

Improving CVR Results and Expanding Lendable Collateral Value

March 26, 2015

Agenda

- Collateral Eligibility Updates 2012 - 2015
- Most Common Eligibility Exceptions in 2014
- Steps in the Collateral Verification Review Process
- Additional Collateral Resources

Collateral Eligibility Updates

HELOCs/2nd Mortgages (2012 update)

- 1st and 2nd liens only
- ***Lien Protection Policies (loss coverage for loans not in correct lien position) are not accepted as proof of lien position***
- Preliminary lien verification is acceptable; the preliminary must meet the following requirements:
 - Line commitment must be < \$250,000
 - Lien search dated no more than 45 days prior to loan closing
 - Borrower must sign borrower's affidavit indicating all liens have been disclosed.
 - Search must be conducted on the legal description or physical address of the property; searches on borrower name are not accepted except in those counties or states where physical addresses are not indexed.
- ***Post-closing lien verification is required for commitments of \$250,000 or greater for both HELOCs and 2nd Mortgages.*** Post closing lien verification may ***not*** be obtained after the "as of" date.
- Proof of satisfaction of prior lien must be recorded on or before the "as of" date.

Increased LTV Limit for Residential Portfolio (2012)

- Limited to residential loans with LTV at origination 100% or less.
- The current LTV must not exceed 130% based on the most recent valuation available.
- If a post origination valuation was not obtained, the current LTV may not exceed 130% of the valuation relied upon at origination.
- Loan must be current and adhere to all other eligibility requirements.

*Updated September 2014

Eligible Commercial and Multifamily Real Estate Loans Expanded to Include 2nd Liens (2012)

- Must sign an addendum to the borrowing agreement before reporting the 2^{nds} on the QCR.
- Limited to 2nd mortgage CRE and MF loans in which the Bank's shareholder owns the 1st mortgage loan.
- Borrower and property securing the loan must be identical on both loans.
- Combined LTV of both loans must be less than or equal to 85%*.
- Both loans must meet all other eligibility requirements.
- 2nd lien loan is treated as an extension of the 1st mortgage loan.
- If a 2nd lien loan is selected in the CVR sample, the Bank will review the eligibility of both the 1st and the 2nd.

*Combined LTV for places of worship must be < 50%.

Eligible Commercial Property Types Expanded (2012)

The eligibility of certain commercial real estate (CRE) loans secured by special purpose properties has been expanded. The recommended steps for identifying loans that can be added to the QCR are:

Step 1: Remove CRE loans secured by property types ineligible under Bank policy

- Loans with **potential environmental issues** (gas stations, auto repair, oil changing facilities, etc)
- Loans with **noted or unresolved Phase 1 or Phase 2 issues** (or similar environmental reports)
- **Vacant land** or similar properties such as farms, mobile home parks, campgrounds, fish camps, RV parks, timberland, and parking lots (includes lots with a payment booth and attendant)
- **Marinas**, including slips, docs, and dry dock storage
- **Saw mills**
- **Radio and Cell Towers**
- **Stand alone restaurants** not in the top 10 list (includes coffee shops, bakeries, etc.)
- **Bars/Night Clubs/Casinos**
- **Correctional facilities**
- **Incinerators**
- **Military property**
- **Mineral mines and quarries**
- **Heavy industrial plants** (petroleum plant, meat processing plant, power plant, public utility, steel mill, foundry, etc.)

Eligible Commercial Property Types Expanded (continued)

Step 2: Identify CRE loans approved by the Bank to receive 100% of the LCV

- **Retail** – Malls, power centers, grocery-anchored centers, fashion/specialty centers, outlets, strip centers, convenience stores without gas pumps, free-standing retail
- **Office** – Office buildings, executive suites, medical office, government, banks
- **Hotel/Motel** – Full and limited service hotel/motel
- **Industrial** – Warehouse, distribution, R&D, flex and other light industrial
- **Top 10 Restaurants** based on sales revenue or units operated
- **Places of Worship** with LTV < 50%
- **Assisted Living Facilities, Nursing Homes, Retirement Homes**
- **Funeral Homes**
- **Community Centers**
- **Mini or self-storage**
- **Daycare centers** (pre-school on site is permitted)
- **Veterinarians and animal hospitals** (may include kennels, dog runs)
- **Condotels**

Eligible Commercial Real Estate Property Types Expanded (continued)

Step 3: Identify performing CRE loans that may be added to the QCR to receive 50 % of the standard LCV

Additional performing CRE loans may be reported as special purpose loans if they:

- ◆ Are not on the list of ineligible property types in Step 1
- ◆ Are not on the list of property types in the 100% LCV category in Step 2
- ◆ Meet all other eligibility requirements for CRE, and
- ◆ Are reported on page 2 of the CRE QCR as “Special Purpose”

Additional information and examples of specific property types that may be reported as special purpose properties are included on the FHLBank web site at:

<http://corp.fhlbatl.com/files/documents/acceptance-of-eligible-special-purpose-CRE.pdf>

Mandatory Arbitration (2013)

Effective June 1, 2013, mandatory arbitration was no longer permitted under the provisions of the Dodd-Frank Act.

- Loans with an application date on or after June 1, 2013 will be considered ineligible collateral if the loan documents require mandatory arbitration.
- This provision of the Dodd-Frank Act applies to 1-4 residential and HELOC/second mortgage loans.
- Loans with applications that were received prior to June 1, 2013, are not impacted by this provision of Dodd-Frank, even if the loans were approved or funded on or after June 1, 2013.
- These requirements do not apply to commercial transactions or to loans for business purposes.

Original Notes (2013 update)

- The original ink-signed note must exist and be in the control of the shareholder or its agent. If the original note has been lost or destroyed, the related loan is ineligible collateral.
- Imaged copies of original notes or lost note affidavits will not be accepted as eligible collateral.
- *Loans originated as electronic notes for which the shareholder does not have in its possession an original note with the original, handwritten signature of the borrower will not be accepted as eligible collateral.*

Use of Tax Assessments as Valuation Documents (2014)

FHLBank Atlanta considers tax assessments as valuation documentation for loans pledged as collateral only when the shareholder relies on the tax assessments as a valuation source (at either origination or post-origination):

- If the shareholder relies upon a post-origination tax assessment as a valuation document for an individual loan, then the tax assessment will be treated as a valid, updated valuation document for the purpose of calculating the current loan-to-value (LTV). Some Bank shareholders do use tax assessed values as updated, current valuations.
- If there is no indication that the shareholder relied upon the tax assessment for an updated valuation on an individual loan, then the tax assessment will not be used as a valid, updated valuation document for the purpose of calculating the current LTV. Instead, the Bank will use the most recent valuation document, other than the tax assessment, to determine the most recent LTV.
- If the only valuation document provided for an individual loan is a tax assessment, then the Bank will use the tax assessment as a valid valuation document to determine the current LTV.
- As a reminder, all valuation documentation obtained for an individual loan must be included in the file and made available for review during the Collateral Verification Review.

Qualified and Non-Qualified Loans (2014)

- The QM rule has the effect of dividing newly originated residential mortgages into QM or Non-QM loans.
- Residential 1-4 mortgages and home equity loans, including new originations subject to the QM rule, will continue to be subject to all other Bank eligibility requirements and will be reviewed for eligibility through the Collateral Verification Review process.
- Home equity lines of credit are not covered transactions under the QM rule. Therefore, home equity lines of credit are not subject to a QM or non-QM designation.
- FHLBank Atlanta will accept non-QM loans as eligible collateral, subject to all other Bank eligibility requirements for residential 1-4 mortgages and home equity loans.

Multifamily Flood Certifications and Insurance (2014)

- On June 1, 2014, the maximum building coverage limit available under the Standard Flood Insurance Policy General Property form for multifamily (Other Residential) buildings that contain five or more residences increased from \$250,000 to \$500,000 for new policies, renewals, and change endorsements in accordance with the Biggert-Waters Flood Insurance Reform Act of 2012.
- FHLBank Atlanta guidelines for adequate coverage for the multifamily portfolio have changed to reflect this new requirement. The insurance must cover the lesser of the unpaid principal balance, the replacement cost of the improvements, or \$500,000 for new policies, renewals, and change endorsements dated on or after June 1, 2014.

Borrowing Resolutions (2015 update)

- Non-natural borrowers (corporations, LLCs, partnerships or other business entity) must provide a borrowing resolution that specifically authorizes the signers on the promissory note to incur debt on behalf of the borrowing entity for a particular loan transaction.
- FHLBank previously required that the borrowing resolution be dated on or before the date of the note.
- *The borrowing resolution may now be dated after the date of the note, but the resolution must be dated on or before the Collateral Verification Review “as of date” to be eligible.*
- Borrowing resolutions that are not dated will not be accepted as eligible documentation.

Ground Leases (2015 update)

- Ground lease must be in subordinate lien position to subject mortgage and the term of the ground lease must equal or exceed the note maturity.
- The only exceptions to the above are as follows:
 - The Bank will accept a ground lease in a superior lien position when the ground lease is held by utility companies or the U.S. Army Corps of Engineers **and** the term of the ground lease exceeds the subject mortgage. Certain shorter-term unsubordinated utility company ground leases may be accepted if the leases contain an automatic renewal clause.
 - The Bank will accept residential properties located in the state of Maryland that are subject to unsubordinated ground leases in a superior lien position under certain circumstances. For additional information refer to page 31 of the following document:
<http://corp.fhlbatl.com/files/documents/cc-collateral-faq.pdf>

Environmental Concerns (2015 update)

- If loan documentation in the file indicates the presence of an environmental concern and/or recommends that an assessment or further investigation be performed on the property, then evidence of the assessment and/or investigation conducted must be present in the loan file
- Recognized environmental concerns (RECs) must be completely remediated in order for the property to be considered eligible collateral. The report must provide a description of the remediation actions that were taken, as well as a conclusion that no further action is warranted on the property
- Environmental documentation provided must show all remediated actions were completed on or before the as of date

Underground Storage Tanks (2015 update)

- Properties with Underground Storage Tanks (USTs) where the tank has not been properly filled or removed are ineligible.
- For properties where a UST has been filled or removed, the Bank requires evidence of an independently prepared environmental report in the file which indicates a conclusion that no recognized environmental conditions were identified as a result of sampling conducted post-removal or closure of the UST, and no further action is required. The environmental report must be dated after the Underground Storage Tank has been filled or removed.

Extrapolation Rates for Loan Portfolios Not Previously Reviewed (2015 update)

- FHLBank Atlanta has updated the extrapolation rates applied to loan portfolios that have not been reviewed through the CVR process.
- The rate applied to an unreviewed loan portfolio equals the median extrapolation rate for all reviewed portfolios of the same loan type. The median extrapolation rate is replaced with the actual rate upon the completion of the initial CVR.

Loan Type	1/30/2015	1/30/2014	8/13/2013	1/30/2013
Residential	2.00%	4.00%	4.00%	4.00%
Multifamily	0.00%	0.00%	0.00%	0.00%
HELOCs/2 nd Mortgages	2.00%	2.00%	2.00%	2.00%
Commercial Real Estate	5.00%	7.14%	4.00%	5.71%

Most Common Eligibility Exceptions in 2014

2014 Common Loan Exceptions Rankings

Exception Type
#1 Ineligible loan-to-value ratio
#2 Ineligible property type
#3 Missing/Unsatisfactory lien verification
#4 Mortgage in inferior lien position
#5 Note not fully funded
#6 Manufactured home missing evidence of conversion to real property
#7 Environmental Concerns*

* See slides 17-18

#1 - Property Valuations and Loan-to-Value

Clarification of Valuation Requirements

- If an updated valuation is obtained after origination for any purpose,* the Bank will expect to see the most recent valuation in the file and will rely on it for LTV purposes. A valuation document includes any type of valuation listed in bullet three below.
- A property valuation dated or obtained after the “as of date” of a CVR may not be used to determine the LTV.
- Acceptable valuations** include:
 - Certified/professional appraisals
 - Limited/AVM type appraisals (middle value)
 - Tax valuations and assessments
 - Internal valuations accompanied by tax assessment records and/or comparable sales
- All valuations listed above must adequately describe the property type and the improvements.

*Updated tax assessments will not be used as valuation documentation if the shareholder did not rely on such documentation as a valuation source.

**May be subject to change upon any required implementation of Dodd-Frank requirements for eligibility purposes.

What valuation will be used to calculate LTV?

Purchase Transactions:

- The lower of purchase price or appraised value (or other valuation document) should be used within 12 months of origination.
- The most recent appraisal or valuation (prior to the as of date) will be used for loans seasoned 12 months or more.
- If there is no recent valuation within the file beyond 12 months after origination, the lower of purchase price or appraised value at origination will be used.
- If the loan has been modified/renewed, the most recent valuation (dated prior to the as-of date) will be used.

Non Purchase Transactions:

- The most recent valuation available should be used. However, a tax assessment will be used as valuation documentation only when the shareholder relies on the tax assessments as a valuation source or when the tax assessment is the only valuation document available.
- Tax assessments that are used only to verify the existence of a PACE lien will not be used as a valuation document.

Evidence of Completion

- Evidence of completion of the improvements must be provided for appraisals that are “subject to completion.” This evidence may be provided after the “as of” date of the review. Acceptable documentation includes:
 - Certificate of Occupancy
 - Certificate of Completion
 - Recertification of Value
 - Loan Officer’s Certification

Acreage Limitations

- FHLBank Atlanta requires that all loans reported as collateral be secured by improved property. Vacant or raw land is an ineligible property type.
- If the loan is secured by multiple forms of collateral which include vacant land, the value given to the vacant land must be excluded from the LTV calculation.

Example: A loan is secured by a residential home, a vacant land lot, and a condominium on the beach. The value of the vacant land should not be included in the LTV calculation; the LTV for residential properties may not exceed 100% when the value of the land is excluded.

Acreage Limitations

Residential and HELOC/2^{nds}

- If the residential improvements are located on a parcel containing more than five acres, the Bank requires comparable(s) in the immediate submarket to evidence that the acreage is typical for the area.
- The amount of land used to support the LTV may not exceed 15 acres. Bank loan reviewers will calculate the value per acre and subtract the value of the excess acreage from the appraised value when calculating the LTV during a Collateral Verification Review.

Acreage Limitations

Commercial and Multifamily Loans

- Acreage should be reasonable with respect to the size of the property improvements and be typical for the area.
- Excess land identified in the valuation may not be used in the LTV calculation.

#2 - Property Type

Church/Synagogue/House of Worship

- Stand-alone Churches, Synagogues, and Houses of Worship (Church) must have a loan-to-value of $\leq 50\%$ in order to be eligible.
- Churches, synagogues and houses of worship are considered “standard” loans and should not be reported as “special purpose.”
- Single family homes used as a church office or parsonages are also eligible collateral and should be reported with the church in the Commercial portfolio when located on the same site.

Dry cleaners are only eligible if:

- The processing is done off-site; or
- The cleaner exclusively uses hydro-carbon cleaning agents and evidence of such use is in file.
- Please note that if the dry cleaner is currently using hydro-carbon cleaning agents, but historically has used other cleaning agents that may have created environmental issues (such as ground water contamination), then an environmental report showing no impact to the property from the prior use must be provided. The environmental report should be dated on or before the as of date of the CVR and must have been prepared after the switch in solvents.
- If a prior contamination was remediated and a “no further action” report was obtained, a copy of the report dated on or before the as of date must be provided for the loan to be eligible.

Anchored or Unanchored Strip Centers

- Anchored and unanchored strip centers are eligible collateral. However, if a property is special purpose due to environmental risk, the center may be ineligible. For example, if one of the tenants is an auto repair facility, gas station, or an on-site dry cleaner, it will disqualify the entire center.
- If a stand-alone restaurant (not on the top ten list) is located on the same parcel as the retail center, both the restaurant and the retail center are eligible collateral.
- Retail centers that include restaurants as tenants (not on the top ten list) are eligible collateral.

Mixed Use Property

Any loan containing multiple forms of eligible collateral should be reported in the portfolio with the lowest lendable collateral value percentage. Examples:

- A qualifying loan is secured by a house and an office building and both values are needed for LTV purposes. This loan is eligible to be pledged as long as it is reported in the portfolio receiving the lower lendable collateral value (Commercial portfolio).
- Loans secured by a mixed-use property, such as ground level retail and upper level apartments, are eligible as long as they are reported in the category with the lowest lendable collateral value (Commercial portfolio).

****** If collateral for a loan includes both residential and commercial properties, report the loan in the commercial portfolio. If collateral for a loan includes both residential and multifamily properties, report the loan in the multifamily portfolio. If collateral for a loan includes both multifamily and commercial properties, report the loan in the commercial portfolio.***

Multifamily Collateral

Any residential property located on a single parcel that contains 5 or more units should be reported on the Multifamily QCR.

Example:

- An apartment complex that has 3 duplexes located on the same plot of land with one assigned parcel or folio number should be reported in the Multifamily portfolio. The property is considered to be a 6 unit apartment complex.
- Two duplexes located on the same parcel should be reported in the Residential portfolio since they fall within the Residential 1 to 4 family guidelines.

Multiple 1-4 Family Residential Units

- Loans secured by multiple residential condominium units, townhouses, and SFRs (single family residences) may be reported as eligible collateral in the Residential portfolio regardless of the number of units held by one borrower.
- Each of these units, townhouses, or single family residences would be located on different parcels and, therefore, eligible for reporting in the Residential portfolio.

Investment Properties and Business Purpose Loans

- Loans secured by 1-4 family rental properties that are held for investment should be reported in the residential portfolio even though they may have been originated as a commercial loan
- Loans originated for business purposes that are secured by a 1-4 family residence should be reported in the residential portfolio, even if the property is owner-occupied

#4 - Lien Position

Residential, Commercial and Multifamily

Residential, Commercial & Multifamily Lien Position**

- Only loans in first lien position may be reported in Residential.
- First and second lien loans may be reported in CRE and Multifamily.*
- Post closing lien verification is required on the legal description or physical address of the property; lien verification based only on the borrower name is not accepted except in those states or counties where physical addresses are not indexed.
- Lien position may be evidenced by a final title insurance policy, a post closing attorney opinion, or an acceptable post closing lien search on the property.

*Discussed on slide #6.

**HELOC discussed on slide #4

Post-recorded Lien Search Requirements

- Search conducted in county and state where property is located.
- Search must be conducted on the legal description or physical address of the property; searches on borrower name are not accepted except in counties and states where physical addresses are not indexed.
- Search must identify all open and active liens, may not be restricted to only real estate transactions and must include tax liens, judgments, etc.
- Search must be conducted at least through the recording date of the mortgage; subject loan should appear on the report.
- Searches not meeting these requirements may not be used to meet the Bank's post-recorded lien verification requirement.

#5 – Note Not Fully Funded

Notes Not Fully Funded

- Notes reported in the residential, commercial, and multifamily portfolio must both be closed ended and fully funded. HELOC loans may be partially funded
- A construction note in the residential, commercial or multifamily portfolio is not eligible until the note is fully funded and the structure is completed. Both of these events must occur on or before the “as of” date of a collateral verification review if the loan is selected for review.

#6 – Manufactured Homes

Manufactured Home Eligibility

Reported residential and HELOC loans secured by manufactured housing units must demonstrate that the property has been converted from personal property to real property by providing any of the following three items:

- An ALTA form 7 endorsement to a title insurance policy,
- An acceptable legal opinion stating that the manufactured home has been converted from personal property to real property, or
- Documentation from the appropriate state government office that demonstrates that the manufactured home has been converted to real property in accordance with state law in the state where the manufactured home is located. Please use the following link to obtain information for states in the Bank's district:
<http://corp.fhlbatl.com/resources/credit-collateral/>

Manufactured Home Eligibility

- Tax assessment forms or appraisals that identify the manufactured home as “real estate” are not sufficient evidence of conversion to real property. However, in the state of Florida, the presence of an RP Number on the tax assessment is sufficient proof of conversion. The RP Number is not assigned to the mobile home until it has been converted to real property under Florida state law.
- Collateral described as modular homes are defined as sectional prefabricated buildings or houses that consist of multiple modules or sections which are built in a remote facility and then delivered and assembled on their intended site of use. Modular homes do not have axles or wheels; the modules are typically transported to the site on flat-bed trucks. The Bank’s requirements for proof of conversion to real property do not extend to modular homes.

Manufactured Home Eligibility

- If a manufactured home was never titled as personal property by the Department of Transportation or the Department of Motor Vehicles, shareholders may provide documentation to demonstrate real property status in compliance with applicable state law.
- Shareholders selected for a CVR are required to provide information in the Preliminary Profile Questionnaire on their process of determining whether a manufactured home has been converted from personal property to real property.

Steps in the Collateral Verification Review Process

What is a Collateral Verification Review (CVR)?

- The Bank reviews loan collateral pledged to secure advances to make sure that the collateral meets all of the Bank's eligibility criteria necessary for the collateral to receive lendable collateral value.

Why does the Bank conduct CVRs?

- **To comply with regulatory requirements**
“Each Bank shall establish written procedures and standards for verifying the existence of collateral securing the Bank's advances, and shall regularly verify the existence of the collateral securing its advances in accordance with such procedures and standards.” *Code of Federal Regulations Title 12, Chapter IX, Section 950.9(b)*
- **To verify existence and eligibility of collateral**
- **To ensure the accuracy of the assertions of sufficient collateral in the Bank's financial statements**
- **To provide the Board of Directors and Senior Management with information concerning the Bank's exposure to subprime and nontraditional loans**

Where does the Bank conduct CVRs and what portfolios are reviewed?

- All CVRs are conducted on the shareholder's premises.
- If a shareholder is selected for a CVR, all portfolios with reported collateral will be reviewed.

“As of” and Review Date Notification

- A Collateral staff member will contact you to set the “as of” date and the onsite review date.
- Preparation materials are provided to assist you in getting ready for the review.
- You will be asked to provide the following for each reported portfolio in advance of the onsite review date:
 - A Qualifying Collateral Report (QCR) or specific loan listing for the “as of” date
 - A trial balance (Excel loan listing) that ties exactly to the net eligible line on your QCRs or loan listings and that includes the loan number, unpaid principal balance, loan type code, and origination date for each loan in the reported portfolios. **Borrower names are no longer required; please do not include them on your submitted loan listing.**
 - A completed Preliminary Profile Questionnaire
- Secure email is available to transmit files.

What preparation materials will you receive?

- Expansion of Commercial Real Estate Property Types
- Collateral Frequently Asked Questions
- CVR Frequently Asked Questions and Answers
- Mortgage Collateral Eligibility Requirements
- 2015 Eligible Restaurant Collateral List
- Mitigating Factors for Subprime and Nontraditional Loans
- Requirements for Manufactured Housing
- 2015 Loan Document Checklists
- Preliminary Profile Questionnaire
- Trial Balance Preparation – Loan Type Codes and Instructions

Sample Selection and Notification

- FHLBank Atlanta selects statistically significant samples.
- Loans are selected randomly using a random sample generator.
- The sample notification letter and listings of loans to be reviewed are sent via email within a few days of receiving QCRs and trial balances.

Shareholder Pulls and Prepares Loan Files and Reports

- Shareholder makes complete loan file available to reviewers.
- All applicable items on the loan file checklist should be available on the first day of the review.
- Required screen prints and reports should be available and ready for review when the Bank team arrives.
- Replacement loans will be used for sample loans paid off after the “as of” date.
- Advance preparation is critical to a smooth review.

Discussions with Shareholder Management

- The Collateral Analyst (Team Lead) will meet with shareholder management to discuss:
 - The shareholder's responses to the Preliminary Profile Questionnaire
 - The shareholder's underwriting policies and procedures and any noted deviations
 - The shareholder's quality control policies and procedures
 - Mitigating factors for any subprime and/or nontraditional loans noted as ineligible
 - The ongoing results of the review and the status of any noted exceptions on the days and times requested by the shareholder. Also, the daily results may be shared with the shareholder electronically or via conference call.
 - Overall results and next steps (exit conference on last day)
- Please make appropriate staff available for these discussions. Scheduling in advance is recommended if shareholder staff must travel from a different location or if a conference call is necessary.

Review is Conducted and Preliminary Results are Provided

- The Collateral Analyst discusses noted exceptions with the shareholder during the review to determine if they can be cleared while the review team is onsite
- The Collateral Analyst discusses the preliminary results during an exit interview before he/she leaves and provides the shareholder with an opportunity to ask questions.
- An email containing the preliminary report is sent within days of the completion of the review.
- The report discloses the initial exception rate for each portfolio.
- The report and related correspondence provides details on each exception, how to clear the exceptions and the timeframe for doing so.

What is an exception?

- An exception is an ineligible loan. A loan may be ineligible for multiple reasons, but it is only counted as one exception.
- The exception rate is calculated as the number of loans with exceptions divided by the number of loans in the sample (Two loans / 50 loans in sample = $2/50 = 4\%$).

Shareholder Follow-up

- Shareholder provides documentation necessary to clear exceptions.
- Shareholder concurs with the noted exceptions if no documentation can be provided to cure the exceptions.
- Shareholders must provide documentation to cure exceptions within 10 business days from the date of receiving the preliminary results.
 - Documents may be emailed, faxed, or sent via overnight delivery any time within the 10-day period. Please wait to send the documents until all follow-up documentation is available.
 - If more than 10 business days is needed, please contact the Collateral Coordinator to discuss an extension.

FHLBank Atlanta Reviews Shareholder Follow-up Documentation and Issues Final Results

- Exceptions are removed if the additional documentation provided during follow-up meets the Bank's requirements.
- The results are reviewed and approved by a Collateral Relationship Specialist.
- The Coordinator sends an email containing the final results of the review.
- Final results are sent out shortly after the review of the additional documentation is complete.
- Descriptions of the final exceptions are provided for each of the ineligible loans.
- The final report details both the final exception rate and the extrapolation rate for each portfolio reviewed.
- Shareholders are asked to remove all ineligible loans identified during the review, plus any other loans with the same characteristics, from their QCR.

What is the extrapolation rate and how does it impact the shareholder?

- **The extrapolation rate is the same as the final exception rate.**
 - Each portfolio reviewed will have its own extrapolation rate.
 - The extrapolation rate will impact the amount of Lendable Collateral Value available for the applicable portfolio.
- **The extrapolation rate will be applied when the CVR is approved as “final” and the shareholder’s LCV will be impacted immediately.**
- **After receiving the final results, the shareholder is required to exclude all ineligible loans identified during the review at the time it files the next QCR, plus any other reported loans with the same characteristics.**
 - The new extrapolation rate remains in effect until that particular portfolio(s) is reviewed again.

Extrapolation Rate Remediation

A final extrapolation rate may be adjusted if the identified exception(s) are removed from reported collateral and the applicable portfolio(s) is re-reviewed for loans containing the same exception(s). *The shareholder must request and receive approval to proceed with the remediation prior to beginning Part I of the remediation process.*

- **Part I - Provide the following documentation:**

- A written description of the process to be used to identify and remove the loans
- A written description of the process to be instituted to ensure compliance going forward
- A list of the loans to be removed from the portfolio(s)
- A list of the loans that will remain in the portfolio(s)
- Updated QCR(s) that contain only the remaining loans and updated loan listing(s) that match the net eligible amount on the updated QCR(s)

- **If the shareholder satisfactorily completes Part I, the shareholder will be approved to move to Part 2.**

- **Part 2 - A new loan sample(s) is selected and reviewed from the updated loan listing(s) for the applicable portfolio(s).**

- The scope of the review will be limited to the exception(s) being remediated.
- The shareholder will be required to provide all documents necessary to complete the review.
- If the new sample contains any loan with an exception type identified as having been remediated (removed), the original extrapolation factor associated with that exception type will remain in place.
- If the new sample does not contain any loans with an exception type identified as having been remediated, the extrapolation factor for the remediated loans will be eliminated.

Quality Control Reviews

- Selected onsite reviews undergo a Quality Control review.
- 5 loans tested during the onsite review are copied by the shareholder and sent to the Bank at the end of the review.
 - *Please do not send original documents, but please do provide all documents, reports, and screen prints given to the onsite reviewers.*
- The sample QC loan files will be randomly selected and independently reviewed to ensure reviewer accuracy.

Strategies for a Successful CVR

- Use FHLBank Atlanta checklists.
- Incorporate an eligibility review into your loan boarding process.
- Scrub each portfolio for eligibility.
 - Review each file, where possible, for eligibility. If that is not possible, pledge a specific set of scrubbed loans and scrub more loans as time and resources permit.
- Consider not reporting old loans or very small balance loans that may be missing required documentation. Also consider that the extrapolation rate for a small balance loan may reduce lendable collateral value more than deleting the small loan from the QCR.

Importance of the As of Date

What documents will FHLBank Atlanta accept after the As of Date for a CVR?

Documentation that existed before the as of date for the review, but was not included in the loan file provided to the CVR review team:

- Mortgage satisfactions
- Proof of flood insurance coverage
- Most recent property valuation
- Copies of documents from the state showing that manufactured home was converted to real property
- Other documentation that existed before the as-of date, but was missing or not included in the loan file during the on-site review

Documentation that did not exist before the as of date for the review:

- Proof of completion of improvements
- Missing property description (not included on valuation document provided to reviewer)
- Current lien searches for HELOCs/2nds < \$250,000 to confirm 1st or 2nd lien position
- Final title insurance policies, final attorney opinions regarding lien position, and recorded mortgages received within 12 months of the origination date but after the as of date.

Coordinator CVR Pointers

- Ensure all documentation is in the file and available for the reviewers.
- Scrub the portfolio to remove ineligible loans using guidelines and information provided with the As of Letter Notification.
- Preparing your Trial Balance & QCR for the CVR
 - The net eligible line (Section III) on the QCR should match the total loan balance on the trial balance.
 - Loan codes must be provided or the trial balance will be rejected.
 - Persons preparing the Trial Balance and QCR should collaborate to ensure that only eligible loans are reported.

Coordinator CVR Pointers

- Please wait until you receive your official Preliminary Results Letter from the Coordinator to send your follow up documentation.
- Follow-up should not be sent until all documentation is available to be sent at the same time.
- A loan with multiple exceptions will remain ineligible unless all exceptions are cleared.
- Submit trial balance and QCR by specified due date to ensure sufficient preparation time for the loan files. Reference the loan file checklist for each portfolio when preparing the files for review.
- When in doubt, call your Collateral Coordinator.

Additional Collateral Resources

FHLBank Atlanta Web Site

The following documents may be found on the web site at www.fhlbatl.com

COLLATERAL ELIGIBILITY

- Eligible Collateral Restaurant List
- Acceptance of Eligible Special Purpose Commercial Properties
- Eligible Mortgage Collateral
- Frequently Asked Eligibility Questions
- Manufactured Housing
- Mitigating Factors for Subprime and Nontraditional Loans
- Residential Subprime and Loan Type Definitions

QUALIFYING COLLATERAL REPORTS

- Residential 1-4 Family First Mortgage Loans
- HELOCs and Second Mortgage Loans
- Commercial Real Estate Loans
- Multifamily Real Estate Loans

COLLATERAL VERIFICATION REVIEW (CVR) DOCUMENTS

- CVR Frequently Asked Questions
- Residential Loan Document Checklist
- HELOC/2nd Mortgage Loan Document
- Commercial Loan Document Checklist
- Multifamily Loan Document Checklist
- Preliminary Profile Questionnaire
- Trial Balance and Loan Code Instructions

REGISTER TO RECEIVE EMAIL NOTIFICATIONS OF NEW OR UPDATED WEB DOCUMENTS:

<http://www.pages05.net/fhlbofatlanta/ccnotice/collateralnotice>

Collateral Workshops (Remaining as of 3/26/15)

- March 31 College Park Marriott Hotel & Conference Center
3501 University Blvd
Hyattsville, MD 20783
- April 16 Birmingham Marriott
3590 Grandview Parkway
Birmingham, AL 35243
- April 28 Crowne Plaza Orlando Universal
7800 Universal Blvd
Orlando Florida, 32819
- May 5 Renaissance Charlotte Suites
2800 Coliseum Centre Drive
Charlotte, NC 28217
- May 12 Columbia Marriott
1200 Hampton Street
Columbia, SC 29201
- May 19 Raleigh Marriott Crabtree Valley
4500 Marriott Drive
Raleigh, NC 27612
- September 15 Richmond Marriott
500 East Broad Street
Richmond, VA 23219
- September 22 FHLBank Atlanta
1475 Peachtree Street NE
Atlanta, GA 30309

To register or obtain more information go to <https://www.regonline.com/2015cw>

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