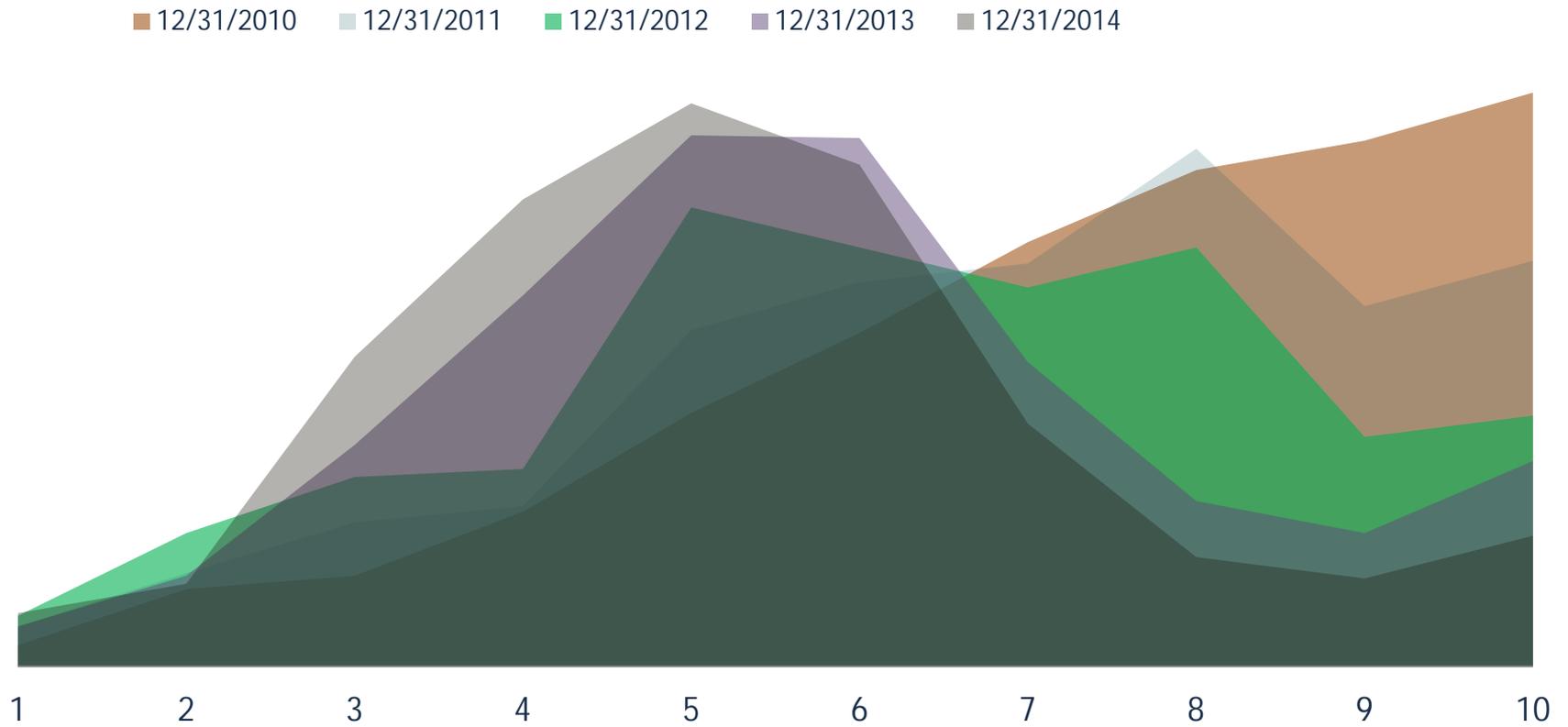


Strategies to Maximize Your Borrowing Power

Robert Kovach, Chief Credit Officer
August 5, 2015

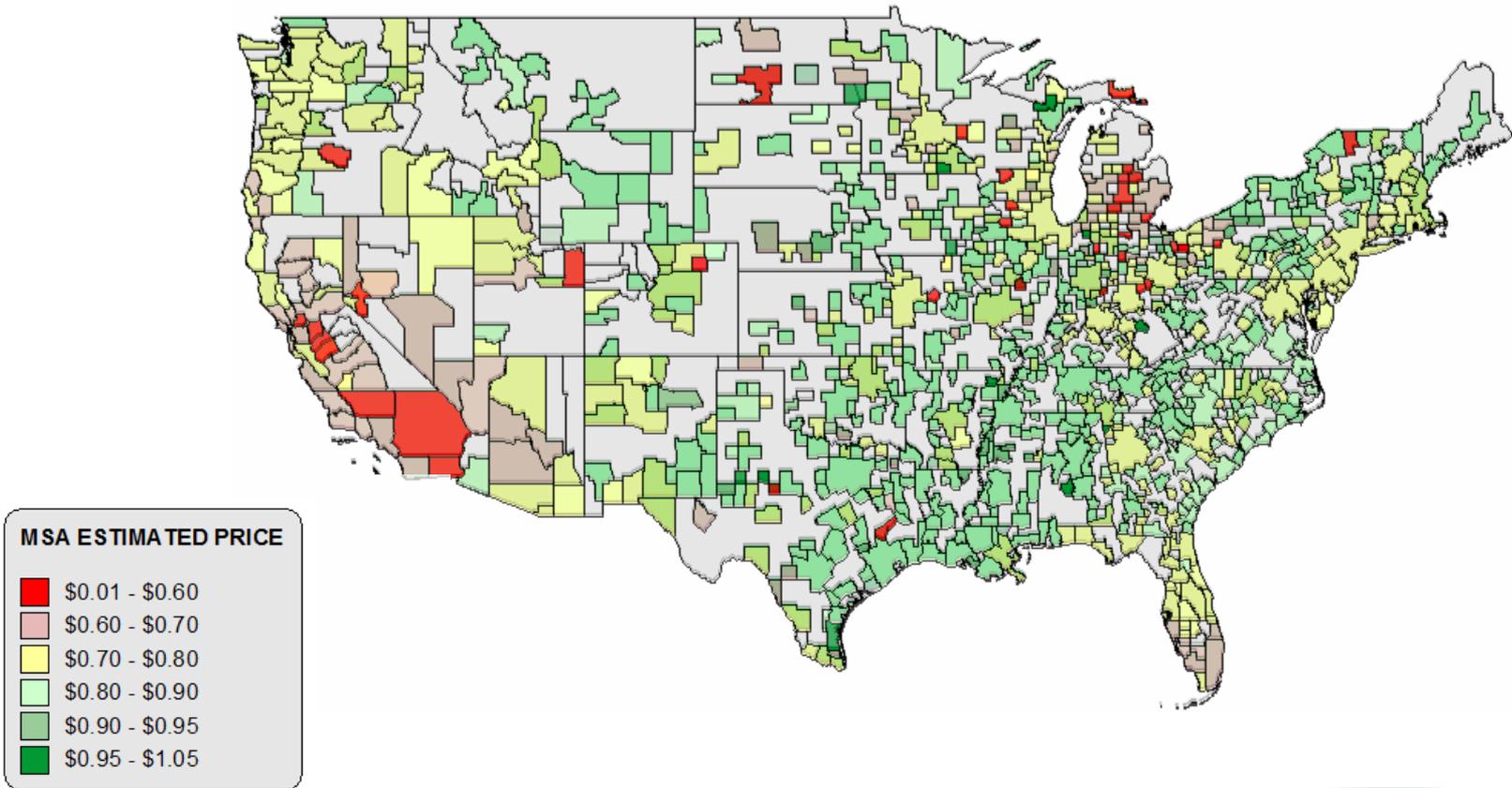
Shareholder Credit Score Overview

Shareholder credit quality continues to improve



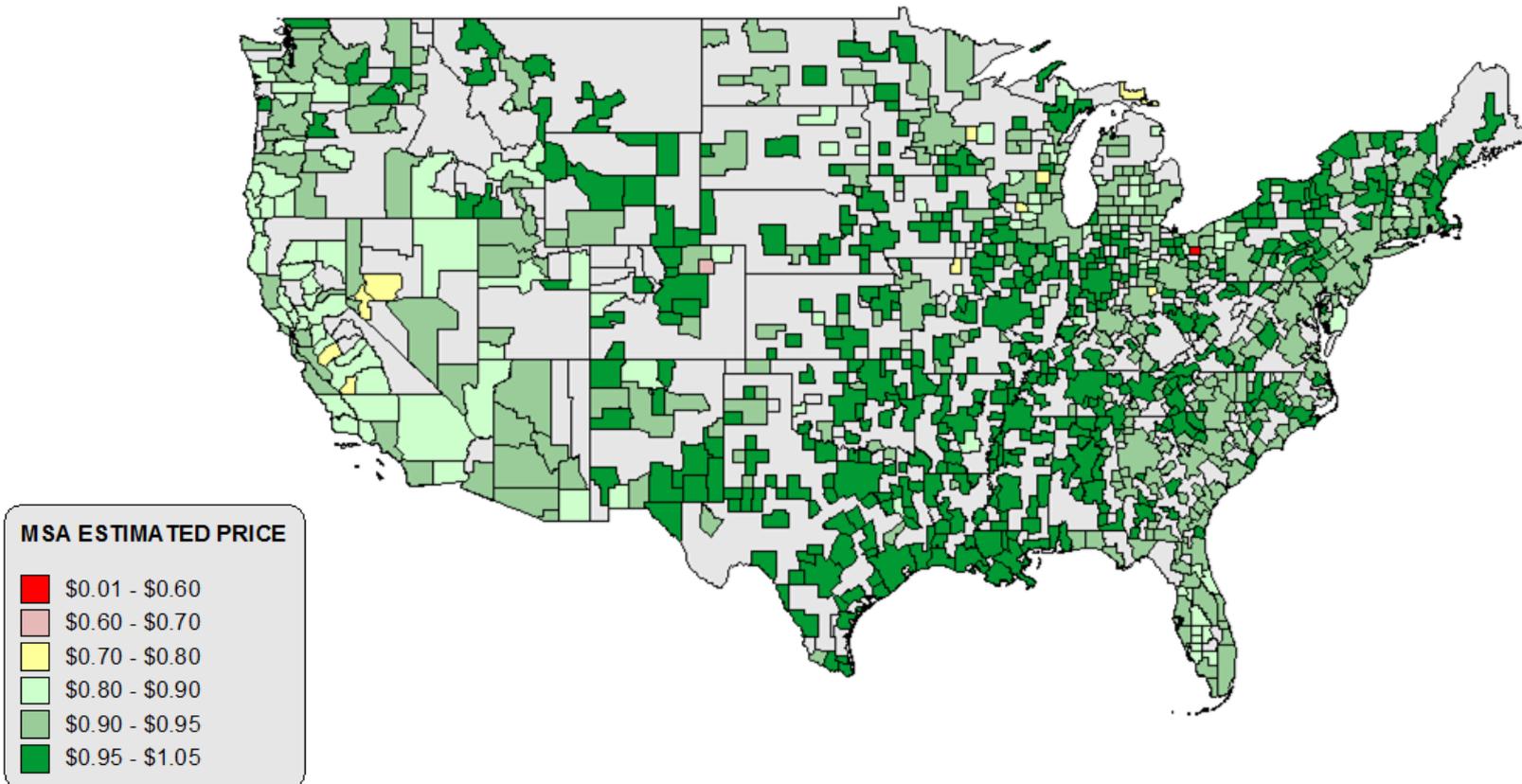
Collateral Overview

Residential Loan Pricing Overview October 2011



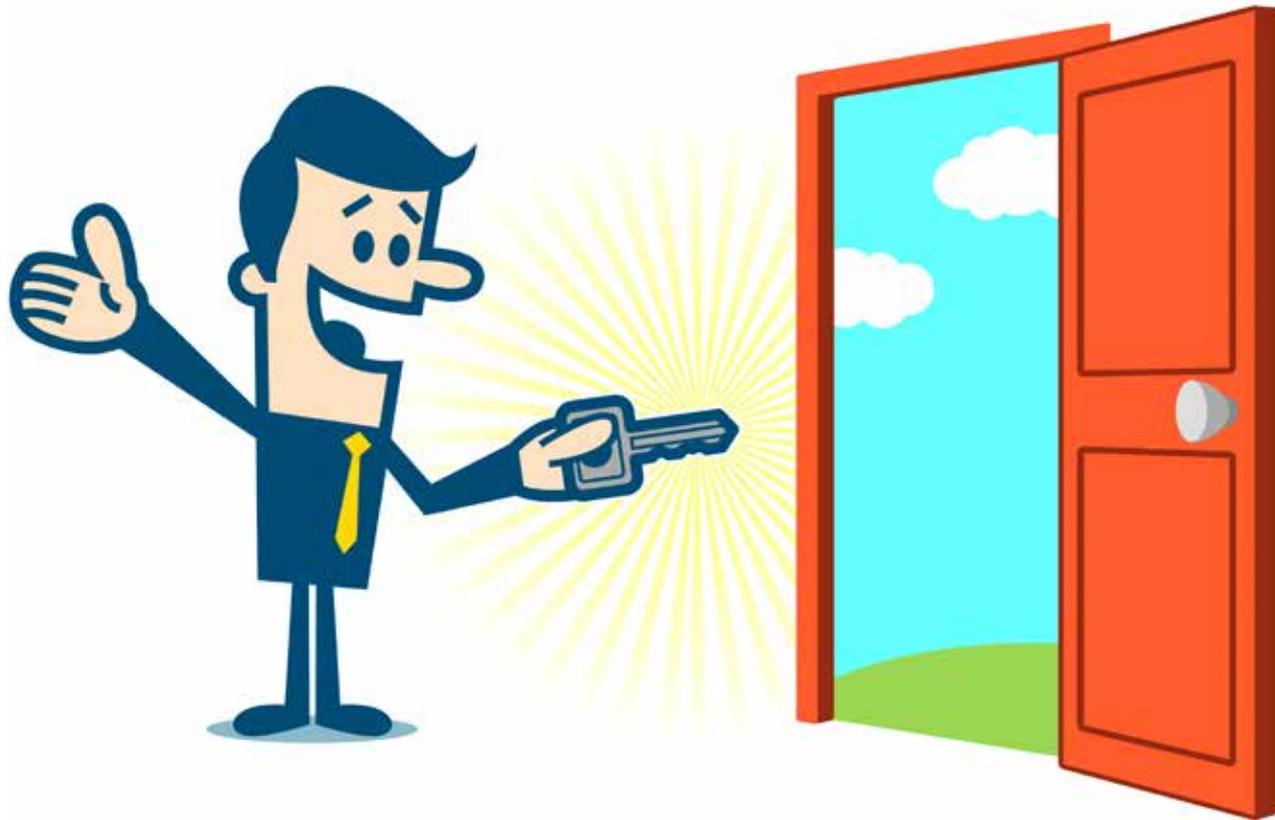
Collateral Overview

Residential Loan Pricing Overview October 2014



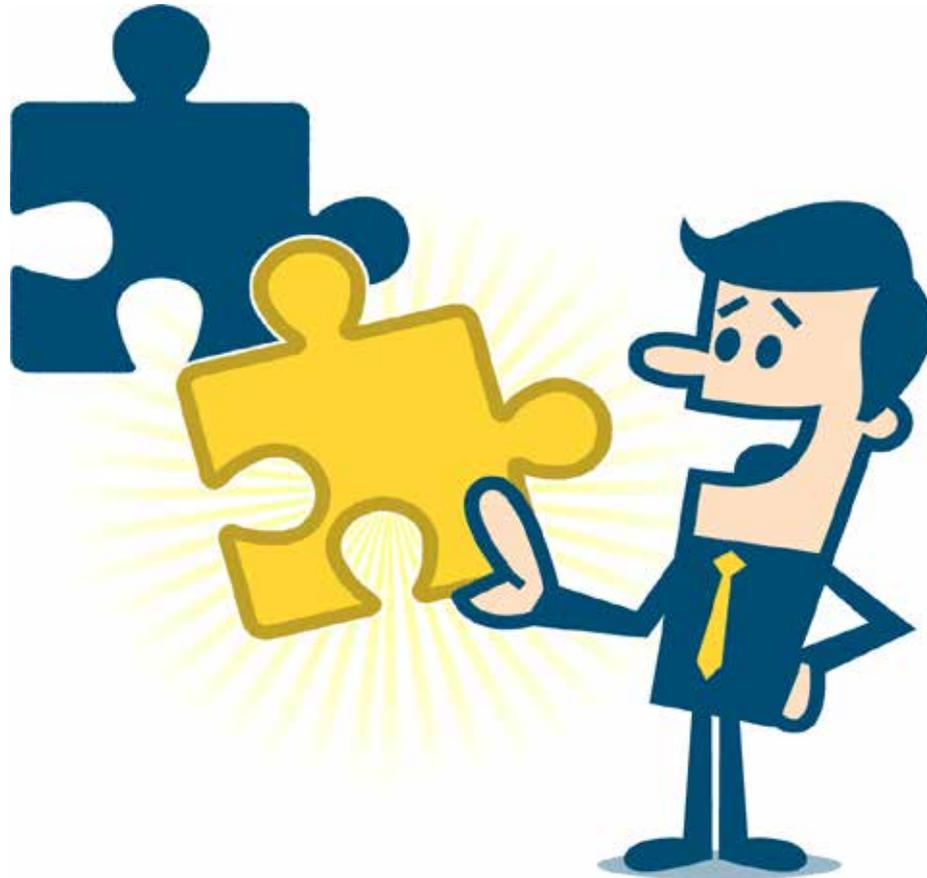
Collateral Expansion Ideas

Tips to take advantage of collateral expansion opportunities



Idea #1

Optimize Loan Collateral



Idea #1 – Optimize Loan Collateral

- Throughout the recent crisis, regulators have stressed the importance of having multiple liquidity providers; FHLBank Atlanta supports this diversity requirement
- FHLBank Atlanta accepts four key loan portfolios to provide liquidity to shareholders:
 - Residential first lien 1-4 family mortgage loans
 - Home equity second lien loans and lines of credit
 - Commercial real estate first lien mortgage loans
 - Multifamily (MF) first lien mortgage loans

Opportunity #1 – Report All Four Loan Collateral Types and Diversify Liquidity Providers

Manage your institution's loan collateral efficiently

- Report all four loan portfolios to FHLBank Atlanta to maximize Lendable Collateral Value (LCV)
- Take other real estate related (e.g., construction loans) and non-real estate related loans (commercial and industrial, auto, credit cards, and personal loans) to the Federal Reserve Bank (FRB)
- **Call to Action** – This tactic drives efficient use of your loan collateral by maximizing your FHLBank Atlanta LCV and diversifying your other liquidity sources

Idea #2

FHLBank Atlanta Provides LCV for Residential Available for Sale (RAFS) Collateral



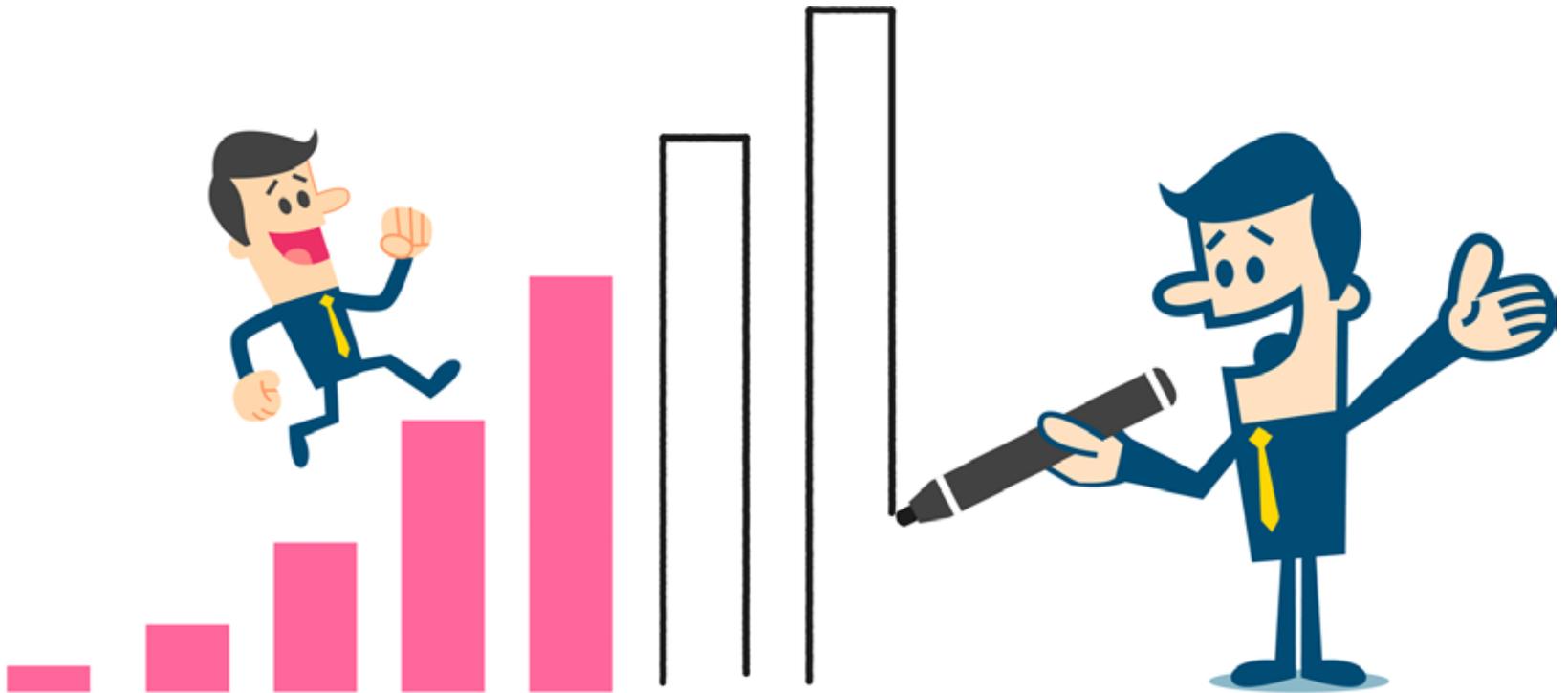
Opportunity #2 – Report RAFS Collateral

Participate in reporting RAFS loan collateral

- FHLBank Atlanta's haircuts, market values, and funding rates are competitive versus your typical warehouse lending facility
- FHLBank Atlanta's RAFS eligibility rules include a reasonable set of requirements based on the risks associated with RAFS:
 - Daily reporting
 - Separate Collateral Verification Reviews (CVR)
 - Credit scores 1 – 8
- **Call to Action** – Report RAFS collateral as a way to fund your mortgage origination activities

Idea #3

FHLBank Atlanta Provides Reporting Options on Commercial Real Estate (CRE) and Multifamily (MF) Loan Data



Idea #3 – Report More CRE/MF Data

- FHLBank Atlanta offers three CRE/MF reporting levels:
- Level 1 – Unpaid Principal Balance (UPB) only
- Level 2 – UPB and Current Loan-to-Value (CLTV) ranges
- Level 3 – UPB, CLTV, Debt Service Coverage Ratio (DSCR), and Years-to-Maturity (YTM)
- Haircuts and market values are correlated to the level of reporting; as more data is reported at each level, the haircut declines as the data uncertainty decreases
- Market values at each level will be based on the data provided; if a data point is not provided, conservative assumptions are applied
- Level 1 Example – UPB only; conservative assumptions are applied to CLTV (>80%) and YTM (>7 yrs)

Opportunity #3 – Report Level 2 or 3 CRE/MF Data

Provide a higher level of CRE and MF loan collateral reporting

- Level 1 to Level 2 CRE Example – Haircut declines by 7% and the market value assigned will increase if any of the loans have CLTVs $\leq 80\%$; only additional data required is CLTV, which is equal to current UPB/most recent available valuation
- Level 2 to Level 3 CRE Example – Haircut will decline by another 2% and the market value will be a function of credit characteristics reported – CLTV, DSCR, and YTM
- **Call to Action** – At a minimum, provide Level 2 CRE and MF loan collateral reporting to take advantage of lower haircut and increased LCV

Idea #4

FHLBank Atlanta Accepts a Wide Variety of Special Purpose CRE Loans



Idea #4 – Special Purpose CRE Loans Are Eligible

- FHLBank Atlanta has expanded its collateral policy to accept special purpose CRE loans to help maximize LCV
- Various special purpose property types are now accepted. Examples include:
 - Cold storage facilities
 - Colleges, universities, or schools
 - Hospitals or treatment centers
 - Parking garages
- Based on FHLBank Atlanta's experience with reviewing shareholders' CRE portfolios, most contain a significant percentage of special purpose property types that are not being reported

Opportunity #4 – Report Special Purpose CRE

Report additional special purpose CRE loan collateral

- Eligible special purpose CRE loans will receive 50% of the value of traditional CRE loans:
 - Previous Policy – Hospital CRE loan received -0- LCV
 - Current Level 2 Example:
 - \$10MM hospital CRE loan
 - Market value at 0.80 = \$8MM
 - Less 50% discount = LCV of \$4MM
- Determining and reporting special purpose loans may require a time investment by your institution, but the potential payoff is significant; FHLBank Atlanta is available to assist
- **Call to Action** – Scrub your institution's CRE portfolio to find and report special purpose property types as a way to increase LCV

Idea #5

FHLBank Atlanta Offers Repo Advances



Idea #5 – Consider an FHLBank Atlanta Repo Advance

- FHLBank Atlanta has increased borrowing flexibility to allow shareholders to borrow against securities in a separate repo transaction
- Terms are in line with market standards for repo transactions:
 - Treasuries, Agency, and Agency MBS
 - Haircuts of 2-4%
 - Terms – Overnight to one year
- FHLBank Atlanta's haircuts, market values, and funding rates are competitive versus your typical repo lending facility

Opportunity #5 – Execute an FHLBank Atlanta Repo Advance

Execute a member Repo advance

- Separate repo agreement and segregated repo collateral account
- Repo advances will be subject to the Bank's capital plan and activity stock must be purchased as part of the transaction
- Daily collateral calls (again, separate from the general collateral pool)
- **Call to Action** – Use member Repo advances if your institution is interested in repo financing transactions

Idea #6

Provide Loan Listing Data



Idea #6 – Provide Loan Listing Data

- Loan Listings – Monthly electronic files that contain data on individual pledged residential first and HELOC/HEL first and second lien loans
- Data – Approximately 65 fields per loan that include loan amount, origination date, rate, term, zip code, LTV, FICO, DTI, etc.
- Market Values – Loan listings allow FHLBank Atlanta to assign customized market values that are updated monthly; “average” market valuations are provided to shareholders filing Qualifying Collateral Reports (QCR)
- FHLBank Atlanta requires shareholders with > \$1 billion in exposure to provide loan listings, but the opportunity exists for all shareholders

Opportunity #6 – Provide Loan Listing Data

Provide a loan listing on your institution's pledged residential loan and HELOC/HEL collateral

- Potential Benefit #1 – Loan listings will result in customized market valuations; “above average” market valuations will result if your institution's portfolio has “above average” credit characteristics
- Potential Benefit #2 – FHLBank Atlanta now has the capability to stress loan listings against selected Home Price Index scenarios; stressed analytics may be helpful for liquidity planning purposes and beneficial to share with your regulator
- **Call to Action** – Provide loan listings to FHLBank Atlanta to receive customized and stressed market valuations

Idea #7

Learn Collateral Eligibility Rules



Idea #7 – Learn Collateral Eligibility Rules

- FHLBank Atlanta provides collateral training opportunities that may take several forms:
 - Regional collateral workshops
 - Periodic online collateral webinars
 - Customized onsite training sessions
 - FHLBank Atlanta website: www.fhlbatl.com
 - Sign up for email updates
- FHLBank Atlanta performed 67 training sessions in 2014 and a similar number is projected for 2015
- Call to Action – Scrub or pre-screen portfolios for the most common exceptions prior to your next CVR

Idea #7 – Learn Collateral Eligibility Rules

	Top 2014 CVR Exception Rates	Tips for Avoiding
1	LTV Issues	For purchase money mortgages, use the lower of purchase price or appraised value, unless the loan seasoning exceeds 12 months and a more recent valuation has been obtained
2	Ineligible Property Type	Filter out construction loans, ineligible special purpose properties, and land loans
3	Lien Position Issues (Inferior lien or missing lien verification)	Pre-screen portfolios to include only first lien RES and first and second lien HELOCs, CRE, and MF; ensure that satisfactory lien verification is on file
4	Missing Original Note or Not Fully Funded	Original notes should be properly executed and available for review; note also needs to be fully funded (e.g., no revolvers)
5	Manufactured Homes	Proof of conversion from personal property to real property is required
6	Environmental Issues	An unresolved environmental issue will make a loan ineligible

Opportunity #7 – Participate in FHLBank Atlanta Training

- Attending a session is a great way to hear about the latest eligibility changes and tips to maximize LCV
- Training results have been very positive – Shareholders that have participated in training opportunities have seen declines in exception rates and increases in LCV
- Talk to your Relationship Manager or Collateral Relationship Specialist if you think an onsite training session would be beneficial for your institution
- **Call to Action** – Attend an FHLBank Atlanta collateral workshop, webinar, or schedule a customized onsite training session

Idea #8

FHLBank Atlanta Letters of Credit (LOCs)



Opportunity #8 – Use FHLBank Atlanta’s LOCs

- LOCs from FHLBank Atlanta help shareholders secure improved credit terms for community projects, provide collateral for Public Unit Deposits (PUDs), and meet a variety of other financing needs
- Most common practice is to use a Standby LOC as collateral for PUDs, as it functions as an independent guaranty of a shareholder’s obligation
- State and municipal treasurers accept FHLBank LOCs in lieu of securities to cover the deposits above the FDIC insurance level
- Using FHLBank Atlanta’s LOCs allows your institution to use its loan collateral to secure PUDs and free up the securities for other uses
- **Call to Action** – Replace PUD securities collateral with FHLBank Atlanta’s LOCs

Idea #9

FHLBank Atlanta Credit Availability



Opportunity #9 – Increase Your Credit Availability

Maximize your institution's Floating Credit Availability (FCA) at FHLBank Atlanta

- Borrowing capability is usually a function of the shareholder's reported LCV
- Maximizing LCV is a key objective to maximizing liquidity and your institution's credit availability at FHLBank Atlanta
- FHLBank Atlanta strives to proactively increase FCAs, but if your institution is currently credit availability constrained, please contact your Relationship Manager or Credit Analyst
- **Call to Action** – Maximize your institution's LCV and consider requesting an increase to your institution's FCA if a credit constraint exists

Idea #10

Municipals Are Not Eligible



Idea #10

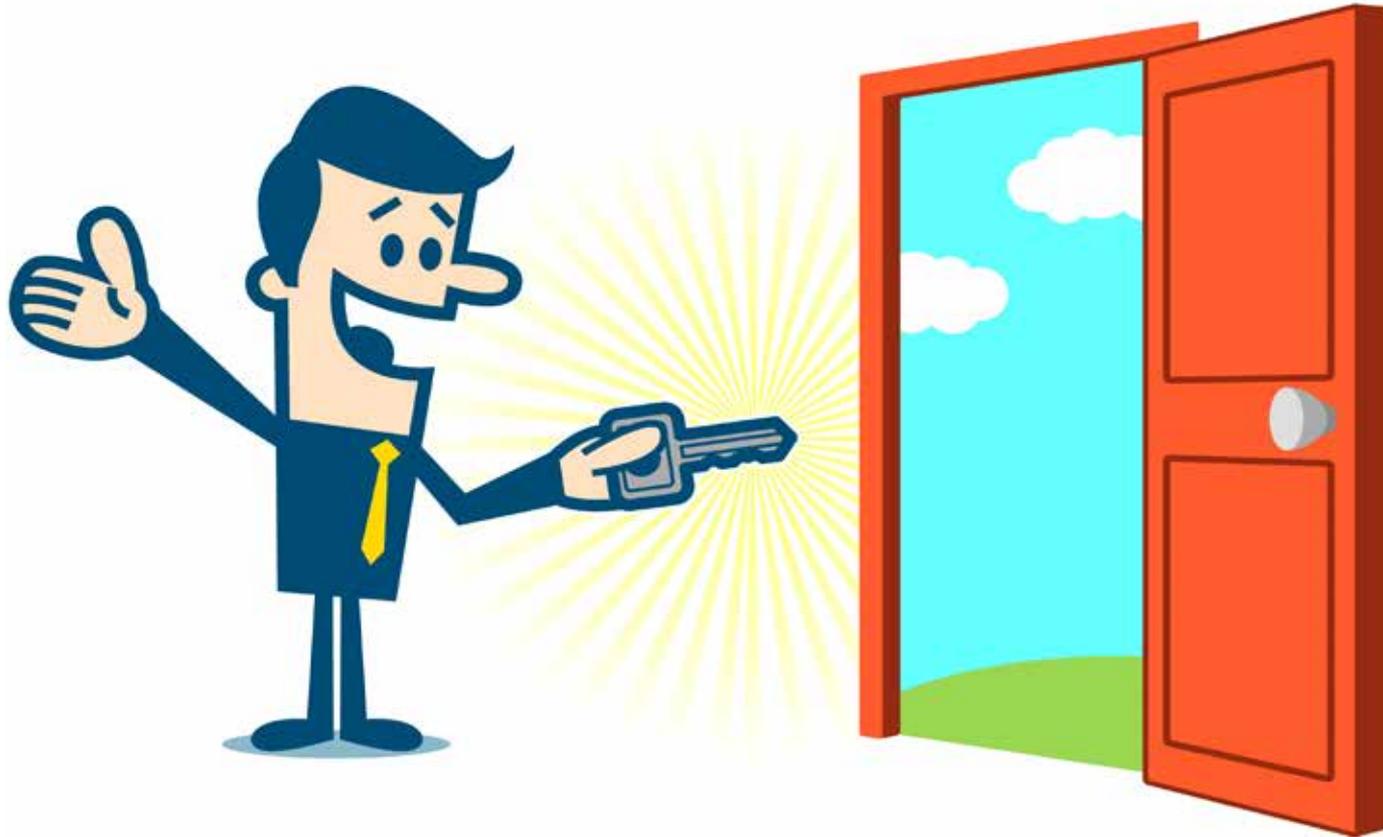
Municipals Are Not Eligible



But FHLBank Atlanta has been listening...

Opportunity #10

Municipals Are Now Eligible!



Opportunity #10 – Pledge Muni Collateral

- We have great news!
- FHLBank Atlanta now accepts municipal securities as part of its strategy to maximize the liquidity of your institution's securities portfolio
- Municipal securities must be delivered to a safekeeping account at FHLBank Atlanta and will be subject to specific eligibility requirements when pledged as collateral
- Once approved for eligibility, the municipal securities collateral will become part of your institution's general collateral pool

Opportunity #10 – Pledge Muni Collateral (cont.)

- FHLBank Atlanta's municipal securities will be subject to the following eligibility rules:
 - Bond must be rated AAA or AA and have proceeds that were used for real estate purposes
 - Each bond must have a documented real estate nexus factor (e.g., 85%)
 - Ascertaining/documenting this factor may be labor intensive and require a time investment by your institution and FHLBank Atlanta
 - 100% of bond will need to be pledged and the real estate nexus factor (e.g., 85%) will be applied for eligibility purposes (to the market value and the haircut)
- **Call to Action** – Pledge your municipal securities to increase LCV at FHLBank Atlanta

Summary of Credit and Collateral Opportunities

	Opportunity	Effort (Est.)	Benefit (Est.)
1	Optimize Loan Collateral Pledging w/FHLBank Atlanta and FRB	L/M	H
2	Pledge RAFS Collateral	H	H
3	Report Level 2 CRE/MF Data	L	M/H
4	Report Special Purpose CRE	M	H
5	Execute a Member Repo Advance	L/M	M
6	Provide Loan Listing Data	H	H
7	Participate in Training	L	M/H
8	Replace PUD Securities with FHLBank Atlanta LOCs	L	H
9	Request a Higher Credit Availability	L	M
10	Pledge Municipal Securities	M/H	H

Our goal is to partner with each shareholder to create more borrowing flexibility and lendable collateral value!

Questions

