



Participation Loan Guidelines

Loan participations are the contractual sale or sharing of an amortizing whole loan ownership between two or more entities. Participation loans are reported as either **retained** (the seller's ownership portion in the loan(s) sold) or **purchased** (the ownership portion in one or more loans acquired from a seller). -- Please note that participation loans whose entire economic interest (i.e., 100% of principal and interest cash flows) has been separated from the retained legal interest are *not* eligible for pledging to FHLB Des Moines in any collateral type code. (These structures are typically used to transfer a loan's economic interest from the originator to an affiliate.)

FHLB Des Moines accepts **retained** and **purchased** participation loans within the following collateral types ONLY, subject to the approval, reporting and eligibility criteria listed in this guideline:

Retained Participation (type code and description)

1461 - Retained Participation Residential 1-4 Family 1st Mortgage

1470 - Retained Participation Multi-Family 1st Mortgage

1471 - Retained Participation Commercial RE 1st Mortgage

1472 - Retained Participation Agricultural RE 1st Mortgage*

Purchased Participation

1561 - Purchased Participation Residential 1-4 Family 1st Mortgage

1570 - Purchased Participation Multi-Family 1st Mortgage

1571 - Purchased Participation Commercial RE 1st Mortgage

1572 - Purchased Participation Agricultural RE 1st Mortgage*

* - Agricultural real estate loan participations are not eligible for members executing a Specific or Delivery APSA

Participation Loan Requirements

The following requirements apply to all participation loans pledged by all members:

1. Loan: The participation loan(s) is part of a one-time fixed asset sale/sharing transaction between two entities.
2. Agreement: The participation or assignment agreement(s) governing the participation loan, including any related preceding participation or assignment agreements, must contain the following information for every participation transaction and be fully executed by the participants to the transaction:
 - Date of the participation transaction,
 - A listing of the individual loan(s) participated (loan number),
 - The participation value of each loan,
 - The participants in the transaction, and
 - Total value of the loans participated.

The above listed information may be:

- Part of the participation or assignment agreement;
- An exhibit/schedule to the participation or assignment agreement; or
- A similar document referencing and inclusive of the aforementioned requirements; and
- In paper or electronic form

Participation or assignment agreements permitting multiple transactions are acceptable provided each participation or assignment transaction under the agreement is documented with the information outlined in 2) above.

3. Assignability: The participation loan agreement is assignable to or assumable by the FHLB Des Moines. Participants may be asked to execute an agreement(s) permitting assignability of the pledged participation loan.
4. Seller: The seller of **purchased** participation loan collateral is a member of FHLB Des Moines.
5. Servicer: The servicer of the participation loan is a member of FHLB Des Moines or an affiliate of a member of the FHLB Des Moines.
6. Eligibility Checklists: The loan must meet all eligibility requirements contained in the Eligibility Checklists for the type of the loan pledged.
7. Prior Approval: FHLB Des Moines approval of the participation or assignment agreement(s) or new certificates or schedules to approved participation or assignment agreements is required prior to pledging participation loans (purchased and retained).**

Blanket APSA:

1. Purchased Participation Acknowledgement Letter: A **Purchased** Participation Acknowledgement Letter signed by the Seller must be delivered to FHLB Des Moines when the Seller and purchaser are not affiliated.

Specific or Delivery APSA:

1. Simultaneous Pledging: **Purchased** participation loans may be pledged provided all participation interests, **retained** and **purchased**, are simultaneously pledged for the sole benefit of one member and must permit the participation agreement to be terminated upon the member's default allowing FHLB Des Moines to have legal rights to liquidate a loan and not participation interests.
2. Termination (residential loans): All residential participation loans must permit the participation agreement to be terminated upon the member's default allowing FHLB Des Moines to have legal rights to liquidate a loan and not participation interests.

**For prior approval or any other questions, [email: advancecollateral@fhlbdm.com](mailto:advancecollateral@fhlbdm.com) or call 1-800-544-3452, ext. 2500. Any documents with personally identifiable information (PII) should be sent through secure email.

Reporting:

All participation loans are reported to FHLB Des Moines through a monthly loan listing file submission. Information about the listing format and reporting and releasing loans can be found on the members' site: [Pledging and Releasing Collateral](#). Blanket APSA members need only to release **purchased** participation loans.