

Residential 1-4 First Mortgage Market Values and Discounts

August 20, 2015

2:00 p.m. EDT



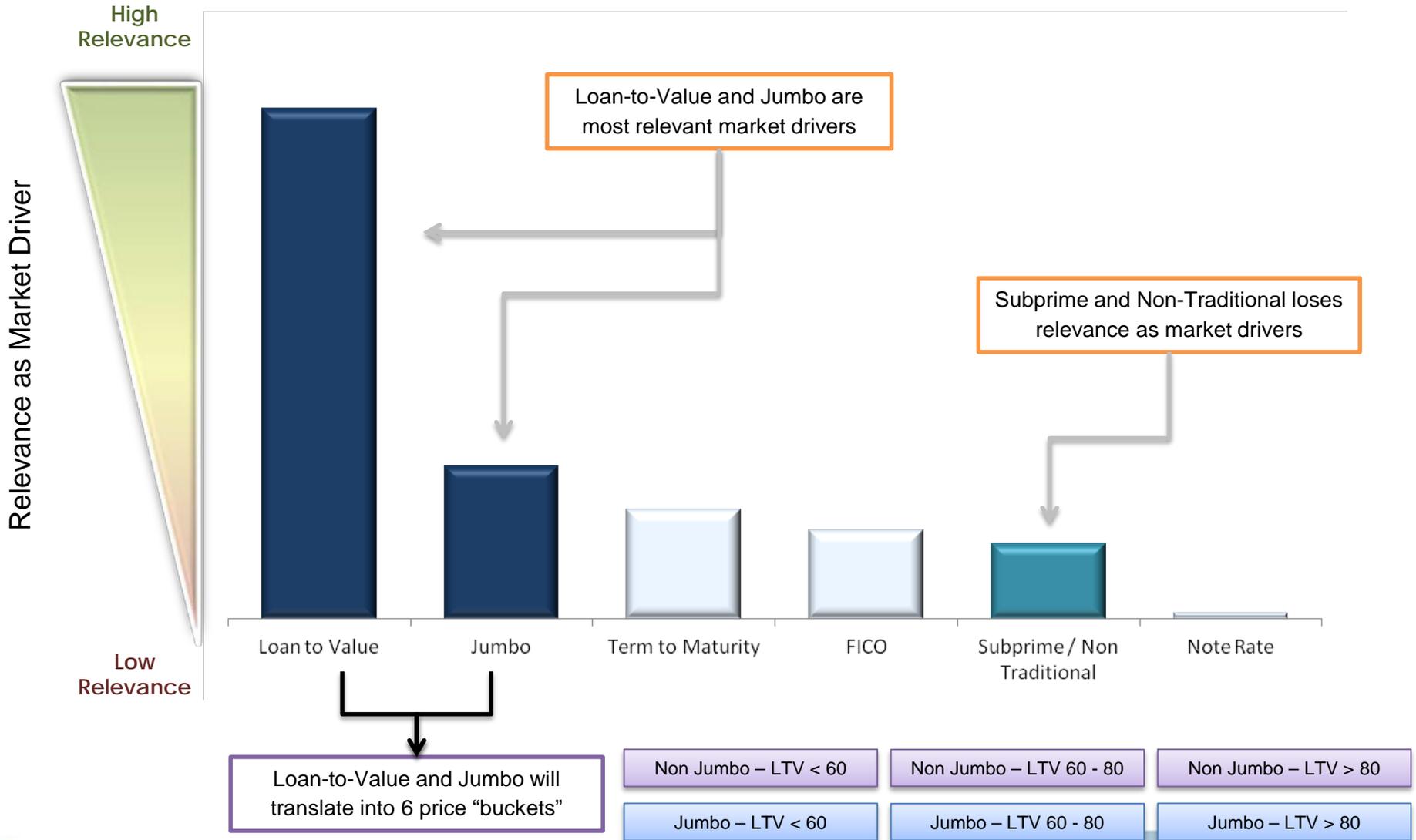
Residential Mortgage Valuation Introduction

- A portfolio valuation methodology is used on all portfolios to assess the lendable collateral value of the mortgage loans reported as collateral
- This portfolio valuation methodology includes both a market valuation of the collateral based on the most relevant characteristics of the loan portfolio and the application of portfolio discounts
- The accuracy of this valuation methodology is subject to strict scrutiny by the Bank and by its regulator, the Federal Housing Finance Agency
- The Bank seeks to continuously improve its market valuation methodology by using the most relevant market drivers and by maintaining high performance metrics on its models

What is Changing?

- Under the current residential loan valuation methodology, the Bank is using Subprime and Non-Traditional characteristics to determine the market value for each reported residential portfolio
- Subprime and Non-Traditional characteristics were strong drivers for market value during the recent economic crisis; however, the strength of these market drivers has recently begun to fade
- With the decline of the Subprime and Non-Traditional price drivers, other loan characteristics have become more important. After an exhaustive exercise, the Bank established that the **Loan-to-Value ratio** and the **Jumbo classification** are the most relevant market drivers under current market conditions.
- This new valuation framework represents an improvement over the previous methodology, with better performance and more accurate portfolio valuation based on current market conditions

Residential Portfolio Market Drivers



QCR Members

- The residential QCR process **will not change**
- Shareholders will continue to report collateral balances on Page 1 and asset classifications under the Standard / Subprime / Non-Traditional methodology on Page 2 of the QCR
- The initial market value and LCV% changes will occur on October 5, 2015, applied to QCRs in the system at that date
- After October 5, 2015, LCV will change at the following times:
 - **NEW:** At the beginning of each month when market values are updated
 - When a shareholder submits a new QCR
- Market values and LCV% will be posted on FHLBAccess in advance of changes

Residential QCR, Page 1

QCR Information

Status:

QCR Type:

Balances as of: (mm/dd/yyyy)

I. Total 1-4 Family First Mortgage Loans: ?

II. Subtractions (Ineligible/Non-qualifying Loans): ?

- a. Loans identified as held for sale: ?
- b. Loans greater than 30 days delinquent: ?
- c. Loans classified as sub-standard, doubtful or loss (either internally or by a regulatory entity): ?
- d. Loans to employees, officers, directors, attorneys or agents of FHLBank Atlanta or Member: ?
- e. Loans pledged to secure other borrowings: ?
- f. Participated loans: ?
- g. Loans held by a third-party: ?
- h. Loans with document deficiencies: ?
- i. Loans defined as ineligible under the Bank's "Guidelines to Promote Responsible Lending": ?
- j. Loans not complying with any other provision of the Bank's Credit and Collateral policies: ?

Total Subtractions:

III. Net Eligible 1-4 Family First Mortgage Loans:

Market Value %: ?

IV. Market Value \$:

Collateral Verification Review Extrapolation Factor: ?

V. Adjusted Eligible 1-4 Family First Mortgage Loans:

Collateral Value %:

VI. Lendable Collateral Value of Residential 1-4 Family First Mortgage Loans:

Number of loans	Unpaid Principal Balance (Omit Cents)
125	30,250,500
0	0
12	120,000
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
12	120,000
113	30,130,500
	76.8%
	23,139,772
	2%
	22,676,977
	90%
	20,514,608

Residential QCR, Page 2

Additional Information Requested

Information on this page is required and only complete forms can be processed upon submission. The percentage "40" for 40%. You will receive a prompt if your answers do not sum to 100% and you will be asked to re-enter the in may click "Clear All" to clear the screen.

Categories	Percentage of Portfolio
Asset Classification	Required
Standard - Not Subprime	<input type="text" value="70"/> %
Standard - Subprime before 07/10/07	<input type="text" value="10"/> %
Standard - Subprime on/after 07/10/07	<input type="text" value="0"/> %
IO ARM/Hybrid Not Subprime before 07/10/07	<input type="text" value="0"/> %
IO ARM/Hybrid Not Subprime o/a 07/10/07	<input type="text" value="0"/> %
IO ARM/Hybrid Subprime before 07/10/07	<input type="text" value="5"/> %
IO ARM/Hybrid Subprime on/after 07/10/07	<input type="text" value="0"/> %
IO Fixed Not Subprime before 07/10/07	<input type="text" value="0"/> %
IO Fixed Not Subprime on/after 07/10/07	<input type="text" value="0"/> %
IO Fixed Subprime before 07/10/07	<input type="text" value="0"/> %
IO Fixed Subprime on/after 07/10/07	<input type="text" value="0"/> %
NegAM/POA Not Subprime before 07/10/07	<input type="text" value="3"/> %
NegAM/POA Not Subprime on/after 07/10/07	<input type="text" value="2"/> %
NegAM/POA Subprime before 07/10/07	<input type="text" value="0"/> %
NegAM/POA Subprime on/after 07/10/07	<input type="text" value="0"/> %
Other Non-Trad before 07/10/07	<input type="text" value="0"/> %
Other Non-Trad on/after 07/10/07	<input type="text" value="0"/> %
Other Non-Trad & Subprime before 07/10/07	<input type="text" value="6"/> %
Other Non-Trad and Subprime o/a 07/10/07	<input type="text" value="4"/> %

Delivered Members

- Delivered members will **continue to submit the same monthly loan reports**
- The initial market value and LCV% changes will occur on October 5, 2015, and will be applied to delivered loans in the system at that date
- After October 5, \$LCV will change monthly with the updated monthly prices when loan files are submitted (same as current process)
- Market values and LCV% will be posted on FHLBAccess in advance of changes

Portfolio Composition: CVR Data as Information Source

- The Bank addressed the challenge of capturing the shareholder's new portfolio composition by a more intensive use of that shareholder's collected CVR data. Therefore, **no additional information will be required from shareholders under the new process.**
- The Bank will use the existing CVR data to determine the portfolio characteristics for each shareholder:
 - All the data collected on the past four years will be used in the analysis (for example, if a shareholder has had two CVRs in the past four years, then both CVRs will be used to determine the portfolio composition)
 - If a shareholder has no CVR information, or if the CVR sample is small, then an average market value will apply for that shareholder and an additional price discount will be applied in the LCV calculation
- A process is being designed to allow shareholders to update portfolio information if the CVR information can be shown to be outdated or inaccurate
- As new CVRs are performed and approved during the year, portfolio information will be updated on a quarterly basis by a schedule that will be posted on FHLBAccess

Price Drivers: Loan to Value and Jumbo

- Loan to Value will be measured as **Mark-to-Market LTV (MLTV)**
 - CVR data provides appraised value and appraisal date on sampled loans
 - A Home Price Index is used to bring the appraised value to today's home value
 - MLTV is calculated based on the updated home value and current unpaid balance
 - MLTV will be used for market prices and for discounts
- Jumbo will be determined from original loan balance based on the FHFA general conforming loan limits for a single unit
 - \$417,000 max balance for conforming since 2006
 - Historical max balances used prior to 2006
 - Jumbo/Non-Jumbo will be used for market prices

Timing

- The new residential valuation process will become effective on **October 5, 2015**. In preparation for this change, **QCRs will not be received on the weekend prior to the implementation date.**
- LCV will be updated **at the beginning of each month**, or when a shareholder **submits a new QCR**, or under the new process that will manually update portfolio composition once the Bank has received and processed the required information

Other Questions

- **How can a shareholder find the portfolio composition that is being used to calculate their LCV?**
 - On Page One of the QCR, there will be a help icon that will display the portfolio composition information used to calculate the shareholder's market value and LCV
 - Delivered shareholders may contact their collateral relationship specialist to find the portfolio composition being used
- **How can a shareholder receive information about the impact on LCV by the implementation of this new process?**
 - Contact your collateral relationship specialist to receive information about the impact to your LCV. Information will include estimated market prices, haircuts, and the portfolio composition. Initial information will be based on our best estimates and will be subject to change prior to implementation of the new process.

Strategies for Increasing Overall LCV

- If a shareholder's LCV decreases because of this new valuation process, how can that LCV be replaced?
 - The Bank accepts as eligible collateral the following portfolios:
 - Home Equity Loans / Lines of Credit
 - Commercial Real Estate
 - Multifamily
 - Residential Available for Sale
 - Municipal bonds
 - Securities
 - If a shareholder is currently reporting commercial real estate loans at **Level 1** reporting, consider moving to **Level 2** or **Level 3** reporting. The commercial real estate LCV may increase substantially, which can help mitigate the impact of the new residential valuation.

Collateral Contacts

COLLATERAL DIRECTORS			
David Courson	Capital Markets	404-888-8462	dcourson@fhlbatl.com
Kent Scott	Capital Markets	404-888-8277	kscott@fhlbatl.com
COLLATERAL RELATIONSHIP TEAM			
Donna Wells, Collateral Training Manager	North Carolina, South Carolina	404-888-8274	dwells@fhlbatl.com
Nadine Spaulding-Betancourt	Alabama, District of Columbia, Maryland, Virginia	404-888-8425	nspaulding-betancourt@fhlbatl.com
Margaret Reece	Florida, Georgia	404-888-8293	mreece@fhlbatl.com
MORTGAGE VALUATION MANAGER			
Erin Quinn	All Shareholders	404-888-5352	equinn@fhlbatl.com

Questions and Answers