REPORT ON COLLATERAL PLEDGED TO FEDERAL HOME LOAN BANKS

PREPARED FOR THE SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS AND THE HOUSE COMMITTEE ON FINANCIAL SERVICES

December 2017

Division of Bank Regulation

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Section 1 – Background

Federal law requires the Federal Housing Finance Agency (FHFA) to submit an annual report to Congress on the collateral pledged to the Federal Home Loan Banks (FHLBanks or Banks), including an analysis of collateral by type and by FHLBank district.[1] The information in this report is based on data collected through a quarterly data collection method conducted by FHFA's Division of Federal Home Loan Bank Regulation (DBR).

Congress established the Federal Home Loan Bank System (System) under the Federal Home Loan Bank Act of 1932 (the Bank Act). The System's mission is to support mortgage lending and related community investment. The FHLBanks provide liquidity to their members[2] and eligible non-member housing associates[3] by making loans to them, referred to as advances. Consistent with the provisions of the Bank Act, the FHLBanks require their members and housing associates to pledge collateral in the form of mortgages and other eligible assets to secure their advances.

This report provides data on the types and amounts of collateral pledged to the FHLBanks to secure advances and other collateralized products offered by FHLBanks to their members and housing associates. The report includes data provided by the FHLBanks on all collateral pledged by FHLBank members. Most charts and graphs report the book value of *eligible* collateral pledged by FHLBank members as of December 31, 2016. This report defines eligible collateral as the total book value or unpaid principal balance of all collateral pledged by a member and deemed eligible by the FHLBank. This definition excludes ineligible collateral pledged by members, and it accounts for any ineligibility factors extrapolated from FHLBank collateral reviews.

As of December 31, 2016, FHLBank advances totaled $705 billion,[4] and the book value of eligible collateral pledged to the Banks totaled $2.8 trillion. Reported borrowing capacity was $2.1 trillion dollars.[5]

I. Collateral at the FHLBanks

The Bank Act and FHFA regulations require FHLBanks to obtain and maintain collateral from their borrowers to secure advances at the time these advances are originated or renewed. In

[1] 12 USC 1430(j)(12)(C).
[2] Members of the FHLBanks include commercial banks, savings banks and savings associations, credit unions, insurance companies, and community development financial institutions (CDFIs). 12 U.S.C. § 1424(a)(1) outlines eligibility requirements for FHLBank membership; 12 C.F.R. § 1805.200 outlines eligibility requirements for becoming a CDFI.
[3] Entities, such as state housing finance agencies, that meet certain requirements may obtain advances if they are designated as FHLBank "housing associates." Housing associates must also provide collateral to secure advances.
[4] Based on Call Report System (CRS) data as of year-end 2016. The FHFA CRS captures and maintains time series Call Report data, including aggregated financial and mission data for the FHLBanks and the FHLBanks' Office of Finance.
[5] The report defines borrowing capacity as the lendable value of eligible collateral, net of haircuts and all other adjustments.

general, an FHLBank maintains a collateral security agreement with each member or housing associate and through that agreement the FHLBank obtains a security interest in some or all of a member's or housing associate's assets.

Each FHLBank's collateral policy identifies the types and amounts of eligible collateral it will accept, and each FHLBank specifies its own method for collateral discounts, or "haircuts," on various types of collateral. The reported market or par value of any pledged collateral is discounted, or given a "haircut," to ensure that the liquidation value of pledged collateral exceeds the value of the advances it is securing, to make certain that the collateral pledged would fully secure any outstanding advances should a member default. The amount of collateral required to secure advances differs across the FHLBanks and depends on a number of factors. These factors typically include the specific type of collateral pledged, the quality of the member's credit underwriting policies and practices, the method of securing the collateral pledged, the financial condition of the member, and recent trends in asset values.

By statute,[6] all advances made by FHLBanks to their members must be fully secured. The FHLBanks comply with this requirement by requiring each member to sign a lien agreement that covers some or all of its assets in an amount that exceeds the amount of advances made to the member. The most commonly used lien agreement is known as a blanket lien. Under a blanket lien, the FHLBank executes a security agreement that provides a secured interest in the member's assets without the member providing detailed information on the specific assets covered by the lien. FHLBanks typically have either a blanket lien on all assets of the member or a limited blanket lien that restricts the security interest to only those assets specified in the security agreement.

The board of directors of each FHLBank establishes its FHLBank's collateral policy, consistent with statutory and regulatory requirements. Accordingly, collateral policies differ across FHLBanks, often reflecting differences in the types of members served by each FHLBank, differences in the risk tolerances of each FHLBank, and differences in methods used by each FHLBank to determine collateral values. Key collateral policy differences include the levels of collateral discounts required, the various types of eligible collateral each FHLBank will accept, and whether the FHLBank requires the borrower to deliver the collateral to receive collateral value.

Section 2 of this report provides an overview and analysis of the System's collateral. Sections 3 through 5 provide further detail, including graphs and tables of collateral data provided for each FHLBank. The final section provides a glossary and definition of terms used throughout the report.

[6] 12 U.S.C. § 1430(a).

Section 2 – Analysis

I. Overview

Total advances at the FHLBanks as of year-end 2016 were $705 billion, an increase of 11 percent from $634 billion one year earlier. The FHLBanks also reported System-wide utilization – a number that includes member usage of all collateralized FHLBank products including advances, letters of credit (LOCs), MPF credit enhancement, etc. – of $859 billion. Over the same period, the total book value of the FHLBanks' eligible collateral rose to $2.8 trillion from $2.3 trillion, an increase of 21 percent.[7] The book value of eligible collateral with a reported market value price was $1.95 trillion, and the market value of that collateral was $1.88 trillion.[8]

II. Collateral Composition

FHLBank members are allowed to pledge various types of collateral to the FHLBanks to secure advances and other Bank products. This report aggregates collateral into five general categories: Single & Multi- Family, Other Real Estate Related Collateral (ORERC) [9], Securities, Community Financial Institution (CFI) [10], and Other.

Graph 1 shows the composition of collateral pledged to the FHLBanks. As of year-end 2016, single-family (SF) and multifamily (MF) residential loans[11] account for the majority of the book value of collateral both eligible and pledged, representing 61 percent and 58 percent of those totals by dollar amount, respectively.[12] ORERC collateral pledged was 29 percent of eligible collateral and 31 percent of pledged collateral. Securities and CFI collateral made up approximately seven percent and three percent, respectively, of the collateral pledged, and other eligible collateral not covered by the assigned collateral designations made up less than one percent of both pledged and eligible collateral by dollar amount.

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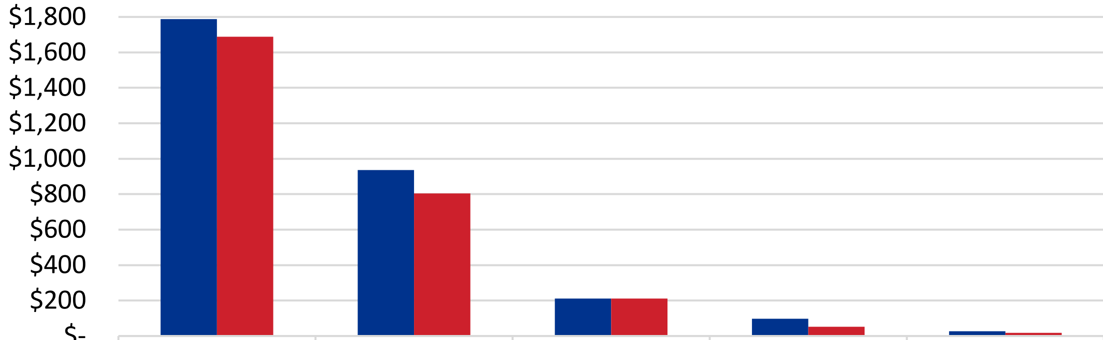
[7] The book value of eligible collateral measure excludes any ineligible collateral and accounts for any ineligibility factors extrapolated from collateral reviews. Year over year numbers rely on different data collection methods and may not be equivalent, although total, overall collateral numbers should be comparable. Unless otherwise specified, reported collateral values reflect all eligible collateral pledged by members, including non-borrowers.
[8] Market value was not available for approximately 28 percent of collateral. Certain collateral types, such as CFI collateral, were much less likely to have a market value than others, such as securities.
[9] ORERC contains all real estate-related, non-residential whole loans, including commercial real estate, plus participated loans and residential loans not included with the category of single-family first liens and multifamily loans (e.g., home equity lines of credit (HELOCs)). This report does not include any securities in ORERC. More information on ORERC and collateral types accepted by the FHLBanks can be found in 12 CFR 1266.7.
[10] The FHLBank Act permits members that qualify as CFIs to pledge certain CFI-specific collateral. By statute, CFI collateral includes secured loans for small business, agriculture, or community development. FHFA regulations define CFI collateral to include small business loans, small farm loans, small agribusiness loans, and community development loans. 12 CFR 1266.7(b)(1).
[11] Single and Multi-Family Loans includes all traditional, non-traditional, and subprime closed-end first liens, other residential first liens (e.g., FHA/VA, manufactured housing), all first and second liens backed by multifamily real estate, and residential real estate closed-end second liens.
[12] Pledged collateral includes the total book value or unpaid principal balance of all collateral pledged by a member.

Graph 1: Book Value of Collateral by Category ($Billion)



	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Pledged	$1,789	$937	$212	$97	$27
Eligible	$1,689	$805	$212	$52	$17

III. Haircuts and Borrowing Capacity Ratios

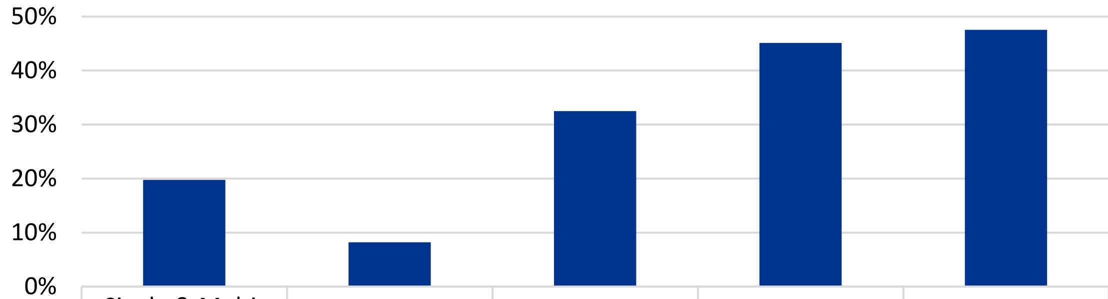
For the purposes of this report, a haircut is defined as:

$$1 - \frac{Borrowing\ Capacity}{Book\ Value\ of\ Eligible\ Collateral}$$

This definition of a haircut identifies the difference between the full book value of collateral and the borrowing capacity reported by the FHLBank for that collateral. Borrowing capacity already accounts for ineligible collateral and any ineligibility criteria imposed by an FHLBank's collateral reviews, ensuring that this measure captures the additional reduction imposed by the FHLBanks for specific types of collateral compared to the pre-haircut book value of eligible collateral.

Graph 2 reflects the average haircuts at the System level for broad collateral categories. System-wide, FHLBanks give securities the lowest haircut at 8.2 percent, followed by single-family and multifamily loans at 19.7 percent. ORERC collateral generally receives relatively higher haircuts at 32.5 percent, and FHLBanks give CFI collateral significantly higher haircuts at 45.1 percent.

Graph 2: Overall Haircut by Collateral Type (System-Wide)



	Single & Multi-Family	Securities	ORERC	CFI Collateral	Other
Haircuts	19.7%	8.2%	32.5%	45.1%	47.5%

In addition to the amount of eligible collateral pledged, the amount of borrowing capacity used by members indicates the amount of collateral protection relative to an FHLBank's exposures. This report contains two collateral ratios to compare the borrowing capacity of collateral to the amount of the collateralized products members use. First, the post-haircut collateral to advances ratio is calculated as the borrowing capacity divided by the total amount of advances. Second, the post-haircut collateral to borrowings ratio is calculated as the borrowing capacity divided by the total amount of collateralized FHLBank products, which includes not only advances but also LOCs and other collateralized FHLBank products.

Both ratios generally measure the amount of collateral coverage remaining *after* the Banks apply their collateral haircuts as well as any ineligibility factors extrapolated from collateral reviews by the FHLBanks.[13] The post-haircut collateral to advances ratio measures how much borrowing capacity remains after an FHLBank's members' advances are considered. Similarly, the post-haircut collateral to borrowings ratio measures the multiple of borrowing capacity remaining after members' overall usage of collateralized FHLBank products has been taken into account. Both ratios would be higher if the numerator used was the book value of eligible collateral or another, pre-haircut measure, but collateral ratios based on borrowing capacity provide a more accurate measure of the remaining capacity available to secure advances and other products.

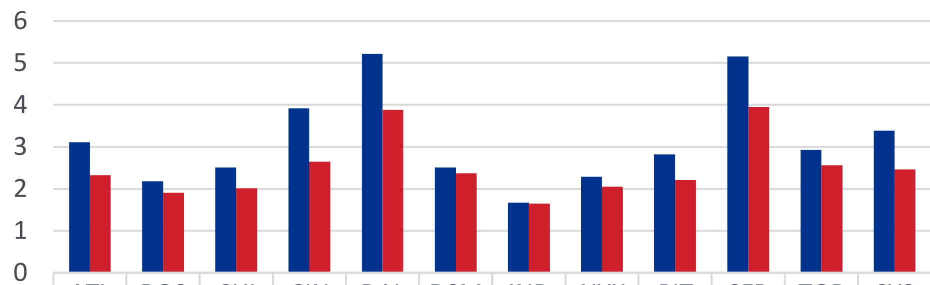
At year-end 2016, the System-wide post-haircut collateral to advances ratio was 3.4, while the System-wide post-haircut collateral to borrowings ratio was 2.5.[14] These ratios indicate that the FHLBanks' reported borrowing capacity for eligible collateral was 3.4 and 2.5 times higher than the level of advances and all collateralized products, respectively. Graph 3 reflects post-haircut

[13] Throughout the report, we calculate the discounted collateral ratios at the Bank level. In practice, the FHLBanks address collateral coverage on a member-by-member basis and do not permit cross-collateralization. In the report, these ratios are intended to provide a snapshot of the remaining borrowing capacity available to members after the FHLBanks apply haircuts and other ineligibility factors to member-pledged collateral.

[14] System-wide discounted collateral ratios are based on System totals, not averages across the eleven FHLBanks.

collateral ratios calculated based on all FHLBank members, including those that use collateralized Bank products and those that do not.

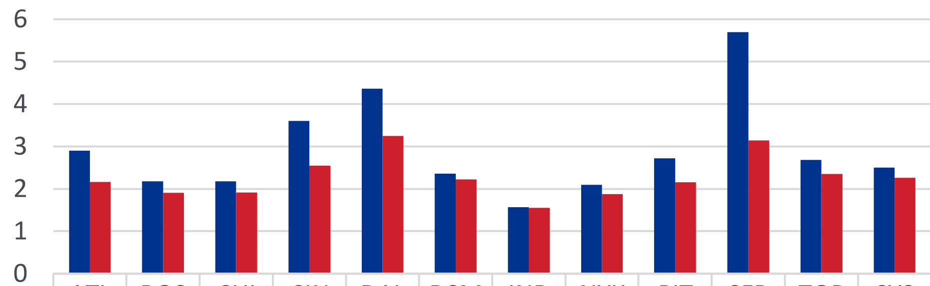
Graph 3: Post-Haircut Collateral Ratios by Bank (All Members)



	ATL	BOS	CHI	CIN	DAL	DSM	IND	NYK	PIT	SFR	TOP	SYS
Post-Haircut Collateral to Advance Ratio	3.1	2.2	2.5	3.9	5.2	2.5	1.7	2.3	2.8	5.2	2.9	3.4
Post-Haircut Collateral to Borrowing Ratio	2.3	1.9	2.0	2.6	3.9	2.4	1.7	2.0	2.2	3.9	2.6	2.5

Graph 4 provides the post-haircut collateral ratios for borrowers (including users of non-advance Bank products) only. While individual Bank ratios did not markedly change, the collective System discounted collateral to advances ratio declined from 3.4 when calculated for all members to 2.5 when calculated for borrowers only.

Graph 4: Post-Haircut Collateral Ratios by Bank (Borrowers)



	ATL	BOS	CHI	CIN	DAL	DSM	IND	NYK	PIT	SFR	TOP	SYS
Post-Haircut Collateral to Advance Ratio	2.9	2.2	2.2	3.6	4.4	2.4	1.6	2.1	2.7	5.7	2.7	2.5
Post-Haircut Collateral to Borrowing Ratio	2.2	1.9	1.9	2.5	3.2	2.2	1.6	1.9	2.2	3.1	2.4	2.3

IV. Single-Family Collateral

Single-family loan collateral represents the majority of the eligible collateral pledged to the FHLBanks. As shown in Table 1, single-family whole loan collateral accounted for over half (52.1 percent) of all eligible collateral pledged to the FHLBanks.

Table 1: Single-Family Whole Loan Collateral ($Millions)

FHLBank	Single-Family Loan Collateral[15]	Total Whole Loan Collateral[16]	Eligible Collateral	Single-Family Percent of Whole Loans Collateral	Single-Family Percent of All Eligible Collateral
Indianapolis	$29,742	$35,073	$66,692	84.8%	44.6%
Topeka	$41,656	$45,621	$92,497	91.3%	45.0%
Dallas	$78,792	$87,707	$263,547	89.8%	29.9%
Chicago	$83,374	$92,284	$140,272	90.3%	59.4%
Boston	$86,608	$90,853	$125,551	95.3%	69.0%
Pittsburgh	$120,387	$149,363	$289,107	80.6%	41.6%
San Francisco	$150,800	$185,182	$318,665	81.4%	47.3%
New York	$160,876	$214,637	$314,887	75.0%	51.1%
Cincinnati	$228,960	$289,161	$364,367	79.2%	62.8%
Atlanta	$229,224	$246,183	$377,644	93.1%	60.7%
Des Moines	$234,073	$252,791	$421,443	92.6%	55.5%
System	$1,444,493	$1,688,855	$2,774,672	85.5%	52.1%

Traditional single-family first liens are the vast majority of eligible single-family loan collateral pledged to the FHLBanks, and accounted for $1.2 trillion and 43.5 percent of all eligible

[15] Single-family loan collateral includes traditional, non-traditional, and subprime first-liens, as well as FHA and VA loans, manufactured housing, etc.
[16] Residential real estate whole loans are pledged, multifamily and single-family, first and second liens. Does not include construction or commercial loans.

collateral pledged System-wide. Traditional loans are the largest category of single-family loans at all eleven FHLBanks. Non-traditional collateral made up another $175 billion of collateral System-wide and included loans that allow negative amortization or the deferment of principal or interest payments. Subprime single-family collateral made up less than $50 billion System-wide, and loans that are both nontraditional and subprime made up less than $5 billion System wide.

Table 2: Single-Family Whole Loan Collateral by Type[17]

FHLBank	Traditional	Nontraditional	Subprime	Nontraditional and Subprime	Other Residential Loans	Total Single-Family Loan Collateral
Indianapolis	$28,061	$95	$487	$1	$1,097	$29,742
Topeka	$36,575	$467	$0	$0	$4,614	$41,656
Dallas	$73,460	$3,237	$2,043	$52	$0	$78,792
Boston	$73,999	$5,944	$6,662	$0	$2	$86,608
Chicago	$83,374	$0	$0	$0	$0	$83,374
Pittsburgh	$90,764	$29,623	$0	$0	$0	$120,387
San Francisco	$92,614	$51,478	$4,685	$2,024	$0	$150,800
New York	$111,107	$39,390	$6,480	$1,589	$2,310	$160,876
Atlanta	$188,639	$27,627	$10,964	$924	$1,070	$229,224
Cincinnati	$213,670	$5,735	$9,283	$272	$0	$228,960
Des Moines	$214,310	$10,799	$7,976	$0	$989	$234,073
System	$1,206,574	$174,395	$48,581	$4,862	$10,082	$1,444,493

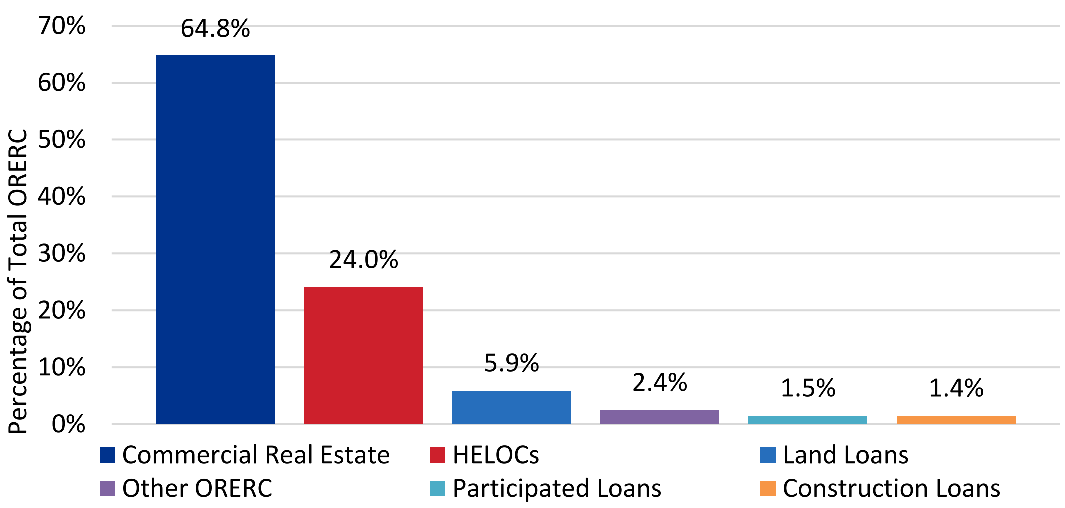
[17] Single-family collateral is defined as 1-4 family residential first liens and numbers are based on book value of collateral.

V. Other Real Estate Related Collateral

ORERC collateral includes all real estate-related, non-residential whole loans, including commercial real estate, plus participated loans and residential loans not included in the category of single-family first liens and multifamily loans (e.g., HELOCs). By statute, to qualify as ORERC an asset must have a readily ascertainable value, and an FHLBank must be able to perfect a security interest in such collateral.[18] The regulations further require that the ascertainable value must be such that a Bank can reliably discount the item to account for liquidation and other risks and to allow for liquidation in due course.[19] Among the eligible collateral types accepted by the FHLBanks, ORERC is heavily discounted in terms of its value to secure advances compared to securities and single-family/multifamily loans. All FHLBanks report ORERC securing advances.

As a share of collateral System-wide, ORERC accounted for approximately 29 percent of total eligible collateral pledged to the FHLBanks at year-end 2016. Commercial real estate loans accounted for the largest portion of ORERC at year-end, approximately 65 percent of total ORERC or approximately $520 billion of eligible collateral across the System. HELOCs represented approximately 24 percent of eligible ORERC collateral, $193 billion. Land loans represented just under six percent of eligible ORERC, and participated loans and construction loans both represented less than two percent of eligible ORERC across all members.[20]

Graph 5: ORERC Collateral by Type



[18] 12 USC 1430(a)(3)(D).
[19] 12 CFR 1266.7(a)(4).
[20] Other ORERC loans (e.g., Guaranteed Portions of Farm Service Agency (FSA) and Small Business Administration (SBA) Loans or Warehouse Loans) represent approximately 2.4 percent of eligible ORERC collateral across the FHLBank System.

VI. Multifamily Whole Mortgage Loan Collateral

As shown in Table 3, multifamily loans accounted for 12.8 percent of eligible whole loan collateral pledged at year-end 2016 System-wide.

Table 3: Multifamily Whole Loan Collateral

FHLBank	Multifamily Loan Collateral	Total Whole Loan Collateral[21]	Multifamily Loan Collateral as a Percent of Whole Loan Collateral
Boston	$3,466	$90,853	3.8%
Atlanta	$14,144	$246,183	5.7%
Des Moines	$15,149	$252,791	6.0%
Topeka	$3,085	$45,621	6.8%
Chicago	$7,701	$92,284	8.3%
Dallas	$8,915	$87,707	10.2%
San Francisco	$24,386	$185,182	13.2%
Indianapolis	$5,053	$35,073	14.4%
Pittsburgh	$24,102	$149,363	16.1%
Cincinnati	$58,752	$289,161	20.3%
New York	$51,454	$214,637	24.0%
System	$216,208	$1,688,855	12.8%

[21] Eligible residential real estate whole loans, multifamily and single-family, first and second liens. Does not include construction or commercial loans.

VII. Community Financial Institution (CFI) Collateral

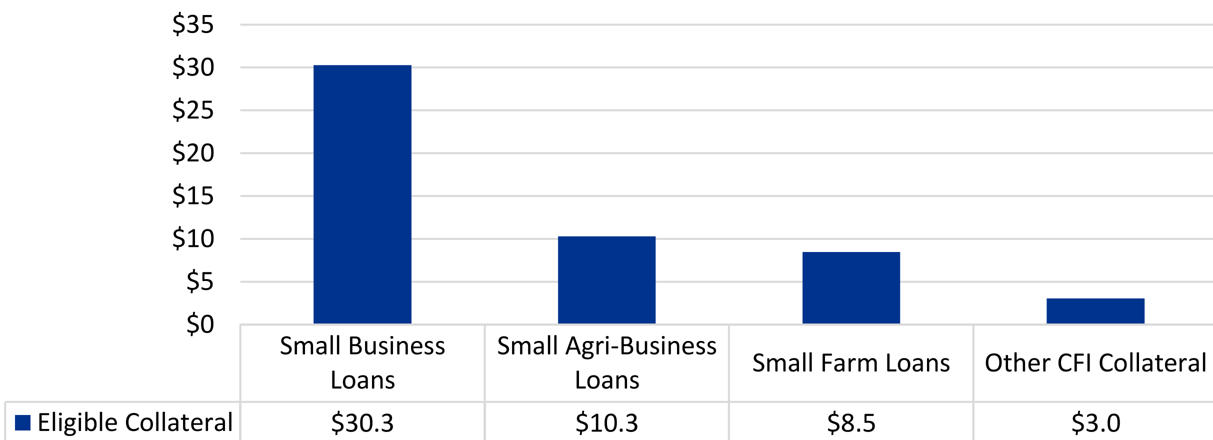
The FHLBank Act permits members that qualify as CFIs to pledge certain CFI-specific collateral. By statute, CFI collateral includes secured loans for small business, agriculture, or community development, or securities representing a whole interest in such loans. FHFA regulations define CFI collateral to include small business loans, small farm loans, small agribusiness loans, and community development loans. Overall, the FHLBanks reported approximately $52.1 billion dollars in eligible CFI collateral pledged, less than 2 percent of the total book value of eligible pledged collateral. Table 4 reflects the distribution of pledged CFI collateral in the System.

Table 4: CFI Collateral Pledged ($Billions)

FHLBank	ATL	BOS	CIN	NYK	IND	PIT	SFR	DSM	CHI	DAL	TOP	SYS
CFI Collateral	$0.0	$0.0	$0.0	$0.0	$0.2	$3.0	$4.8	$5.1	$9.2	$12.5	$17.2	$52.1
Eligible Collateral %	0%	0%	0%	0%	0%	1%	1%	2%	5%	7%	19%	2%

Graph 6 shows the distribution of eligible CFI collateral types pledged System-wide. Small business loans represent the majority of eligible CFI collateral. System-wide, the FHLBanks reported approximately $30.3 billion of CFI small business loans, 58.1 percent of all CFI collateral pledged. Small agribusiness loans and small farm loans accounted for $10.3 billion and $8.5 billion dollars of eligible CFI collateral respectively. Section 5 provides additional details on CFI collateral pledged to the FHLBanks.

Graph 6: CFI Collateral by Type ($Billions)



Section 3 – Distribution of Collateral by Type and Bank

FHFA regulations allow the FHLBanks to accept a wide variety of real-estate related products as collateral as reflected in Table 5. Single-family and multifamily loans represented the largest percentage of eligible collateral pledged to the FHLBanks by dollar amount, accounting for 61 percent of the book value of eligible collateral at year-end 2016.[22]

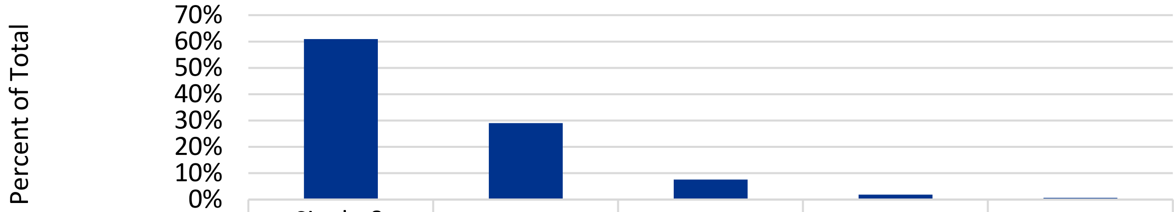
Table 5: Percent of Eligible Collateral by Collateral Type[23]

FHLBank	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Atlanta	65%	28%	6%	0%	1%
Boston	72%	20%	7%	0%	0%
Chicago	66%	21%	6%	7%	0%
Cincinnati	79%	17%	4%	0%	0%
Dallas	33%	51%	8%	5%	4%
Des Moines	60%	31%	7%	1%	1%
Indianapolis	53%	26%	21%	0%	0%
New York	68%	19%	13%	0%	0%
Pittsburgh	52%	43%	4%	1%	0%
San Francisco	58%	31%	10%	2%	0%
Topeka	49%	21%	10%	19%	0%
System	61%	29%	8%	2%	1%

ORERC includes non-residential real estate loans pledged as collateral to the FHLBanks, along with some types of residential loans, most notably HELOCs. Specifically, the ORERC classification includes twenty distinct categories of real estate loans, including participated loans, land loans, etc. However, the bulk of the value of the eligible collateral within ORERC falls within two categories: commercial real estate first liens and HELOC first liens. These two categories represent approximately 78 percent of ORERC across the System or $628 billion of eligible collateral by book value. Graphs 7 through 18 on the following pages reflect data on the classification of eligible collateral pledged to the FHLBanks as of year-end 2016 for both the System and each FHLBank.

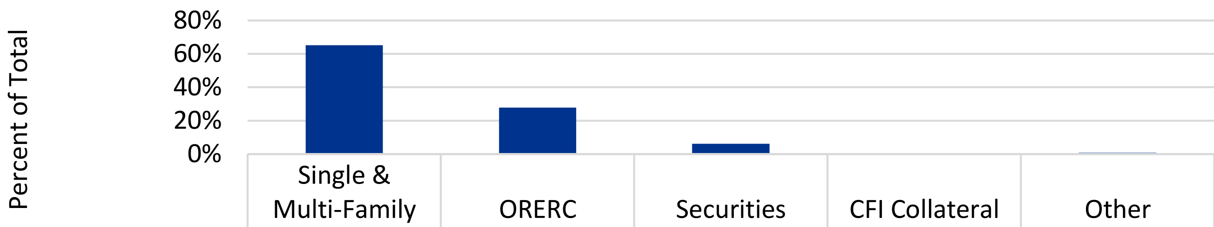
[22] This category includes both single-family and multifamily loans, as well as traditional, non-traditional, and subprime loans.
[23] Number may not add to 100 percent due to rounding.

Graph 7: Book Value of Eligible Collateral by Collateral Type
System



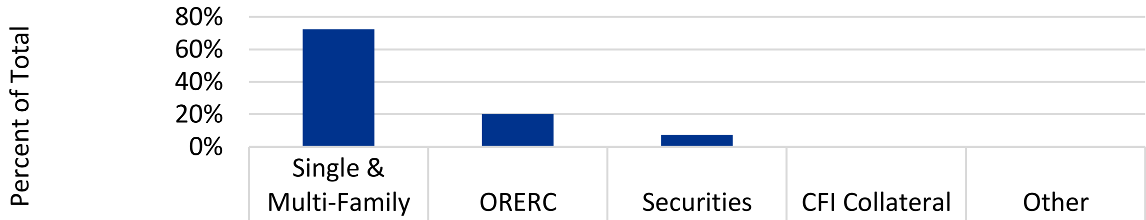
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	61%	29%	8%	2%	1%

Graph 8: Book Value of Eligible Collateral by Collateral Type
Atlanta



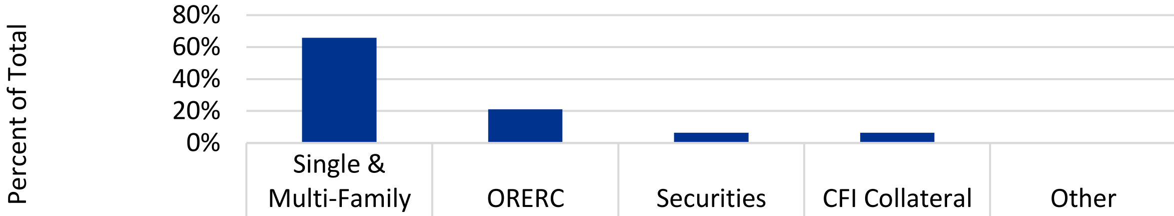
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	65%	28%	6%	0%	1%

Graph 9: Book Value of Eligible Collateral by Collateral Type
Boston



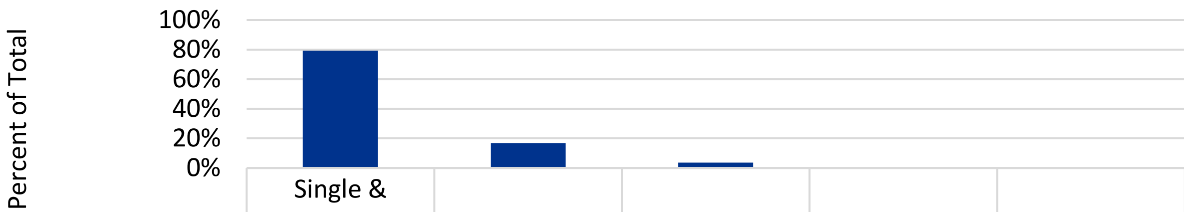
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	72%	20%	7%	0%	0%

Graph 10: Book Value of Eligible Collateral by Collateral Type
Chicago



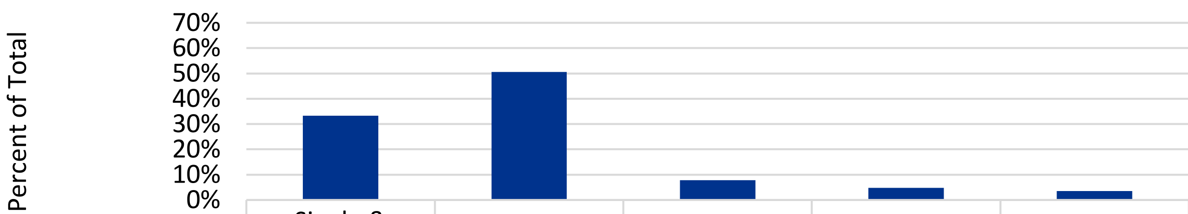
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	66%	21%	6%	7%	0%

Graph 11: Book Value of Eligible Collateral by Collateral Type
Cincinnati



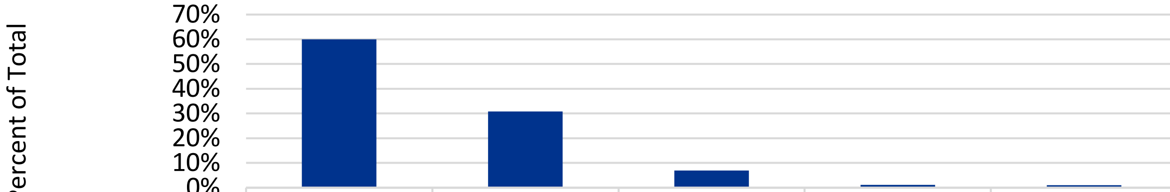
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	79%	17%	4%	0%	0%

Graph 12: Book Value of Eligible Collateral by Collateral Type
Dallas



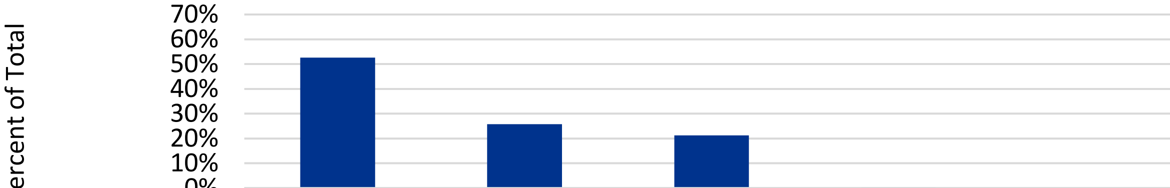
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	33%	51%	8%	5%	4%

Graph 13: Book Value of Eligible Collateral by Collateral Type
Des Moines



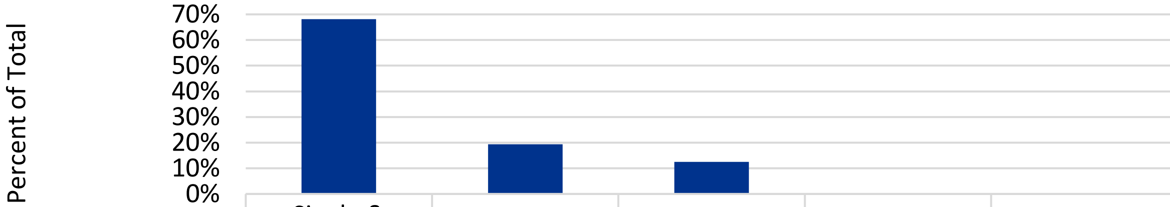
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	60%	31%	7%	1%	1%

Graph 14: Book Value of Eligible Collateral by Collateral Type
Indianapolis



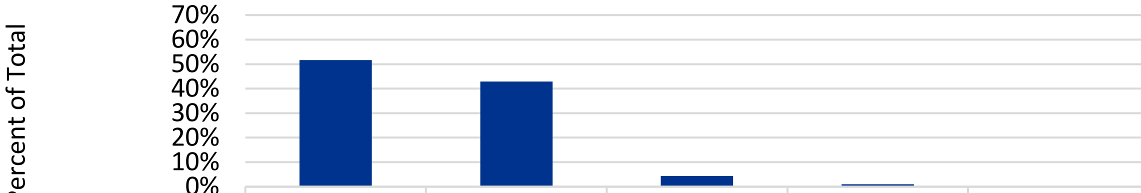
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	53%	26%	21%	0%	0%

Graph 15: Book Value of Eligible Collateral by Collateral Type
New York



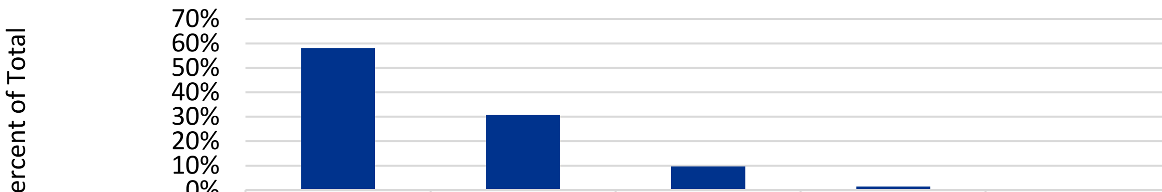
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	68%	19%	13%	0%	0%

Graph 16: Book Value of Eligible Collateral by Collateral Type
Pittsburgh



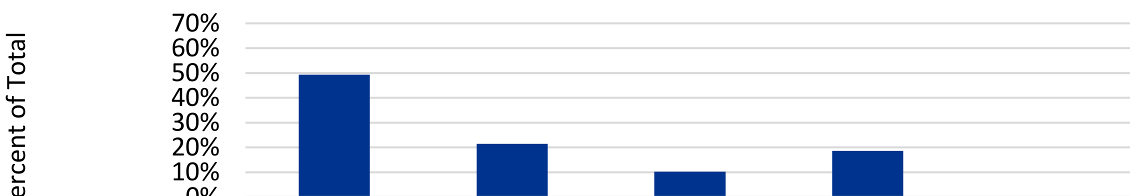
	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	52%	43%	4%	1%	0%

Graph 17: Book Value of Eligible Collateral by Collateral Type
San Francisco



	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	58%	31%	10%	2%	0%

Graph 18: Book Value of Eligible Collateral by Collateral Type
Topeka



	Single & Multi-Family Loans	ORERC	Securities	CFI Collateral	Other
Eligible Collateral	49%	21%	10%	19%	0%

Section 4 – Subprime and Nontraditional Collateral

FHLBanks report to FHFA the amounts of subprime and nontraditional first lien residential mortgage loans, second mortgages, home equity lines of credit, and residential construction loans pledged. The FHLBanks also report the amounts of subprime and Alt-A private-label mortgage-backed securities/collateralized mortgage obligations (PLMBS/CMOs) that FHLBank members have pledged.

An FHLBank may include in eligible collateral any subprime and or non-traditional mortgages that a member originated or acquired after July 10, 2007 only if those mortgages adhere to all aspects of the 2006 and 2007 Interagency Guidance on nontraditional and subprime mortgage loans issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration (the interagency guidance). Similarly, an FHLBank may include PLMBS that were issued after July 10, 2007 only if the underlying mortgages adhere to all aspects of the interagency guidance.

The FHLBanks' policies and business practices require members to certify that subprime and non-traditional mortgages adhere to the interagency guidance. To include private-label MBS issued after July 10, 2007, the FHLBanks' policies and business practices generally require members to obtain an enforceable representation and warranty from the issuer that the residential mortgages included in the loan pools securitized by those PLMBS adhere to the interagency guidance.

Some portion of collateral described as nontraditional, subprime, or Alt-A was originated or purchased prior to July 10, 2007 and therefore, under the guidance in FHFA's advisory bulletins, is not required to conform to the interagency guidance. Current reporting requirements do not contain information sufficient to allow FHFA to determine how much of the collateral would be subject to the interagency guidance. However, the guidance does require the FHLBanks to have policies that ensure that subprime and nontraditional loans that the FHLBank member originated or acquired subsequent to the issuance of the interagency guidance, and certain effective dates in the FHFA advisory bulletins, have not been pledged as collateral for advances if they did not conform to the guidance.

The levels of subprime and nontraditional mortgage loan collateral reported by each FHLBank might still vary based on the ways in which the FHLBanks measure and categorize such exposures, in addition to actual differences in collateral pledged by members in each FHLBank district. The FHLBanks report either actual or estimated amounts, depending on data availability.

For PLMBS/CMO securities serving as collateral for advances, the FHLBanks report the securities according to how they were categorized by the Bank's internal policies. FHLBanks obtain information on PLMBS/CMOs by reviewing the securities' prospectuses, market-based sources of information, or even the names of the securities themselves. An Alt-A security has nostandard definition. Alt-A PLMBS/CMOs are typically those backed by mortgage loans to borrowers with prime credit scores but with features that included, for example, low or no borrower income or asset verification. Subprime PLMBS/CMOs are generally backed by mortgage loans to subprime borrowers. Most FHLBanks report little or limited exposure to this type of collateral, as reflected in Table 6. Overall, the System average for subprime and nontraditional collateral as a percentage of the eligible collateral portfolio at year-end 2016 was 8.2 percent.

Table 6: Subprime (SP) & Nontraditional (NT) Collateral by Bank ($Billions)

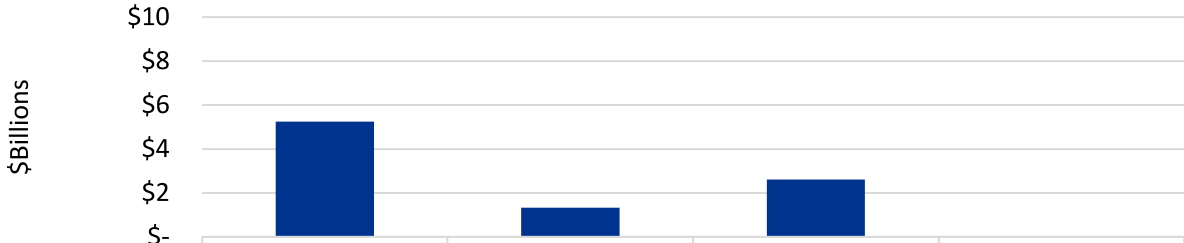
FHLBank	SP	NT	SP & NT	SP PLMBS/ CMO	Alt-A PLMBS/CMO	Total SP and NT	Eligible Collateral	Percent of Eligible Collateral
CHI	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$140.3	0.0%
TOP	$0.0	$0.5	$0.0	$0.0	$0.0	$0.5	$92.5	0.5%
IND	$0.5	$0.1	$0.0	$0.0	$0.0	$0.6	$66.7	0.9%
DAL	$2.0	$3.2	$0.1	$0.0	$0.0	$5.3	$263.5	2.0%
BOS	$6.7	$5.9	$0.0	$0.0	$0.0	$12.6	$125.6	10.1%
CIN	$9.3	$5.7	$0.3	$0.0	$0.0	$15.3	$364.4	4.2%
DSM	$8.0	$10.8	$0.0	$0.0	$0.0	$18.8	$421.4	4.5%
PIT	$0.0	$29.6	$0.0	$0.0	$0.0	$29.7	$289.1	10.3%
ATL	$11.0	$27.6	$0.9	$0.1	$0.0	$39.6	$377.6	10.5%
NYK	$6.5	$39.4	$1.6	$0.0	$0.0	$47.5	$314.9	15.1%
SFR	$4.7	$51.5	$2.0	$0.0	$0.0	$58.2	$318.7	18.3%
SYS	$48.6	$174.4	$4.9	$0.1	$0.0	$228.2	$2,774.7	8.2%

Section 5 – Community Financial Institution Collateral

The FHLBanks are authorized to accept from CFI members (and their affiliates) additional types of collateral that would not otherwise be considered eligible collateral as security for advances, including, small business loans, small farm loans, small agribusiness loans and community development loans, and securities representing a whole interest in such loans.

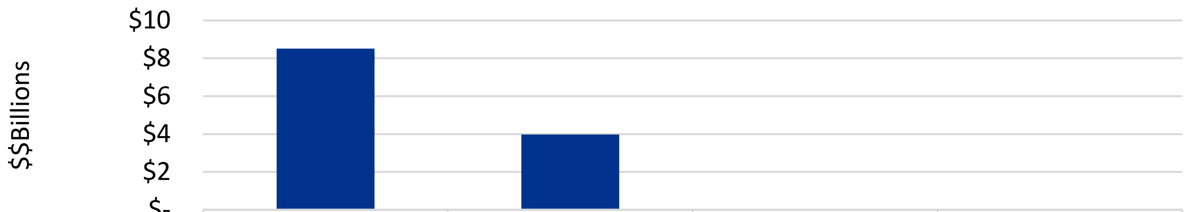
CFI collateral amounts and types vary considerably across the System. Graphs 19 through 25 below provide detail on the distribution of *eligible* CFI collateral pledged to the FHLBanks by type at year-end 2016. Only those Banks reporting CFI collateral are included in these graphs.

Graph 19: CFI Collateral
Chicago



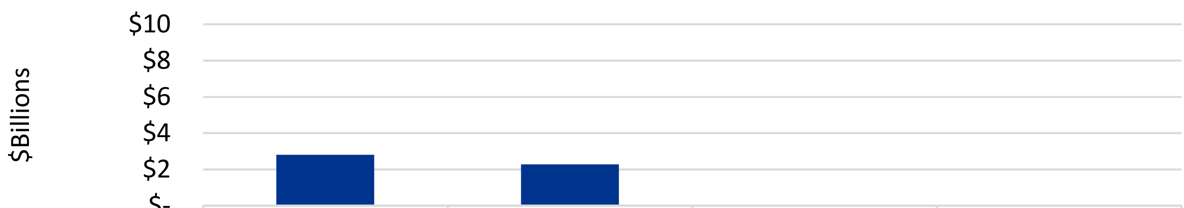
	Small Business Loans	Small Agri-Business Loans	Small Farm Loans	Other CFI Collateral
CFI Collateral	$5.2	$1.3	$2.6	$-

Graph 20: CFI Collateral
Dallas



	Small Business Loans	Small Agri-Business Loans	Small Farm Loans	Other CFI Collateral
CFI Collateral	$8.5	$4.0	$-	$-

Graph 21: CFI Collateral
Des Moines



	Small Business Loans	Small Agri-Business Loans	Small Farm Loans	Other CFI Collateral
CFI Collateral	$2.8	$2.3	$-	$0.0

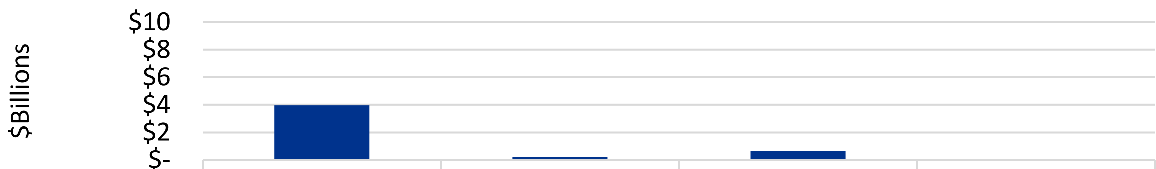
Graph 22: CFI Collateral
Indianapolis

	Small Business Loans	Small Agri-Business Loans	Small Farm Loans	Other CFI Collateral
CFI Collateral	$0.0	$-	$0.2	$-

Graph 23: CFI Collateral
Pittsburgh

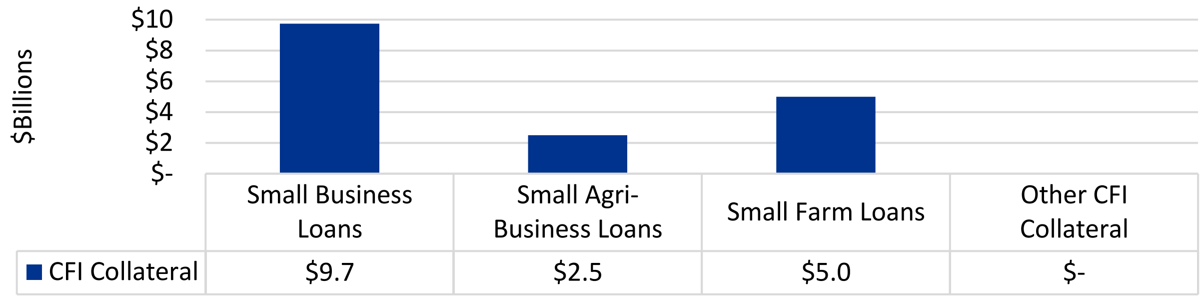
	Small Business Loans	Small Agri-Business Loans	Small Farm Loans	Other CFI Collateral
CFI Collateral	$-	$-	$-	$3.0

Graph 24: CFI Collateral
San Francisco



	Small Business Loans	Small Agri-Business Loans	Small Farm Loans	Other CFI Collateral
CFI Collateral	$4.0	$0.2	$0.6	$-

Graph 25: CFI Collateral
Topeka



Glossary

Advance – A secured extension of credit or loan from an FHLBank to a member or housing associate.

Agency MBS – Mortgage-backed securities issued by Fannie Mae or Freddie Mac.

Alt-A PLMBS – Alt-A private-label mortgage-backed securities are typically those backed by mortgage loans to borrowers with prime credit scores but with features that included, for example, low or no borrower income or asset verification. However, an Alt-A PLMBS has no standard definition.

Blanket Lien – A form of collateral control under which the member grants an FHLBank a security interest in all or most of its assets, or one or more broad categories of assets, to secure advances.

Book value of eligible collateral – The total book value or unpaid principal balance of all collateral pledged *and* eligible. This definition excludes any ineligible collateral and accounts for any ineligibility factors determined from collateral reviews by the FHLBanks.

Book value of pledged collateral – The total book value or unpaid principal balance of all collateral pledged (not necessarily eligible).

Borrowing capacity – The lendable value of collateral pledged based on member and collateral type, net of haircuts and all other adjustments.

Community Financial Institution (CFI) – A member the deposits of which are insured under the Federal Deposit Insurance Act, that has average total assets of $1 billion or less, based on an average of total assets over the last 3 years. FHFA is required to adjust the $1 billion asset threshold annually, based on the rate of inflation. As of December 31, 2016, the threshold was $1.128 billion. FHLBank members that are CFIs may pledge small business loans, small farm loans, small agribusiness loans, and, for 2013 and thereafter, community development loans, all of which may be fully secured by collateral other than real estate, and securities representing a whole interest in such loans.

Housing Associate – A housing associate is a non-member entity to which an FHLBank may make advances if it meets specific requirements in Federal Housing Finance Agency regulations. Housing associates are often state housing finance agencies.

Market value of eligible collateral – The total market value of all collateral pledged *and* eligible. If market value is not available or the collateral was not priced, the value defaults to the book value.

Member – A financial institution that has been approved for membership and has purchased stock in an FHLBank.

Non-Advance Products – FHLBank-originated financial instruments, such as standby letters of credit and interest rate swaps, and Acquired Member Assets.

Nontraditional Mortgage Loans – Nontraditional mortgage loans include those that allow negative amortization or the deferment of payments of principal or interest.

Post-Haircut Collateral to Advance Ratio – The ratio of collateral borrowing capacity to advances.

Subprime Mortgage Loan – A subprime loan generally is one to a borrower having a credit score below a threshold level. Because there is no standard threshold score that defines a subprime loan, threshold levels may vary within limits from lender to lender.

Subprime PLMBS – Subprime private-label mortgage-backed securities are generally backed by residential first or second mortgage loans to subprime borrowers.