



ELIGIBILITY CRITERIA FOR SECURITIES PLEDGED AS COLLATERAL –

1. All Securities

- a) Rating: Currently rated 'A' or higher by Moody's, S&P, or Fitch
 - i) The Bank will use the lowest credit rating when more than one credit rating agency rates the security, disregarding credit rating modifiers (e.g. A+ or A-=A)
 - ii) The Bank will reduce the credit rating to the next lower grade when the rating is placed on "credit watch" for potential downgrade by any NRSRO disregarding any ratings modifier
 - iii) Unrated obligations, that are insured, guaranteed, or otherwise carry the full faith and credit of the United States (US) Government or its agencies, including Fannie Mae and Freddie Mac while under conservatorship; or that can be exchanged at the holder's option for the underlying collateral which is insured or guaranteed by the US government or its agencies, will be assumed to be rated 'AAA'
- b) Price: Have a readily available, verifiable market price by one or more of the Bank's established pricing vendors
 - i) Vendor prices must be current; updated within the last 30 days
 - ii) If a security is pledged as collateral but it is later determined that there is no current price available from any of the pricing vendors, the instrument will receive no advance equivalent (AE) value)
- c) Ineligible Securities (Bloomberg Class type)
 - i) Corporate bonds and equity securities
 - ii) Securities with non-US Collateral
 - iii) Securities pledged with any repo tracking indicator attached
 - iv) Mutual funds
 - v) Collateralized Debt Obligations (CDO)
 - vi) Collateralized Loan Obligations (CLO)
 - vii) Securities where the next coupon is indexed to a LIBOR rate

d) Documentation & Bank Discretion:

The bank may request documentation, such as the prospectus, offering memorandum and or investor data tapes, as needed to assess eligibility and classification under these guidelines. Federal Home Loan Bank (FHLB) Des Moines performs due diligence on each security pledged and reserves the right to accept or decline collateral pledged based on complexity and information available.

2. Government and Agency Securities:

- a) Securities: issued, insured or guaranteed by the US Government, and any agency or government sponsored enterprise thereof. Examples include:
 - i) Export-Import Bank of the United States (EXIM Bank)
 - ii) Government National Mortgage Association (GNMA)
 - iii) U.S. Agency for International Development (USAID)
 - iv) U.S. Department of the Treasury
 - v) U.S. Maritime Administration (MARAD)
 - vi) Federal Agricultural Mortgage Corporation (Farmer Mac)
 - vii) Federal Farm Credit Banks (FFCB)
 - viii) Federal Home Loan Banks (FHLB)
 - ix) Federal Home Loan Mortgage Corporation (Freddie Mac)
 - x) Federal National Mortgage Association (Fannie Mae)

- b) Mortgage-backed Securities (Agency MBS):
 - i) Underlying loans are limited to fully disbursed, whole first mortgages on improved residential real property (includes single-family, multifamily, cooperative, seniors, student, military and manufactured housing real estate)

 - ii) Issued, insured or guaranteed by:
 - (1) Ginnie Mae,
 - (2) Freddie Mac,
 - (3) Fannie Mae, or
 - (4) any other agency of the US Government Examples listed in Section a

 - iii) Agency MBS – including pass-through MBS, collateralized mortgage obligations (CMOs), and real estate mortgage investment conduits (REMICs); examples by issuer include:
 - (1) Ginnie Mae – Home Equity Conversion Mortgage (HMBS); Multifamily Rural Development (RD); Platinum; Stripped (SMBS); FHA; VA; Public and Indian Housing (PIH); REMIC; Ginnie Mae I & II; Re-Remic
 - (2) Fannie Mae – Supers; Megas; DUS; REMIC; Re-Remic; Connecticut Avenue Securities (CAS); Uniform Mortgage Backed Security (UMBS); and Z bonds
 - (3) Freddie Mac - Green & Social; Participation Certificates (Gold, Giant & Multi); Deals (K, SB, Wi K, Q, M, ML) Supers; Giants; REMIC, Re-Remic; Structured Agency Credit Risk (STACR); UMBS; and Z bonds

- c) Government and Agency Securities Eligible Types:
 - i) Treasuries – including Bills, Notes, Bonds, interest only and/or principal only (IO, PO, STRIPS and TIPS)

 - ii) Agency Debt - including Bills, Notes, Bonds; IO and PO

3. Non-agency Securities

a) Residential Mortgage Backed Securities (RMBS)

- i) Underlying loans are limited to fully disbursed, whole first lien mortgages on improved single-family residential real property, that comply with applicable regulatory guidance on subprime and nontraditional lending
- ii) 'RMBS-Prime' at least 95% of supporting mortgages must be underwritten with FICO of primary borrower at loan origination ≥ 660 and all mortgages must have full documentation; CUSIPs that contain mortgages with FICO of primary borrower < 660 at loan origination will be subject to additional discounting
- iii) 'RMBS-Alt-A' may contain first lien mortgages underwritten with less than full documentation and/or verified income, and with FICO of primary borrower at loan origination > 660

b) Commercial Mortgage Backed Securities (CMBS)

Underlying loans are limited to fully disbursed, whole first lien mortgages on improved commercial or multifamily real property

c) Eligible RMBS & CMBS Structures

The senior tranche of a privately issued Pass through MBS, CMO or REMIC, *including single-asset/single-borrower (SASB) issuances*, that are registered with the SEC or subject to Rule 144A registration exemption

d) Ineligible RMBS & CMBS –

- i) Any RMBS or CMBS where the underlying collateral contains pooled fees from private transfer fee covenants or mortgages on properties encumbered by private transfer fee covenants, unless such covenants are excepted transfer fee covenants
- ii) Interest Only Tranches (IO, NTL)
- iii) Principal Only Tranches (PO)
- iv) Residual tranches (R, NPR)
- v) Mezzanine tranches (MEZ)
- vi) Subordinate tranches (SUB, SSUP)

4. Municipal Securities:

- a) Fixed rate, General Obligation or Revenue Bond
- b) Issued directly by a state, municipality, (including their agencies, authorities, or political subdivisions) or higher education institutions
- c) General Obligation and Refunding Bonds will only receive eligible value for the portion of the obligation that is verified to be real estate related
 - i) Real Estate related is defined as land and anything fixed, immovable, or permanently attached to it such as appurtenances, buildings, fences, fixtures, improvements, roads, shrubs and trees (but not growing crops), sewers, structures, utility systems, and walls

- ii) If an official statement refers to furniture, fixtures, furnishings, vehicles & equipment, but doesn't provide any allocations for those, a 10% discount will be applied
- d) Revenue Bonds must be secured by essential services
 - i) Essential services are defined as certain revenue issues that are considered so fundamental to the operation of the municipality that the odds are low that any government would allow the issuer to fail
 - (1) Essential services may include monopolistic services such as utilities, water and sewer systems, public universities, primary/secondary schools, as well as state highway or housing authorities
 - (2) Essential services do not include entities such as airports, port authorities, and hospitals, or other private enterprises subject to market forces
- e) Housing Authority bonds must assist with home ownership or finance the construction or rehabilitation of affordable rental housing