

# DEPOSITORY MEMBER COLLATERAL VERIFICATION (MCV)

## WORK FLOW



 <p><b>FREQUENCY</b></p>	<p><b>MCV FREQUENCY:</b> All members pledging loan collateral must have an MCV conducted at least once every five years (some members may be reviewed more frequently). Twice annually (in May and November), FHLB Des Moines Collateral Review Managers determine which members must have an MCV completed.</p> <p><i>Note: MCVs are required by Federal Housing Finance Agency regulations as a condition to pledge loan collateral to support FHLB borrowing capacity.</i></p>	
 <p><b>NOTIFICATION</b></p>	<p><b>MEMBER NOTIFICATION:</b> Members selected for an MCV in the next 6 month period receive an email with notification of the MCV requirement.</p>	
 <p><b>SCHEDULING</b></p>	<p><b>MCV SCHEDULING:</b> The Collateral Review Analyst assigned to the MCV contacts the member and sets a mutually agreeable MCV Review Date and MCV As of Date with the member (the MCV As of Date is the date for which the loan review sample will be based and typically coincides with the latest Call Report date). Internally, the Collateral Review Analyst coordinates MCV scheduling with a Collateral Risk Specialist to commence pre-MCV Preparation.</p>	<p><b>Collateral Review Analysts:</b> The Collateral Review Analysts are HIGHLY experienced employees with extensive lending and/or regulatory background.</p>
 <p><b>PREPARATION</b></p>	<p><b>PRE-MCV PREPARATION:</b> The Collateral Risk Specialist sends an MCV Information Packet to the member outlining required information needed to prepare for the MCV. The Collateral Risk Specialist contacts the member to discuss the MCV Information Packet, Required Information and loan list detail necessary to determine a Loan Review Sample.</p> <p>For loans reported via a Borrowing Base Certificate (BBC), the member must provide a loan detail that reconciles to the BBC amount as of the MCV As of Date (no detail is necessary for loans already listed to FHLB Des Moines via eAdvantage).</p> <p>The Loan Review Sample is determined and provided to the member 1-2 weeks ahead of the MCV.</p>	<p><b>Loan Review Sample:</b> Loans are randomly selected from each loan type code within one of three collateral groups (residential, commercial and agricultural).</p> <p>Within the collateral group, the selection is proportional to loan unpaid principal balance and type code balance distributions (i.e, stratified random sampling).</p>
 <p><b>REVIEW</b></p>	<p><b>MCV LOAN REVIEW:</b> During the MCV, Collateral Review Analysts affirm:</p> <ol style="list-style-type: none"><li>1. Existence of collateral via sighting the original physical note and related modifications, extensions, and other change in terms</li><li>2. Eligibility of each loan per the criteria published in FHLB Des Moines Eligibility Checklists and Anti-Predatory Lending guides</li><li>3. Validity of member reported pledge data</li></ol>	<p><b>Advance Equivalency Factor (AEF)</b> considers:</p> <ol style="list-style-type: none"><li>1. Percentage and composition of loans within a collateral group sample meeting all eligibility criteria, including existence, documentation and compliance.</li><li>2. Adjustments for invalid data if applicable.</li><li>3. Corrective reporting, if allowed, allowing members to update collateral pledging to reclassify otherwise eligible whole loans pledged in the wrong collateral type code.</li></ol>
 <p><b>MEETING</b></p>	<p><b>EXIT MEETING:</b> At the end of loan review, the Collateral Review Analyst meets with member contacts to share preliminary MCV results. The analyst provides guidance on general loan eligibility. If applicable, the analyst suggests changes to pledge reporting that, if agreed and adhered to by the member, can improve collateral group AEFs (“Corrective Reporting”).</p>	
 <p><b>WRAP-UP</b></p>	<p><b>POST MCV WRAP UP:</b> Following the onsite review work, any remaining outstanding matters are finalized. This includes corrective action the member chooses to pursue. Upon completion, a final report is delivered to the member. Shortly after, a questionnaire is sent to the member to share their experience and get feedback on process improvements.</p> <p><b>ADVANCE EQUIVALENCY (AE):</b> The member’s AEFs are posted to their collateral account and AE is calculated. Each type code AE is calculated as the amount pledged times the applicable AEF times the type code Loan-to-Value: (UPB x AEF x LTV). Some members that list loan collateral may also have a market value adjustment factor applied.</p>	