COVID-19 Collateral Relief Program

March 27, 2020

FHLBank Atlanta may refine provisions of the collateral relief program over time. Please [click here] for the latest information.

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Agenda

- COVID-19 Collateral Relief Program Overview
- Loan Modifications with Electronic or Imaged Signatures
- Loans Under a Forbearance Agreement
- Collateral Verification Reviews
- Delayed Collateral Reporting
- Collateral Opportunity – Mitigated Environmental Risk Loans
- Questions and Answers

COVID-19 Collateral Relief Program Overview

- FHLBank Atlanta is committed to supporting the funding needs of our shareholders during the coronavirus (COVID-19) pandemic
- Temporary collateral relief program covering several aspects of loan eligibility and reporting offered effective March 1, 2020
- Cessation date of the program will be determined and announced at a later date, currently no later than October 30, 2020

COVID-19 Collateral Relief Program Overview

- Collateral relief provisions apply to the following loan portfolios:
  - Residential
  - Home equity line of credit/home equity loan (HELOC/HEL)
  - Commercial
  - Multifamily
  - Farmland

- Shareholders <u>must</u> request approval to utilize collateral relief options

COVID-19 Collateral Relief Program Overview

- Collateral relief is being offered for:
  - Loan modifications with electronic or imaged signatures
  - Loans under forbearance agreements
  - Collateral Verification Reviews (CVRs)
  - LIBOR-linked loan collateral reporting
  - Qualifying Collateral Report (QCR) and loan listing collateral reporting

Loan Modifications with Electronic or Imaged Signatures

- During the COVID-19 relief program, the Bank will accept loans with modifications that are:
  - Executed via electronic signatures
  - Wet signed and then scanned or imaged

- When the collateral relief program ends, modifications executed in this manner during the program timeframe will remain eligible

Loan Modifications with Electronic or Imaged Signatures

- Requirements for loan modifications executed with electronic or imaged signatures:
  - Request approval to report from your Collateral Relationship Specialist
  - The original, wet ink paper note is in the shareholder's possession or the shareholder maintains control via a document custody or servicing agreement and can deliver the original note for review
  - The loan modification is an amendment to the paper note:
    - Not a restatement of the note that purports to replace the paper note
    - Cannot convert into an eNote

Loan Modifications with Electronic or Imaged Signatures

- Requirements for loan modifications executed with electronic or imaged signatures:
  - If the modifications require an amendment to the mortgage as well as the note, the shareholder must comply with all recording requirements for the jurisdiction in which the property is located and the original mortgage is recorded
    - E-Notarization or remote online notarization is acceptable if the subject state has enacted laws or regulations allowing for the same, and the applicable county recording office accepts them
    - The Bank does not maintain a list of county recording offices that accept e-notarization or remote online notarization. Shareholders are asked to consult their legal and operations subject matter experts
  - All other loan collateral eligibility requirements remain in effect, including, but not limited to, the Guidelines to Promote Responsible Lending

Loan Modifications with Electronic or Imaged Signatures

- No additional collateral reporting requirements for the March 31, 2020 reporting cycle

- The duration and other factors of the COVID-19 pandemic relief program may lead to the need for additional reporting requirements in future reporting cycles

Loans under a Forbearance Agreement

- Requirements for loans under a forbearance agreement:
  - Request approval to report from your Collateral Relationship Specialist
  - The original, wet ink paper note is in the shareholder's possession or the shareholder maintains control via a document custody or servicing agreement and can deliver the original note for review
  - The forbearance agreement does not replace the original note
  - Loan forbearance agreements executed with electronic or imaged signatures will be accepted
    - Subject to the same requirements as loan modifications with electronic or imaged signatures

Loans under a Forbearance Agreement

- Requirements for loan collateral under a forbearance agreement:
  - Loans should not be more than 30 days past due at the time forbearance was granted
  - Shareholder is not requiring the borrower to make the contractually-required payments on the mortgage during the forbearance period
  - Shareholder may determine the duration of the loan forbearance
  - Payments deferred during the loan forbearance period must be resolved at the end of the forbearance period through payment, extension of the loan, or capitalization
  - All other loan collateral eligibility requirements remain in effect, including, but not limited to, the Guidelines to Promote Responsible Lending

Loans under a Forbearance Agreement

- No additional collateral reporting requirements for March 31, 2020 reporting cycle for shareholders reporting via QCR
- The duration and other factors of the COVID-19 pandemic relief program may lead to the need for additional reporting requirements in future reporting cycles
- Shareholders reporting loan collateral via loan listings will be contacted about forbearance reporting to ensure that eligible loans under forbearance agreements are not rejected

Electronic Notes and Mortgages

- No immediate changes regarding eligibility of newly originated electronic notes (eNotes) and mortgages
  - eNotes remain ineligible for reporting
  - Unique infrastructure challenges in accepting eNotes

- FHLBank Atlanta is working toward a solution for acceptance

- More information including Electronic Promissory Notes Model Collateral Acceptance Requirements and Guidelines is available in the Resource Center on our website
  - http://corp.fhlbatl.com/resources/future-acceptance-of-enotes-as-collateral-within-fhlbank-system/

Collateral Verification Reviews

- Shareholders that are selected for a CVR in 2020 can request a postponement of the review*

- If your institution has been selected for a CVR in 2020 and you believe you will be unable to accommodate the review, please contact your Collateral Relationship Specialist for assistance

- The Bank will work with each shareholder that requests a postponement on a case-by-case basis

* Shareholders in loan delivery are not eligible for postponement of delivered loan reviews.

Delayed Collateral Reporting – LIBOR-linked Collateral

- LIBOR-linked Loan Collateral Reporting
  - New requirements to report additional information on adjustable-rate loans linked to the London Interbank Offered Rate (LIBOR), originally effective March 31, 2020, will be postponed until September 30, 2020
  - Shareholders do not need to request approval to postpone LIBOR-linked collateral reporting
  - Page 3 of the QCR updated to remove all fields related to LIBOR-linked reporting previously announced and previewed in the March 10 webinar
    - Applies to residential, HELOC/HEL, commercial, multifamily, and farmland QCRs
  - LIBOR-linked reporting categories removed from page 3 of the QCR until the September 30, 2020 reporting cycle:
    - LIBOR-based loan collateral according to maturity date
    - LIBOR-based loan contract fallback language

Delayed Collateral Reporting – QCRs

- Relief from existing loan collateral reporting requirements for shareholders reporting via QCRs applies to:
  - Residential
  - HELOC/HEL
  - Commercial
  - Multifamily
  - Farmland

- Shareholders should contact their Collateral Relationship Specialist to request delayed reporting of QCR data

- QCR reporting delays may be requested for all portfolios being reported

- Shareholders reporting loan collateral data via QCR may be granted up to a six-month delay (from 3/31/20 to 9/30/20 effective date)

* Shareholders in loan delivery are not eligible to delay monthly status reports.

Delayed Collateral Reporting – Loan Listing

- Relief from existing loan collateral reporting requirements for shareholders reporting via loan listing applies to:
  - Residential
  - HELOC/HEL

- Shareholders should contact the Mortgage Valuation Manager (Nick Aston) or their Collateral Relationship Specialist to request delayed reporting of loan listing data

- Loan listing reporting delays may be requested for both the residential and HELOC/HEL portfolio

- Shareholders reporting loan collateral data via loan listing may be granted up to a one-month delay

Collateral Opportunity Environmental Risk Loans

Collateral Opportunity – Mitigated Environmental Risk Loans

- Loans with mitigated environmental risk that were previously ineligible are now eligible for reporting in all loan portfolios.
  - Must have a clean or resolved Phase 1 environmental report conducted on the subject property on or before the effective date of reporting
  - Loans must meet all other loan eligibility requirements to be eligible*

*Shareholders in loan delivery status due to credit score are not eligible to report loan collateral identified as mitigated environmental risk collateral

Collateral Opportunity – Mitigated Environmental Risk Loans

- Example property types that may be eligible, provided a clean or resolved Phase 1 environmental report exists, include:
  - Gas stations/convenience stores
  - Auto repair or auto servicing shops
  - Office buildings with underground storage tanks (USTs)
  - Anchored retail centers with gas stations
  - Retail centers with dry cleaners or oil change tenants
  - Auto dealerships with auto service centers
  - Multifamily properties with USTs
  - Other properties with USTs
- Please refer to the Member Products and Services Guide or the Loan Collateral Resource Guide for additional eligible commercial property types

Collateral Opportunity – Mitigated Environmental Risk Loans

- Loans accepted as mitigated environmental risk collateral will receive market values and discounts in accordance with the existing asset categories for all portfolios

- LCV by market values and discount categories can be found on FHLBAccess®
  - From the home page, select: Reports & Forms > Forms > Collateral

Reporting Requirements for Loans with Mitigated Environmental Risk

- Effective with the 3/31/2020 reporting cycle, the new QCR Page 3 will have a category for Mitigated Environmental Risk Loans
  - **Mitigated Environmental Risk Loans** is ***required***
    - Reported loans secured by properties with potential environmental risk, and that have a related clean or resolved Phase 1 environmental report
  - Data reported in **Mitigated Environmental Risk Loans** is based on the percentage of unpaid principal balance for each line item in this category for the given loan portfolio

Categories	Percentage of Portfolio
Mitigated Environmental Risk Loans	Required
Reported loans secured by properties with potential environmental risk, and that have a related clean or resolved Phase 1 environmental report	11 %

Questions and Answers

- Call us to assist with collateral questions related to:
  - Eligibility
  - Reporting
  - Ways to increase LCV
  - Collateral relief
  - Other collateral topics

Collateral Contacts

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Questions and Answers