



Collateral Procedures

May 2018

Document Title:	Collateral Procedures
Document Owner:	Collateral Risk
Document Type:	Procedure
Bank Level Approver:	N/A
Board Level Approver:	N/A
Last Review Date:	May 2018
Next Review Date:	May 2019
Law/Regulatory Citation:	FHFA 1266.7 – Collateral and FHFA 1266.9 - Pledged collateral; verification
Associated Governing Document(s):	Member Products Policy



Table of Contents

1. Advances, Pledge, and Security Agreements (APSA)	2
1.1 Blanket APSA	2
1.2 Specific APSA	2
1.3 Delivery APSA	2
1.4 Housing Associate APSA	2
1.5 Affiliate Collateral Pledge and Security Agreement (ACPSA)	2
2. Eligible Member Collateral	3
2.1 Ineligible Collateral Asset Types	5
2.2 Loans Secured by Multiple Collateral	6
3. Eligible Affiliate Pledgor Collateral	6
4. Loan Collateral	6
4.1 Loan Collateral Pledging Statuses – Depository Members	6
4.2 Loan Collateral Pledging Statuses – Nondepository Members	13
4.3 Electronic Notes	15
4.4 Loan Participation Interests	16
4.5 Releasing Loan Collateral	16
5. Securities Collateral	16
5.1 Pledging Time Certificates of Deposit	18
5.2 Releasing Pledged Securities and TCDs– All Custodians	18
6. Security Interest Perfection	19
7. Collateral Valuation	20
7.1 Advance Equivalent Value	20
7.2 Collateral Valuation –Market Value (MV)	20
7.3 Loan to Value (LTV)	21
8. Collateral Verification and Compliance	22
9. Anti-Predatory Lending	24
10. Subprime and Nontraditional Loans	24
11. Glossary	25



Collateral Procedures

These Collateral Procedures (Procedures) supplement the Bank's Member Products Policy (MPP) and may be amended, superseded or replaced by the Bank's management from time to time.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

The Bank grants or renews credit solely on a secured basis and requires a Member or Housing Associate to pledge and maintain sufficient Eligible Collateral to secure Total Credit Exposures at all times.

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

Collateral staff is willing to assist Members and Housing Associates with identifying and pledging Eligible Collateral. The Collateral Department can be contacted via email at advancecollateral@fhlbdm.com or by phone at 1.800.544.3452 ext. 5408.

Capitalized terms used in these Procedures that are not defined within the body of the Procedures are defined in the Glossary. It is important that the Procedures be read using the Bank's definitions and in conjunction with the MPP, the eligibility checklists and the securities eligibility guidelines available in the "Collateral" section of our Members site on www.fhlbdm.com.

Highlighted terms represent documents available at the "Collateral" section of our Members Site on www.fhlbdm.com.



Collateral Procedures

1. Advances, Pledge, and Security Agreements

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

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

1.1 Blanket APSA

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

1.2 Specific APSA

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

1.3 Delivery APSA

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

1.4 Housing Associate APSA

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

1.5 Affiliate Collateral Pledge and Security Agreement (ACPSA)

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



Collateral Procedures

2. Eligible Member Collateral

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

2.1 General Loan Eligibility Requirements

All loan collateral pledged to the Bank must meet the following general loan eligibility requirements. **These eligibility guidelines supplement and are in addition to the specific criteria contained on the eligibility checklists for each loan collateral category available at the "Collateral" section of our Members site on www.fhlbdm.com.**

- Note Originality: Original physical paper note and original physical modifications/extensions must be available for FHLB Des Moines review.
 - Loans with scanned or imaged copies of paper notes are NOT eligible.
 - Loans with lost or destroyed notes are NOT eligible.
 - Loans with facsimile signature notes are NOT eligible.
 - Loans with electronic signature notes (aka electronic notes) are NOT eligible.
- Note Ownership: Note must be payable to Member or Affiliate or assigned via a signed endorsement.
- Interest Capitalization: Note does not permit and its unpaid principal balance does not include capitalized interest, except FFELP student loans.
- Government Guarantee: Except as noted below, loan must not be guaranteed by the U.S. Government or its agencies unless pledged in a collateral type requiring such guarantee.
 - Small Business Administration (SBA) loans may be pledged as Commercial Real Estate loans or Secured Business Loans or Lines of Credit provided the loan meets all applicable for the respective collateral type.
- Loan Type Limitations: Loan must not be a lease financing receivable, contract or a secured bond or similar instrument originated by a political entity for purpose of tax exemption.
- Reverse mortgages are acceptable only when pledged as FHA Home Equity Conversion Mortgages (HECM).
- Construction: Loan must not be secured by property under construction unless pledged as 1-4 family construction loan collateral.
- Payment Status: Loan must not be more than 90 days past due, on non-accrual, in foreclosure or charged-off. Home equity mortgage loans, HELOCs, 1-4 family first mortgage construction loans, commercial real estate lines of



Collateral Procedures

credit, and multi-family lines of credit, secured business lines of credit and secured agri-business lines of credit collateral must not be more than 30 days past due.

- Participation: Loan must not be a participation interest if pledged in a wholly owned collateral type (Note: 100% participation purchase is to be pledged as a participation loan).
- Classification: Loan must not be classified substandard, doubtful or loss internally or by a regulator.
- Obligor Limitations: borrowers, obligors and/or guarantors must not be:
 - an employee, officer, director, attorney or agent of FHLB Des Moines or pledging institution
 - a company controlled by an employee, officer, director, attorney or agent of FHLB Des Moines or pledging institution.
 - a state or political subdivision (except BIA guaranteed loans to tribal councils).
 - A depository or non-depository financial institution.
- Other Creditor: Loan must not be pledged to other creditor (e.g. Federal Reserve). Loan must not share collateral with loan pledged to other creditor.
- Intent to Hold/Sell: Loan must not be temporarily held with intention to sell in the near future unless pledged as in the 1-4 Family First Mortgage Held for Sale collateral category (type 1106).
- General Compliance: Loan must comply with applicable laws and regulations and FHLB Des Moines policies & procedures.
- Transferability: Loan must not include restrictions limiting transferability or assignability to potential holders in due course.
- Borrowing Authority: Documentation evidencing and related to borrowing authority, existence and good standing has been executed. Loans executed on behalf of other person/entity must evidence an executed, valid Power of Attorney authorization.
- Self-Directed IRAs: Loans secured by Self-Directed IRAs must include signed application indicating intent, approved custodian organizational documentation and signed disclosure for acknowledgment/ approval by IRA holder.
- Active Status: Loan must not be paid off, sold or matured prior to the collateral reporting date. Loan must not be originated or acquired after collateral reporting date.
- Fraud: Loan must not be fraudulent or contain unexplained evidence of fraud.
- File Existence: Loan file is available for review by FHLB Des Moines collateral review personnel.
- Market Pricing: Loans priced by FHLB Des Moines require all mandated FHLB



Collateral Procedures

Des Moines data elements be provided.

- Private Transfer Fees: Loan is not secured by property encumbered by a non-excepted private transfer fee created on or after February 8, 2011 (FHFA Reg. 1228).
- Single Property Loans: Loans with an unpaid principal balance greater than or equal to \$200,000,000, will not receive Advance Equivalent Value on the unpaid principal balance exceeding \$200,000,000.
- Reported Balance: The loan's reported unpaid principal balance must reflect the remaining principal due per the loan's stated terms as of the day of reporting. For participation loans, the reported principal balance is the net amount owned by the pledgor.
- Servicing: The loan must be serviced according to the loan's contractual requirements.
- Federal Legalization: The loan must not support an activity that has not been federally legalized.

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

2.2 Ineligible Collateral Asset Types

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

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

Loans with borrower collateral defeasance options are not Eligible Collateral.

For members pledging commercial real estate under a specific or delivery APSA, the Bank does not generally accept loans secured by recreational, specialty, lodging and/or other non-contractual rental income based commercial or multi-family real properties.



Collateral Procedures

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

2.3 Loans Secured with Multiple Collateral

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

- more than 50% of the assets securing the loan Collateral is the same assets as the collateral category the loan Collateral and
- the remaining assets securing the loan Collateral are eligible Mortgage Collateral or property related furniture, fixtures and equipment both subject to all eligibility requirements per the collateral type's eligibility checklist.

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

3. Eligible Affiliate Pledgor Collateral

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

4. Loan Collateral

The collateral type, the APSA/ACPSA type and the Member's financial condition determine the Collateral Pledging Status and reporting method requirements for Pledgors. Pledgors may pledge Collateral to the Bank as a portfolio, assigning specific Collateral, or placing Collateral in physical possession of the Bank or its custodians.

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

Credit Capacity-Collateral Requirements-Term Limits – Non-depository Members outlines the Collateral pledging status for Non-depository Members given their maximum credit capacity. Non-depository Members and Housing Associates typically execute a form of Delivery APSA.

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

4.1.1 Standard Reporting - Borrowing Base Certificate (BBC) Pledging

Members subject to Standard Reporting that have executed the Blanket



Collateral Procedures

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

Submitting BBC Forms

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

BBC Users

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

BBC Reporting Due Dates and Frequency

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

Tardy BBCs

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

4.1.2 Standard Reporting - Loan Listing File Pledging Blanket APSA

Members that have executed the Blanket APSA subject to Standard Reporting along with their Affiliate Pledgors pledge certain loan Collateral identified on *Collateral Pledged - Loan Listing Files* submitting a loan listing file using their secure eAdvantage site.

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

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



Collateral Procedures

Submitting Loan Listing Files

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

Loan Listing Users

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

Loan Listing File Formats

The *General File Format* is to be used by Members that have signed a Blanket APSA subject to Standard Reporting and their Affiliate Pledgors pledging loans included on the *Collateral Pledged - Loan Listing File*.

The *Student Loan File Format* is to be used by Members that have signed a Blanket APSA and their Affiliate Pledgors pledging Federal Family Education Loan Program (FFELP) Guaranteed Student Loans (type 1285).

Loan Listing File Reporting Due Dates and Frequency

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

Tardy Loan Listing Files

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

4.1.3 Standard Reporting - Loan Listing File Pledging Specific APSA

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

Collateral Pledged –Loan Listing Files (Specific APSA) identifies the loan



Collateral Procedures

Collateral categories available to be pledged by Members executing a Specific APSA and their Affiliate Pledgors.

Submitting Loan Listing Files - Specific APSA

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

Loan Listing File Formats

The *Expanded Resi File Format* is to be used by Members and their Affiliate Pledgors pledging residential real estate loans identified on *Collateral Pledged - Loan Listing Files (Specific APSA)*.

The *Expanded CRE File Format* is to be used by Members and their Affiliate Pledgors pledging commercial and multifamily real estate loans identified on *Collateral Pledged - Loan Listing Files (Specific APSA)*.

The *Student Loan File Format* is to be used by Members and their Affiliate Pledgors pledging FFELP Guaranteed Student Loans (type 1285).

Loan Listing File Reporting Due Dates and Frequency

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

Tardy Loan Listing Files -

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

4.1.4 Listing Required - Loan Listing File Pledging Blanket APSA

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

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



Collateral Procedures

Submitting Loan Listing Files

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

Loan Listing Users

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

Loan Listing File formats

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

Loan Listing File Reporting Due Dates and Frequency

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

Tardy Loan Listing Files -

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

4.1.5 Delivery Required - Blanket APSA

Members subject to Delivery Required Collateral Reporting Status that have executed the Blanket APSA, along with their Affiliate Pledgors, pledge loan collateral using a loan listing file submitted via the Member's secure eAdvantage site and deliver all loan collateral to the Bank or an approved custodian. The Bank may require loan collateral delivery in other situations when it believes conditions exist such that Collateral should be in the possession of the Bank.

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



Collateral Procedures

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

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

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

Loan Listing Users

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

Loan Listing File Reporting Due Dates and Frequency

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

Tardy Loan Listing Files –

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

Loan Listing File formats

The *General File Format* is to be used by Members that have signed a Blanket APSA and their Affiliate Pledgors pledging loans included on the *Collateral Pledged – Delivery Required – Blanket APSA*.

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

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



Collateral Procedures

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

4.1.6 Delivery Required - Specific APSA

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

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

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

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

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

File formats

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

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

The *Student Loan File Format* is to be used by Members that have signed a Specific APSA and their Affiliates and are required to deliver pledged FFELP Guaranteed Student Loans (type 1285) to the Bank or an approved custodian.

Loan Listing File Reporting Due Dates and Frequency

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



Collateral Procedures

Tardy Loan Listing Files –

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

4.2 Loan Collateral Pledging Statuses – **Nondepository Members**

4.2.1 Required Delivery - Delivery APSA

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

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

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

Loan Delivery Instructions outlines procedures for pledging delivered loans to the Bank or an approved custodian.

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

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

File formats

The *Expanded Resi File Format* is to be used by Non Depository Members that have signed a Delivery APSA and are required to deliver pledged residential real estate loan types identified on *Collateral Pledged – Delivery Required (Delivery APSA)* to the Bank or an approved custodian.

The *Expanded CRE File Format* is to be used by Members that have



Collateral Procedures

signed a Specific APSA and their Affiliates and are required to deliver pledged commercial and multi-family loan types identified on *Collateral Pledged - Delivery Required (Delivery APSA)* to the Bank or an approved custodian.

Loan Listing File Reporting Due Dates and Frequency

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

Tardy Loan Listing Files

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

4.2.2 Required Delivery - Housing Associate APSA

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

Loan Listing Users

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

Loan Listing File formats

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

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

The *Expanded Resi File Format* is to be used by Housing Associates that



Collateral Procedures

have signed a Housing Associate APSA and are required to deliver pledged non-government guaranteed residential real estate loan types identified on *Collateral Pledged – Delivery Required (Housing Associate APSA)* to the Bank or an approved custodian.

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

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

Loan Listing File Reporting Due Dates and Frequency

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

Tardy Loan Listing Files –

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

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

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

4.3 Electronic Notes

Electronic notes that are promissory notes created electronically, executed electronically, transferred electronically and stored electronically cannot be pledged as Collateral at the Bank.



Collateral Procedures

4.4 Loan Participation Interests

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

A *Participation Agreement Approval Worksheet* needs to accompany documents provided to the Bank for each individually purchased loan participation interest pledged.

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

4.5 Releasing Loan Collateral

BBC Releases and Modifications

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

Loan Listing File and Delivered Loan Releases and Modifications

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

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

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

Delivered Loan Releases and Modifications

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

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

5. Securities Collateral

Securities Collateral Pledged – Depository and Insurance Company Members outlines the Securities Collateral categories available to be pledged by all Pledgors, except



Collateral Procedures

CDFIs and Housing Associates.

Securities Collateral Pledged – CDFI Members outlines the Securities Collateral categories available to be pledged by CDFI Members.

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

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

Custodial institutions must meet eligibility criteria outlined in the MPP and provide the following information annually to the Bank:

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

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

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

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

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

Instructions for transferring securities to the Bank's Safekeeping Department are outlined in *Securities Delivery Instructions* or are available by contacting Member & Financial Operations at safekeeping@fhlbdm.com or 1.800.544.3452 ext. 5415.



Collateral Procedures

Securities Users

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

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

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

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

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

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

5.1 Pledging Time Certificates of Deposit

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

5.2 Releasing Pledged Securities and TCDs- All Custodians

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

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

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

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



Collateral Procedures

6. Security Interest Perfection

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

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

Lien Protection Products

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

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

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

Other Creditors

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

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



Collateral Procedures

7. Collateral Valuation

7.1 Advance Equivalent Value

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

The Advance Equivalent Value assigned to Collateral:

- is determined at a Member's Collateral type portfolio level;
- represents the pledged assets' book or market value multiplied by its Collateral type LTV;
- must be equal or greater than Member's Total Credit Exposure at all times; and
- will be identical for all identical CUSIPS pledged by any Member.

7.2 Collateral Valuation –Market Value (MV)

7.2.1 Securities

- MV is updated weekly;
- lowest of three independent vendors' indicated price is applied to securities Collateral; and
- MV can be greater than the securities' par, face or book value.

7.2.2 Loans

Members with a Blanket APSA

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

Members with a Specific and Delivery APSA

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

Residential Mortgage Collateral

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

Held for sale residential mortgage loans may be periodically priced.



Collateral Procedures

Commercial Mortgage Collateral

- MV is determined for each loan pledged;
- MV is generally determined quarterly using a vendor determined price – more frequent pricing may occur at the Bank’s discretion;
- MV = UPB for newly pledged loans until an initial vendor price can be determined; and
- MV = weighted average price of portfolio for loans pledged during period before an updated price is determined.

Pledged FFELP student loans may be periodically priced.

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

7.3 Loan to Value (LTV)

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

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

LTV components generally include:

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

7.3.1 Securities LTVs

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

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

In determining the applicable Securities Collateral rating, the Bank:

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

Securities’ Collateral LTVs are affected by:

- remaining term to maturity - treasuries and agency debt; and



Collateral Procedures

- rating assigned to CUSIP.

7.3.2 Mortgage and Other Collateral LTVs

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

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

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

The Bank establishes portfolio specific LTVs for:

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

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

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

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

8. Collateral Verification and Compliance

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



Collateral Procedures

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

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

- Financial condition;
- APSA type executed;
- Member mergers/acquisitions
- Time since last MCV;
- Types of pledged Collateral; and
- Total outstanding credit exposure.

All Members and Housing Associates pledging loan collateral will be scheduled for a MCV on a five-year schedule. However, MCVs may also be scheduled more frequently based on the criteria listed above. In addition, a Member or Housing Associate may specifically request a MCV. On occasion, and including some MCV request instances, a MCV may be subject to fees as detailed in the Bank's *Collateral Fee Schedule*.

MCV Implications for Advance Equivalent Capacity – Blanket APSA

The MCV performed by the Bank involves three key evaluations that can affect a Members Advance Equivalent Value. The first two key evaluations made during an MCV will affect the final Advance Equivalent Value of all pledged loan collateral. They are the proportion of loans meeting all eligibility criteria in a MCV sample compared with the total loans reviewed in a MCV sample, and the other is an assessment of underwriting practices against procedural criteria outlined in the Underwriting Assessment Matrix (UWA) Matrix. Eligible loans not meeting the criteria outlined in the UWA are discounted to offset the valuation risk owing to the underwriting condition. The combination of these two evaluations result in what is called an Adjusted Eligibility Factor (EF) which is then applied to all pledged loan collateral.

The third key evaluation only affects 1-4 Family First Mortgage collateral, and is a determination of the percentage of loans originated after 7/10/2007 that contain subprime and/or nontraditional characteristics as defined by the MPP resulting in the 1-4 Family First Mortgage portfolio being segregated accordingly into the following tiers:

- Tier 1 (prime loans – type 1101)
- Tier 2 (loans with nontraditional characteristics – type 1102)
- Tier 3 (loans with subprime characteristics – type 1103).

LTVs are applied according to the tier percentages above when Members pledge 1-4 Family First Mortgage collateral.

For all Members executing the Blanket APSA and their Affiliate Pledgors, the Advance Equivalent Value is calculated by taking the Mortgage or Other Collateral's Unpaid Principal Balance (UPB) multiplied by the Adjusted Eligibility Factor (EF) and then



Collateral Procedures

applying the applicable collateral type LTV.

9. Anti-Predatory Lending

The Bank requires that residential Mortgage Collateral comply with applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, anti-predatory lending laws). The Bank's *Anti-Predatory Lending Policy* outlines guidance on how the Bank discourages predatory lending practices

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

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

Pledgors of residential Mortgage Collateral are responsible for avoiding all unlawful practices and terms prohibited by applicable anti-predatory lending laws. The Bank will take those steps it deems reasonably necessary in order to confirm or monitor compliance with its Anti-Predatory Lending Policy.

If abusive lending issues are identified by the Member's regulator, or if, Bank staff identifies anti-predatory lending abuses, the Member will be required to undertake a review of its policy and procedures for compliance with the Bank's Collateral policies. At its discretion, the Bank may permit such a review to be conducted by the Member's internal auditor or the Bank may choose to conduct the review itself or use a third party, at the expense of the Member.

The Bank reserves the right to require evidence reasonably satisfactory to the Bank that residential Mortgage Collateral does not violate applicable anti-predatory lending laws. With respect to residential Mortgage Collateral pledged by an Affiliate Pledgor or Housing Associate, the Affiliate Pledgor or Housing Associate is responsible for conducting due diligence that it deems sufficient to support its certification and indemnification agreements with the Bank. The Bank reviews Member regulator exam reports for findings pertaining to fair lending and/or abusive lending practices; and monitors Member regulator alerts for newly issued supervisory agreements, memoranda of understanding, or cease and desist orders pertaining to fair lending and/or abusive lending practices.

10. Subprime and Nontraditional Loans

Conventional residential loans that meet the Bank's definition of subprime and/or nontraditional as outlined in the MPP may be subject to additional due diligence during



Collateral Procedures

collateral reviews, lower LTVs or classified as ineligible for pledging as Collateral.

The Bank will identify loans meeting its definition of Subprime and Nontraditional during the field review process using a sample of the pledged Collateral portfolio. Eligible subprime and nontraditional loans pledged will be subject to lower LTVs.

At the conclusion of a MCV, pledged first lien residential loans that are not home equity loans will be classified as Tier 1, Tier 2 or Tier 3. Tier 1 loans will include eligible loans that do not have subprime or nontraditional characteristics as defined by the Bank. Tier 2 loans will consist of eligible loans identified as having nontraditional loan characteristics. Tier 3 loans will consist of eligible loans identified as having subprime characteristics. The percentage of the portfolio that the Tier 1, 2 and 3 loans represent will be given at the conclusion of the MCV, and Members' future Advance Equivalent Values will be based on these percentages.

In the event that a loan is both nontraditional and subprime, the Tier will be based on the more adverse attribute.

11. Glossary

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

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

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

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

Bank – The Federal Home Loan Bank of Des Moines.

Bank Act – The Federal Home Loan Bank Act.

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

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

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



Collateral Procedures

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

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

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

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

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

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

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

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

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

Federal Housing Finance Agency – An agency of the United States Government that has regulatory authority and supervisory oversight responsibility for the twelve Federal Home Loan Banks, Fannie Mae, and Freddie Mac.

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

Housing Associate – A chartered institution or State Housing Finance Agency that has been approved as a Housing Associate that may obtain Advances from the Bank if certain requirements are met. The full regulatory definition and eligibility requirements for Housing Associates is available at Parts §1264.1, 1264.3 and 1264.4 of Federal Housing Finance Agency Regulations.

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



Collateral Procedures

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

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

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

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

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

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

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

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

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

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

State Housing Finance Agency (SHFA) –A public agency, authority, or publicly sponsored corporation that serves as an instrumentality of any state or political subdivision of the state, and functions as a source of residential mortgage loan financing in that state; or a legally established agency, authority, corporation or organization that serves as an instrumentality of any Indian tribe, band, group, nation, community or Alaska Native village recognized by the United States or any state, and functions as a source of residential mortgage loan financing for the Indian or Alaska Native community.

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



Collateral Procedures

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