging of Eligible Collateral enables Members and Housing Associates to have access to the Bank's credit products. For the Bank's policies relating to credit and collateral, please see the MPP posted on our website, [www.fhlbdm.com](http://www.fhlbdm.com), in the "Collateral" section under "Member Support".

The Bank grants or renews credit solely on a secured basis and requires a Member or Housing Associate to pledge and maintain sufficient Eligible Collateral to secure Total Credit Exposures, excluding standby bond purchase agreements (SBPAs), at all times.

The Bank supports the expansion of fair and equitable homeownership opportunities. To discourage predatory lending practices, the Bank has adopted an Anti-Predatory Lending Policy (APL) and a Statement on Subprime and Nontraditional Residential Mortgage Loans (Statement) for residential Mortgage Collateral. The APL and Statement are contained within the MPP; and may be amended from time to time.

Collateral staff is willing to assist Members and Housing Associates with identifying and pledging Eligible Collateral. The Collateral Department can be contacted via email at [advancecollateral@fhlbdm.com](mailto:advancecollateral@fhlbdm.com) or by phone at 1.800.544.3452 ext. 2500.

Capitalized terms used in these Procedures that are not defined within the body of the Procedures are defined in the Glossary. It is important that the Procedures be read using the Bank's definitions and in conjunction with the MPP, the eligibility checklists and the securities eligibility guidelines available in the "Collateral" section under "Member Support" on our website at [www.fhlbdm.com](http://www.fhlbdm.com).

**Highlighted** terms represent documents available on our website, [www.fhlbdm.com](http://www.fhlbdm.com), in the "Member Credit" and "Collateral" sections [under](#) "Member Support".



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## 1. **Advances, Pledge, and Security Agreements**

A Member or Housing Associate must execute a Bank-approved Advances, Pledge and Security Agreement (APSA) prior to the Bank granting credit. In addition, all Collateral pledged to the Bank must comply with the terms of such agreement.

The type of APSA executed by the Member, Affiliate or Housing Associate (each of which may be a "Pledgor") determines the types of Collateral that can be pledged and the method and frequency of collateral reporting required. The Bank, in its sole discretion, determines the appropriate form of APSA that each Pledgor must execute.

### 1.1 Blanket APSA

The Blanket APSA grants the Bank a security interest in all Mortgage Collateral, Securities Collateral, Deposits and Other Collateral as described in the MPP and owned by the Member.

### 1.2 Specific APSA

The Specific APSA grants the Bank a security interest in specifically identified and pledged Mortgage Collateral, Securities Collateral, Deposits and Other Collateral as described in the MPP and owned by the Member.

### 1.3 Delivery APSA

The Delivery APSA grants the Bank a security interest in specifically-identified and delivered Mortgage Collateral, Securities Collateral, Deposits and Other Collateral as described in the MPP and owned by the Member.

### 1.4 Housing Associate APSA

The Housing Associate APSA grants the Bank a security interest in specifically-identified and delivered Mortgage Collateral, Securities Collateral, Deposits and Other Collateral as described in the MPP and owned by the Housing Associate.

### 1.5 Affiliate Collateral Pledge and Security Agreement (ACPSA)

The ACPSA grants the Bank a security interest in Mortgage Collateral, Securities Collateral, Deposits and Other Collateral owned and pledged by Affiliates of Members. Affiliate collateral reporting requirements mirror the Member's reporting requirements, and the collateral is reported at the Affiliate level.



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## 2. Eligible Member Collateral

The MPP defines the eligible and ineligible Member and Housing Associate Mortgage Collateral, Securities Collateral, Deposits and Other Collateral in which the Bank may take a security interest. All Collateral pledged to the Bank is subject to eligibility criteria, restrictions and limitations outlined in the MPP.

### 2.1 Loan and Securities Eligibility Requirements

All Collateral must meet the eligibility requirements as specified in these Procedures, the *Loan Eligibility Guidelines and Checklists* and *Securities Eligibility Guidelines* in order to be Eligible Collateral and receive Advance Equivalent Value.

**Loan eligibility requirements include general eligibility requirements applicable to all loan types contained in the General Eligibility checklist. These eligibility requirements are supplemented and in addition to the specific criteria contained on the eligibility checklists for each loan collateral type and other guidelines are available in the "Collateral" section under "Member Support" on our website at [www.fhlbdm.com](http://www.fhlbdm.com).**

Federal Legalization: The loan must not support an activity that has not been federally legalized.

### 2.2 Ineligible Collateral Asset Types

Loans supported by the following assets will not be Eligible Collateral:

- vacant real properties
- tax credits/warrants
- low income tax credit loans
- other receivables (accounts receivables are acceptable)
- non-physical assets
- privately held/unregistered stock
- non-real estate real property including, but not limited to houseboats and manufactured homes not deemed real property by applicable state laws and pledged as eligible Mortgage Collateral
- mortgage servicing rights
- Financial institution stock
- residential co-op stock
- unknown property types
- land raw or in development

The Bank does not generally accept commercial real estate loans pledged under a Specific or Delivery APSA that are secured by recreational, specialty, lodging and/or other non-contractual rental income based commercial or multi-family



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real properties.

The Bank accepts loans supported by income producing raw land as Eligible Collateral from Community Financial Institutions (CFIs), provided the loan is additionally secured by a blanket lien on the borrower's assets or the cash flow generated by the property.

## 2.3 Loans Secured by Multiple Assets

Loan Collateral secured with multiple assets will be Eligible Collateral when:

- more than 50% of the assets securing the loan Collateral meet the requirements of the collateral type under which it is pledged and
- the remaining assets securing the loan Collateral are real property or related furniture, fixtures and equipment meeting the requirements of another eligible collateral type.

Property related furniture, fixtures and equipment are assets (i) affixed to or otherwise resident within the subject property and (ii) integral to the subject property's operation.

## 3. Eligible Affiliate Pledgor Collateral

Affiliates executing an ACPSA generally may pledge the same types of eligible Collateral that may be pledged by their affiliated Member. The Bank retains the right to determine which Collateral it is willing to accept and the value applied to an Affiliate's Collateral.

## 4. Loan Collateral

The collateral type, the APSA/ACPSA type and the Member's financial condition determine the Collateral Pledging Status and reporting method requirements for Pledgors. Pledgors may pledge Collateral to the Bank as a portfolio, by assigning specific Collateral, or by placing Collateral in the physical possession of the Bank or its custodians. The following schedules are available in the "Member Credit" section under "Member Support" on our website:

*Term Limits & Collateral Requirements – **Depository Members*** outlines the Collateral Pledging Status applicable for Depository Members given their maximum credit capacity. Depository Members will typically execute a Blanket or Specific APSA.

*Term Limits & Collateral Requirements – **Privately-Insured Credit Union Members*** outlines the Collateral Pledging Status applicable for Privately-Insured Credit Union (PICU) Members given their maximum credit capacity. PICU Members will typically execute a Blanket or Specific APSA.

*Term Limits & Collateral Requirements – **Non-Depository Members*** outlines the



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Collateral pledging status for Non-depository Members and Housing Associates given their maximum credit capacity. Non-depository Members and Housing Associates typically execute a form of Delivery APSA.

## 4.1 Loan Collateral Pledging Statuses – **Depository Members**

### 4.1.1 Standard Reporting - Borrowing Base Certificate (BBC) Pledging

Members subject to Standard Reporting that have executed the Blanket APSA, along with their Affiliates that have executed an ACPSA, giving the Bank a lien on all loans owned, may pledge certain loan Collateral types identified on *Loan Collateral Available for Pledging - BBC Forms/Loan Listing Files (Depository Blanket APSA)* using a BBC accessible via their secure eAdvantage site. *The exception being if a Member has subordinated more than 30% of its total loan collateral to another lender. Once the 30% trigger is hit, the Member is no longer allowed to pledge via a BBC and must begin to pledge via a Loan Listing File.*

#### Submitting BBC Forms

*BBCs - Getting Started Guide* outlines the process for pledging loan Collateral using BBC forms.

#### BBC Users

Only eAdvantage BBC Users authorized by Members can complete and pledge Collateral using a BBC. *Establishing an eAdvantage User - Borrowing Base Certificate (BBC) User* outline how to establish a BBC User authorized to submit BBC pledge forms via the Member's secure eAdvantage website. The Bank recommends that each Member have multiple BBC Users.

#### BBC Reporting Due Dates and Frequency

Members submit BBCs according to the *BBC Submission Schedule*. Members can submit BBCs as frequently as they wish during a calendar quarter.

#### Tardy BBCs

Failure to submit a BBC by the Tardy Date for the current period reflected on the *BBC Submission Schedule* will result in the tardy Collateral having \$0 Advance Equivalent Value and a reduction of excess borrowing capacity until an updated BBC form is received. Tardy Dates falling on a weekend or Bank Holiday will move to the first business date following. Members will be sent multiple email notifications of the BBC tardy status prior to reducing tardy Collateral's Advance Equivalent Value.

### 4.1.2 Standard Reporting - Loan Listing File Pledging Blanket APSA





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Members that have executed the Blanket APSA subject to Standard Reporting, along with their Affiliate Pledgors, pledge certain loan Collateral identified on *Loan Collateral Available for Pledging - BBC Forms/Loan Listing Files (Depository Blanket APSA)* by submitting a loan listing file using their secure eAdvantage site.

Any Member subject to Standard Reporting may choose to report all pledged loan Collateral using a loan listing file.

Any Member with an Affiliate Pledgor(s) that has/have executed an ACPSA giving the Bank a lien on specific loans owned will be required to list loans pledged in the same collateral type as their Affiliate Pledgor.

## Submitting Loan Listing Files

*Loan Listing Files – Getting Started Guide (eAdvantage)* outlines the process for submitting loan listing files using a Member's secure eAdvantage website.

## Loan Listing Users

Only eAdvantage Loan Listing Users authorized by Members can complete and pledge a loan listing file for Collateral using the Member's secure eAdvantage website. *Establishing an eAdvantage User - Loan Listing User* outlines how to establish a Loan Listing User authorized to submit loan listing files via the Member's secure eAdvantage website. The Bank recommends that each Member have multiple Loan Listing Users.

## Loan Listing File Formats

The *File Formats – General File Format* is to be used by Members that have signed a Blanket APSA subject to Standard Reporting and their Affiliate Pledgors pledging loans included on the *Loan Collateral Available for Pledging - BBC Forms/Loan Listing Files (Depository Blanket APSA)*.

## Loan Listing File Reporting Due Dates and Frequency

Members submit loan listing files according to the *Loan Listing Submission Schedule*. Members can submit loan listing files as frequently as they wish. Every loan listing file processed replaces all loan Collateral previously pledged on prior loan listing files.

## Tardy Loan Listing Files

Failure to submit a loan listing file by the Tardy Date for the current period reflected on the *Loan Listing Submission Schedule* will result in the tardy Collateral having \$0 Advance Equivalent Value and a reduction of excess borrowing capacity until an updated loan listing file is received. Tardy Dates falling on a weekend or Bank Holiday will move to the first business date following. Members will be sent multiple email notifications of the loan listing file tardy status prior to reducing tardy



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Collateral's Advance Equivalent Value.

## 4.1.3 Standard Reporting - Loan Listing File Pledging Specific APSA

Members that have executed the Specific APSA subject to Standard Reporting, along with their Affiliate Pledgors, are required to report pledged loan Collateral using a loan listing file submitted to the Bank via a secure file transfer website. Loan Collateral pledged by Members executing a Specific APSA may be periodically priced.

*Loan Collateral Available for Pledging – Loan Listing Files (Specific APSA)* identifies the loan Collateral categories available to be pledged by Members executing a Specific APSA and their Affiliate Pledgors.

### Submitting Loan Listing Files - Specific APSA

*Listing: Getting Started – Loan Listing Files (Specific APSA)* outlines the process for submitting loan listing files including specific data fields required for each loan pledged.

### Loan Listing File Formats

The *File Formats – Condensed Resi File Format* or *File Formats – Expanded Resi File Format* is to be used by Members and their Affiliate Pledgors pledging residential real estate loans identified on *Loan Collateral Available for Pledging – Loan Listing Files (Specific APSA)*.

The *File Formats – Condensed CRE File Format* or *File Formats – Expanded CRE File Format* is to be used by Members and their Affiliate Pledgors pledging commercial and multifamily real estate loans identified on *Loan Collateral Available for Pledging – Loan Listing Files (Specific APSA)*.

### Loan Listing File Reporting Due Dates and Frequency

Members submit loan listing files according to the *Listing: Loan Listing Submission Schedule*. Members can submit loan listing files as frequently as they wish. Each loan listing file processed replaces all loan Collateral previously pledged on prior loan listing files.

### Tardy Loan Listing Files

Failure to submit a loan listing file by the Tardy Date for the current period reflected on the *Listing: Loan Listing Submission Schedule* will result in the tardy Collateral having \$0 Advance Equivalent Value and a reduction of excess borrowing capacity until an updated loan listing file is received. Tardy Dates falling on a weekend or Bank Holiday will move to the first business date following. Members will be sent multiple email notifications of the loan listing file tardy status prior to reducing tardy Collateral's Advance Equivalent Value.

## 4.1.4 Listing Required - Loan Listing File Pledging Blanket APSA



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Members that have executed the Blanket APSA, along with their Affiliate Pledgors, subject to Listing Required Collateral Reporting Status, pledge loan Collateral using a loan listing file submitted via the Member's secure eAdvantage site.

*Loan Collateral Available for Pledging - Listing Required (Blanket APSA)* identifies the loan Collateral categories available to be pledged using a loan listing file accessible via a secure file transfer website.

## Submitting Loan Listing Files

*Loan Listing Files – Getting Started Guide (eAdvantage)* outline the steps necessary to submit loan listing files using a Member's secure eAdvantage website.

## Loan Listing Users

Only eAdvantage Loan Listing Users authorized by Members can complete and pledge a loan listing file for Collateral using the Member's secure eAdvantage website. *Establishing an eAdvantage User - Loan Listing User* outlines how to establish a Loan Listing User authorized to submit loan listing files via the Member's secure eAdvantage website. The Bank recommends that each Member have multiple Loan Listing Users.

## Loan Listing File formats

The *File Formats - General File Format* is to be used by Members that have signed a Blanket APSA and their Affiliate Pledgors pledging loans included on the *Loan Collateral Available for Pledging - Listing Required (Blanket APSA)*.

## Loan Listing File Reporting Due Dates and Frequency

Members submit loan listing files according to the *Loan Listing Submission Schedule*. Members can submit loan listing files as frequently as they wish. Each loan listing file processed replaces all loan Collateral previously pledged on prior loan listing files.

## Tardy Loan Listing Files

Failure to submit a loan listing file by the Tardy Date for the current period reflected on the *Loan Listing Submission Schedule* will result in the tardy Collateral having \$0 Advance Equivalent Value and a reduction of excess borrowing capacity until an updated loan listing file is received. Tardy Dates falling on a weekend or Bank Holiday will move to the first business date following. Members will be sent multiple email notifications of the loan listing file tardy status prior to reducing tardy Collateral's Advance Equivalent Value.

### 4.1.5 Delivery Required - Blanket APSA

Members subject to Delivery Required Collateral Reporting Status that have executed the Blanket APSA, along with their Affiliate Pledgors,



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pledge loan collateral using a loan listing file submitted via the Member's secure eAdvantage site and deliver all loan collateral to the Bank or an approved custodian. The Bank may require loan collateral delivery in other situations when it believes conditions exist such that Collateral should be in the possession of the Bank.

Credit Union Members that have executed a Blanket APSA will be required to deliver pledged loans in the event the Bank is unable to negotiate an Intercreditor Agreement with the Member's corporate central credit union or the central liquidity facility.

*Loan Collateral Available for Pledging – Delivery Required (Blanket APSA)* identifies the loan Collateral categories available to Members executing the Blanket APSA and their Affiliate Pledgors when Collateral delivery is required.

Members that deliver loan Collateral to the Bank are required to submit a loan listing file containing specific data on each loan pledged according to the *Delivery - Loan Listing Submission Schedule*.

*Delivery – Getting Started – Loan Listing Files* outlines procedures for Members required to deliver Collateral submitting loan listing files using a Member's secure eAdvantage website.

## Loan Listing Users

Only eAdvantage Loan Listing Users authorized by Members can pledge a loan listing file for Collateral using the Member's secure eAdvantage website. *Establishing an eAdvantage User - Loan Listing User* outlines the process for establishing a Loan Listing User authorized to submit loan listing files via the Member's secure eAdvantage website. The Bank recommends that each Member have multiple Loan Listing Users.

## Loan Listing File Reporting Due Dates and Frequency

Members required to deliver Collateral submit loan listing files according to the *Delivery – Loan Listing Submission Schedule*. Members can submit loan listing files as frequently as they wish. Every loan listing file processed replaces all loan Collateral previously pledged on prior loan listing files.

## Tardy Loan Listing Files

Failure to submit a loan listing file by the Tardy Date for the current period reflected on the *Delivery – Loan Listing Submission Schedule* will result in the tardy Collateral having \$0 Advance Equivalent Value and a reduction of excess borrowing capacity until an updated loan listing file is received. Tardy Dates falling on a weekend or Bank Holiday will move to the first business date following. Members will be sent multiple email notifications of the loan listing file tardy status prior to reducing tardy Collateral's Advance Equivalent Value.



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## Loan Listing File formats

The File Formats - *General File Format* is to be used by Members that have signed a Blanket APSA and their Affiliate Pledgors pledging loans included on the *Loan Collateral Available for Pledging – Delivery Required (Blanket APSA)*.

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

Members are required to deliver the documents outlined in the *Wells Fargo or Bank of New York Loan Delivery Instructions* to the Bank, or an approved custodian, using an insured, overnight express carrier.

The Bank may request copies of other loan documents it feels necessary to manage the valuation or perfection of delivered loan Collateral.

### 4.1.6 Delivery Required - Specific APSA

A Member subject to Delivery Required Collateral Reporting Status that has executed a Specific APSA, along with their Affiliate Pledgors, pledge loan Collateral using a loan listing file submitted via a secure file transfer website and deliver all loan Collateral to the Bank or an approved custodian.

The Bank may require loan Collateral delivery in other situations when it believes conditions exist such that Collateral should be in the possession of the Bank.

*Loan Collateral Available for Pledging – Delivery Required (Specific APSA)* identifies the loan Collateral categories available to Members executing the Specific APSA and their Affiliate Pledgors when Collateral delivery is required.

Members are required to deliver the documents outlined in the *Wells Fargo or Bank of New York Loan Delivery Instructions* to the Bank, or an approved custodian, using an insured, overnight express carrier. Delivered loans are subject to custodial fees detailed in the Bank's *Collateral Fee Schedule*.

The Bank may request copies of other loan documents it feels necessary to manage the valuation or perfection of delivered loan Collateral.

## File formats

The *File Formats - Condensed RESI File Format* or *File Formats - Expanded RESI File Format* is to be used by Members that have signed a Specific APSA and their Affiliates required to deliver pledged residential loan types identified on *Loan Collateral Available for Pledging – Delivery Required (Specific APSA)* to the Bank or an approved custodian.



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The *File Formats - Condensed CRE File Format* or *File Formats - Expanded CRE File Format* is to be used by Members that have signed a Specific APSA and their Affiliates required to deliver pledged commercial or multi-family loan types identified on *Loan Collateral Available for Pledging - Delivery Required (Specific APSA)* to the Bank or an approved custodian.

## Loan Listing File Reporting Due Dates and Frequency

Members required to deliver Collateral submit loan listing files according to the *Delivery - Loan Listing Submission Schedule*. Members can submit loan listing files as frequently as they wish. Every loan listing file processed replaces all loan Collateral previously pledged on prior loan listing files.

## Tardy Loan Listing Files

Failure to submit a loan listing file by the Tardy Date for the current period reflected on the *Delivery - Loan Listing Submission Schedule* will result in the tardy Collateral having \$0 Advance Equivalent Value and a reduction of excess borrowing capacity until an updated loan listing file is received. Tardy Dates falling on a weekend or Bank Holiday will move to the first business date following. Members will be sent multiple email notifications of the loan listing file tardy status prior to reducing tardy Collateral's Advance Equivalent Value.

## 4.2 Loan Collateral Pledging Statuses – **Non-depository Members**

### 4.2.1 Required Delivery - Delivery APSA

A Member that has executed a Delivery APSA, along with their Affiliate Pledgors, pledge loan Collateral using a loan listing file submitted via a secure file transfer website and deliver all loan Collateral to the Bank or an approved custodian. The *Delivery - Secure Transfer Guide* outlines the process for establishing and using a secured transfer folder for submitting loan pledge files.

The Bank may require loan collateral delivery of all loans secured by the same collateral regardless if other such delivered loans are provided lendable value.

*Loan Collateral Available for Pledging - Delivery Required (Delivery APSA)* outlines the loan Collateral categories available to be pledged, required to be delivered and reported on a loan listing file by Members that have executed a Delivery APSA and their Affiliate Pledgors.

The *Wells Fargo or Bank of New York Loan Delivery Instructions* outline procedures for pledging delivered loans to the Bank or an approved custodian.



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

Pledgors are required to deliver the documents outlined in the *Wells Fargo or Bank of New York Loan Delivery Instructions* to the Bank, or its approved custodian, using an insured, overnight express carrier.

## File formats

The *File Formats - Condensed RESI File Format* or *File Formats - Expanded RESI File Format* is to be used by Non-depository Members that have signed a Delivery APSA and are required to deliver pledged residential real estate loan types identified on *Loan Collateral Available for Pledging - Delivery Required (Delivery APSA)* to the Bank or an approved custodian.

The *File Formats - Condensed CRE File Format* or *File Formats - Expanded CRE File Format* is to be used by Members that have signed a Specific APSA and their Affiliates and are required to deliver pledged commercial and multi-family loan types identified on *Loan Collateral Available for Pledging - Delivery Required (Delivery APSA)* to the Bank or an approved custodian.

## Loan Listing File Reporting Due Dates and Frequency

Members required to deliver Collateral submit loan listing files according to the *Delivery - Loan Listing Submission Schedule*. Members can submit loan listing files as frequently as they wish. Every loan listing file processed replaces all loan Collateral previously pledged on prior loan listing files.

## Tardy Loan Listing Files

Failure to submit a loan listing file by the Tardy Date for the current period reflected on the *Delivery - Loan Listing Submission Schedule* will result in the tardy Collateral having \$0 Advance Equivalent Value and a reduction of excess borrowing capacity until an updated loan listing file is received. Tardy Dates falling on a weekend or Bank Holiday will move to the first business date following. Members will be sent multiple email notifications of the loan listing file tardy status prior to reducing tardy Collateral's Advance Equivalent Value.

### 4.2.2 Required Delivery - Housing Associate APSA

Housing Associates are required to deliver pledged loan Collateral to the Bank or its approved custodian. *Loan Collateral Available for Pledging - Delivery Required (Housing Associate APSA)* outlines the loan Collateral categories available for pledging and required to be delivered to the Bank or an approved custodian and reported on a loan listing file by Housing Associates.

## Loan Listing Users

Only eAdvantage Loan Listing Users authorized by Housing Associates





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can pledge a loan listing collateral file for government guaranteed loans using their secure eAdvantage website. *Establishing an eAdvantage User - Loan Listing User* outlines the process for establishing a Loan Listing User authorized to submit loan listing files via the Housing Associate's secure eAdvantage website. The Bank recommends that each Housing Associate have multiple Loan Listing Users.

## Loan Listing File formats

*The File Formats - General File Format* is to be used by Housing Associates pledging government-guaranteed mortgage loans included on the *Loan Collateral Available for Pledging - Delivery Required (Housing Associate APSA)*.

*Loan Listing Files - Getting Started Guide (eAdvantage)* outlines procedures for submitting loan listing files for government guaranteed loan collateral using a Housing Associate's secure eAdvantage website.

The *File Formats - Condensed RESI File Format* or *File Formats - Expanded RESI File Format* is to be used by Housing Associates that have signed a Housing Associate APSA and are required to deliver pledged non-government guaranteed single family residential real estate loan types identified on *Loan Collateral Available for Pledging - Delivery Required (Housing Associate APSA)* to the Bank or an approved custodian.

The *File Formats - Condensed CRE File Format* or *File Formats - Expanded CRE File Format* is to be used by Housing Associates that have signed a Housing Associate APSA and are required to deliver pledged non-government guaranteed multi-family real estate loan types identified on *Loan Collateral Available for Pledging - Delivery Required (Housing Associate APSA)* to the Bank or an approved custodian.

A Housing Associate that has executed a Housing Associate APSA and pledges non-government guaranteed Mortgage Collateral using either the Expanded RESI or Expanded CRE loan listing file formats submitted via a secure file transfer website and deliver all loan Collateral to the Bank or an approved custodian. The *Delivery - Secure Transfer Guide* outlines the process for establishing and using a secured transfer folder for submitting loan pledge files.

## Loan Listing File Reporting Due Dates and Frequency

Housing Associates submit loan listing files according to the *Loan Listing Submission Schedule* for General File Formats or the *Delivery - Loan Listing Submission Schedule* for Expanded File Formats. Housing Associates can submit loan listing files as frequently as they wish. Every loan listing file processed updates all loan Collateral previously pledged on prior loan listing files.

## Tardy Loan Listing Files

Failure to submit a loan listing file by the Tardy Date for the current





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period reflected on the *Delivery - Loan Listing Submission Schedule* will result in the tardy Collateral having \$0 Advance Equivalent Value and a reduction of excess borrowing capacity until an updated loan listing file is received. Tardy Dates falling on a weekend or Bank Holiday will move to the first business date following. Housing Associates will be sent multiple email notifications of the loan listing file tardy status prior to reducing tardy Collateral's Advance Equivalent Value.

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

Housing Associates are required to deliver the documents outlined in *Wells Fargo or Bank of New York Loan Delivery Instructions* to the Bank, or an approved custodian, using an insured, overnight express carrier.

## 4.3 Electronic Notes (eNotes)

Residential 1-4 family first mortgages and 1-4 family amortizing home equity loans that meet the Requirements and Guidelines for eNotes are eligible to pledge. Testing and preapproval is required.

## 4.4 Loan Participation Interests

*Participation Pledging Guidelines* outlines required procedures and documentation for pledging retained or purchased loan participation interests to the Bank. Members must receive prior approval from the Bank before pledging a/any purchased participation interest as Collateral.

A *Participation Agreement Approval Worksheet* needs to accompany documents provided to the Bank for each individually purchased loan participation interest pledged. This worksheet can be obtained from the Collateral Department by emailing [advancecollateral@fhlbdm.com](mailto:advancecollateral@fhlbdm.com) or calling 1.800.544.3452 ext. 2500.

For Blanket APSA Members, a *Purchased Participation Acknowledgment Letter* is required to be completed by the originating lender and provided to the Bank prior to pledging an approved purchased loan participation interest.

## 4.5 Releasing Loan Collateral

### BBC Releases and Modifications

Members wishing to discontinue pledging loans previously pledged via a BBC must update the specific online BBC form to reflect \$0. Members may also modify the amount of Collateral pledged using a BBC by submitting a new BBC form. Updated BBC forms may be submitted at any time.

### Loan Listing File and Delivered Loan Releases and Modifications

Pledgors can release a single loan pledged using a loan listing file or delivered to the Bank by following the steps outlined in *Releasing - Listing - Individual Loan*.



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Pledgors can release multiple loans pledged using a loan listing file by following the steps outlined in *Releasing – Listing – Multiple Loans*. Members use the *Release Loan File Format* in eAdvantage when requesting multiple loans pledged using a loan listing file be released.

Every time a loan listing file is submitted, loans previously pledged using a loan listing file are released and replaced with the loans included on the current file.

### Delivered Loan Releases and Modifications

Pledgors can release multiple loans delivered to the Bank by following the steps outlined in *Releasing – Delivery – Delivered Loans*. Members use the Release Loan File Format when requesting multiple loans delivered be released.

If the Bank determines that Collateral delivery by a Member or Housing Associate is no longer required, all delivered loan documents will generally be returned to the Member or Housing Associate within 30 days.



# Collateral Procedures

## 5. Securities Collateral

*Securities Collateral Available for Pledging – Depository and Insurance Company Members* outlines the Securities Collateral categories available to be pledged by all Pledgors, except CDFIs and Housing Associates.

*Securities Collateral Available for Pledging – CDFI Members* outlines the Securities Collateral categories available to be pledged by CDFI Members.

*Housing Associates – Securities Collateral Pledged* outlines the Securities Collateral categories available to be pledged by Housing Associates. A current *Housing Associate Funds Use Certificate* is required to be provided to the Bank before pledging Eligible

The Bank requires that all pledged securities Collateral be held by the Bank or at an approved third-party custodian. Securities Collateral must meet the eligibility requirements as specified in these Procedures, the MPP and *Securities - Eligibility Guidelines* in order to receive Advance Equivalent Value.

Approved third-party custodial institutions must meet the following eligibility criteria:

- FHLB, or
- Federal Reserve Bank, or
- US Financial Institution, rated FHFA 4 or better (generally aligns with BBB), with > \$500M Tier 1 or Tangible Capital

Approved third-party custodial institution must provide the following information

- A copy of the most recent SSAE16 SOC1 for their organization or if that is not available a copy of the most recent external or internal audit report of their safekeeping operations. For those reports that are not of the year end date please provide a gap letter that covers the period of time through the end of year that states no significant changes occurred during the last quarter and:
- A copy or schedule of their institution's insurance coverage, specifically any applicable blanket bond coverage (employee dishonesty, forgery, fraud and electronic and computer crimes) premises and transit coverage (physical loss of securities while being held on premises or while being transported) and professional liability coverage (errors and omissions).

Members and Housing Associates pledge Securities Collateral to the Bank using their secure eAdvantage website.

*Pledging Securities – Individual Securities* outlines procedures for pledging individual securities to the Bank.

*Pledging Securities – Multiple Securities* outlines procedures for pledging multiple securities to the Bank.

The Bank does not charge fees for pledging securities safekept with the Bank.



# Collateral Procedures

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Instructions for transferring securities to the Bank's Safekeeping Department are outlined in *Securities Delivery Instructions* or are available by contacting Member & Financial Operations at MFS-MPFSservice@fhlbdm.com or 1.800.544.3452 ext. 2200.

## Securities Users

Only eAdvantage Securities Users authorized by Members can pledge Securities Collateral using the Member's secure eAdvantage website. *Establishing an eAdvantage User - Securities User* outlines how to establish a Securities User authorized to pledge and release securities Collateral via the Member's secure eAdvantage website. The Bank recommends that each Member have multiple Securities Users.

*Approved Securities Custodians* contains the list of third party custodians Pledgors may use to hold pledged Securities Collateral.

A *Securities Collateral Custodial Agreement* must be executed by the Pledgor, Custodian and Bank prior to pledging securities Collateral held by a third party custodian.

Securities Collateral custodians must provide the Bank with a periodic pledged inventory report. The Bank will determine the frequency and form this report must be provided.

*Collateral Fee Schedule* outlines the fees for pledging securities using an approved custodian.

Securities Collateral categories are available for Housing Associates to pledge provided the Bank has a current *Housing Associate Funds Use Certificate* on file are identified in *Housing Associates - Securities Collateral Pledged*.

## 5.1 Pledging Time Certificates of Deposit

Members pledging Time Certificates of Deposit (TCDs) held at the Bank should follow the procedures detailed in *Pledging Securities - Time Certificates of Deposit*. Only TCDs held at the Bank can be pledged as Collateral.

## 5.2 Releasing Pledged Securities and TCDs - All Custodians

Members can release single pledged securities or TCDs by following the instructions outlined in *Releasing Securities - Individual Securities*.

Members can release multiple pledged securities or TCDs by following the steps outlined in *Releasing Securities - Multiple Securities*. Members use the *Releasing Securities - Securities File Format* when releasing multiple pledged securities.

An authorized eAdvantage Securities User is required to release assigned Securities Collateral. *Establishing an eAdvantage User - Securities User* contains specific instructions for authorizing an employee to be an eAdvantage Securities User.



# Collateral Procedures

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The Bank's Member Financial Services Department must be provided delivery instructions for all securities to be transferred out of the Member's or Housing Associate's securities safekeeping account at the Bank.

## 6. Security Interest Perfection

The Bank perfects its security interest in all pledged Collateral by filing Uniform Commercial Code (UCC) financing statements and/or taking possession or control of the Collateral.

Under the Bank Act, any security interest granted to the Bank by Members, or any Affiliates of Members, has priority over the claims and rights of any party (including any receiver, conservator, trustee, or similar party having rights of a lien creditor), unless those claims and rights would be entitled to priority under otherwise applicable law and are held by actual purchasers or by parties that have perfected security interests.

### Lien Protection Products

Members wishing to pledge Mortgage Collateral loans that have alternative lien verification products instead of traditional closing title work must have the alternative lien verification product or Lien Protection Products (LPP) approved prior to pledging loans using these products. Examples of traditional title work that LPPs typically replace include Title Insurance Policies, Attorney's Opinions, Owners & Encumbrances Reports (i.e. Title Reports) and Internal Lien Searches.

LPPs are typically insurance products that reimburse originating lenders for losses realized from otherwise unknown superior liens. If an undiscovered superior lien on the property impairs the lender's ability to collect or reduces the net proceeds upon its satisfaction, the LPP provider will pay the lender for losses incurred.

Home equity lines of credit (types 1423 and 1424) and one to four family home equity mortgage loans (type 1414) can be pledged if a Member utilizes a LPP versus traditional title work. Prior to these loans being pledged, the Member must follow the procedures outlined in Lien Protection Policies.

### Other Creditors

The Bank will enter into Collateral sharing agreements with Members and other creditors. The Collateral Reporting Status does change for Members executing the Blanket APSA and sharing more than 30% of their total net loans and leases.

The Bank executes Intercreditor Agreements with Credit Union Member's corporate central credit union or the central liquidity provider prior to giving value to pledged Collateral. Credit union Members that have executed a Blanket APSA will be required to deliver pledged loans in the event the Bank is unable to negotiate an Intercreditor Agreement with the Member's corporate credit union or central liquidity provider.



# Collateral Procedures

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## 7. Collateral Valuation

### 7.1 Advance Equivalent Value

Members are required to maintain Advance Equivalent Value equal to or greater than their Total Credit Exposure, excluding SBPAs, at all times.

The Advance Equivalent Value assigned to Collateral:

- is determined at a Member's Collateral type portfolio level;
- represents the pledged assets' book or market value multiplied by its Collateral type Loan to Value; and
- will be identical for all identical CUSIPS pledged by any Member.

### 7.2 Collateral Valuation – Market Value (MV)

#### 7.2.1 Securities

- MV is updated daily; and
- MV can be greater than the securities' par, face or book value.

#### 7.2.2 Loans

##### Members with a Blanket APSA

The MV generally is the same as the unpaid principal balance (UPB) of pledged loan Collateral from Members executing the Blanket APSA. Any Member able to provide the necessary loan data and file format may choose to have their loan Collateral MV determined by a vendor.

##### Members with a Specific and Delivery APSA

The Bank generally gets a price for each loan pledged by a Member executing a Specific or Delivery APSA. Loan Collateral MV is determined by applying a current price to the UPB or book value of the pledged loan. The MV assigned to Collateral may be greater than the loans' UPB or book value.

##### Residential Mortgage Collateral

- MV = UPB for newly pledged loans until an initial vendor price can be obtained;
- MV determined for each loan pledged generally monthly using a vendor determined price; and
- MV = weighted average price of portfolio for loans pledged during period before an updated price is determined.

Held for sale residential mortgage loans may be periodically priced.

##### Commercial Mortgage Collateral

- MV is determined for each loan pledged;
- MV is generally determined quarterly using a vendor determined price – more frequent pricing may occur at the Bank's discretion;
- MV = UPB for newly pledged loans until an initial vendor price



# Collateral Procedures

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- can be determined; and
- $MV = \text{weighted average price of portfolio for loans pledged during period before an updated price is determined.}$

The Bank determines the frequency of establishing pledged Collateral prices and/or MV.

## 7.3 Loan to Value (LTV)

LTV is the maximum value permitted to support Member credit exposures on pledged Collateral's book value, UPB or MV. The Bank periodically reviews and updates LTVs.

LTV is determined at the Collateral type level, rather than at the individual pledged asset level and aggregated for each type of pledged eligible Collateral.

LTV components generally include:

- the asset's price volatility;
- the level of market liquidity;
- potential asset credit losses; and
- estimated liquidation expenses.

### 7.3.1 Securities LTVs

*Securities Collateral LTV Discounts* list current LTVs for all Eligible Securities Collateral pledged by all Depository Members, Housing Associates, and Non-Depository Members.

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

In determining the applicable Securities Collateral rating, the Bank:

- applies the most recent rating;
- uses the lowest rating if more than one credit rating applies;
- disregards rating modifiers (e.g. A+ or A-=A); and
- reduces a rating to the next lower grade if the rating is placed on "credit watch" for potential downgrade by a rating agency.

Securities' Collateral LTVs are affected by:

- remaining term to maturity - treasuries and agency debt; and
- rating assigned to CUSIP.

### 7.3.2 Mortgage and Other Collateral LTVs

*Mortgage and Other Collateral LTV Discounts – All Loans Not Priced* contains current LTVs for Mortgage and Other loan Collateral that does not have an independent market value assigned to each loan pledged by any Member.



## Collateral Procedures

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Mortgage Collateral and Other Collateral LTVs generally reflect the following loan portfolio characteristics:

- diversification - property type, geographic location, term, loan size;
- size - dollars outstanding, # loans;
- market conditions; and
- credit performance – # and size of payments late.

The Bank establishes portfolio specific LTVs for:

- Mortgage Collateral pledged by Members executing the Delivery APSA and their Affiliate Pledgors; and
- certain Mortgage Collateral and Other Collateral pledged by Members executing the Specific APSA and their Affiliate Pledgors.

Monthly or more frequent reporting with specific loan level details is required to determine a portfolio level LTV on pledged Mortgage Collateral and Other Collateral.

All Members may have a portfolio LTV established for pledged Mortgage Collateral:

- Members must provide a monthly detailed listing of the loan Collateral that includes all the loan level detail necessary to calculate the LTV;
- Members must pay the vendor cost for determining the LTV;
- The frequency for determining portfolio level LTVs may increase as portfolio composition and risk and market conditions change; and
- The standard LTV published for Mortgage Collateral may be applied to portions of or total pledged Mortgage and/or Other Collateral until a specific portfolio level LTV can be determined.





# Collateral Procedures

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## 8. Collateral Verification and Compliance

Member Collateral Verifications (MCVs) are loan file reviews performed by the Bank to determine the existence, eligibility and/or quality (underwriting, documentation and routine administration) of loan Collateral pledged to the Bank. MCVs are required to be performed by regulation and involve reviewing all or a representative sample of pledged loans in order to determine/confirm the percent of the portfolio's pledged loans that meet the Bank's eligibility guidelines and standards.

Bank staff calls on the Member or Housing Associates to ensure the timing of the MCV is workable for both parties. At the option of the Member or Housing Associate, the MCV can be waived. However, all loan Collateral will then be unavailable for pledging until the next MCV is scheduled.

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

- Financial condition;
- APSA type executed;
- Time since last MCV;
- Types of pledged Collateral; and
- Total Credit Exposure outstanding.

All Members and Housing Associates pledging loan Collateral will be scheduled for a MCV no less than once every five years. However, MCVs may also be scheduled more frequently based on the criteria listed above. In addition, a Member or Housing Associate may specifically request a MCV.

### MCV Implications for Advance Equivalent Capacity – Blanket APSA

The MCV performed by the Bank involves two key evaluations that can affect the final Advance Equivalent Value of all pledged loan Collateral. These are the proportion of loans meeting all eligibility criteria in a MCV sample compared with the total loans reviewed in a MCV sample and a validation of loan detail submission data provided to the Bank. The combination of these evaluations result in what is called an Adjusted Eligibility Factor (AEF) which is then applied to all pledged loan Collateral.

For all Members executing the Blanket APSA and their Affiliate Pledgors, the Advance Equivalent Value is calculated by taking the Mortgage or Other Collateral's UPB multiplied by the AEF and then applying the applicable collateral type LTV.



# Collateral Procedures

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## 9. Anti-Predatory Lending

The Bank requires that residential Mortgage Collateral 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). The Bank's *Anti-Predatory Lending Policy* outlines guidance on how the Bank discourages predatory lending practices.

While there is no uniformly accepted definition of predatory lending, a number of practices are widely acknowledged to be predatory. These include, among other things, charging excessive fees and interest rates, refinancing borrowers' loans repeatedly over a short period of time without any economic gain for the borrower, and misinforming borrowers about the terms of a loan.

The Bank will not knowingly accept residential Mortgage Collateral that violates anti-predatory lending laws or its Anti-Predatory Lending Policy as Eligible Collateral.

Pledgors of residential Mortgage Collateral 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 its Anti-Predatory Lending Policy.

If abusive lending issues are identified by the Member's regulator, or if, Bank staff identifies anti-predatory lending abuses, 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.

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 pledged by an Affiliate Pledgor or Housing Associate, the Affiliate Pledgor or Housing Associate is responsible for conducting due diligence that it deems sufficient to support its certification and indemnification agreements with the Bank. The Bank reviews Member regulator exam reports for findings pertaining to fair lending and/or abusive lending practices; and monitors 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.

## 10. Subprime and Nontraditional Loans

Conventional single-family residential loans that meet the Bank's definition of Subprime and/or Nontraditional as outlined in the MPP may be subject to additional due diligence during MCVs, lower LTVs or deemed ineligible for pledging as Collateral. Refer to the *Eligibility Guidelines and Checklists* for appropriate classification and treatment.



# Collateral Procedures

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## 11. Glossary

**Advance** – An extension of credit from the Bank to a Member or Housing Associate.

**Advance Equivalent Value** – The lendable value of Eligible Collateral, as determined by the Bank in its sole discretion, after a market price and Collateral discounts have been applied by the Bank to such Collateral.

**Advances Pledge and Security Agreement (APSA)** –A security agreement pursuant to which a Pledgor grants the Bank a security interest in all or specifically identified or delivered Mortgage Collateral, Securities Collateral, and/or Other Collateral to secure Member or Housing Associate indebtedness.

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

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

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

**Bank Holiday** – Any business day the Bank is not open for business due to an announced federal holiday.

**Borrowing Base Certificate (BBC)** – Collateral pledge form for reporting Eligible Mortgage or Other Collateral pledged at the portfolio-level by Members that have executed a Blanket APSA.

**BBC User** –Employee authorized by a Member or Housing Associate to pledge and release loan Collateral using BBC pledge forms on the Member's or Housing Associate's secure eAdvantage website.

**Collateral** – Mortgage Collateral, Securities Collateral, Deposits Collateral and Other Collateral, as described in the Members Products Policy.

**Collateral Pledging Status** – Manner of Collateral reporting assigned to Pledgors based upon the Member's or Housing Associate's maximum credit capacity and type of APSA/ACPSA executed.

**Community Development Financial Institution (CDFI)** – CDFIs are private institutions that provide financial services dedicated to economic development and community revitalization in underserved markets. A CDFI may be organized as nonprofit or for-profit entities and comprise diverse institutional structures and business lines.

**Community Financial Institution (CFI)** – A financial institution that has its deposits insured under the Federal Deposit Insurance Act and three-year average assets less than an annually adjusted dollar amount set by the Federal Housing Finance Agency that is based on changes in the Consumer Price Index.



# Collateral Procedures

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**Customer** – a Member with outstanding business (advances, LOCs or MPF) who merges out of the FHLBDM district.

**Delivery Required Collateral Pledging Status** – Category of Collateral pledging requiring loan Collateral be in physical possession of the Bank or an approved custodian.

**Deposits** – See the Member Products Policy for the current definition.

**eAdvantage** – A private, secure, “Members-only” website that allows Members and Housing Associates to conduct business and access their accounts using the internet.

**Eligible Collateral** – Pledged Collateral meeting all pledging eligibility criteria to receive Advance Equivalent Value

**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.

**Depository Member** – Member with deposits insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

**Housing Associate (HA)** – 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. The full regulatory definition and eligibility requirements for Housing Associates is available at Parts §1264.1, 1264.3 and 1264.4 of Federal Housing Finance Agency Regulations.

**Listing Required Collateral Pledging Status** – Category of Collateral pledging requiring loan Collateral be reported using a loan listing file.

**Loan Listing User** –Employee authorized by a Member or Housing Associate to pledge and release loan Collateral by submitting a loan listing file on the Member’s or Housing Associate’s secure eAdvantage website.

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

**Mortgage Collateral** – See the Member Products Policy for the current definition.

**Non-depository Member** – Member without deposit insurance provided by the Federal Deposit Insurance Corporation or National Credit Union Administration.

**Other Collateral** – See the Member Products Policy for the current definition.

**Pledgor** – Institution that owns the Collateral pledged to the Bank in support of a Member’s or Housing Associate’s credit exposures. A Pledgor may be a Member or an Affiliate of the Member or a Housing Associate.



# Collateral Procedures

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**Proceeds** – Assets or rights generated by the sale, lease, license, exchange, or other disposition of Collateral.

**Securities Collateral** – See the Member Products Policy for the current definition.

**Securities Users** – Employees authorized to pledge and release Securities Collateral on the Member's or Housing Associate's secure eAdvantage website.

**Standard Reporting Collateral Pledging Status** - Category of Collateral pledging method available to Pledgors when the Member has executed a Blanket or Specific APSA and their maximum credit capacity is > 25% of total assets. Members executing the Blanket APSA subject to Standard Reporting use a BBC or a loan listing file to pledge loan Collateral. Members executing the Specific APSA subject to Standard Reporting pledge loan Collateral using a loan listing file

**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.

**Tardy Date** – Date excess Advance Equivalent Value of loan Collateral is removed due to Collateral Advance Equivalent Value being outdated. The current Tardy Date for BBC pledging is available on the BBC Submission Schedule. The current Tardy Date for Loan Listing File and Delivery pledging is available on the Loan Listing File/Delivery Submission Schedule.

**Total Credit Exposure** – A Member's or Housing Associate's Advances, face value of any standby letters of credit, mortgage credit enhancement obligations, standby bond purchase agreements, and other extensions of credit from the Bank.