

2011

Member Products and Services Guide



Table of Contents

Introduction.....	2
Products and Services.....	3
Advances.....	4
Daily Rate Credit.....	4
Adjustable Rate Credit.....	5
Prime-based.....	6
Fixed Rate Credit.....	7
Principal Reducing Credit.....	8
Convertible.....	10
Convertible Flipper.....	11
Fixed Rate Credit Hybrid.....	13
Convertible Knockout.....	14
Expander.....	15
Reducer.....	16
Callable.....	17
Other Products and Services.....	18
Interest Rate Swap.....	18
Stand-alone Interest Rate Cap or Floor.....	20
Letters of Credit.....	21
Mortgage Purchase Program.....	22
Cash Management Services.....	23
Daily Investment Account.....	23
Securities Safekeeping Services.....	24
Wire Transfer Services.....	25
FHLBAccess®.....	26
Community Investment Services.....	27
Affordable Housing Program.....	27
First-time Homebuyer Program.....	28
Community Investment Program.....	29
Economic Development Program.....	30
Credit Policies.....	32
Collateral Policies.....	34
Appendix A.....	44
Appendix B.....	49
Appendix C.....	53
Appendix D.....	55
Appendix E.....	57
Appendix F.....	60

Introduction

The Federal Home Loan Bank of Atlanta (Bank) serves as a reliable source of attractively-priced funding to finance residential mortgages, commercial real estate, small business loans, community development programs, and other lending activity.

From advances to community economic development funding and cash management services, the Bank offers resources that help member financial institutions remain competitive and flexible in today's challenging marketplace.

The Member Products and Services Guide (Guide) provides members with a comprehensive resource describing our products, services, and programs as well as the policies and procedures governing them. The guide has two main sections that encompass an overview of the Bank's products and services, followed by a detailed explanation of the Bank's credit and collateral policy. An Appendix section also provides members with a simple way to find the Bank's:

- Prepayment Policy on Advances
- Lendable Collateral Value for Qualifying Collateral
- Guidelines to Promote Responsible Lending
- Guidelines for Subprime and Nontraditional Loans
- List of Special Purpose Properties that may not qualify as collateral

Products and Services

ADVANCES

Daily Rate Credit

The Daily Rate Credit (DRC) advance provides immediate access to overnight or short-term funding. Ideal for managing daily liquidity, this advance has no minimum required trade amount or prepayment fee and can be accessed or repaid online through the Bank's members-only website, FHLBAccess.

Common Uses

- Provide liquidity
- Manage daily funding needs with flexible payments

Maturity

- Generally offered under an uncommitted line maturing once every 12 months
- If balance is held at maturity, member has the option to renew or repay the advance

Pricing

- Interest rate generally is set by 4:00 p.m. ET on each Bank business day
- Interest rate reflects the overnight funds market, so requests received at different times during a volatile day may be charged different rates of interest

Funding

- Generally same day funding is available if the request is received by 3:00 p.m. ET on any Bank business day
- No minimum amount required

Interest

- Interest is calculated on an actual/360 day basis, payable monthly on the first business day of the month and at maturity

Prepayment

- Prepayment without fee is allowed, provided the Bank receives notice by 3:00 p.m. ET on such Bank business day
- See Appendix B for more details on applicable prepayment fees
- Interest is payable on the first business day of the month following the prepayment

Adjustable Rate Credit

The Adjustable Rate Credit (ARC) advance provides intermediate- and long-term funding at a variable rate, generally tied to the one-month or three-month London Interbank Offered Rate (LIBOR). The interest rate resets at periodic intervals, so pricing adjusts automatically to changing market conditions. Often used to manage interest-rate risk, the ARC advance is structured to fund adjustable-rate loans, lines of credit, or investments. It also may reduce the repricing and basis risk associated with certain transactions.

Common Uses

- Fund adjustable-rate loans
- Manage interest-rate risk

Maturity

- Minimum maturity of three to six months (depending on index)
- Generally maturities of up to 10 years

Pricing

- Interest rate resets at specific intervals and is expressed as a spread to an index, generally LIBOR
- Member may choose one-month LIBOR (resets monthly) or three-month LIBOR (resets quarterly)

Funding

- Generally same day funding is available

Interest

- Interest is calculated on an actual/360 day basis, payable monthly or quarterly, depending on the index

Prepayment

- Member may purchase right to prepay without a fee on certain dates when entering into the advance
- See Appendix B for more details on applicable prepayment fees

Prime-based

The Prime-based advance allows members access to intermediate and long-term funding at a variable rate tied to the Prime rate. The rate on this advance adjusts at a spread typically below the Prime rate.

Common Uses

- Fund adjustable-rate loans
- Manage interest-rate risk

Maturity

- A minimum maturity of six months
- Generally maturities of up to 10 years

Pricing

- The minimum requirement for same day funding is \$5 million
- Interest rate is expressed as a spread to the Prime rate

Funding

- Funding generally is available two Bank business days after the pricing date

Interest

- For a Prime-based advance with an effective date prior to February 7, 2011, interest is calculated on an actual/360 day basis, payable on the first business day of the month
- For a Prime-based advance with an effective date on or after February 7, 2011, interest is calculated on an actual/360 day basis, payable quarterly based on the maturity date

Prepayment

- See Appendix B for more details on applicable prepayment fees

Fixed Rate Credit

The Fixed Rate Credit (FRC) advance offers borrowers the stability of fixed-rate funds for terms of up to 20 years.

Common Uses

- Fund fixed-rate loans and securities
- Manage interest-rate risk
- Supplement retail deposits

Maturity

- Maturities generally range from one month to 20 years

Pricing

- Interest rate is fixed on or before the funding date

Funding

- Generally same day funding is available

Interest

- For maturities of 12 months or less, interest is calculated on an actual/360 day basis
- For maturities greater than 12 months, interest is calculated on an actual/actual day basis
- For a FRC advance with an effective date prior to February 7, 2011, interest is payable monthly on the first business day of the month and at maturity
- For a FRC advance with an effective date on or after February 7, 2011, interest is payable monthly on the date of maturity

Prepayment

- Prepayment fee generally is equal to the present value of the daily lost cash flow to the Bank
- See Appendix B for more details on applicable prepayment fees

Principal Reducing Credit

The Principal Reducing Credit (PRC) advance provides fixed-rate funds to the final maturity with provisions for principal reductions. The PRC advance applies predetermined principal reductions on specific dates. These reductions allow members to match fund loans and investments that have periodic principal repayments and to fund mortgage loans and the purchase of mortgage-backed securities. The reduction schedule is predetermined by the borrower and may be scheduled on a monthly, quarterly, semi-annual, or annual basis. Amortization options include equal payments or structures similar to a mortgage.

Common Uses

- Match fund loans or pools of loans as well as investments that have periodic repayments of principal

Maturity

- Generally maturities of up to 20 years, with amortization based on periods of up to 30 years
- Longer maturities are subject to available funding

Pricing

- Interest rate is fixed on or before the funding date at the weighted average rate for a Fixed Rate Credit advance maturing on the same scheduled principal reducing dates
- The Bank reserves the right to assess a \$250 fee in connection with the consolidation of multiple PRC advances into a single PRC advance. This fee will apply to each advance that is consolidated.

Reductions

- Reductions are available on a monthly, quarterly, semi-annual, or annual basis
- Reductions generally are prorated over the remaining number of principal reductions from the initial reduction to the final maturity, unless otherwise specified
- Reductions generally are applied on the same day of the month as the funding date
- Advances with monthly reductions may incur a \$200 fee

Funding

- Generally same day funding is available

Continued on following page

Principal Reducing Credit - *Continued from previous page***Interest**

- For a PRC advance with an effective date prior to February 7, 2011, interest is payable on the first day of the month and on the reduction date
- For a PRC advance with an effective date on or after February 7, 2011, interest is payable on the reduction date
- For maturities of 12 months or less, interest is calculated on an actual/360 day basis
- For maturities greater than 12 months, interest is calculated on an actual/actual basis

Prepayment

- Generally prepayment is allowed provided the Bank receives notice by 3:00 p.m. ET on the previous Bank business day
- Prepayment fee generally is equal to the present value of the daily lost cash flow to the Bank
- See Appendix B for more details on applicable prepayment fees

Convertible

The Convertible advance offers fixed-rate funding in exchange for selling the Bank the option to convert to a variable rate at a future date. The conversion option is available as European (one-time only) or Bermudan (at regularly stated intervals until maturity). The advance is subject to conversion by the Bank on predetermined dates.

Common Uses

- Provide liquidity
- Macro fund balance sheet
- Manage asset /liability position

Maturity

- Generally maturities of up to 15 years

Pricing

- Minimum size is generally \$1 million
- Minimum requirement for same day pricing is \$5 million
- Interest rate is fixed on or before the funding date

Funding

- Funding generally is available two Bank business days after the pricing date

Interest

- Interest is calculated on an actual/360 day basis, payable quarterly or monthly

Prepayment

- Prepayment fee generally is equal to the Bank's cost of unwinding the transaction
- Additional restrictions may apply to advances under \$25 million
- If the Bank converts the advance, the borrower may choose to prepay all or part of the advance without a prepayment fee on the conversion date or any subsequent interest reset date
- If converted, prepayment fee may apply if borrower chooses to prepay all or part of the advance on any date other than the reset date
- See Appendix B for more details on applicable prepayment fees

Convertible Flipper

The Convertible Flipper advance offers members the benefits of sub-LIBOR funding. The Convertible Flipper advance is a variable-rate advance that “flips” to a fixed-rate advance after an initial period of sub-LIBOR rates. The initial variable rate is stated at a spread below LIBOR. The Bank retains an option (either European or Bermudan) to convert the interest rate on the advance to a variable rate stated at a spread above LIBOR on or after the first conversion date. If the advance is not converted, it will flip to a predetermined fixed rate. In the case of the European, the fixed rate will remain until maturity. If the option is Bermudan, the Bank retains the option to convert the interest rate on a monthly or quarterly basis.

Common Uses

- Balance sheet management tool that may lower funding costs through sub-LIBOR pricing
- Provide liquidity
- Macro fund the balance sheet
- Manage asset/liability positions

Maturity

- Generally maturities of up to 15 years

Pricing

- Minimum size is generally \$1 million
- Minimum requirement for same day pricing is \$5 million
- Interest rate is fixed on or before the funding date and resets at specific intervals
- Pricing is at a spread to LIBOR for the requested maturity

Funding

- Funding generally is available two Bank business days after the pricing date

Interest

- Interest is calculated on an actual/360 day basis, payable quarterly or monthly based on the index used

Prepayment

- Prepayment fee generally is equal to the Bank’s cost of unwinding the transaction
- If the Bank converts the advance, the borrower may choose to prepay all or part of the advance without a prepayment fee on the conversion date or any subsequent interest reset date

Continued on following page

Convertible Flipper - *Continued from previous page*

- If converted, prepayment fee may apply if borrower chooses to prepay all or part of the advance on any date other than the reset date
- See Appendix B for more details on applicable prepayment fees

Fixed Rate Credit Hybrid

The Fixed Rate Credit Hybrid advance offers borrowers the stability of fixed-rate funds generally for terms of up to 10 years. Members may add interest rate caps or floors at inception or at a later date. The cost of the caps or floors will be added to the advance price.

Common Uses

- Fund fixed-rate loans and securities
- Manage interest-rate risk
- Supplement retail deposits

Maturity

- Maturities generally range from six months to 10 years

Pricing

- Interest rate is fixed on or before the funding date
- Minimum requirement for same day pricing is \$5 million

Funding

- Funding generally is available two Bank business days after the pricing date

Interest

- Interest is calculated on an actual/360 day basis, payable monthly or quarterly

Prepayment

- Prepayment fee generally is equal to the Bank's cost of unwinding the transaction
- See Appendix B for more details on applicable prepayment fees

Convertible Knockout

The Convertible Knockout advance offers members a product to help manage liquidity and balance sheet position. This advance, with a maturity of up to 15 years, is subject to conversion to a variable rate if LIBOR reaches a specific strike rate. The Convertible Knockout advance is available in European or Bermudan conversion options.

Common Uses

- Provide liquidity
- Provide targeted protection against rising rates
- Macro fund balance sheet
- Manage asset/liability position

Maturity

- Generally maturities of up to 15 years

Pricing

- Minimum size is generally \$1 million
- Minimum requirement for same-day pricing is \$5 million
- Interest rate is fixed on or before the funding date

Funding

- Funding generally is available two Bank business days after the pricing date

Interest

- Interest is calculated on an actual/360 day basis, payable quarterly or monthly, based on the index

Prepayment

- Prepayment fee generally is equal to the Bank's cost of unwinding the transaction
- If the Bank converts the advance, the borrower may choose to prepay all or part of the advance without a prepayment fee on the conversion date or any subsequent interest reset date
- If converted, prepayment fee may apply if borrower chooses to prepay all or part of the advance on any other date other than the reset date
- See Appendix B for more details on applicable prepayment fees

Expander

The Expander advance is a fixed-rate, fixed-term advance that allows a member to increase the principal on the advance by up to five times the original principal on a predetermined future date and at the original fixed rate of the advance. This product has clear advantages for members in a rising-rate environment, such as providing protection against higher deposit costs or deposit runoff. As an asset/liability management tool, the Expander allows members to keep more variable rate liabilities while obtaining the hedge needed against long-term assets. It also is useful in helping members manage interest-rate risk. This product is available with various structures.

Common Uses

- Duration hedge to long-term assets while retaining some liability sensitivity
- Replace deposit runoff in rising interest rate environment at lower fixed funding rate

Maturity

- Generally maturities of up to 20 years

Pricing

- Minimum size is generally \$1 million
- Minimum requirement for same-day pricing is \$5 million
- Interest rate is fixed on or before the funding date

Funding

- Funding is subject to availability and generally is available two Bank business days after the pricing date

Interest

- Interest is calculated on an actual/360 day basis

Prepayment

- Prepayment fee generally is equal to the Bank's cost of unwinding the transaction
- See Appendix B for more details on applicable prepayment fees

Reducer

The Reducer advance offers members the opportunity to embed multiple options into a fixed-rate advance. Members may buy or sell multiple options to reduce the interest rate on the advance based on current market conditions.

Common Uses

- Flexibility in hedging portfolio risk

Maturity

- Generally maturities of up to 20 years

Pricing

- Minimum size is \$5 million
- Interest rate is fixed on or before the funding date

Funding

- Funding generally is available two Bank business days after the pricing date

Interest

- Interest is calculated on an actual/360 day basis, payable quarterly or monthly

Prepayment

- Prepayment fee generally is equal to the Bank's cost of unwinding the transaction
- See Appendix B for more details on applicable prepayment fees

Callable

The Callable advance allows members the flexibility to lower funding costs if rates decline and prepayments on loans or securities increase. The Callable advance is a fixed-rate advance, which the borrower has the option to repay on specified dates with no prepayment fee. The call option may be European or Bermudan.

Common Uses

- Fund fixed-rate loans and securities
- Manage interest-rate risk
- Supplement retail deposits

Maturity

- Generally maturities of up to 10 years

Pricing

- Minimum size generally is \$1 million
- Minimum requirement for same-day pricing is \$5 million
- Interest rate is fixed on the funding date

Funding

- Funding generally is available two Bank business days after the pricing date

Interest

- Interest is calculated on an actual/360 day basis, payable quarterly or monthly

Prepayment

- No prepayment fee if paid on specified prepayment dates, as long as the member gives the Bank proper notice
- Prepayment fee on non-specified prepayment dates generally is equal to the Bank's cost of unwinding the transaction
- See Appendix B for more details on applicable prepayment fees

OTHER PRODUCTS AND SERVICES

Interest Rate Swap

The Bank's Interest Rate Swap product offers a member the flexibility to manage interest rate risk. The Bank and the borrower exchange interest payments on a predetermined amount, called the notional amount. One party agrees to make fixed-rate payments, while the other party makes variable-rate payments on the notional amount for a fixed period.

Swap exposure is considered in the calculation of a member's overall credit limit. A member wishing to engage in this program must enter into an International Swap Dealers Association Master Agreement (ISDA) and Schedule with the Bank.

Common Uses

- Manage interest-rate risk

Maturity

- Generally maturities of up to 20 years

Pricing

- Priced at a spread to a specific index
- Negotiated on a case-by-case basis

Collateral Requirements

- Remaining maturities less than one year: Market value of swap + 0 percent of outstanding notional principal of the swap
- Remaining maturities between one and less than or equal to five year(s): Market value of swap + .5 percent of outstanding notional principal of the swap
- Remaining maturities greater than five years: Market value of swap + 1.5 percent of outstanding notional principal of the swap
- The notional component of any collateral requirement is not reduced by any market value in the borrower's favor
- Application is subject to same credit underwriting standards as application for advances

Interest

- Interest is calculated on an actual/360 day basis, payable or receivable as established in each individual contract

Continued on following page

Interest Rate Swap - *Continued from previous page*

Early Termination

- Termination fee is based on the difference in market value between the terminated interest payment and the projected payment stream under the interest rate swap at the current yield until maturity
- See Appendix B for more details on applicable early termination fees

Stand-alone Interest Rate Cap or Floor

The Interest Rate Cap or Floor is a transaction between the Bank and a member in which the member pays an upfront premium for the right to receive periodic payments from the Bank if the specified index rate rises or falls outside the predetermined strike rate. Under an interest rate “cap” agreement, one party (the seller of the cap) agrees to compensate another party (the buyer of the cap) if a designated interest rate moves above a predetermined level at specific future dates. An interest rate “floor” agreement obligates one party (the seller of the floor) to compensate another party (the buyer of the floor) if a designated interest rate moves below a predetermined level at specific future dates. The Bank may act as the seller or buyer under the agreements.

Common Uses

- Protect against rising or falling interest rates

Maturity

- Generally maturities of up to 20 years

Pricing

- Expressed as number of basis points and applied to notional amount, payable at inception of contract

Interest

- Interest is calculated on an actual/360 day basis, payable as established in each individual contract

Collateral Requirements

- Collateral is required when the Bank is the buyer of the cap or floor. The collateral must have a Lendable Collateral Value equal to not less than 0.5 percent of the outstanding notional principal amount of the agreement, plus the market value of the cap or floor
- The notional component of any collateral requirement is not reduced by any market value in the borrower’s favor
- Collateral is not required when the Bank is the seller of the cap or floor
- The member must enter into an International Swap Dealers Association Master Agreement (ISDA) and Schedule with the Bank

Early Termination

- Termination fee generally is equal to the Bank’s cost of unwinding the transaction
- See Appendix B for more details on applicable early termination fees

Letters of Credit

Letters of Credit (LOC) provide members with an efficient, low-cost way to secure contracts with third parties. The Bank may issue an LOC to a third-party beneficiary on a member's behalf as an independent guarantee for the member's obligation. The member is able to reduce financing costs by obtaining a Bank LOC that provides an enhanced rating for the member.

Common Uses

- Collateralize public unit deposits and interest-rate swaps
- Facilitate residential housing finance
- Promote community lending for affordable housing and economic development, including projects funded with advances
- Enhance credit for issuing taxable bonds (and tax-exempt housing-related bonds)

Benefits

- Allows members to leverage the strong credit rating of the Bank
- Provides liquidity by serving as an alternative form of collateral for public unit deposits
- Helps members manage asset/liability positions
- Offers flexible terms and affordable fees
- Collateralized in the same manner as an advance

Term

- Annually renewable LOC option
 - Renewal every 12 months up to the final expiration date
 - Generally final expiration date of up to 10 years after issuance
- Non-renewable LOC option
 - Fixed term of up to five years
 - Higher fees apply to LOCs for fixed terms of two to five years
 - Additional credit restrictions apply

Pricing

- Tiered pricing structure based on the principal amount of the LOC, the renewal option selected and the term of the LOC
- Special pricing for LOCs to collateralize Public Unit Deposits
- Fees are paid annually
- Minimum fee of \$250 per annum

Termination

- Only beneficiary may terminate a LOC prior to the expiration date
- Fee reimbursed to member for any unused portion of a cancelled LOC

Restrictions

- Commercial letters of credit are not available

Mortgage Purchase Program

Note: The Bank currently is not purchasing loans under its Mortgage Purchase Programs.

The Mortgage Purchase Program (MPP) offers members an attractive alternative to the traditional secondary market through a unique risk sharing approach. Participating Financial Institutions (PFIs) may sell to the Bank fixed-rate conventional 1-4 family residential loans (within the conforming loan limits) with a number of servicing remittance options.

The MPP was structured to allow PFIs to manage risks while maximizing returns. The unique risk-sharing approach of MPP allows a PFI to manage the credit risk while the Bank takes on the interest-rate risk.

Servicing Options

- Retained and released servicing options are available
- Available servicing remittance options include Scheduled/Scheduled, Multiple Remittance Actual/Actual, and Single Remittance Actual/Actual

Structure

- Multi-layered loss structure minimizes risks for PFI
- First tier of loss protection is PFI's borrower's equity, followed by any private mortgage insurance
- Additional credit enhancement layers consist of the Lender Risk Account (LRA) and Supplemental Mortgage Insurance (SMI)
- Bank establishes an LRA on the PFI's borrower's behalf for each Master Commitment Contract. The LRA holds reserve funds to cover loan losses beyond the PFI's equity and any Private Mortgage Insurance (PMI)
- Amounts not used for losses are returned to the PFI over time. The SMI is positioned to cover losses in excess of the LRA

Application

- In order to become a PFI, a member must submit an application to the Bank's mortgage programs department

Pricing

- Prices are based on competitive factors and reviewed periodically

Compliance and Monitoring

- See MPP Guide for details

CASH MANAGEMENT SERVICES

Daily Investment Account

The Daily Investment Account (DIA) provides the member with a primary transaction account that earns daily interest and has no minimum or maximum dollar limit.

Common Uses

- Post advance proceeds and repayments
- Make wire transfers
- Post security safekeeping purchases and sales
- Pay monthly service charges

Pricing

- Fees are competitive
- For pricing information, refer to the Bank's published fee schedule at www.fhlbatl.com

Benefits

- Invest automatically in the federal funds market
- Receive daily interest payments on 100 percent of the collected balance
- Receive transactional history to simplify balancing requirements
- Review account activity daily on FHLBAccess
- Benefit from "hard dollar" service fees rather than earnings credits

Securities Safekeeping Services

The Bank's Securities Safekeeping Services enable members to hold various types of investments in a safekeeping account, settling all transactions through our custodian bank. These include Federal Reserve Book Entry, Depository Trust Company and physical securities. The Bank is an authorized custodian for Public Unit/Private Depositor pledges, including those made to various state treasury pooling programs in the Bank's district.

Common Uses

- Hold, buy, and sell securities of all types
- Pledge securities for private and public deposits

Eligibility

- All members are eligible
- Member may establish multiple safekeeping accounts in the member institution's name to segregate securities for special purposes

Pricing

- Fees are competitive with those of similar services at other institutions
- For pricing information, refer to the Bank's published fee schedule at www.fhlbatl.com

Authorizations

- Member must provide signatures of persons authorized to purchase, sell, transfer, or pledge securities on behalf of the institution
- Member using the Public Unit/Private Depositor Pledge program must execute a Safekeeping Pledge Agreement prior to submitting a pledge request

Benefits

- Member may use securities as collateral for advances
- Member receives credit of transaction proceeds to Daily Investment Account (DIA) immediately upon receipt by the Bank
- Member can monitor safekeeping transactions via FHLBAccess

Wire Transfer Services

The Bank offers Wire Transfer Services via phone and FHLBAccess that allow members to execute and receive wire transfer transactions.

Common Uses

- Send and receive funds via wire transfer

Eligibility

- All members are eligible

Pricing

- Fees are competitive
- For pricing information, refer to the Bank's published fee schedule at www.fhlbatl.com

Authorizations

- Member must complete a signature card that identifies the individuals who are authorized to wire funds. The institution also must complete a Wire Transfer Agreement and an Addendum specifying the preferred wiring method.
- Each authorized individual will receive a Personal Identification Number (PIN) for initiating and confirming wire transfers

Availability

- Incoming wires must be received by the Bank by 5:00 p.m. ET.
- Phone notification is requested by 3:00 p.m. ET on amounts of \$25 million or more wired to the Bank
- Any wires received after 5:00 p.m. ET may not earn the posted DIA rate

<u>Transaction</u>	<u>Cut-Off Time (Eastern Time)</u> <u>on any Bank business day</u>
Outgoing wire instructions	3:00 p.m.
Interbank transfer instructions	3:00 p.m.
Web wires	3:00 p.m.

Benefits

- Same day credit on all incoming funds
- All collected funds earn interest daily at a competitive rate

FHLBAccess®

FHLBAccess provides members with the speed and convenience of transacting business online. An important component of FHLBAccess is the Member Services Portal (MSP), where borrowers can view account information, access reports, and conduct transactions.

Transactional Features

- Daily Rate Credit (DRC) advance fundings and repayments
- Qualifying Collateral Report (QCR) filings and collateral file uploads
- Sales and purchases of securities held in safekeeping with the Bank
- Outgoing wire transfer initiations, approvals and releases
- Affordable Housing Program transactions

Informational Features

- Portfolio information and activity history for deposits, advances, collateral, capital stock, securities and wires
- Advance pricing and interest rates on deposits
- Statements
- Reports and forms
- Online messaging

For more information about FHLBAccess, call customer service at 1.800.536.9650.

COMMUNITY INVESTMENT SERVICES

Affordable Housing Program

The Affordable Housing Program (AHP) is a flexible source of grants and low-interest loans designed to help members and community partners develop affordable owner-occupied and rental housing for very low- to moderate-income families and individuals. Each year the Bank commits 10 percent of its annual regulatory net income to fund AHP, which can offer members stimulus capital that helps them reach new customers.

Common Uses

- Purchase, construction or rehabilitation of an owner-occupied project by or for very low-income or low- or moderate-income households
- Purchase, construction or rehabilitation of a rental project, where at least 20 percent of the units are occupied by and affordable for very low-income households

Maturity

- Maturities generally up to 30 years

Application

- Member partners with project sponsor to submit online application during annual competitive offering(s)
- Bank evaluates and scores applications based on predetermined criteria and objectives, as described in more detail in the Bank's AHP Implementation Plan at www.fhlbatl.com

Funding

- Member may request funds in the form of a subsidized advance or a direct subsidy
- Maximum direct subsidy is \$1 million per project
- Bank awards funds following each competitive offering
- Award recipients must execute project-specific AHP Agreement
- Member may use AHP funds in conjunction with Community Investment Program and Economic Development Program advances

Prepayment

- Generally prepayment is allowed provided the Bank receives notice by 3:00 p.m. ET on the previous Bank business day
- Prepayment fee generally is equal to the present value of the daily lost cash flow to the Bank
- See page 50, Appendix B, for more details on applicable prepayment fees

Compliance and Monitoring

- See AHP Implementation Plan for details at www.fhlbatl.com

First-time Homebuyer Program

The First-time Homebuyer Program (FHP) provides matching funds for down-payment and closing-cost assistance to low- and moderate-income homebuyers. These funds are provided to member institutions, which in turn make them available for qualifying families with incomes at or below 80 percent of the area's median income. The Bank may set aside up to 35 percent of its annual AHP funds for the FHP.

Common Uses

- Provides matching funds for down-payment and closing-cost assistance to eligible first-time homebuyers
- Provides members competitive advantage in capturing new customers and reaching untapped markets

Application

- Member must submit a one-time FHP registration form

Funding

- Bank offers funds on a first-come, first-served, homebuyer-by-homebuyer basis
- Funds are awarded as a 5:1 match (up to \$7,500) of homebuyer's cash contribution
- Member may receive up to \$1 million annually
- Member may not use FHP in conjunction with AHP

Compliance and Monitoring

- See AHP Implementation Plan for details at www.fhlbatl.com

Community Investment Program

The Community Investment Program (CIP) provides advances to member institutions to assist low- and moderate-income families that seek affordable housing opportunities. Advances must be used by the member for the purchase, construction, and rehabilitation or refinancing of housing-related projects or activities that benefit families with an income at or below 115 percent of the area median income. CIP advances are available as fixed-rate products or principal-reducing products on a reduced rate basis.

Common Uses

- Single-family, owner-occupied home loans where the units are owned or will be purchased by families with incomes at or below the targeted level
- Multiple-unit, ownership loans where at least 51 percent of the units are owned or will be purchased by families with incomes at or below the targeted level
- Rental housing loans where at least 51 percent of the units have rates affordable to families at or below the targeted level
- Manufactured housing park loans where at least 51 percent of the units are occupied by, or have rents affordable to, families with incomes at or below the targeted level, or where the park is located in a neighborhood with a median income at or below the targeted level

Maturity

- Maturities generally range from seven months to 20 years

Application

- Member must submit a CIP Authorization Application to the Community Investment Services department for evaluation
- A decision on eligibility generally is made within three business days

Pricing

- Interest rate is based on the Bank's cost of funds, plus the administrative costs of the advance

Funding

- Funding is available on a same-day and next-day basis, if requested
- May be used in conjunction with AHP and FHP

Prepayment

- Prepayment fee generally is equal to the Bank's cost of unwinding the transaction
- See page 50, Appendix B, for more details on applicable prepayment fees

Economic Development Program

The Economic Development Program (EDP) provides advances to member institutions to assist them with community economic development activities such as business start-ups, projects that create or preserve jobs, redevelopment of federal disaster areas, infrastructure improvement and other economic development activities. EDP advances are available as fixed-rate products or principal-reducing products on a reduced rate basis.

Common Uses

- Fund small businesses loans
- Fund projects in low- to moderate-income communities with a median income at or below 115 percent of the area median income
- Fund projects in Champion Communities, Enterprise Communities, Empowerment Zones, Native American Indian areas, NAFTA-impacted communities, Brownfield Tax Credit areas, federal disaster areas, or areas affected by a military base closing
- Fund projects that create or preserve jobs for low- to moderate-income individuals
- Fund projects that provide services to low- to moderate-income families

Maturity

- Maturities generally range from seven months to 20 years

Application

- Member must submit an EDP Authorization Application to the Community Investment Services department for evaluation. A decision on eligibility generally is made within three business days

Funding

- Funding is available on a same-day and next-day basis, if requested
- May be used in conjunction with AHP competitive offering

Pricing

- Interest rate is based on the Bank's cost of funds, plus the administrative costs of the advance

Prepayment

- Prepayment fee generally is equal to the Bank's cost of unwinding the transaction
- See page 50, Appendix B, for more details on applicable prepayment fees

Credit and Collateral Policy

Credit Policies

Defined Terms

Capitalized terms used in this policy and not otherwise defined are defined in [Appendix A](#) to this Credit and Collateral Policy (sometimes referred to herein as, this “*Policy*”).

Credit Risk Ratings

The Bank utilizes a proprietary credit score model as one of its tools to implement a risk-focused approach to credit underwriting and monitoring. The Bank assigns each borrower that is an insured depository institution a credit risk rating from 1 to 10 according to the relative amount of credit risk such borrower poses to the Bank (1 being the least amount of credit risk and 10 the greatest amount of credit risk).

Credit Limits

The Bank establishes a credit limit for each borrower. The credit limit is not a committed line of credit, but rather an indication of the borrower’s general borrowing capacity with the Bank. Except for specified commitments to lend, each extension of credit from the Bank is underwritten at the time it is made, and the Bank is under no obligation to make any such extension of credit.

The Bank determines the credit limit in its sole and absolute discretion, by evaluating a wide variety of factors indicating the borrower’s overall creditworthiness. The credit limit is expressed as a percentage equal to the ratio of the borrower’s total Liabilities to the Bank (including the face amount of outstanding letters of credit, the principal amount of outstanding advances and the total exposure of the Bank to the borrower under any derivative contract) to the borrower’s total assets.

Credit limits of 30 percent or less generally may be approved by Bank management. Credit limits in excess of 30 percent must be approved by the Bank’s board of directors. In connection with approving a specified credit limit, the Bank may ask for additional information relating to the borrower, including, but not limited to, its liquidity management policies and alternative funding sources.

Advances to Borrowers with Credit Risk Ratings of 9 or Higher

The Bank may grant new advances to a borrower with a credit risk rating of 9 or higher, but may impose the following conditions (and such other conditions as the Bank may determine in the future):

- The term of the advances may be limited to 12 months or less
- The Bank may refuse to offer Convertible and other similar structured advances to such borrowers

Advance Funding and Scheduled Repayments

The Bank funds advances at such times on the funding date as the Bank shall determine from time to time, and the Bank requires repayments of advances at such times on the maturity date as the Bank shall determine from time to time.

Prepayment Fees and Other Fees

For a general description of the Bank's prepayment fees and policies, and certain other fees that may be payable to the Bank from time to time, see [Appendix B](#) to this Policy.

Non-borrower Users of Bank Services

If a non-borrower member or housing associate utilizes any Bank product or service that could result in Liabilities to the Bank (including, without limitation, standby letters of credit, mortgage purchases, Affordable Housing Program subsidies, cash management services other than wire transfers, and certain safekeeping services (Covered Services), then such member or housing associate must (a) execute an Advances and Security Agreement, (b) submit a Qualifying Collateral Report to the Bank as may be required by the Bank for each mortgage portfolio pledged (unless such member or housing associate has pledged cash or securities), and (c) maintain at all times Qualifying Collateral that has a Lendable Collateral Value at least equal to the Collateral Maintenance Level, in each case in accordance with the requirements for borrowers. The requirements set forth in the immediately preceding sentence shall not apply to a member or housing associate that (i) only holds Bank capital stock and/or maintains a balance in its Daily Investment Account at the Bank and (ii) does not engage in any of the Covered Services.

Waivers and Exceptions

The Bank may, in its sole discretion, waive or otherwise grant exceptions to some or all of the requirements of this Policy. This Policy does not constitute an agreement or contract on behalf of the Bank for the benefit of any borrower, and may not be enforced by any person against the Bank.

Collateral Policies

Defined Terms

Capitalized terms used in this Policy and not otherwise defined are defined in [Appendix A](#).

Collateral Maintenance Level and Lendable Collateral Value

Each borrower must maintain a Collateral Maintenance Level (CML) of Qualifying Collateral that, when discounted to the Lendable Collateral Value (LCV), is equal to at least 100% of the outstanding principal amount of all advances and other Liabilities of the borrower to the Bank.

The LCV is the value that the Bank assigns to Qualifying Collateral for purposes of determining the amount of credit that such Qualifying Collateral will support. The current LCV for each type of Qualifying Collateral is provided in [Appendix C](#), "Lendable Collateral Value for Qualifying Collateral." For each type of Qualifying Collateral, the Bank discounts the unpaid principal balance (UPB), market value (MV), or other value of the Qualifying Collateral, to calculate the LCV. The Bank reserves the right to adjust the method of determining the LCV, and the LCV itself, for any borrower as it may deem necessary from time to time.¹

The Advances and Security Agreement provides for a pledge by the borrower of its entire portfolio of Residential First Mortgage Collateral, Multifamily Mortgage Collateral, Home Equity Lines of Credit (HELOC) and Second Mortgage Collateral, and Commercial Mortgage Collateral to secure all Liabilities under the Agreement. A borrower may be exempted from the requirement to provide a blanket lien on all or certain of these categories of Collateral, and it may be permitted to pledge only specific loans within any other mortgage collateral portfolio, upon approval by the Bank; provided, however, Borrowers with a credit risk rating of 10, or in default under the Advances and Security Agreement, generally are not permitted such exemptions or granted such approvals.

Qualifying Collateral

Qualifying Collateral means collateral eligible to secure advances and other Liabilities of the borrower to the Bank. The borrower's capital stock, and deposits in unsegregated, unblocked deposit accounts, do not constitute Qualifying Collateral.

Qualifying Collateral includes the following types of whole mortgage loans: Residential First Mortgage Collateral, Multifamily Mortgage Collateral, HELOC and Second Mortgage Collateral, and Commercial Mortgage Collateral.

¹ Borrowers with a credit risk rating of 10 will be subject to deeper discounts for collateral pledged to the Bank, other than Treasuries.

In order for the mortgage collateral to serve as Qualifying Collateral, it must meet each of the following requirements:

- It has not been identified as held for sale by the borrower (except exclusively to support advances under the Loans Held For Sale program)
- It does not secure an indebtedness on which any director, officer, employee, attorney or agent of the borrower or the Bank is personally liable
- It is not currently past due more than 30 days²
- It has not been classified as substandard, doubtful, or loss by the borrower's regulator or its management
- Any individual borrower on any underlying loan collateral is legally authorized to be in the United States
- Residential First Mortgage Collateral and HELOC and Second Mortgage Collateral must comply with the requirements of the Bank's Guidelines to Promote Responsible Lending as set forth in [Appendix D](#) to this Policy, and the Bank's Guidelines for Subprime and Nontraditional Loans as set forth in [Appendix E](#) to this Policy.

A borrower pledging mortgage collateral must maintain, at all times, possession of the original note and a copy of the recorded mortgage for such collateral. Loans may be held by a third-party custodian subject to terms and conditions acceptable to the Bank, as set forth in the Advances and Security Agreement.

Additionally, any mortgage loan for which any legal document is missing or which demonstrates inconsistencies, errors or omissions that could affect the credit quality of the collateral, or the Bank's ability to perfect its security interest in the collateral, may not be included in the pool of Qualifying Collateral.

The additional requirements for each type of mortgage collateral to constitute Qualifying Collateral are set forth below.

Residential First Mortgage Collateral

Residential First Mortgage Collateral consists of fully-disbursed (not a construction loan or line of credit), whole first mortgage loans, secured by a first lien on improved one-to-four unit single-family dwellings, including condominiums, planned unit developments (PUDs), town homes and manufactured/mobile homes, so long as such manufactured/mobile homes are treated as real estate under applicable state law, as demonstrated by an ALTA Form 7 endorsement to a title insurance policy, an acceptable legal opinion or other evidence acceptable to the Bank.

² The Bank, in its discretion, may accept loans that are between 31-60 days past due with a lower LCV.

For Residential First Mortgage Collateral to constitute Qualifying Collateral, it must meet each of the following criteria:

- The loan is wholly-owned by the borrower and is free and clear of all liens and encumbrances, including any participation interests
- The loan has a signed borrowing resolution if the obligor is a corporation, partnership, limited liability corporation, etc.
- The current loan-to-value ratio is less than or equal to 100 percent of the value of the underlying real estate collateral, including the value of any other loans secured by such real estate collateral (Note: To the extent that two or more loans secured by the same underlying collateral exceed the 100 percent loan-to-value ratio, the Bank may accept one or more of such loans as Qualifying Collateral as long as the accepted loans do not exceed such ratio)
- The loan collateral is not cross-collateralized with any loan not pledged to the Bank
- The mortgaged property must not be subject to a lien with priority over the lien associated with the pledged loan granted in connection with participation in a Property Assessed Clean Energy (PACE) or similar program.

Multifamily Mortgage Collateral

Multifamily Mortgage Collateral consists of fully disbursed (not a construction loan or line of credit) first mortgage loans, secured by improved residential multifamily (five or more units) real estate.

For Multifamily Mortgage Collateral to constitute Qualifying Collateral, it must meet each of the following criteria:

- The loan is owned by the borrower and is free and clear of all liens and encumbrances (except for minority, non-controlling participating interests)
- The loan has a signed borrowing resolution if the obligor is a corporation, partnership, limited liability corporation, etc.
- The loan is not guaranteed by any entity that retains control in the event of default (e.g., United States Small Business Administration (SBA), United States Department of Agriculture (USDA), etc.)
- The loan is not secured by a leasehold interest, unless the ground lease is subordinate to the mortgage, and the remaining lease term is equal to or greater than the loan term
- The current loan-to-value ratio is less than or equal to 85 percent of the value of the underlying real estate collateral, including the value of any other loans secured by such real estate collateral (Note: To the extent that two or more loans secured by the same underlying collateral exceed the 85 percent loan-to-value ratio, the Bank may accept one or more of such loans as Qualifying Collateral as long as the accepted loans do not exceed such ratio)
- The loan collateral is not cross-collateralized with any loan not pledged to the Bank.

Commercial Mortgage Collateral

Commercial Mortgage Collateral consists of fully disbursed (not a construction loan or line of credit) first mortgage loans, secured by improved office, retail, hotel/motel or industrial/warehouse properties.

For Commercial Mortgage Collateral to constitute Qualifying Collateral, it must meet each of the following criteria:

- The loan is owned by the borrower and is free and clear of all liens and encumbrances (except for minority, non-controlling participation interests)
- The loan has a signed borrowing resolution if the obligor is a corporation, partnership, limited liability corporation, etc.
- The loan is not guaranteed by any entity that retains control in the event of default (e.g., SBA, USDA, etc.)
- The loan is not secured by a leasehold interest, unless the ground lease is subordinate to the mortgage and the remaining lease term is equal to or greater than the loan term
- The current loan-to-value ratio is less than or equal to 85 percent of the value of the underlying real estate collateral, including the value of any other loans secured by such real estate collateral (Note: To the extent that two or more loans secured by the same underlying collateral exceed the 85 percent loan-to-value ratio, the Bank may accept one or more of such loans as Qualifying Collateral as long as the accepted loans do not exceed such ratio)
- The loan collateral is not cross-collateralized with any loan not pledged to the Bank
- The loan is not secured by a Special Purpose Property, as described in [Appendix F](#).

Home Equity Lines of Credit (HELOC) and Second Mortgage Collateral

HELOC/Second Mortgage Collateral consists of home equity lines of credit and second mortgage loans, secured by residential real property on which a one-to-four unit single-family dwelling is located, including condominiums, PUDs, town homes and manufactured/mobile homes, so long as such manufactured/mobile homes are treated as real estate under applicable state laws, as demonstrated by an ALTA Form 7 endorsement to a title insurance policy, an acceptable legal opinion or other evidence acceptable to the Bank.

For HELOC/Second Mortgage Collateral to constitute Qualifying Collateral, it must meet each of the following criteria:

- The loan is wholly-owned by the borrower and is free and clear of all liens and encumbrances, including any participation interests
- The combined loan balance (first and second mortgage) does not exceed 100 percent of the value of the underlying real estate collateral, including the value of any other loan secured by such real estate collateral
- The loan collateral is not cross-collateralized with any loan not pledged to the Bank

- The loan secures a first or second lien on the underlying real estate collateral
- The mortgage is to a borrower that is an individual or individuals.

Deposits

A borrower's deposit account at the Bank constitutes Qualifying Collateral only if it is in a segregated, blocked account pledged to the Bank. Cash held in the borrower's general deposit accounts does not constitute Qualifying Collateral. The Bank's lien on the borrower's deposit accounts does not include any monies held in connection with a custodial mortgage account.

Government and Agency Securities Collateral

Treasuries (i.e., debt instruments issued by the U.S. Treasury):

- Treasury Bill – A short-term, discounted government debt instrument with a maturity of one year or less
- Treasury Note – A medium-term government debt instrument, issued at par, with a maturity of one to 10 years
- Treasury Bond – A long-term government debt instrument, issued at par, with a maturity of at least 10 years

Agencies (i.e., securities issued by certain governmental institutions and government sponsored enterprises, e.g., FDIC, NCUA, Fannie Mae, Freddie Mac, FHLBanks, Ginnie Mae):

- Discount Note – An unsecured general corporate obligation, issued at a discount that has an original term of less than one year
- Debenture Note or Bond – An unsecured note or bond that has an original term of one year or more
- Agency Mortgage-Backed Security (MBS) Passthrough – A debt instrument that is collateralized by a pool of residential or multifamily real estate loans. The mortgage payments of the individual real estate assets are used to pay principal and interest on the bond.
- Agency Collateralized Mortgage Obligation (CMO) or Real Estate Mortgage Investment Conduit (REMIC) – A type of mortgage-backed security that pays a specified share of the cash flows from an underlying mortgage pool
- SBA pool certificates – Debt instruments issued by the SBA, which are collateralized by loans or debentures guaranteed by the SBA so long as such guarantee is backed by the full faith and credit of the United States
- FDIC and NCUA guaranteed notes – Notes issued by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) that include securitizations of Private Label Mortgage-Backed Securities (PLMBS), which are guaranteed by the FDIC or NCUA, as applicable, and backed by the full faith and credit of the United States

Private Label Non-Agency MBS

Private label non-agency MBS constitute Qualifying Collateral if they are rated AA (or equivalent) or better. In addition, if acquired after July 10, 2007, a PLMBS shall not have been issued as subprime, contain any non-traditional loans such as interest only, negative amortization, or

payment option adjustable-rate mortgage (ARM) loans or have more than 5% of the loans with FICO scores below 660 to be eligible to pledge as collateral for Advances.

Asset-Backed Securities Secured by HELOC/Second Mortgage Loan Collateral

The senior tranche of private label and agency securities backed by home equity loans and lines of credit constitutes Qualifying Collateral if rated AAA (or equivalent) and a market price is readily obtainable.

Ineligible Securities

Securities that do not constitute Qualifying Collateral include, but are not limited to:

- Agency or non-agency security tranche types: Interest Only (IO) Principal Only (PO) Inverse Floaters (INV) Accrual Bonds (Z tranche) Residual
- Non-agency MBS acquired after July 10, 2007 that are issued as subprime, contain any non-traditional loans (e.g., interest only, negative amortization, or payment option ARMs) or have more than 5% of the loans with FICO scores below 660
- Municipal Bonds (except to the extent such bonds otherwise qualify as MBS)
- Subordinate or Mezzanine
- Corporate Bonds
- Commercial Paper
- Preferred and Common Stock
- Any security for which pricing is not readily available to the Bank

Collateral Reporting and Mechanics

A borrower with a credit risk rating of 7 or lower must submit a Qualifying Collateral Report (QCR) on a quarterly basis within 30 days of each calendar quarter end, except for QCRs for HELOC/Second Mortgage Collateral, which are due within 30 days of each calendar month end. The Bank, in its discretion, may require more frequent reporting.

A borrower with a credit risk rating of 8 or higher may be required to provide a monthly QCR within 30 days of each calendar month end, and may be required to provide increased collateral detail. Borrowers with extensions of credit from the Bank of \$1 billion or more will be required to submit, on a monthly basis, loan-level reports for all mortgage loan collateral reported to the Bank for purposes of Qualifying Collateral.

Delivery of Collateral

The Bank may require the delivery of pledged mortgage collateral at such times as a borrower's credit risk rating is 9 or higher, or such other times as deemed necessary in the Bank's discretion. The Bank requires delivery at all times of cash and securities pledged to the Bank as collateral.

Status Reports

A borrower required to provide increased collateral detail or deliver collateral must submit to the Bank, at such times as the Bank may request, a status report with respect to the borrower's collateral, prepared in form and substance acceptable to the Bank. The status report shall be a

written report covering such matters regarding the collateral as the Bank may require, including listings of mortgages and unpaid principal balances thereof, and certifications concerning the status of payments on mortgages and of taxes and insurance on property securing mortgages. The borrower must submit the status report to the Bank within 30 days of each calendar quarter end or month end, as applicable.

Collateral Monitoring and Compliance

Each borrower is responsible for monitoring its compliance with the Bank's collateral requirements at all times. The Bank's CVR process, discussed in detail below, supplements this responsibility. The borrower's collateral position must be in compliance with the requirements of this Policy, prior to the funding of an advance. Accordingly, each borrower should establish sufficient Qualifying Collateral to meet its CML requirement prior to participating in the Bank's credit programs.

The Bank reserves the right to accept, reject or ascribe such value to Qualifying Collateral as deemed necessary or appropriate to protect the security interest of the Bank, based upon the borrower's creditworthiness, the quality of the collateral, or other factors. The Bank must be able to perfect its security interest in all collateral and shall, as appropriate, file a UCC-1 financing statement with respect to collateral pledged to the Bank.

Collateral Verification Reviews

Periodically, the Bank, or an entity retained by the Bank, will review a borrower's collateral pledged to the Bank. During such review, the Bank also analyzes the borrower's documentation and administration processes and controls. Generally, the Bank conducts such review at a location of the borrower, but it may conduct such review at a different location using copies of documents in the borrower's files.

The Bank determines the frequency and type of CVR required for a particular borrower based on its evaluation of various risk factors including, but not limited to:

- The amount of the Bank's credit exposure to the borrower
- Potential concerns regarding the borrower's credit risk to the Bank

Generally, the Bank will review each borrower at least once every three years. Certain members with higher credit risk ratings may be reviewed more frequently.

Exception Rates for Collateral Verification Reviews and Extrapolation

The Bank has established exception rates for CVRs to assist in evaluating and managing the potential risks that may exist in a borrower's pledged collateral portfolios. The number of loans in a sample portfolio for which a borrower is unable to resolve exceptions noted during a CVR is used to determine the final exception rate for that portfolio. The Bank reduces the amount of a borrower's eligible collateral based on the final exception rate, or extrapolation rate, for each loan portfolio reviewed. The Bank considers an exception material if it would hinder the Bank's ability to either perfect its security interest in the loan or sell the loan in the event of liquidation.

Requirements for use of Collateral of an Affiliate

The Bank may allow an affiliate of a borrower to pledge collateral on behalf of the borrower in the Bank's discretion, subject to each of the following conditions:

- The affiliate is controlled by, controls or is in common control with the borrower
- The affiliate has no outside debt or other liabilities for borrowed money, except as permitted by the Bank
- The Bank obtains and maintains a legally enforceable security interest in the affiliate collateral pursuant to which the Bank's legal rights and privileges are functionally equivalent in all material respects to those the Bank would possess in the borrower's collateral
- The documentation for an affiliate collateral pledge is acceptable to the Bank and consistent with the functional equivalence requirement above.

Requirements for Use of Loans Held for Sale

Generally, to be eligible to participate in the Loans Held for Sale (LHFS) program, each of the following conditions must be met:

- The borrower's credit risk rating must be 9 or lower
- The borrower must have executed the Bank's Advances and Security Agreement and must not have opted-out of the blanket lien on its Residential First Mortgage Collateral
- All potential purchasers (investors) of the collateral eligible to support LHFS advances must enter into a tri-party agreement with the Bank and the borrower governing the status of the Bank's security interest in the collateral, the sale of the collateral and the disposition of the proceeds of such sale, or establish a custodial arrangement. No sales of collateral supporting LHFS advances shall be made to any party who has not executed such a tri-party agreement.
- The borrower's investors must be acceptable to the Bank.
- The collateral may not include loans with subprime or nontraditional characteristics as described in Appendix E.

LCV and Eligibility Criteria

Loans must meet the following criteria to be eligible to support LHFS advances:

- Loans must be fully-disbursed, wholly-owned first mortgage loans secured by a first lien on improved one-to-four unit single family dwellings, including primary residences, second homes and investment properties
- Loans must be underwritten to the guidelines of the borrower's investor(s)
- Loans must be appropriately identified as being held for sale in the borrower's periodic financial regulatory reporting.

Ineligible Collateral

The following Collateral is not eligible to secure LHFS advances:

- Loans reported to the Bank to support any prior LHFS advances, even if such prior LHFS advances are paid off within 90 days
- Loans pledged for a period greater than 90 days
- Loans that are not fully disbursed
- Revolving lines of credit
- Loans with a loan-to-value ratio greater than 100 percent, based on the lesser of the purchase price or appraised value
- Participation interests in any loan, or loans in which participation interests have been sold
- Loans past due more than 30 days, or adversely classified loans
- Loans pledged to secure any other borrowings
- Loans to any director, officer, any employee, attorney or agent of the borrower or the Bank, or loans held in a third party subsidiary
- Loans with document deficiencies, such as lack of an original note or copy of a recorded mortgage instrument
- Loans that do not conform to the requirements of the Bank's Guidelines to Promote Responsible Lending as set forth in [Appendix D](#) to this Policy, and Guidelines for Subprime and Nontraditional Loans, as set forth in [Appendix E](#) to this Policy
- Loans secured by mobile or manufactured homes that do not constitute real property under state law
- Loans that do not meet any other requirement to constitute Qualifying Collateral.

Monitoring/Periodic Review

- The Bank, in its sole discretion, may conduct periodic CVRs relating to the LHFS program, with or without notice. The Bank will conduct quarterly internal compliance reviews to value the pledged LHFS collateral. The Bank may, in its sole discretion, discontinue a borrower's participation in the LHFS program at any time.

Collateral Requirements for Non-Insured Depository Institutions

Non-insured depository institutions (including insurance companies, housing finance agencies and certain community development financial institutions) borrowing from the Bank are subject to each of the following additional requirements:

- Only cash and securities are permitted as Qualifying Collateral
- Securities pledged as Qualifying Collateral shall be subject to a minimum 2% additional discount to the LCV applied to securities pledged by insured depository institutions.

Collateral Requirements for Derivative Contracts

Members entering into derivative contracts with the Bank generally must collateralize the exposure of the Bank to the member under such contracts. The member must enter into an ISDA master agreement and schedule with the Bank.

The required collateral for the Bank's exposure under an interest rate cap or floor must have an LCV equal to not less than 0.5 percent of the notional principal amount of the contract, plus the net exposure to the Bank under the cap or floor.

Interest rate swap exposure is included in the calculation of the overall credit limit and must be fully collateralized as outlined below.

- For maturities less than one year: Market value of swap + 0 percent of notional principal of the swap
- For maturities between one and less than five year(s): Market value of swap + .5 percent of the notional principal of the swap
- For maturities greater than five years: Market value of swap + 1.5 percent of the notional principal of the swap

Information Sharing with Regulators

The Bank may, from time to time, share information concerning borrowers from the Bank with applicable federal and state regulators of such institutions. Borrowers are deemed to consent to such information sharing pursuant to this policy in accordance with the Advances and Security Agreement. All such information sharing shall be conducted in conformity with applicable law.

Appendix A

Defined Terms

The following defined terms are taken from the Bank's standard form of Advances and Security Agreement (the "**Agreement**").

"Act" means the Federal Home Loan Bank Act, as now and hereafter amended, modified, supplemented or restated.

"Advances" means any and all loans or other similar extensions of credit, heretofore, now or hereafter granted by the Bank to, on behalf of, or for the account of, the Borrower.

"Affiliate" means an affiliate of the Borrower which (i) has been accepted by the Bank, in its sole discretion, as a person which may pledge collateral to the Bank and otherwise support the obligations of the Borrower to the Bank hereunder and (ii) has entered into a Joinder Agreement. The Affiliate and the Borrower are hereinafter jointly referred to as the "Obligors."

"Application" means an application or other writing, in such form or forms as shall be specified by the Bank from time to time, by which the Borrower requests an Advance or a Credit Product, and by which an Obligor requests a Derivative Transaction or an Other Product.

"Borrowed Money" means, with respect to any Person, without duplication (a) all indebtedness for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) that portion of obligations with respect to capital leases that is properly classified as a liability on a balance sheet in conformity with GAAP, (d) any obligations of such Person issued or assumed as the deferred purchase price of property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof or evidenced by a note or other instrument), (e) all Borrowed Money of others secured by (or for which the holder of such Borrowed Money has an existing right, contingent or otherwise, to be secured by) any lien on, or payable out of the proceeds of production from, any property or asset owned, held or acquired by such Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person, (f) all guaranty obligations of such Person in respect of any Borrowed Money of any other person, (g) the maximum amount of all standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (h) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product plus any accrued interest thereon, and (i) the Borrowed Money of any partnership or unincorporated joint venture in which such Person is a general partner or joint venturer.

"Borrowing Documents" means the Agreement (as amended by any and all Joinder Agreements and any and all Collateral Pledge Amendments), all Applications, all Confirmations, and all Supplemental Documentation.

“Capital Stock” means all of the capital stock in the Bank held by the Borrower and all payments which have been or hereafter are made on account of subscriptions to and all unpaid dividends on such capital stock.

“Collateral” means (i) all property, including the products and proceeds thereof, heretofore assigned, transferred or pledged to the Bank by any Obligor as collateral for an Advance, a Credit Product, a Derivative Transaction, an Other Product or any other Liability prior to the date hereof and (ii) all Capital Stock, Deposits, Residential First Mortgage Collateral, Commercial Mortgage Collateral, Multifamily Mortgage Collateral, Government and Agency Securities Collateral, HELOC and Second Mortgage Collateral, Other Securities Collateral and Other Collateral, including the products and proceeds thereof, which is now or hereafter pledged to the Bank pursuant to Section 3.01 of the Agreement or any Joinder Agreement.

“Collateral Maintenance Level” means the aggregate dollar amount equal to such percentage(s) as the Bank may specify from time to time of all Liabilities (1) for Advances and Credit Products; (2) with respect to Derivative Transactions for which an Obligor is required to maintain Collateral; and (3) with respect to any Other Product or under any Borrowing Documents. The Bank may increase or decrease the Collateral Maintenance Level at any time as provided in the Credit and Collateral Policy, and such increase or decrease, as specified by the Bank, will apply to all existing as well as after-arising Liabilities.

“Collateral Pledge Amendment” means a Collateral Pledge Amendment, substantially in the form attached as Exhibit B to the Agreement, whereby the Obligors and the Bank have agreed to amend the collateral pledge provisions of Section 3.01(ii) of the Agreement as provided therein.

“Commercial Mortgage Collateral” means all notes, bonds, instruments, mortgages, deeds of trust, deeds to secure debt, security agreements, policies and certificates of insurance, guarantees, evidences of recordation, applications, underwriting materials, surveys, appraisals, approvals, permits, notices, opinions of counsel, loan servicing data and all other electronically stored and written records or materials relating to fully-disbursed loans held by any Obligor secured by a first lien on property improved by one or more commercial buildings, together with all rights and interests associated with such loans and documents, including all legal, beneficial, residual and servicing rights, and any endorsements or assignments thereof.

“Confirmation” means a confirmation, in such form or forms as the Bank may generate from time to time, by which the Bank agrees to, confirms and provides any additional terms with respect to any Advance, Credit Product, Derivative Transaction, or Other Product.

“Credit and Collateral Policy” means the policies and procedures of the Bank governing the administration of its credit and other programs, including the requirements for maintenance of collateral to secure extensions of credit by the Bank, as any such policies and procedures may be amended, supplemented, restated or otherwise modified from time to time hereafter, in accordance with Section 6.01 of the Agreement.

“Credit Products” means any and all commitments or obligations under which the Bank agrees to make payments on behalf of or for the account of the Borrower, including letters of credit, guarantees or other arrangements intended to facilitate transactions between the Borrower and third parties, or under which the Bank enters into a credit or financial accommodation, agreement or other arrangement with the Borrower, irrespective of whether the Bank’s obligation is contingent or conditional.

“Deposits” means all deposit accounts maintained by any Obligor with the Bank, all money, cash, checks, drafts, notices, bills, bills of exchange and bonds deposited therein or credited thereto, any increases, renewals, extensions, substitutions and replacements thereof, whether or not deposited in any such deposit account and all statements, certificates, passbooks and instruments representing any such deposit account.

“Derivative Transactions” means all interest rate swaps, all interest rate caps, floors and collars, all currency exchange transactions, all options and all similar transactions entered into between the Bank and any Obligor.

“Finance Agency” means the Federal Housing Finance Agency, or any predecessor or successor entity.

“GAAP” means generally accepted accounting principles.

“Government and Agency Securities Collateral” means mortgage-backed securities (including participation certificates) issued by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association, obligations guaranteed by the Government National Mortgage Association, and obligations issued or guaranteed by the United States or an agency thereof.

“HELOC and Second Mortgage Collateral” means all notes, bonds, instruments, mortgages, deeds of trust, deeds to secure debt, security agreements, policies and certificates of insurance or guarantees, evidences of recordation, applications, underwriting materials, surveys, appraisals, approvals, permits, notices, opinions of counsel and loan servicing data and all other electronically stored and written records or materials relating to home equity lines of credit held by any Obligor, loans held by any Obligor secured by a junior lien on one-to-four unit single-family dwellings, or other similar loans held by any Obligor which have not been fully disbursed, together with all rights and interests associated with such loans and documents, including all legal, beneficial, residual and servicing rights, and any endorsements or assignments thereof.

“Joinder Agreement” means a joinder agreement, substantially in the form attached hereto as Exhibit A, whereby an Obligor has agreed in writing to be primarily, jointly and severally liable for all obligations of all of the Obligors to the Bank under this Agreement and to pledge Collateral satisfactory to the Bank as security for such obligations.

“Lendable Collateral Value” means an amount equal to such percentage as the Bank shall from time to time, in its sole discretion, ascribe in the Credit and Collateral Policy to the market value or unpaid principal balances (as the Bank may specify or define) of Qualifying Collateral.

“Liabilities” means all fees, expenses, obligations, liabilities or indebtedness of any Obligor to the Bank, due or to become due, direct or indirect, absolute or contingent, joint or several, now existing or hereafter at any time created, arising or incurred, under this Agreement, any Application, Confirmation, Supplemental Documentation, Advance, Derivative Transaction, Credit Product, Other Product or Deposit, including any overdrafts or other charges in connection therewith, or under any other obligation for any other service provided by the Bank, including any obligations under indemnification provisions in any agreement or document between any Obligor and the Bank, and any renewal, extension or substitution of any such obligations, liabilities and indebtedness, including reasonable attorneys’ fees of the Bank in the collection thereof and the enforcement of any remedies with respect to any Collateral therefor.

“Material Adverse Effect” means (a) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of any Obligor, or (b) the impairment of the ability of any Obligor to perform its obligations under any Borrowing Document to which it is a party or of Bank to enforce any Borrowing Document or collect any of the Liabilities. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event does not of itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then existing events would result in a Material Adverse Effect. In determining whether an event would result in a Material Adverse Effect on any Affiliate, a Material Adverse Effect shall be deemed to have occurred with respect to such Affiliate if the effect of such event would result in a Material Adverse Effect on the Borrower and such Affiliate, taken as a whole.

“Multifamily Mortgage Collateral” means all notes, bonds, instruments, mortgages, deeds of trust, deeds to secure debt, security agreements, policies and certificates of insurance, guarantees, evidences of recordation, applications, underwriting materials, surveys, appraisals, approvals, permits, notices, opinions of counsel, loan servicing data and all other electronically stored and written records or materials relating to the fully-disbursed loans held by any Obligor secured by a first lien on property improved by one or more multifamily buildings, together with all rights and interests associated with such loans and documents, including all legal, beneficial, residual and servicing rights, and any endorsements or assignments thereof.

“Obligors” means, collectively, the Borrower and any Affiliate joined hereunder as provided herein.

“Other Collateral” means such items of personal property, other than Capital Stock, Deposits, Residential First Mortgage Collateral, Commercial Mortgage Collateral, Multifamily Mortgage Collateral, Government and Agency Securities Collateral, HELOC and Second Mortgage Collateral, and Other Securities Collateral, that are offered by any Obligor as Collateral and are specifically accepted by the Bank as Collateral; provided, Other Collateral may from time to time include specific items of Residential First Mortgage Collateral, Commercial Mortgage Collateral, Multifamily Mortgage Collateral and HELOC and Second Mortgage Collateral which are identified and offered by an Obligor as Collateral and are specifically accepted by the Bank as Collateral.

“Other Products” means all products and services, other than an Advance, Credit Product or Derivative Transaction, offered by the Bank to any Obligor from time to time, including correspondent banking services, mortgage purchase programs and affordable housing and community investment products and services.

“Other Securities Collateral” means securities (other than Government and Agency Securities Collateral) representing unsubordinated interests in, or collateralized by first lien security interests in, both the interest and principal payments on first lien residential mortgages.

“Person” means an individual, partnership, corporation, trust, joint venture, joint stock company, limited liability company, association, unincorporated organization, governmental authority, or any other entity.

“Qualifying Collateral” means Collateral, other than Capital Stock and Deposits, which is eligible as collateral to support the origination of Advances, Credit Products, Derivative Transactions and Other Products under the terms and conditions of the Act, the Regulations and the Credit and Collateral Policy, and which satisfies such other requirements for lending as may be established by the Bank.

“Regulations” means the regulations, and other supervisory materials, promulgated by the Finance Agency from time to time.

“Residential First Mortgage Collateral” means all notes, bonds, instruments, mortgages, deeds of trust, deeds to secure debt, security agreements, policies and certificates of insurance or guarantees, evidences of recordation, applications, underwriting materials, surveys, appraisals, approvals, permits, notices, opinions of counsel and loan servicing data and all other electronically stored and written records or materials relating to fully-disbursed loans held by any Obligor secured by a first lien on one-to-four unit single family dwellings, together with all rights and interests associated with such loans and documents, including all legal, beneficial, residual and servicing rights, and any endorsements or assignments thereof.

“Supplemental Documentation” means any document, agreement or other writing (other than this Agreement) between the Bank and an Obligor relating to Deposits, Advances, Credit Products, Derivative Transactions and Other Products, including reimbursement agreements, mortgage purchase documents, wire transfer agreements, automated clearinghouse agreements, agreements related to the loans held for sale program, International Swap Dealers Association (“ISDA”) master agreements, schedules to ISDA master agreements and credit support annexes to ISDA master agreements.

Appendix B

Prepayment Policy

Any advance with an interest rate that is fixed during any period or interval normally shall be subject to a prepayment fee in the event of full or partial repayment of advance principal prior to maturity or the expiration of any interim interest rate period. The prepayment provisions applicable to each advance shall be set forth in the confirmation for that advance.

Adjustable Rate Credit Advances

An Adjustable Rate Credit (ARC) advance normally shall be subject to a flat fee equal to the greater of (i) 5 basis points per annum of the amount repaid or (ii) a per annum fee equal to the difference in the spread to three-month LIBOR for the advance being repaid and the spread for a new Adjustable Rate Credit advance issued on the date of repayment in the amount outstanding and for the term remaining on the advance being repaid, multiplied by the amount being repaid, each calculated on the basis of a three hundred sixty (360) day year. The Bank normally will not assess a prepayment fee on an ARC advance that is restructured in whole prior to its stated maturity date so long as (a) the stated maturity date of the restructured advance falls on or after the stated maturity date of the original advance and (b) the interest rate spread (i.e., the spread to the applicable rate index) on the restructured advance is equal to or greater than the spread on the original advance. In addition, prior to funding, a borrower may elect to purchase an option to prepay an ARC advance on any interest-reset date without a fee.

Fixed Rate Advances

A fixed rate advance (other than an Affordable Housing Program (AHP) or Economic Development and Growth Enhancement Program (EDGE) fixed rate advance) normally shall be subject to a non-symmetrical prepayment fee equal to the present value of the daily lost cash flow to the Bank, based upon the difference between the contract rate on the advance and the rate for a new advance of the same type with the same remaining maturity; discounted at the current offering rate. For an advance granted prior to May 23, 1994, the rate used to calculate the prepayment fee shall be the posted rate on the date of prepayment for advance amounts between \$1 million and \$4,999,999. If a fixed rate advance was granted on or after May 23, 1994, and it was eligible for cost-based pricing, the rate used to calculate the prepayment fee shall be the posted rate on the date of prepayment that corresponds to the original advance amount.

The minimum prepayment fee for a fixed rate advance (other than an AHP or EDGE fixed rate advance) shall be as follows:

- | | |
|--|--|
| 1. If the remaining maturity of the advance is 12 months or less | The greater of the present value-based fee or 12.5 advance basis points per annum on the prepaid amount. |
| 2. If the remaining maturity of the advance exceeds 12 months | The greater of the present value-based fee or a flat fee of 25 basis points on the prepaid amount. |

The calculation of the prepayment fee for any fixed rate Principal Reducing Credit advance (including an AHP or EDGE advance) shall take into account future scheduled principal reductions. An AHP advance granted after January 1, 1998 and an EDGE advance granted before March 25, 2005, shall be subject to a prepayment fee equal to the present value of the daily lost cash flow to the Bank, based upon the difference between the cost of funds originally used to calculate the interest subsidy incorporated into the advance and the rate for a new unsubsidized fixed rate advance of comparable size with the same remaining maturity, discounted at the current offering rate. For an illustration of how this prepayment fee is calculated, please see Example # 1 below. An EDGE advance granted on or after March 25, 2005 shall be subject to a prepayment fee equal to the present value of the daily lost cash flow to the Bank, based upon the difference between the rate, as of the date of the EDGE advance, for an unsubsidized fixed rate advance of comparable size with the same maturity, and the rate, as of the date of prepayment, for a new unsubsidized fixed rate advance of comparable size with the same remaining maturity, discounted at the current offering rate. For an illustration of how this prepayment fee is calculated, please see Example # 2 below.

A prepayment request received after 11 a.m. (Eastern time) for an advance with remaining maturity up to 12 months, or after 3 p.m. (Eastern time) on the previous business day, for an advance with remaining maturity greater than 12 months, may be deferred until the following day.

Example #1

Assume a borrower obtains a fixed rate AHP advance having the original terms set forth below:

Date of advance	--	February 1, 2005
Principal amount	--	\$100,000
Scheduled maturity	--	5 years
Contract interest rate	--	2.00 percent
Bank's cost of funds on February 1, 2005	--	4.00 percent
Payment terms	--	No amortization prior to maturity, interest payable annually

If, on February 1, 2009, the borrower were to prepay the entire \$100,000 advance in full, and the Bank's offering rate as of that date for a new unsubsidized fixed rate advance of comparable size with the same remaining maturity (i.e., one year) were 3.00 percent, then the amount of the prepayment fee would be \$985.11, calculated as set forth below:

$$\text{Lost cash flow} = \{\$100,000 * [0.04 - 0.03]\} = \$1,000$$

Present value (as of prepayment date) of \$1,000 lost cash flow, discounted on a daily basis at an annual rate of 3.00 percent = \$985.11

Example #2

Assume a borrower obtains a fixed rate EDGE advance having the original terms set forth below:

Date of advance	--	June 1, 2005
Principal amount	--	\$100,000
Contract interest rate	--	5 years
Bank's unsubsidized market rate on June 1, 2005	--	2.00 percent
Payment terms	--	4.25 percent
	--	No amortization prior to maturity, interest payable annually

If, on June 1, 2009, the borrower were to prepay the entire \$100,000 advance in full, and the Bank's offering rate as of that date for a new unsubsidized fixed rate advance of comparable size with the same remaining maturity (i.e., one year) were 3.00 percent, then the amount of the prepayment fee would be \$1,231.39, calculated as set forth below:

Lost cash flow $\{ \$100,000 * [0.0425 - 0.03] \} = \$1,250$

Present value (as of prepayment date) of \$1,250 lost cash flow, discounted on a daily basis at an annual rate of 3.00 percent = \$1,231.39

Structured Advances with Embedded Options

The prepayment fee for a structured advance with embedded options (i.e., a Convertible advance) shall be the inverse of the value of any hedging instrument entered into by the Bank in connection with the funding of the advance, as detailed in the confirmation for the advance.

Daily Rate Credit Advances

A Daily Rate Credit advance is not subject to a prepayment fee provided the Bank receives notice by 3 p.m. ET on any Bank business day.

Other Fees

The Bank may assess reasonable fees and charges to cover the Bank's costs, including overhead, relating to the receipt, holding, redelivery and reassignment of the borrower's collateral, as required by the Bank. The Bank publishes a schedule of such fees and charges on the Bank's website from time to time. In addition, the Bank also may assess fees to cover all expenses incurred in connection with lien perfection.

The Bank may charge a borrower for the Bank's outside legal counsel fees, costs and expenses when the Bank assists the borrower with a transaction that primarily benefits that borrower. Such transactions include, but are not limited to, the following: affiliate pledge arrangements, intercreditor agreements, subordination agreements, letters of credit (including issuance, amendment, transfer and cancellation), custody arrangements, mergers and assumptions of borrower obligations, and transactions that require or potentially require involvement on the part of the Finance Agency, such as new business activity requests, regulatory interpretations, waivers or other action. The Bank, in its sole discretion, shall determine whether the services of outside counsel are required with respect to a particular transaction. The amount charged to the borrower shall be based on actual outside counsel legal fees, costs and expenses related to the matter. The borrower shall be responsible for such charges regardless of whether the transaction ultimately is concluded.

Appendix C

Lendable Collateral Value for Qualifying Collateral

Cash	LCV %	Comments
Cash	100	

Government and Agency Securities**	LCV % MV*	Comments
U.S. Treasury bills, notes, bonds FHLBank bonds and discount notes Fannie Mae bonds and notes Fannie Mae mortgage-backed securities Freddie Mac participation certificates Freddie Mac bonds and notes Ginnie Mae pass-through securities Ginnie Mae bonds and notes FDIC guaranteed notes NCUA guaranteed notes	97	Pricing must be available from the Bank's pricing service.
Agency CMOs and REMICs	97	
SBA Pool and Participation Certificates	97	Subject to Bank's acceptance.

Other Securities**‡	LCV % MV*	Comments
Private-Label mortgage-backed securities	90/72†	Must be rated AA (or equivalent) or higher by S&P, Moody's or Fitch. Not all are eligible
Private-Label CMOs and REMICs	90/72†	Pricing must be available from the Bank's pricing service. Not all are eligible
HELOC/Second Mortgage-backed Securities	90/72†	Must be rated AAA (or equivalent) by S&P, Moody's or Fitch. Pricing must be available from the Bank's pricing service. Not all eligible.

* MV = Market Value

** Non-insured depository institutions are subject to a minimum 2% additional discount.

‡ Derivatives or stripped mortgage-backed securities are not considered eligible collateral.

† Borrowers with a credit score of 1-9 will receive a LCV % MV of 90. Credit score 10 borrowers will receive a LCV % MV of 72.

Beginning February 1, 2010, the Bank began calculating LCV for Residential First Mortgage Collateral by utilizing a market-value based methodology rather than discounting based on unpaid principal balance. On December 1, 2010, the Bank also transitioned to a market-value based methodology for Home Equity Lines of Credit and Second Mortgage Collateral. In implementing its market-value based methodology for Residential Mortgage Collateral, the Bank estimates the market value of collateral and discounts such value based on a variety of factors, including the characteristics of the pledge and credit score of the borrower, to determine the LCV. Both market value and discounts vary by the characteristics of the loan portfolio. Additionally, discounts will vary based on unexpected price volatility, model risk and liquidation cost.

Other Real Estate Related Collateral*	LCV % UPB	Comments
Multifamily Mortgage Collateral (five or more units)	50	
Commercial Mortgage Collateral	50	Property type eligibility is subject to Bank's acceptance.

In 2011, the Bank expects to apply its market valuation methodology to multifamily and commercial real estate collateral, which would complete the transition from discounting of collateral based on unpaid principal balance to a market value methodology.

*A borrower with a credit risk rating of 10 will be subject to a LCV % on UPB of 40 for multifamily and commercial mortgage collateral.

Appendix D

Guidelines to Promote Responsible Lending

The Bank, as part of its housing finance mission, supports the expansion of fair and equitable homeownership opportunities. To discourage predatory lending practices, which are inconsistent with such opportunities, the Bank has established the following anti-predatory lending policy, the Guidelines to Promote Responsible Lending (Guidelines), with respect to Residential First Mortgage Collateral, Home Equity Lines of Credit (HELOC) and Second Mortgage Collateral, as well as securities backed by Residential First Mortgage Collateral, HELOCs and Second Mortgage Collateral pledged to the Bank as collateral (Residential Mortgage Collateral). This policy is intended to underscore the Bank's support of fair and ethical lending practice.

The Bank requires that all Residential Mortgage Collateral comply with all applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws designed to prevent or regulate abusive and deceptive lending practices and loan terms, and all rules, regulations, orders and guidance promulgated by any Federal, State or local regulatory agency in connection with such laws (collectively, Anti-Predatory Lending Laws).

In addition, Residential Mortgage Collateral shall not contain the following characteristics or provisions:

- The annual percentage rate on the loan or points and fees charged for the loan exceed the thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z), if such loan was originated after the effective date of HOEPA and its implementing regulations.
- The loan includes prepaid, single-premium credit insurance.
- The loan includes a fee or charge for prepayment beyond the first five years.
- The loan requires mandatory arbitration to resolve disputes, but only to the extent that such requirement is prohibited or limited by applicable Anti-Predatory Lending Laws.

Any Residential Mortgage Collateral that does not comply with the above requirements does not constitute Qualifying Collateral. Each pledgor is responsible for complying with these Guidelines, regardless of whether the pledgor originates or purchases the Residential Mortgage Collateral.

Under the terms and conditions of the Advances and Security Agreement, each pledgor has agreed that it will: (1) comply at all times with the Bank's Credit and Collateral Policy, including these Guidelines; (2) comply at all times with the requirements of all applicable Anti-Predatory Lending Laws; (3) maintain Qualifying Collateral with an LCV at least equal to the Collateral Maintenance Level required by the Bank, and substitute Qualifying Collateral, if necessary, for any Residential Mortgage Collateral that does not comply with these Guidelines; and (4) indemnify, defend and hold the Bank harmless from and against any liability, loss, cost or expense (including reasonable attorneys' fees and expenses) that result from such pledgor's violation of these Guidelines.

The Bank has adopted procedures to monitor for compliance with this policy through:

- The verification that all pledgors have executed an Advances Agreement;
- The review of loan documentation as part of collateral verification reviews;
- The monitoring of regulatory alerts for newly issued public enforcement actions pertaining to HOEPA, Regulation Z, and anti-predatory lending violations; and
- The requirement, at the Bank's discretion, that pledgors provide evidence reasonably satisfactory to the Bank that Residential Mortgage Collateral does not violate applicable Anti-Predatory Lending Laws.

With respect to Residential Mortgage Collateral purchased by the pledgor, the pledgor is responsible for conducting due diligence that it deems sufficient to support its obligations to the Bank. For mortgage-backed securities, the Bank will rely on the member's (or member's pledging subsidiary or affiliate) executed representation and warranty certifications as the key indicator of compliance.

If abusive lending issues are identified by the pledgor's regulator, or if the Bank identifies noncompliance with these Guidelines, the Bank may, in addition to all available rights and remedies it has at law or in equity, (1) require the pledgor to substitute Qualifying Collateral for such Residential Mortgage Collateral; (2) assign an LCV of zero to such Residential Mortgage Collateral; and (3) require the pledgor to undertake a review of its policies, practices, and procedures for complying with the Bank's Credit and Collateral Policy, practices and procedures.

The foregoing policy addresses assets pledged to the Bank as collateral. Residential mortgage loans purchased or acquired by the Bank from members under the Mortgage Partnership Finance® (MPF) Program will be governed by the terms set forth in the MPF Origination Guide, and residential mortgage loans purchased or acquired under the Mortgage Purchase Program (MPP) will be governed by the terms set forth in the MPP Guide.

Appendix E

Guidelines for Subprime and Nontraditional Loans

As part of its housing finance mission, the Bank supports the expansion of fair and equitable homeownership opportunities, including the use of subprime and nontraditional mortgage loan products, as appropriate. However, as a part of the Bank's risk management programs, the Bank must measure, monitor and manage credit risk posed by the purchase of subprime and nontraditional loans or mortgage-backed securities, and through advances secured by subprime and nontraditional Residential First Mortgage Collateral, Home Equity Lines of Credit (HELOC) and Second Mortgage Collateral, as well as securities backed by subprime and nontraditional Residential First Mortgage Collateral, HELOCs and Second Mortgage Collateral pledged to the Bank as collateral (Residential Mortgage Collateral).

Definition of Subprime Residential Mortgage Loans

The term "subprime" refers to the credit characteristics of individual borrowers. Subprime borrowers typically have weakened credit histories. They also may display reduced repayment capacity as measured by credit scores and debt-to-income ratios. For purposes of this policy, subprime residential mortgage loans are loans to borrowers displaying both of these characteristics at the time of origination or purchase by the pledgor of such loan to the Bank. Such loans may have a higher risk of default than prime loans. Generally, subprime borrowers will display a range of credit risk characteristics that include both of the following, each of which is considered only at the time of origination of a new loan:

- Relatively high default probability as evidenced by, for example, a credit bureau risk score (FICO) of 660 or below (depending on the product/collateral), or other bureau or proprietary scores with an equivalent default probability likelihood; and
- Debt service-to-income ratio of 50% or greater.

This list is illustrative rather than exhaustive, and is not meant to define specific parameters with respect to subprime borrowers or subprime residential mortgage loans.

Definition of Nontraditional Residential Mortgage Loans

Nontraditional residential mortgage loans, for purposes of this policy, are defined as mortgages that allow borrowers to defer payment of principal or interest, with the exception of HELOCs. Examples of nontraditional residential mortgage loans include interest-only mortgages, payment-option mortgages, negative amortization mortgages, and mortgage loans originated with reduced documentation, such as stated income/stated asset or no income/no assets residential mortgage loans. Securities issued by Government Sponsored Enterprises shall be exempt from this definition.

Bank Monitoring of Subprime and Nontraditional Mortgage Loans

Mortgage-Backed Securities Held in Portfolio

For purposes of this policy, mortgage-backed securities purchased or acquired by the Bank will be governed by the terms set forth in the Investment Guidelines for MBS Portfolio. The Investment Guidelines for MBS Portfolio specify the additional credit enhancements necessary for the purchase of mortgage-backed securities with nontraditional features.

The Bank does not invest in subprime mortgage-backed securities.

After purchase, management monitors, and the Credit and Collateral Committee reviews, the credit characteristics and performance of the underlying collateral on a monthly basis. In addition, management monitors for any rating downgrades the subordinate tranches that provide credit support.

Acquired Member Assets

For purposes of this policy, residential mortgage loans purchased or acquired by the Bank from members under the Mortgage Partnership Finance® (MPF) Program will be governed by the terms set forth in the MPF Origination Guide, and residential mortgage loans purchased or acquired under the Mortgage Purchase Program (MPP) will be governed by the terms set forth in the MPP Guide and the Program Documents. Collectively, the MPF Program and MPP are referred to as the AMA programs.

The Bank does not purchase subprime residential mortgage loans in its AMA programs. Although some loans purchased in the AMA programs may contain features such as alternative documentation of repayment capacity, the Bank does not have any heightened exposure due to such features because the AMA program eligibility guidelines only permit the purchase of fixed-rate fully amortizing, non-jumbo loans. The Bank effectively manages the risk associated with the acquisition of loans in the AMA programs through the established approval process for sellers and servicers, loan agreements, loan eligibility parameters, monitoring of the underlying loans and their performance, and the use of S&PLEVELS® to establish and monitor credit enhancements.

Management monitors and reports to senior management on a monthly basis the credit characteristics and credit enhancements of the AMA portfolio to confirm the continued AA rating of each AMA asset.

Collateral Securing Advances

Under the terms and conditions of the Advances and Security Agreement, each pledgor has agreed that it will: (1) comply at all times with the Bank's Credit and Collateral Policy; (2) comply at all times with the requirements of all applicable laws and regulations regarding subprime and nontraditional mortgage loans; (3) maintain Qualifying Collateral with an LCV at least equal to the Collateral Maintenance Level required by the Bank, and substitute Qualifying Collateral, if necessary, for any Residential First Mortgage Collateral or Second Mortgage Collateral that does not comply with the Bank's requirements; and (4) indemnify, defend and hold the Bank harmless

from and against any liability, loss, cost or expense (including reasonable attorneys' fees and expenses) that result from such pledgor's violation of the Bank's requirements.

The Bank will adopt procedures to monitor compliance with this policy by:

- Verifying that all pledgors have executed an Advances Agreement;
- Adversely selecting collateral verification review samples based on loan type, credit bureau risk score, debt service-to-income ratio or loan documentation type;
- Reviewing loan documentation as part of CVRs;
- Analyzing loan characteristic data for loans reviewed as part of a collateral verification review;
- Re-underwriting a portion of loans reviewed as part of a collateral verification review;
- Maintaining a list of identified nontraditional and subprime lenders;
- Monitoring levels of past-due and nonaccrual loans as part of caseload reviews;
- Monitoring regulatory alerts for newly-issued public enforcement actions pertaining to subprime and nontraditional mortgage lending activities;
- Requiring that pledgors provide periodic confirmation to the Bank that Residential Mortgage Collateral does not violate applicable laws and regulations regarding subprime and nontraditional mortgage loans; and
- Requiring that pledgors subject to federal or state regulatory oversight provide periodic confirmation to the Bank that such pledgors are complying with applicable nontraditional residential and subprime mortgage lending guidance.

With respect to Residential Mortgage Collateral purchased by the pledgor, the pledgor is responsible for conducting due diligence that it deems sufficient to support its obligations to the Bank.

Management will report quarterly to the Credit and Collateral Committee and the board of directors the estimated volume of nontraditional residential mortgages and subprime mortgages, as well as private label securities backed by nontraditional residential mortgages and subprime mortgages, pledged to secure advances. Management will review with the Credit and Collateral Committee at least annually whether the Bank should impose a limit on the amount of nontraditional and subprime mortgages, and/or private label securities backed by nontraditional residential mortgages and subprime mortgages, pledged to secure advances. Any such limit must be approved by the Credit and Collateral Committee and the board of directors.

Effective May 3, 2010, the Bank adopted the following limits with respect to nontraditional and subprime residential mortgage loan collateral:

- Borrowers pledging nontraditional and subprime residential mortgage loan collateral originated prior to July 10, 2007, in an amount exceeding fifty percent (50%) of their total LCV must provide the Bank with loan-level reporting and will be subject to an annual CVR.
- Borrowers pledging nontraditional and subprime residential mortgage loan collateral originated prior to July 10, 2007, in an amount exceeding sixty percent (60%) of their total LCV may be subject to limitations on the availability of additional extensions of credit from

the Bank, as well as the loan-level reporting and annual CVR requirements described above.

Appendix F

Special Purpose Properties

A Special Purpose Property (SPP) is defined as a property or building having a limited or indefinable sale market with a unique physical design, special construction materials, or a layout that restricts its utility to a unique or special purpose. SPPs also include structures that are uniquely adapted to the business conducted upon it or use made of it and that cannot be converted to other uses without the expenditure of substantial sums of money (e.g., a church or synagogue). SPPs have limited marketability due to their design or use. In many cases, the lack of comparable sales or willing buyers in the marketplace may restrict or prohibit obtaining a readily ascertainable and reliable market value. A timely liquidation may not be achieved easily due to the extended amount of time that may be required to find a buyer willing to use the property “as is” or to expend additional monies to convert the property to an alternative use.

SPPs include, but are not limited to, the examples listed below; the Bank may deem other property types SPP upon review. The following property types do not constitute eligible collateral:

Agricultural - farms	Fishing camps	Paper mills
Airports and air transport facilities	Foundries	Parks and recreation centers
Amusement parks and centers	Funeral homes	Parking Facilities
Auditoriums	Gaming facilities	Petroleum plants
Automotive centers	Gas stations or oil service centers	Police stations with a secured detention
(repair, oil service, paint and body, etc.)	(or as an outparcel to a larger retail development, like a shopping center)	Power plants
Automobile, RV, boat or other dealerships	Golf courses	Public utilities
Bowling alleys	Grain elevators	Racetracks
Broadcast facilities	Hazardous waste and storage facilities	RV parks
Campgrounds	Hospital or treatment centers	Sewage treatment facilities
Car wash facilities	Incinerators	Sports arenas
Cemeteries	Junk yards	Steel mills
Clubhouses and/or pavilions	Libraries	Theaters – stand alone
Cold storage facilities	Lighthouses	Timber/timberland
Colleges, universities or schools	Lumberyards	Truck terminals
Convention centers	Marinas	Vacant/Unimproved land or landfills
Correctional facilities	Meat processing facilities	
Dairy processing plants	Military properties	
	Mineral mines, quarry sites	

Dormitories, not suitable for use as single family residence	Mobile Home parks -land
Equestrian properties	Motion picture studios
Feed mills	Nurseries/greenhouses

Eligible Commercial Mortgage Collateral consists of the following:

Fully disbursed first mortgage loans secured by improved office, retail, hotel/motel or industrial/warehouse properties. Examples include:

Office	Single and multi-tenant office buildings, executive suites, and government offices
Retail	Shopping malls, power centers, grocery-anchored shopping centers, fashion/specialty centers, unanchored strip centers, outlet centers, convenience stores, free standing retail Note: Any retail center or convenience store that contains an onsite gas station is considered ineligible
Industrial	Bulk warehouse, distribution, research & development (R&D), flex, light industrial
Hotel	Full service hotels, limited service hotels/motels

A Commercial Mortgage Loan is ineligible if: (i) it is subject to the effects of toxic or hazardous materials or substances or (ii) it is subject to a ground lease (unless the ground lease is subordinate to the mortgage and the remaining term of the ground lease is at least as long as the remaining term of the loan).