

Residential 1-4 First Mortgage Market Values and Discounts

September 29, 2015

2:00 p.m. EDT



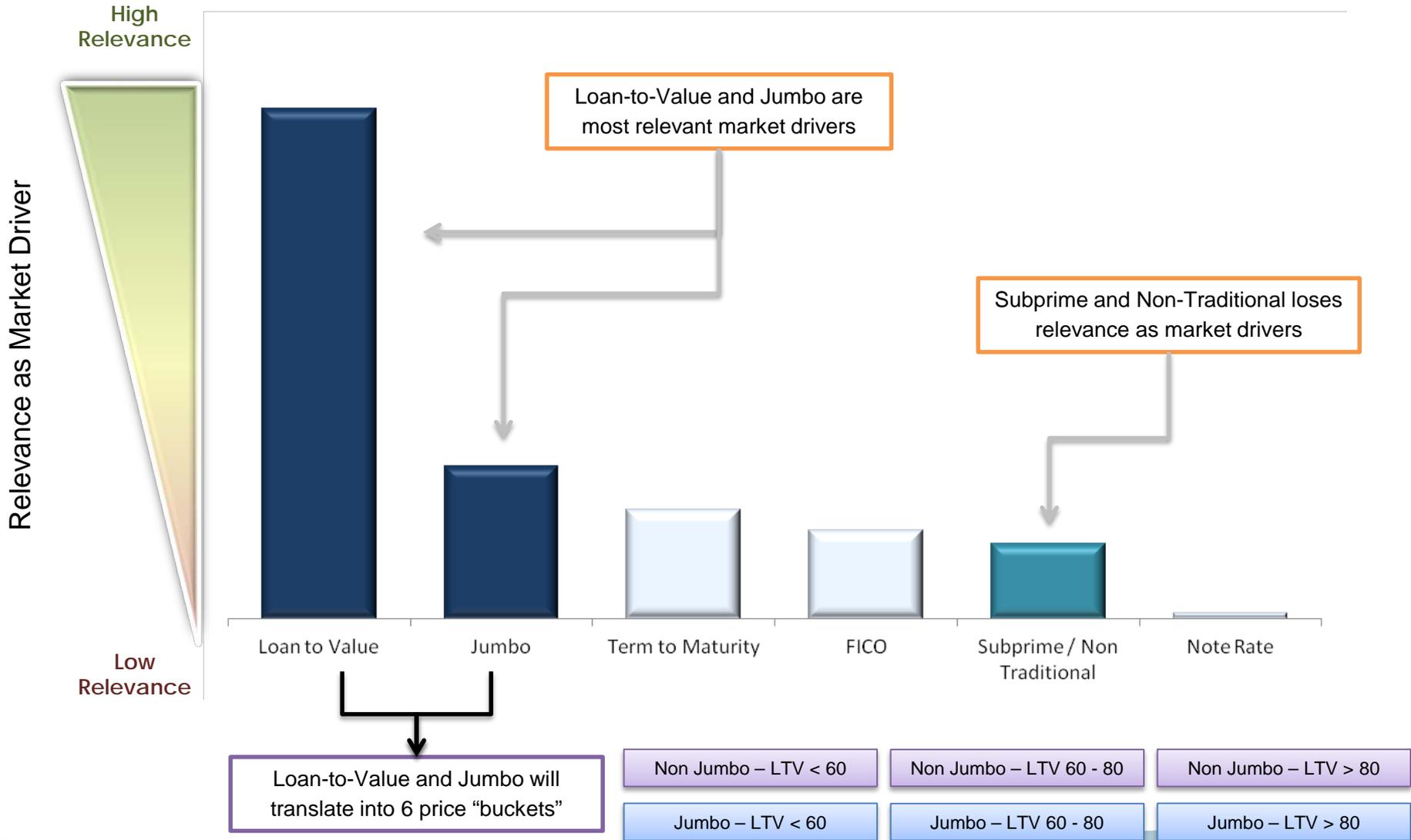
Residential Mortgage Valuation Introduction

- 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 Shareholders

- 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

Residential QCR, Page 1

QCR Information

Status:

QCR Type:

Balances as of: (mm/dd/yyyy)

| | Number of loans | Unpaid Principal Balance (Omit Cents) |
|--|-----------------|---------------------------------------|
| I. Total 1-4 Family First Mortgage Loans: | 1,205 | 134,478,427 |
| II. Subtractions (Ineligible/Non-qualifying Loans): | | |
| a. Loans identified as held for sale: | 0 | 0 |
| b. Loans greater than 30 days delinquent: | 0 | 0 |
| c. Loans classified as sub-standard, doubtful or loss (either internally or by a regulatory entity): | 0 | 0 |
| d. Loans to employees, officers, directors, attorneys or agents of FHLBank Atlanta or Member: | 0 | 0 |
| e. Loans pledged to secure other borrowings: | 0 | 0 |
| f. Participated loans: | 0 | 0 |
| g. Loans held by a third-party: | 0 | 0 |
| h. Loans with document deficiencies: | 0 | 0 |
| i. Loans defined as ineligible under the Bank's "Guidelines to Promote Responsible Lending": | 0 | 0 |
| j. Loans not complying with any other provision of the Bank's Credit and Collateral policies: | 0 | 0 |
| Total Subtractions: | 0 | 0 |
| III. Net Eligible 1-4 Family First Mortgage Loans: | 1,205 | 134,478,427 |
| Market Value %: | | 86.14 % |
| IV. Market Value \$: | | 115,839,717 |
| Collateral Verification Review Extrapolation Factor: | | 18 % |
| V. Adjusted Eligible 1-4 Family First Mortgage Loans: | | 94,988,567 |
| Collateral Value %: | | 100 % |
| VI. Lendable Collateral Value of Residential 1-4 Family First Mortgage Loans: | | 94,988,567 |

Changes to Residential QCR, Page 1

- On October 5, view a Residential QCR to see the changes
- Market Value % will be a blend of the market value and LCV% applied to the UPB
- Collateral Value % will be set to 100%
- The Help button by the Market Value % will display your portfolio composition used to assign market values and discounts

The screenshot displays a web interface for a Residential QCR. A 'HELP' popup window is open, showing a table of characteristics used for CVR collateral. The background interface includes sections for 'Total Subtractions', 'III. Net Eligible 1-4 Family First Mortgage Loans', 'Market Value %', 'IV. Market Value \$', 'Collateral Verification', 'V. Adjusted Eligible 1-4', 'Collateral Value %', and 'VI. Lendable Collateral'. The 'HELP' window contains the following text and table:

Below is the list of characteristics of CVR collateral which were used to compute the Market Value and Discount used to calculate the Market Value Amount of your submitted QCR:

| | |
|----------------------------------|-------|
| Non Jumbo - Low LTV (< 60%) | 50.9% |
| Non Jumbo - Medium LTV (60%-80%) | 18.7% |
| Non Jumbo - High LTV (> 80%) | 29.3% |
| Jumbo - Low LTV (< 60%) | 1.1% |
| Jumbo - Medium LTV (60%-80%) | 0.0% |
| Jumbo - High LTV (> 80%) | 0.0% |

Residential QCR, Page 2 – no changes

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 Shareholders

- Delivered shareholders 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)
- Delivered shareholders can contact their collateral relationship specialist to find the portfolio composition being used

Collateral Position

- On Monday, October 5, Collateral Position will be showing as of October 2 (prior Bank business day)

Account Summary

Data as of prior Bank Business Day

Click on an account type to see more details. Please note that account balances do not reflect today's activity and that some account categories are listed more than once.

| Deposits | | Balance: \$2,456,434.20 |
|--------------|--|-------------------------|
| DIA | | 2,456,434.20 |
| Cash Pledges | | 0.00 |

| Credit Products | | |
|-------------------|--|---------------|
| Letters of Credit | | 75,000,000.00 |

| Credit Position | | |
|--|--|----------------|
| Total Credit Availability | | 781,480,000.00 |
| Floating Credit Availability % ³ | | 15% |
| Total Secured Credit Exposure | | 75,000,000.00 |
| Remaining Credit Availability | | 706,480,000.00 |
| Credit Score (As of 06/30/2015) ³ | | 5 |

| Collateral Position | | |
|---|--|----------------|
| Collateral (Lendable Collateral Value) ² | | 373,208,885.23 |
| Total Collateral Exposure [?] | | 75,000,000.00 |
| Collateral Maintenance Level (CML%) ³ [?] | | 100% |
| Collateral Maintenance Level (CML\$) Required | | 75,000,000.00 |
| Excess/Deficiency of Collateral [?] | | 298,208,885.23 |

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 discount of 2%** will be applied in the LCV calculation
- As new CVRs are performed and approved during the year, portfolio information will be updated on a **monthly** basis
- **The October 5 implementation will include CVRs completed through July 31, 2015**
- An alternative process will be available to update portfolio composition information in cases where the composition determined from CVR data is outdated or inaccurate

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

New Residential Discounts and Market Values

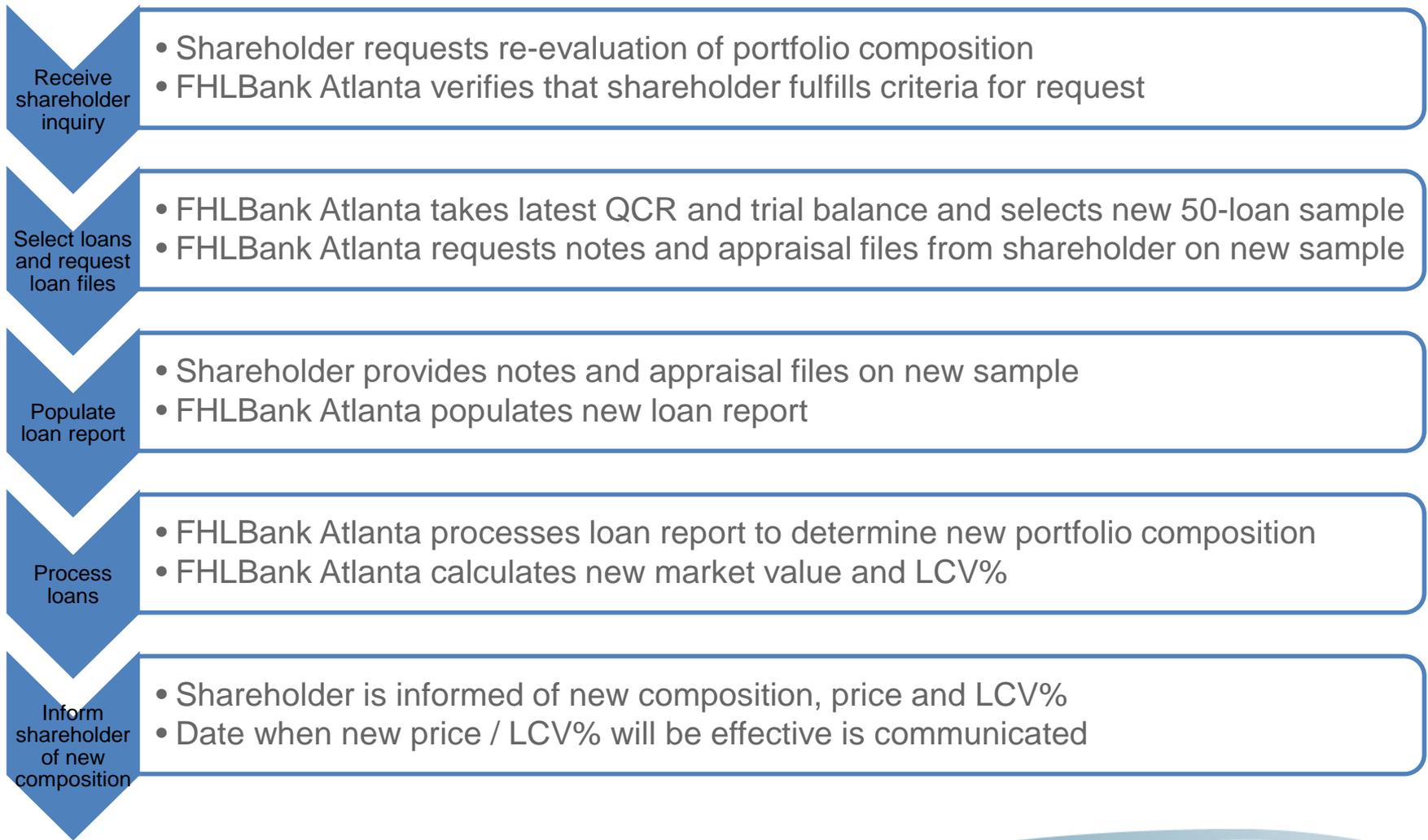
| New Valuation and Discount Categories | Market | LCV % | LCV % | LCV % |
|---------------------------------------|---------------------------------|----------------|----------|--------|
| | Value % Eff. Oct. 5, 2015 | Listed Loan | CS 1 - 9 | CS 10 |
| Non Jumbo - Low LTV (< 60%) | 97.09% | 97% | 96% | 94% |
| Non Jumbo - Medium LTV (60% - 80%) | 95.51% | 95% | 94% | 87% |
| Non Jumbo - High LTV (> 80%) | 83.65% | 86% | 85% | 72% |
| Jumbo - Low LTV (< 60%) | 103.25% | 97% | 96% | 94% |
| Jumbo - Medium LTV (60% - 80%) | 101.68% | 95% | 94% | 87% |
| Jumbo - High LTV (> 80%) | 89.81% | 86% | 85% | 72% |
| AVERAGE PORTFOLIO | 95.41% | n/a | 91.28% | 85.30% |

| Residential Available For Sale (RAFS) | MV% Eff. | LCV % | LCV % | LCV % |
|---------------------------------------|-----------------|----------|-------|-------|
| | Oct. 5, 2015 | CS 1 - 8 | CS 9 | CS 10 |
| Residential Available For Sale (RAFS) | 97.07% | 92% | 66% | n/a |

Portfolio Composition: Alternative Process

- Why?
 - An alternative process to capture portfolio composition has been designed to address situations where a shareholder's current portfolio is different from the composition being used in the valuation
- Who?
 - Shareholders without CVR information (receiving the **average** portfolio price / discount)
 - Shareholders with stale CVR information (most recent CVR was performed **more than one year ago**)
 - Shareholders with **material changes** in their pledged portfolio

Portfolio Composition: Alternative Process



Timing

- The new residential valuation process will become effective on **October 5, 2015**. In preparation for this change, **QCRs will not be able to be submitted on the weekend prior to the implementation date**
- **Going forward, QCR submission will be limited to 7am – 6pm ET on Bank business days**
- LCV will be updated **at the beginning of each month** for QCR shareholders, 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