FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 3, 2011

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington D.C. 20510

Dear Chairman Johnson:

Enclosed please find the Federal Housing Finance Agency's (FHFA) report on Collateral Pledged to the Federal Home Loan Banks (FHLBanks), as required by Section 1212 of the Housing and Economic Recovery Act of 2008 (HERA).

Section 1212 of HERA requires that FHFA provide an annual report on the collateral pledged to the FHLBanks, including an analysis by type and by FHLBank district. The report is based on FHFA's 2011 annual collateral data survey, which collected information as of December 31, 2010. It is the third update of the initial report that FHFA submitted to your committees on January 26, 2009. Should you have any questions about the enclosed report, please feel free to contact me at (202) 414-3801.

Yours truly,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 3, 2011

The Honorable Richard C. Shelby
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington D.C. 20510

Dear Senator Shelby:

Enclosed please find the Federal Housing Finance Agency's (FHFA) report on Collateral Pledged to the Federal Home Loan Banks (FHLBanks), as required by Section 1212 of the Housing and Economic Recovery Act of 2008 (HERA).

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Acting Director

1700 G Street, N.W., Washington, D.C. 20552-0003 • 202-414-3800 • 202-414-3823 (fax)

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 3, 2011

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
United States House of Representatives
Washington D.C. 20515

Dear Chairman Bachus:

Enclosed please find the Federal Housing Finance Agency's (FHFA) report on Collateral Pledged to the Federal Home Loan Banks (FHLBanks), as required by Section 1212 of the Housing and Economic Recovery Act of 2008 (HERA).

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FEDERAL HOUSING FINANCE AGENCY
Office of the Director

October 3, 2011

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington D.C. 20515

Dear Representative Frank:

Enclosed please find the Federal Housing Finance Agency's (FHFA) report on Collateral Pledged to the Federal Home Loan Banks (FHLBanks), as required by Section 1212 of the Housing and Economic Recovery Act of 2008 (HERA).

Section 1212 of HERA requires that FHFA provide an annual report on the collateral pledged to the FHLBanks, including an analysis by type and by FHLBank district. The report is based on FHFA's 2011 annual collateral data survey, which collected information as of December 31, 2010. It is the third update of the initial report that FHFA submitted to your committees on January 26, 2009. Should you have any questions about the enclosed report, please feel free to contact me at (202) 414-3802.

Yours truly,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

# Report on Collateral Pledged to Federal Home Loan Banks

**Prepared for**

**The Committee on Banking, Housing, and Urban Affairs of the Senate**

**and**

**The Committee on Financial Services of the House of Representatives**

## September 2011

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# 1. Background

Section 1212 of the Housing and Economic Recovery Act of 2008 requires FHFA to submit an annual report to Congress on the collateral pledged to the Federal Home Loan Banks (FHLBanks). The information in this report is based on data collected through an annual survey, known as the Collateral Data Survey, conducted by the Federal Housing Finance Agency's (FHFA) Division of Federal Home Loan Bank Regulation. This report describes the collateral pledged to the FHLBanks and includes an analysis of the collateral by types and by FHLBank district.

The 2011 Collateral Data Survey provides the information available in previous surveys, as well as additional information. As in prior years, the Collateral Data Survey collected specific data on the levels of collateral required by the FHLBanks' policies to secure advances made to members and housing associates.[1] As explained below, we refer to this as the "adjusted minimum" level of collateral. This year's Collateral Data Survey was expanded to also capture total collateral pledged by members and housing associates. Total collateral pledged additionally captures the amounts of collateral pledged to support non-advance products as well as collateral in excess of the amount necessary to secure outstanding advances.

As of December 31, 2010, FHLBank advances totaled approximately $464 billion. The FHLBanks reported that the adjusted minimum level of collateral securing those advances totaled $600 billion. The total collateral pledged to the FHLBanks was $1.6 trillion.

**Collateral at the FHLBanks**

The Federal Home Loan Bank System (System) was created by the Federal Home Loan Bank Act of 1932 (the Bank Act) to support mortgage lending and related community investment. The FHLBanks provide liquidity to their members and eligible non-member housing associates by offering them loans, referred to as advances. These members and housing associates are required to pledge collateral in the form of mortgages and other eligible assets to secure their advances from FHLBanks.

The Bank Act and FHFA regulations require that FHLBanks obtain and maintain collateral from their borrowers in order to secure advances at the time these advances are originated or renewed. In general, a given FHLBank enters into an agreement with a given member or housing associate and through this agreement the FHLBank obtains a security interest in member assets. For insurance company members, a security agreement may be documented as a funding agreement rather than as an advances

[1] Entities that meet certain requirements, such as state housing finance agencies, may obtain advances if they are designated as FHLBank "housing associates." Housing associates must provide collateral to secure those advances.

agreement. In this case, the FHLBank's security interest is addressed in the funding agreement.

Each FHLBank establishes a collateral policy to manage and control the credit exposure on its advances. The FHLBank's collateral policy identifies the types of collateral it will accept. By statute, FHLBanks may accept only certain types of assets as eligible collateral. Residential mortgage loans are the principal form of collateral for advances. In addition, the FHLBank's collateral policy identifies its collateral requirements for various types of advances. Because the type and quality of collateral will affect the amount of cash that could be realized in the event the collateral were to be liquidated, FHLBanks establish collateral coverage requirements and collateral discounts, or "haircuts," based on collateral characteristics and the method of collateral control. The level of collateral required on an advance may also vary based on the results of member collateral verification reviews, member financial condition, and member underwriting policies.

The FHLBanks control collateral pledged by the method of collateral pledging. There are three collateral methods: (1) the blanket lien method, (2) the listing method, and (3) the delivery method. Under the blanket lien method, an FHLBank executes a security agreement that provides a secured interest in the collateral without the member providing detailed loan level information or delivering collateral. FHLBanks use either a blanket lien on all assets of the member and/or the member's affiliate or a limited blanket lien (i.e., a specific lien that limits the security interest to only those assets specified in the security agreement).

Under the listing method, the borrower provides a listing of the assets being pledged with detailed information about the collateral pledged. Most FHLBanks use the listing method for at least some members. The benefit of collateral listing is that the FHLBank can more easily assess the type and quality of assets the member is pledging as collateral. Consequently, some FHLBanks are willing to provide higher collateral values to members that enter into listing agreements than they would provide under blanket liens. Moreover, most FHLBanks require listing status for members with higher risk profiles.

Under the delivery method, the FHLBank or a third-party custodian takes actual possession of the collateral. The delivery method is the strongest type of collateral control. Typically, an FHLBank will require a borrower whose financial condition has deteriorated to physically deliver collateral pledged if the FHLBank becomes sufficiently concerned about the creditworthiness of the borrower. Given the liquid nature of securities, FHLBanks require delivery of securities pledged as collateral regardless of member financial condition.

The board of directors of each FHLBank is responsible for establishing its FHLBank's collateral policy, consistent with statutory and regulatory requirements. Accordingly, collateral policies differ across the FHLBanks, often reflecting differences in the types of members served by each FHLBank, differences in the risk tolerances of each FHLBank, and differences in the valuation methods used by the FHLBank to determine the collateral discounts for each type of eligible collateral accepted by the FHLBank. Key collateral policy differences include the various types of eligible collateral each FHLBank will accept, whether the collateral is required to be delivered to the FHLBank to receive collateral value, and the various levels of collateral discounts required to secure different types of advances and different types of non-advance transactions.

### *Collateral Data Survey*

The purpose of the Collateral Data Survey is to better understand the composition of collateral securing FHLBank advances. The survey instructions request the FHLBanks to review the total collateral pledged by each member or housing associate with outstanding advances and decide, among the various eligible assets pledged, the specific amounts and types of collateral that secure the outstanding advances. The FHLBank then reports the value of that collateral that the FHLBank would anticipate liquidating should it be needed to address a member's default on its outstanding advances. This collateral amount is known as the "adjusted minimum" level of collateral. It is based on the individual FHLBank's choice among the types of collateral pledged and each FHLBank's collateral policy discounts for each type of collateral pledged. The reported amounts are adjusted based on member financial condition and from the results of individual member collateral verification quality reviews. FHFA believes that this measure best describes the specific collateral types that the FHLBanks rely upon to secure outstanding member advances.

This year's Collateral Data Survey was expanded to also capture total collateral pledged, because members and housing associates pledge additional collateral beyond what is necessary to support their current level of advances. Total collateral pledged additionally captures the types and amounts of collateral pledged to support non-advance products as well as collateral pledged in excess of the amount necessary to secure outstanding advances.

The types of collateral pledged to the FHLBanks are : 1-4 family residential mortgages (whole loans); U.S. Agency mortgage-backed securities and collateralized mortgage obligations (U.S. Agency MBS/CMOs); private label mortgage backed securities and collateralized mortgage obligations (PLS); U.S. Treasury and other U.S. Agency securities (excluding Agency mortgage backed securities) and cash deposits in FHLBanks; (combined as securities/deposits); other real estate related collateral (ORERC); and Community Financial Institution collateral (CFI).[2]

The Collateral Data Survey also collects collateral data by member type and size. Members of the FHLBanks include: commercial banks, thrift institutions, NCUA-insured credit unions, insurance companies, and community development financial institutions. The Collateral Data Survey also collects data from housing associates and from previous

[2] The FHLBank Act permits members that qualify as CFIs to pledge certain CFI-specific collateral. CFI collateral includes small-business, small-farm, and small-agribusiness loans. The Glossary in Section 9 provides a full definition of CFI members.

members acquired by non-members or members in another FHLBank district; combined as (other) that have advances outstanding.

An analysis of the 2010 Collateral Data Survey is presented in Section 2 of this report. Sections 3 through 8 provide further detail, including graphs and tables of collateral data provided by the FHLBanks.[3] Section 9 provides a glossary of common terms and defines those terms as used in this report.

[3] FHFA requested that the FHLBank of New York re-submit its collateral securing advances data for year-end 2009, as the FHLBank had incorrectly reported some excess collateral not directly securing outstanding advances to members in its data submission. As a result, year-end 2009 data for the FHLBank of New York and Systems totals are restated from the previous Report on FHLBank Collateral Securing Advances dated August 2010.

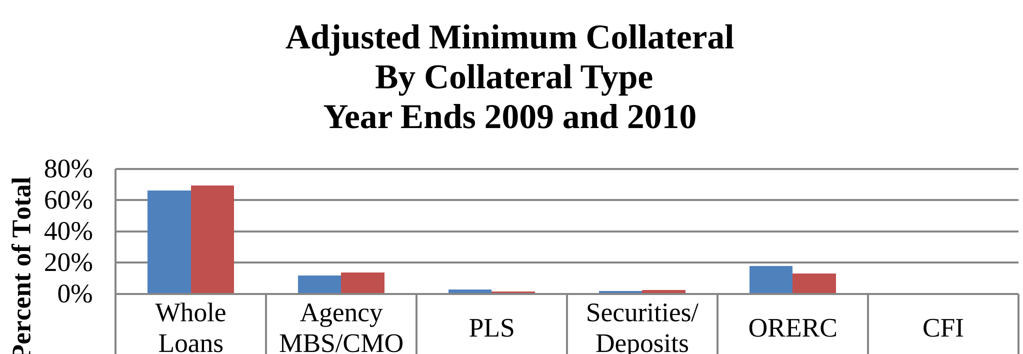
# 2. Analysis

### *Overview*

Total advances at the FHLBanks were $464 billion at year-end 2010, a decrease of 25 percent from $616 billion one year earlier. Over the same period, adjusted minimum collateral securing advances decreased by 35 percent to $600 billion, from $919 billion at year-end 2009. The percentage decrease in collateral was greater than the percentage decrease in advances because of decreased reliance on more highly discounted collateral types, decreased amounts of advances secured under blanket pledge and more precise collateral valuation methods utilized at the FHLBanks. Specifically, the volume of ORERC pledged decreased by approximately 53 percent between year-end 2009 and year-end 2010 and the share of advances secured under blanket lien declined by approximately 34 percent between year-ends. ORERC pledged by members may carry a collateral discount rate from book value of 50 percent, while whole loan residential average collateral discount rates are approximately 5 to 20 percent. Collateral secured under a blanket lien at the FHLBanks is generally discounted more than the same type of collateral under listing or delivery and discounts are based on unpaid principal balance or book value and not a market valuation of the collateral. The increased usage of listing and delivery methods allows the FHLBanks to more precisely value the collateral pledged. Both the members and the FHLBanks benefit; members may receive additional collateral borrowing capacity and the FHLBanks are more able to ascertain the liquidity value of collateral.

### *Collateral Composition*

The table below shows the composition of collateral held by the FHLBanks. As of year-end 2010, whole loans were the most common type of collateral pledged, representing 69 percent of adjusted minimum collateral, followed by U.S. Agency MBS/CMOs, at just under 14 percent. (Graph 3.1 in Section 3 of this report compares the distribution of collateral types for the System and each of the FHLBanks from 2006 through 2010.)

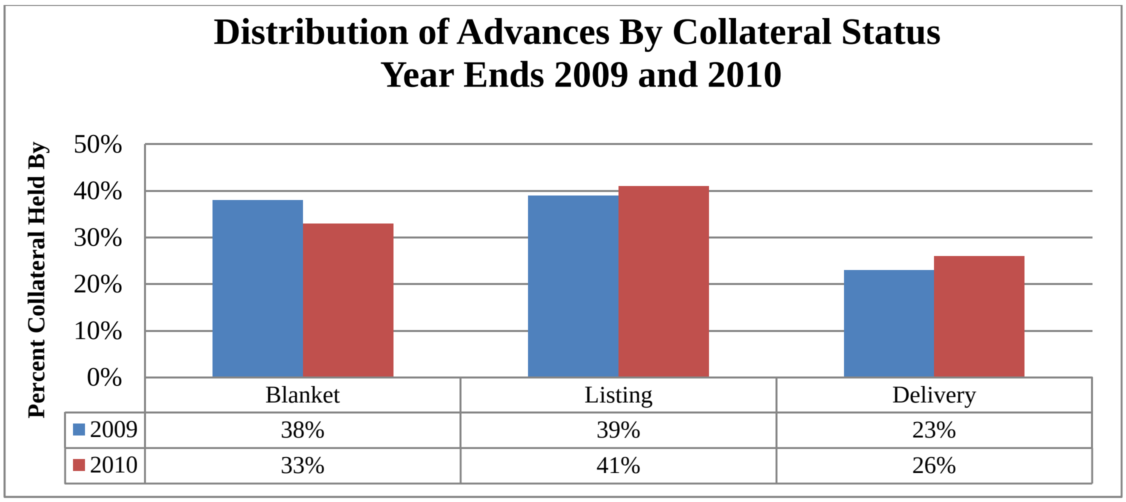



| | Whole Loans | Agency MBS/CMO | PLS | Securities/ Deposits | ORERC | CFI |
|---|---|---|---|---|---|---|
| 2009 | 65.9% | 11.7% | 2.6% | 1.7% | 17.7% | 0.4% |
| 2010 | 69.3% | 13.6% | 1.3% | 2.5% | 12.9% | 0.5% |

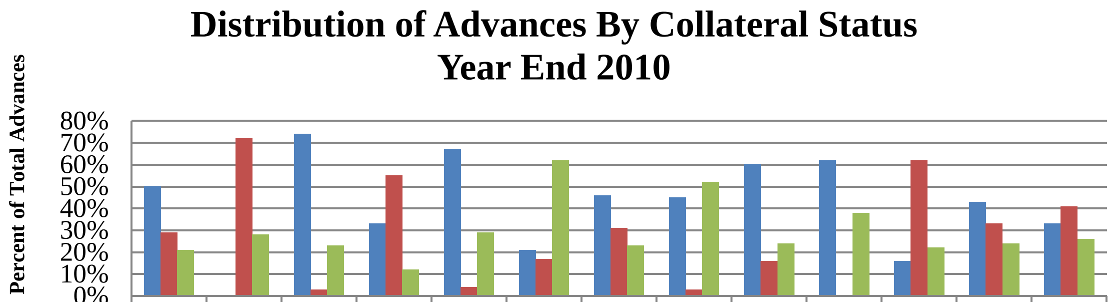
*__Blanket, Listing, and Delivery__*

The FHLBanks secure member advances through: 1) a blanket pledge or lien on all or specific categories of a member's assets, 2) a specific listing of member assets pledged to the FHLBank, or 3) the actual delivery of assets by a member to the FHLBank or an approved safekeeping facility, or some combination of the three approaches. Typically, FHLBanks grant members greater borrowing capacity when they agree to a listing or delivery of collateral because these pledging methods generally provide a more secure lien. FHLBanks often require listing or delivery for less creditworthy members.

The System-wide distribution of advances by collateral status (i.e., blanket, listing, or delivery status) is presented below. At year-end 2010, listing was the most common form of collateral status (41 percent of collateral pledged), followed by blanket liens (33 percent of collateral).



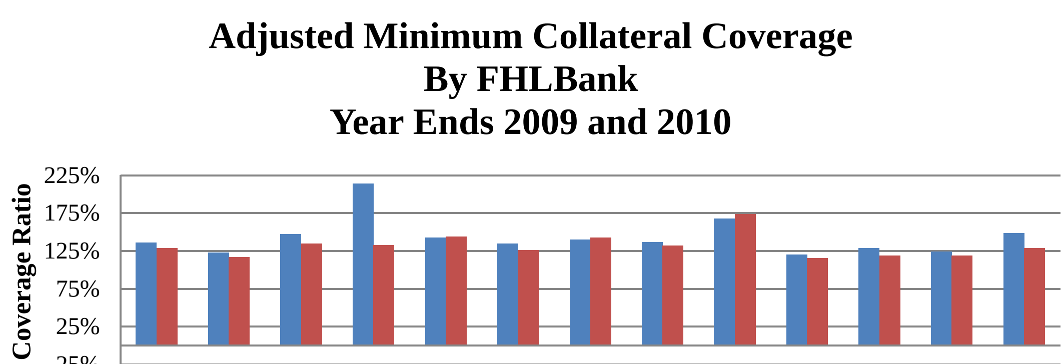

The extent to which individual FHLBanks use the blanket, listing, and delivery methods varies considerably, as shown below. For example, the FHLBank of Pittsburgh reported that roughly 74 percent of its advances were secured by blanket lien at year-end 2010, while the FHLBank of New York reported no advances secured solely by blanket lien. Although the FHLBank of New York files a blanket lien for each member, it only grants credit to a member based on either 1) the assets for which the member has provided a listing, or 2) the assets the member has delivered to the FHLBank. All FHLBanks require members to deliver securities when seeking to receive borrowing capacity against that form of collateral.




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Blanket | 50% | 0% | 74% | 33% | 67% | 21% | 46% | 45% | 60% | 62% | 16% | 43% | 33% |
| Listing | 29% | 72% | 3% | 55% | 4% | 17% | 31% | 3% | 16% | 0% | 62% | 33% | 41% |
| Delivery | 21% | 28% | 23% | 12% | 29% | 62% | 23% | 52% | 24% | 38% | 22% | 24% | 26% |

### *Collateral Coverage*

The System-wide adjusted minimum collateral-to-advances coverage ratio[4] was 129 percent at year-end 2010, a twenty percentage point decrease from year-end 2009 (see exhibit below). The ratio declined due to decreased reliance on more highly discounted collateral types, decreased amounts of advances secured under blanket pledge and more precise collateral valuation methods utilized at the FHLBanks. In recent years, several of the largest FHLBanks within the System—the FHLBanks of Atlanta, New York, and San Francisco—reported a collateral management operational change for their larger borrowers, relying on market values rather than unpaid principal balance for valuation of whole loan collateral.



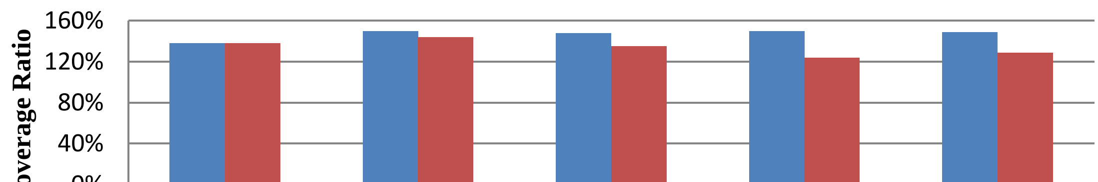

| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 136% | 123% | 147% | 214% | 143% | 135% | 140% | 137% | 168% | 120% | 129% | 124% | 149% |
| 2010 | 129% | 117% | 135% | 133% | 144% | 126% | 143% | 132% | 174% | 116% | 119% | 119% | 129% |

[4] For purposes of this report, the term "coverage ratio" refers to a collateral value to advance value ratio, where collateral value may be the unpaid principal balance, market value, or other valuation.

Between year-ends 2009 and 2010, the average collateral coverage ratio increased at three FHLBanks (Cincinnati, Chicago, and Dallas). The FHLBank of Atlanta showed the greatest change in its collateral coverage ratio, reporting an 81 percentage point decrease for the year ending December 31, 2010. In large part, the decrease was attributable to a change in the way the FHLBank valued whole loan collateral held by the FHLBank's largest members (those with assets exceeding $10 billion). In 2010, these members' whole loan collateral was based on market values, where previously it had been based on book and unpaid principal of the loan values. In general, it is preferable to use market values rather than book values in determining collateral requirements because market values more closely approximate the values that would be realized if the collateral had to be liquidated.

***Coverage of Advances by Member Asset Size***

Collateral coverage ratios vary somewhat by member asset size. As the graph below indicates, for year-end 2010, average collateral coverage ratios across member asset-size categories ranged from a low of 124 percent for members with total assets greater than $10 billion, to a high of 144 percent for members with total assets between $100 million and the CFI limit.




| | Members < $100 million | Members > $100 million to CFI Limit | Members > CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 138% | 150% | 148% | 150% | 149% |
| 2010 | 138% | 144% | 135% | 124% | 129% |

At certain FHLBanks, collateral coverage ratios across member asset-size categories differed from the System pattern and spanned a somewhat wider range. At the FHLBank of Atlanta, for example, the average minimum adjusted collateral coverage ratio for members with total assets between $100 million and the CFI limit was 160 percent, while the average collateral coverage ratio for the largest members (greater than $10 billion in assets) was 124 percent. See Section 4 of this report for individual FHLBank data.

Coverage ratios across the member asset-size groups may vary for FHLBank-specific reasons. Generally speaking, however, higher collateral coverage ratios are required for smaller members because they tend to borrow under blanket pledge agreements while larger members tend to be more likely to pledge collateral under listing agreements and to deliver securities.

### *Subprime and Nontraditional Collateral*

As in the 2009 Collateral Data Survey, we asked the FHLBanks to provide the amounts of subprime and nontraditional residential mortgage loans that were pledged to secure advances. We also asked them to provide amounts of collateral on which they rely to secure advances that consist of PLS identified as subprime or Alt-A.[5]

For comparison, we first present the information on subprime and nontraditional collateral in the same format as provided in the August 2010 Report on FHLBank Collateral Securing Advances. The numbers reported in the first table below reflect the FHLBanks' own categorization of mortgage loans as subprime or nontraditional. Some FHLBanks estimated the amounts reported for subprime or nontraditional mortgage loans since specific listing data is not available for all members (borrowing members under blanket pledge). The Collateral Data Survey did not establish specific definitions of these terms to allow for flexibility in reporting based on imperfect information about collateral, particularly information available about collateral accepted through a blanket lien. This approach is consistent with the three Advisory Bulletins FHFA has issued since 2007 regarding restrictions related to subprime and nontraditional mortgage loan and PLS collateral. Thus, the reported levels of subprime and nontraditional mortgage loan collateral at each FHLBank are a function of actual differences in types of collateral pledged by members in each FHLBank district and the different ways in which the FHLBanks categorize and measure such exposures. The FHLBanks are continuing to improve their methods to identify subprime and nontraditional loans pledged by members.

As the tables below illustrate, the percentage of subprime and nontraditional collateral in each collateral class went down substantially except for the subprime share of PLS. Similarly, the share of total collateral that was subprime or nontraditional declined substantially in every category, except for a small increase in subprime PLS. The small increase in subprime PLS collateral is attributable to a member of the FHLBank of Dallas that only pledges PLS; that member increased its advances outstanding and associated PLS collateral during 2010.

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[5] Section 8 discusses how the terms "subprime," "nontraditional," and "Alt-A" are used in the Collateral Data Survey.

| Adjusted, Minimum Collateral Securing Advances<br>Subprime, Nontraditional and Alt-A Collateral to Collateral Class | | |
|---|---|---|
| **Collateral Type** | **Percentage of Collateral Class 2009** | **Percentage of Collateral Class 2010** |
| Subprime Mortgage Loans | 7.6 | 2.5 (a) |
| Nontraditional Mortgage Loans | 16.0 | 8.0 (a) |
| Mortgage Loans that are Both Subprime and Nontraditional | 3.6 | 0.6 (a) |
| Subprime PLS | 1.4 | 4.0 (b) |
| Alt-A PLS | 29.1 | 8.4 (b) |

(a) percentage of mortgage loan collateral; (b) percentage of PLS collateral.

| Adjusted, Minimum Collateral Securing Advances<br>Subprime, Nontraditional and Alt-A Collateral to Total Collateral | | |
|---|---|---|
| **Collateral Type** | **Percentage of Total Collateral 2009** | **Percentage of Total Collateral 2010** |
| Subprime Mortgage Loans | 5.6 | 1.8 |
| Nontraditional Mortgage Loans | 11.9 | 5.9 |
| Mortgage Loans that are Both Subprime and Nontraditional | 2.7 | 0.5 |
| Subprime PLS | 0.0 | 0.1 |
| Alt-A PLS | 0.9 | 0.3 |

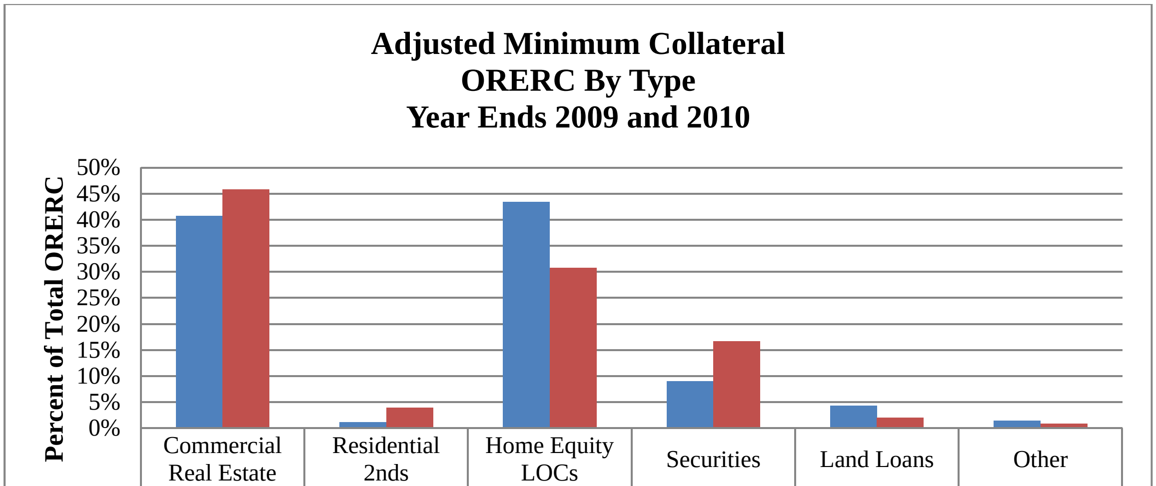
| Adjusted, Minimum Collateral Securing Advances<br>Subprime, Nontraditional and Alt-A Collateral (in millions) | | | | | | |
|---|---|---|---|---|---|---|
| | **Mortgage Loan Collateral that is Subprime (SP)** | **Mortgage Loan Collateral that is Nontraditional (NTM)** | **Mortgage Loan Collateral that is both SP and NTM** | **PLS Collateral that is SP** | **PLS Collateral that is Alt-A** | **Total** |
| **2009** | $51,783 | $109,714 | $24,861 | $415 | $8,422 | $195,195 |
| **2010** | $10,917 | $ 35,585 | $ 2,714 | $812 | $1,733 | $ 51,761 |

### *Other Real Estate Related Collateral*

Overall, ORERC represented 13 percent of adjusted minimum collateral at year-end 2010, compared to 18 percent at year-end 2009 (see graph at the beginning of Section 2) As shown below, commercial real estate loans accounted for the majority of ORERC at year-end 2010, with the share increasing slightly from the previous year end. Home equity lines of credit (HELOCs) were the second largest class of ORERC pledged at year-end 2010. The HELOC share decreased from the previous year end. ORERC securities are almost entirely commercial real estate mortgage-backed securities and their share of total ORERC nearly doubled from the previous year end. Securities account for just under 17 percent of total ORERC.

Each FHLBank reported some amount of outstanding advances secured by ORERC at year-end 2010, which was a change from year-end 2009, when the FHLBank of Pittsburgh reported no ORERC securing advances. The FHLBank of Pittsburgh indicated that whole loans secured all of the FHLBank's advances at year-end 2009.

Section 5 of this report provides additional detail on ORERC by FHLBank.




| | Commercial Real Estate | Residential 2nds | Home Equity LOCs | Securities | Land Loans | Other |
|---|---|---|---|---|---|---|
| 2009 | 40.7% | 1.1% | 43.4% | 9.0% | 4.3% | 1.4% |
| 2010 | 45.8% | 3.9% | 30.8% | 16.7% | 2.0% | 0.8% |

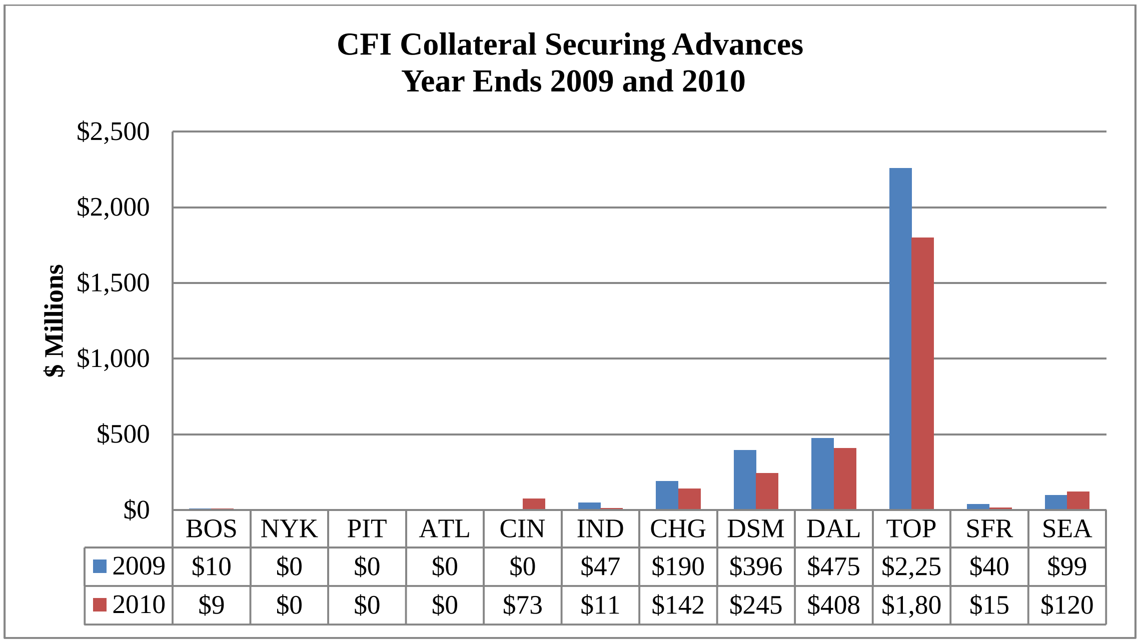
### *Community Financial Institution Collateral*

The FHLBanks report data on the types of CFI collateral that they accept, as well as the associated advances secured solely by CFI collateral. The FHLBanks reported $2.8 billion of CFI collateral securing $1.4 billion of CFI member advances at year-end 2010, compared to $3.5 billion of CFI collateral securing $1.8 billion of CFI member advances at year-end 2009. CFI collateral totals are significantly higher than related advances due to the FHLBanks' considerably higher collateral coverage requirements for CFI collateral types[6], *e.g.*, small business, farm or agri-business loans.

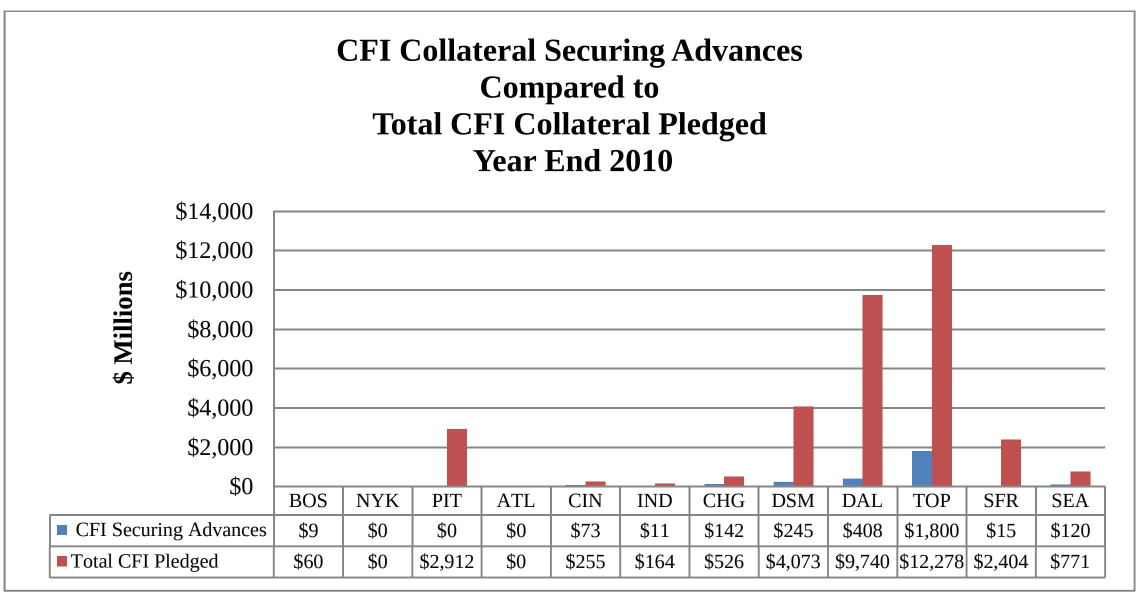
The adjusted minimum amounts of CFI collateral pledged to secure advances declined by 20 percent during 2010. CFI collateral represented less than one percent of total collateral at year end. The FHLBanks utilize a collateral hierarchy to report collateral

[6] On November 30, 2010, FHFA approved a final rule expanding eligible CFI collateral types to include secured loans for community development, which must be fully secured by collateral other than real estate, or securities representing a whole interest in such secured loans. (75 Fed. Reg. 76617 (December 9, 2010); (12 U.S.C. 1430(a)(3)(E); 12 CFR 1266(b)(1).

securing advances for the Collateral Data Survey. As CFI collateral has the last place in the hierarchy, it is usually most affected when advances decline. The amounts of collateral types higher in the hierarchy were sufficient in most cases to secure the lower amounts of members' outstanding advances and only a minimal amount of CFI collateral is reported. The FHLBanks reported $30.9 billion of excess CFI collateral pledged by CFI members at year-end 2010. Members pledge substantial amounts of CFI collateral for potential FHLBank advances, to secure available lines of credit, and for other FHLBank products to meet liquidity needs.




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | $10 | $0 | $0 | $0 | $0 | $47 | $190 | $396 | $475 | $2,25 | $40 | $99 |
| 2010 | $9 | $0 | $0 | $0 | $73 | $11 | $142 | $245 | $408 | $1,80 | $15 | $120 |




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CFI Securing Advances | $9 | $0 | $0 | $0 | $73 | $11 | $142 | $245 | $408 | $1,800 | $15 | $120 |
| Total CFI Pledged | $60 | $0 | $2,912 | $0 | $255 | $164 | $526 | $4,073 | $9,740 | $12,278 | $2,404 | $771 |

While the boards of directors of all the FHLBanks have approved acceptance of CFI collateral, the FHLBanks of New York and Atlanta have yet to submit new business activity notices requesting approval to accept CFI collateral.

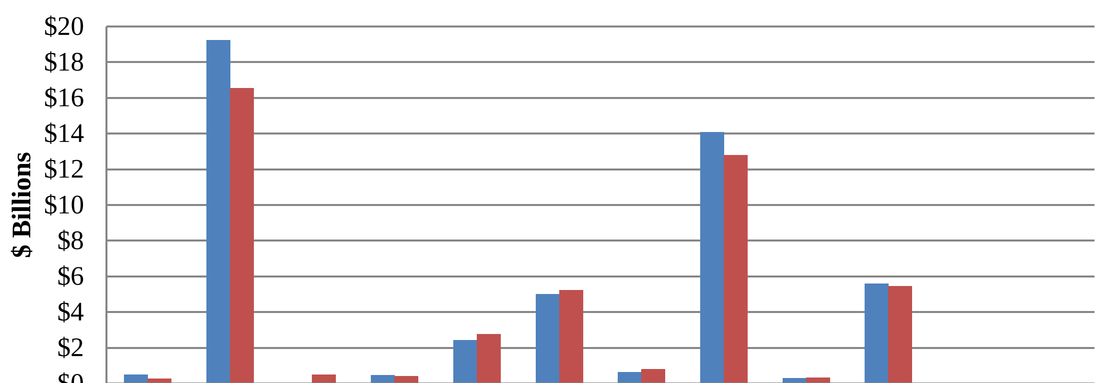
CFI collateral has remained at relatively low volumes over the past years as compared to other eligible collateral types. FHFA issued an Advisory Bulletin (2010-AB-02, dated November 9, 2010) to re-emphasize FHFA's regulatory requirement that an FHLBank's strategic plan establish quantitative reporting goals for serving CFI member needs for advances and CFI collateral acceptance goals and report annually to FHFA on its performance in achieving those goals.

Section 6 of this report provides additional details on CFI collateral.

***Insurance Company Collateral***

There were 229 insurance company members at year-end 2010, of which 89 held outstanding advances. Although advances to insurance companies fell by 7 percent to $45.1 billion at year-end 2010, their borrowings as a member group increased to ten percent of total System advances, up from eight percent at year end 2009. The FHLBanks of New York, Des Moines and Topeka reported the largest volume of advances to insurance companies.

**Insurance Company Advances**
**Year Ends 2009 and 2010**




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | $0.49 | $19.23 | $0.00 | $0.48 | $2.42 | $4.99 | $0.63 | $14.08 | $0.30 | $5.60 | $0.03 | $0.00 |
| 2010 | $0.27 | $16.56 | $0.49 | $0.42 | $2.75 | $5.22 | $0.81 | $12.78 | $0.34 | $5.46 | $0.00 | $0.00 |

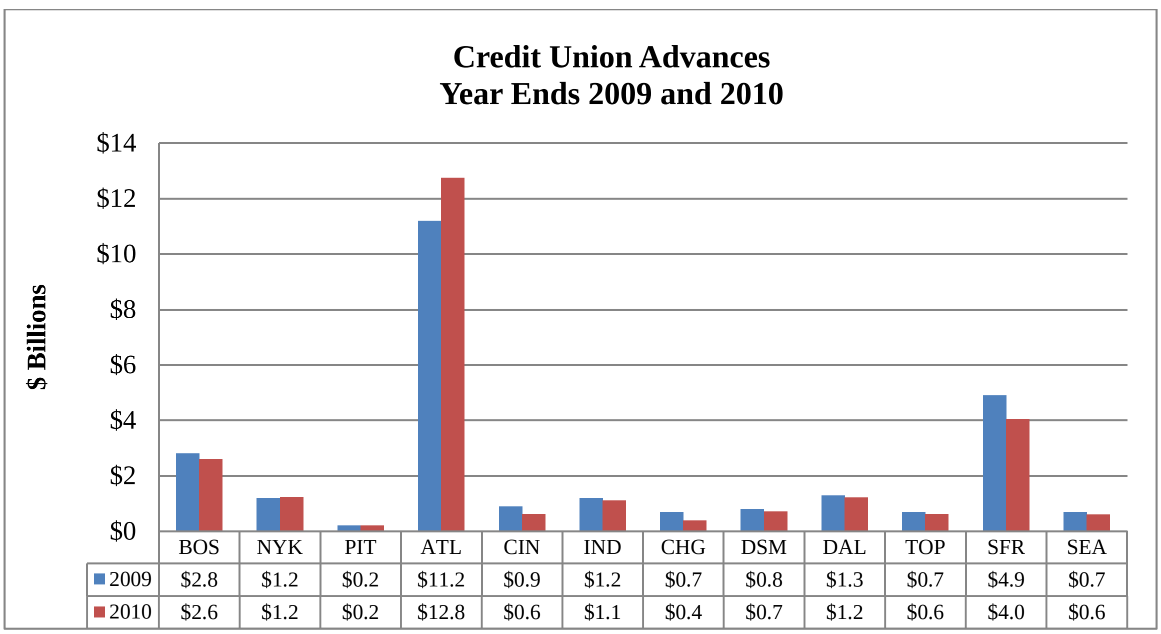
The system-wide collateral-to-advances coverage ratio for insurance companies is the lowest of any member type, 111 percent, as compared to 129 percent for all members. The lower coverage ratio results from the fact that most collateral securing advances to insurance companies consists of delivered securities. An FHLBank can generally determine the value of securities collateral more easily and precisely than other forms of collateral, reducing the need for higher coverage levels. Additionally, an FHLBank has greater control over collateral in delivery status.

The table below shows the distribution of collateral securing advances to insurance companies by collateral type at year-ends 2009 and 2010. Section 7 of this report provides additional details about insurance company collateral.

| Insurance Company Collateral | | |
|---|---|---|
| **Collateral Type** | **Percentage of Insurance Company Collateral 2009** | **Percentage of Insurance Company Collateral 2010** |
| PLS | 6 | 4 |
| U.S. Agency MBS/CMOs | 49 | 48 |
| ORERC | 30 | 33 |
| Whole loans | 7 | 1 |
| Securities and deposits | 8 | 14 |

***Credit Union Collateral***

While all FHLBanks report advances outstanding to credit union members, advances to credit unions are not a significant component of their advance business, accounting for just above five percent of total system advances at year-end 2010. There were 1,030 credit union members at year-end 2010, of which 413 held advances. Credit union borrowings decreased during 2009 from $26.6 billion to $26.1 billion, or 2 percent. The FHLBanks of Atlanta, San Francisco and Boston reported the highest levels of advances to credit unions as of year-end 2010.




Credit unions primarily pledge whole loans to secure advances. The table below presents the distribution of collateral securing advances to credit unions at year-ends 2009 and 2010:

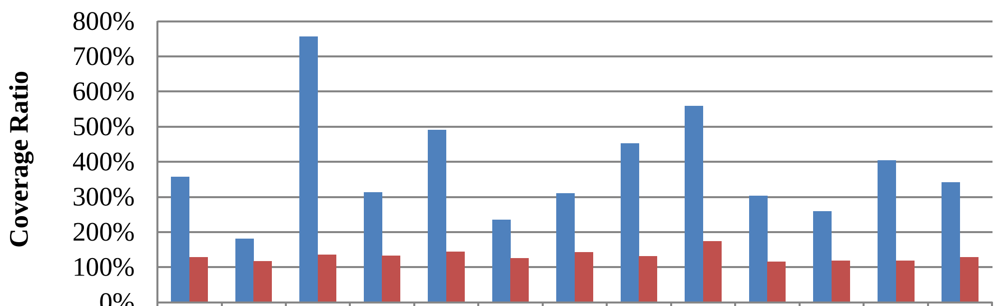
| Credit Union Collateral | | |
|---|---|---|
| **Collateral Type** | **Percentage of Credit Union Collateral 2009** | **Percentage of Credit Union Collateral 2010** |
| PLS | **0** | **0** |
| U.S. Agency MBS/CMOs | **15** | **15** |
| ORERC | **4** | **3** |
| Whole loans | **79** | **80** |
| Securities and deposits | **2** | **2** |

Section 7 of this report provides additional details on credit union collateral.

***Total Collateral Pledged***

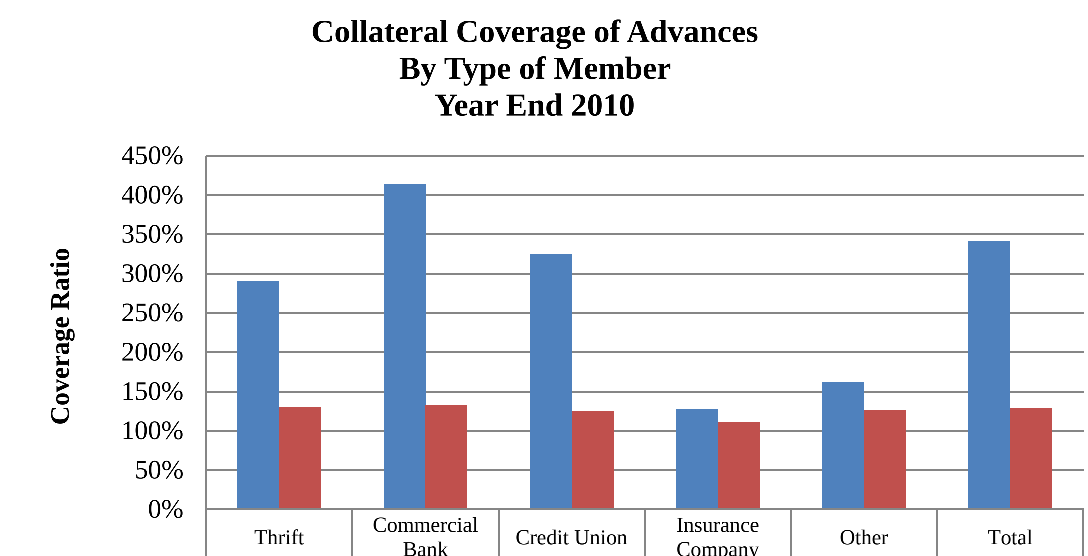
This year's Collateral Data Survey was expanded to include data on the total collateral pledged by members and housing associates, whereas the prior Collateral Data Surveys only collected data on the minimum adjusted collateral securing advances. The FHLBanks also require members to pledge collateral to support FHLBank products such as FHLBank-issued standby letters of credit, FHLBank-issued derivative products, and mortgage asset purchase programs. The total collateral measure, therefore, includes collateral securing unused lines of credit, collateral pledged under the mortgage purchase programs, and collateral pledged to secure FHLBank-issued standby letters of credit and FHLBank-issued derivative transactions. There is no difference between the collateral types that secure advances outstanding as compared to non-advance FHLBank products. The System-wide ratio for total collateral to advances was 342 percent at year-end 2010, over 200 percentage points above the System adjusted minimum advance collateral coverage ratio. The ratio of total collateral to advances ranged from a high of 756 percent at the FHLBank of Pittsburgh to a low of 181 percent at the FHLBank of New York.

**Total Collateral Pledged Compared to Adjusted Minimum Collateral of Borrowing Members Year End 2010**




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Collateral | 357% | 181% | 756% | 314% | 491% | 235% | 310% | 453% | 559% | 304% | 259% | 404% | 342% |
| Minimum Collateral | 129% | 117% | 135% | 133% | 144% | 126% | 143% | 132% | 174% | 116% | 119% | 119% | 129% |

For brevity, this report refers to the difference between the adjusted minimum collateral to secure advances and total pledged collateral as excess collateral because it is in excess of the amount required to support current advance levels, even though some of this "excess" collateral may support other FHLBank products. As the chart below indicates, commercial bank members pledged the most excess collateral, while insurance company members pledged the least excess collateral. Members may pledge excess collateral to the FHLBanks to secure unused lines of credit, to support FHLBank letters of credit and non-advance FHLBank products, or as a result of collateral remaining after paying down advances. Insurance company members are limited by the states and FHLBanks to specific collateral pledges and usually deliver collateral to the FHLBank or an agreed upon eligible third party. Commercial Banks, Thrifts and Credit Unions are able to pledge additional types of assets and can utilize a specific or blanket pledge for some or all of their assets, raising the amounts of excess collateral. As there is some question whether the FHLBanks' super lien[7] protection would apply to insurance companies to the same extent that it applies to federally-insured depositories, the FHLBanks require delivery of most insurance company member collateral to enable the FHLBanks to perfect their lien on the collateral and to provide an added level of assurance on collateral securing insurance company member advances. Delivery of collateral also allows the member maximum collateral value in most cases, so that the overcollateralization margin is the smallest.




| | Thrift | Commercial Bank | Credit Union | Insurance Company | Other | Total |
|---|---|---|---|---|---|---|
| Total Collateral | 291% | 414% | 325% | 128% | 162% | 342% |
| Minimum Collateral | 130% | 133% | 125% | 111% | 126% | 129% |

The vast majority of excess collateral pledged consisted of whole loans (48 percent or $475 billion) and ORERC (44 percent or $433 billion). CFI members have considerable excess CFI collateral to expand advances as their liquidity needs dictate ($30 billion).

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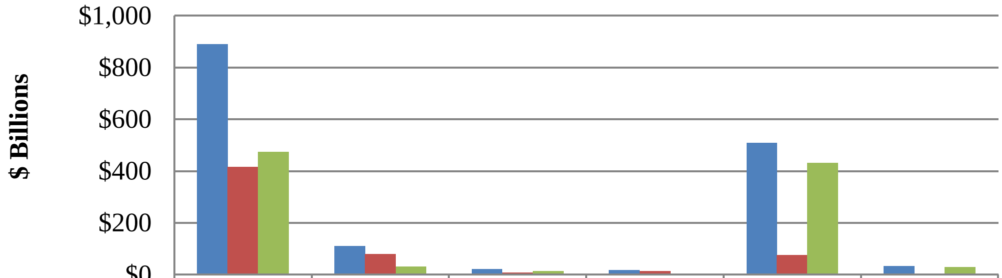
[7] Statutory lien that is senior or superior to all current or future liens on the same asset or property. The super lien was originally established by the Competitive Equality Banking Act of 1987 (Pub. Law 100-86).

**Comparison of Total and Adjusted Minimum Collateral**
**By Type**
**Year End 2010**




| | Whole Loans | Agency MBS/CMO | PLS | Securities /Deposits | ORERC | CFI |
|---|---|---|---|---|---|---|
| Total Collateral | $891 | $112 | $23 | $19 | $510 | $33 |
| Minimum Collateral | $416 | $81 | $8 | $15 | $77 | $3 |
| Excess Collateral | $475 | $31 | $15 | $4 | $433 | $30 |

## 3. Collateral by Type – Five Year Review

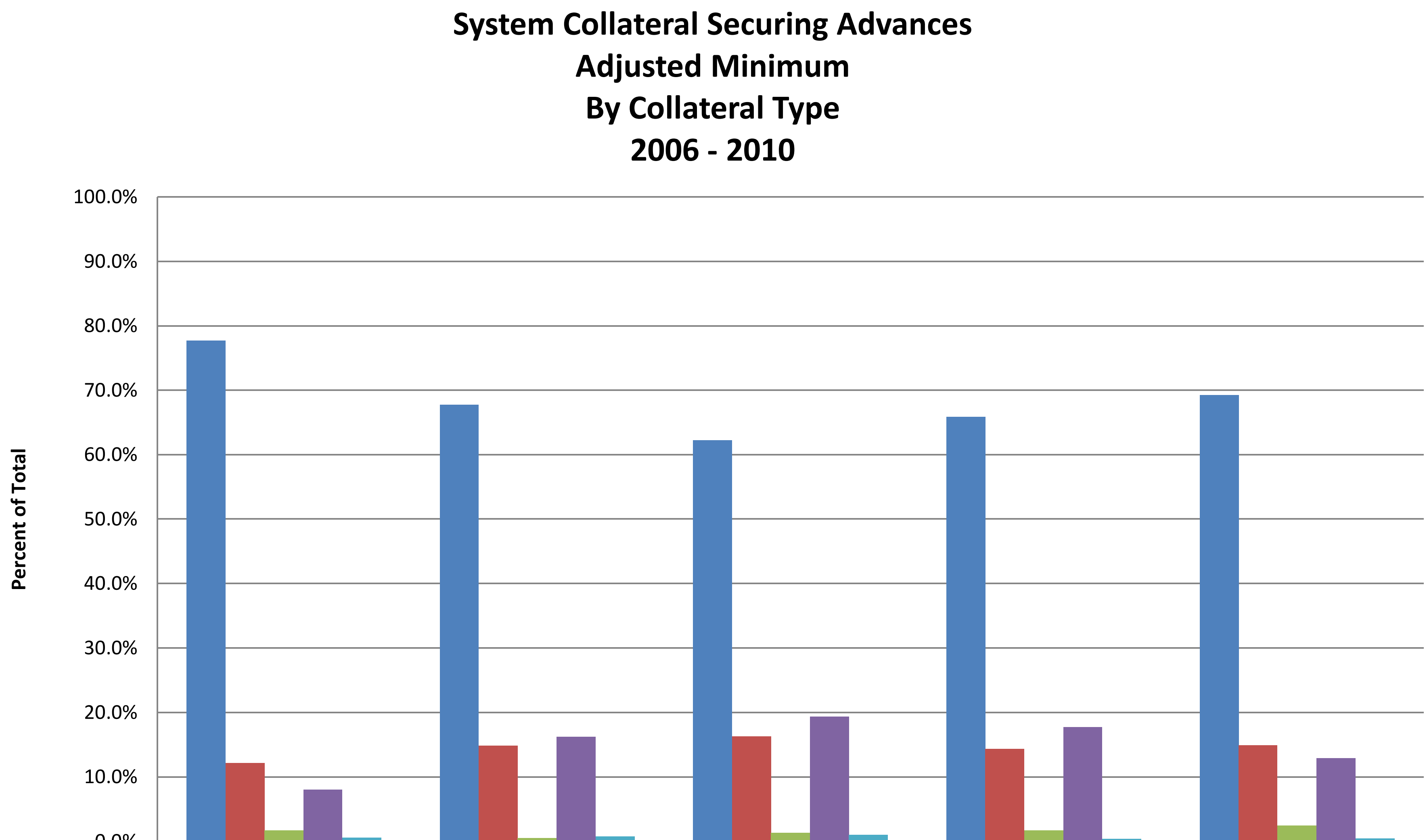
Whole loans were the largest component of adjusted minimum collateral at 69 percent of total collateral at year-end 2010. Combined PLS and U.S. Agency MBS/CMOs (collectively, MBS/CMOs), represented 15 percent; ORERC 13 percent; securities/deposits, 3 percent; and CFI collateral, less than 1 percent. Within the broader category of mortgage-backed securities, U.S. Agency MBS/CMOs accounted for 14 percent of total collateral securing advances and PLS for just over 1 percent at year-end 2010 (see first graph in Section 2 of this Report).

The FHLBanks rely heavily on whole loan collateral for advances. The System percentage of whole loan collateral to total adjusted minimum collateral increased slightly to 69 percent at year-end 2010 from 66 percent at year-end 2009. During the past five years, as reported by the FHLBanks, whole loans ranged from a low of 62 percent of collateral in 2008 to a high of 78 percent in 2006. MBS/CMOs and ORERC accounted for more than 10 percent of collateral in each of the past five years, except for ORERC in 2006. The share of collateral in these two categories peaked in 2008 and has declined since then, although the mortgage-backed securities share rose slightly between 2009 and 2010.

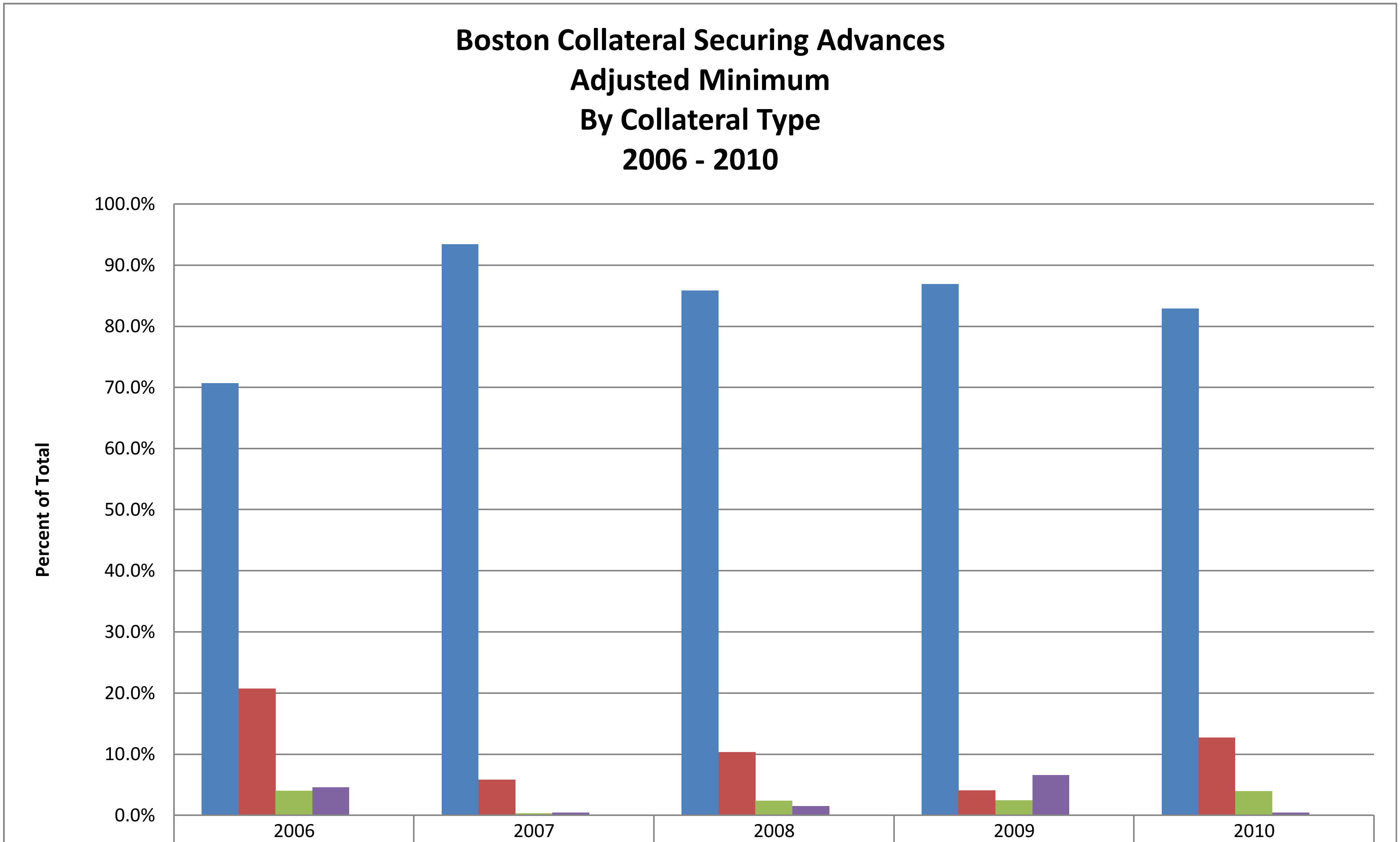
At all but one FHLBank, whole loans were the largest component of collateral and at three of the FHLBanks (Boston, Pittsburgh, and Chicago) whole loans represented more than 80 percent of adjusted minimum collateral. At the FHLBank of Des Moines, ORERC accounted for 38 percent of adjusted minimum collateral and whole loans represented just 37 percent of collateral at year-end 2010. The share of ORERC collateral was also markedly higher than the system percentage of 13 percent at the FHLBank of Dallas, where it represented 26 percent of adjusted minimum collateral at year-end 2010.

The FHLBanks of New York and Topeka relied more heavily on mortgage-backed securities collateral than did the other FHLBanks. Mortgage-backed securities collateral accounted for almost 30 percent of collateral at New York and 23 percent at Topeka at year-end 2010. The System percentage was 15 percent.

The graphs on the following pages present data on the types of collateral that secured advances over the past five years at the System and FHLBank level.

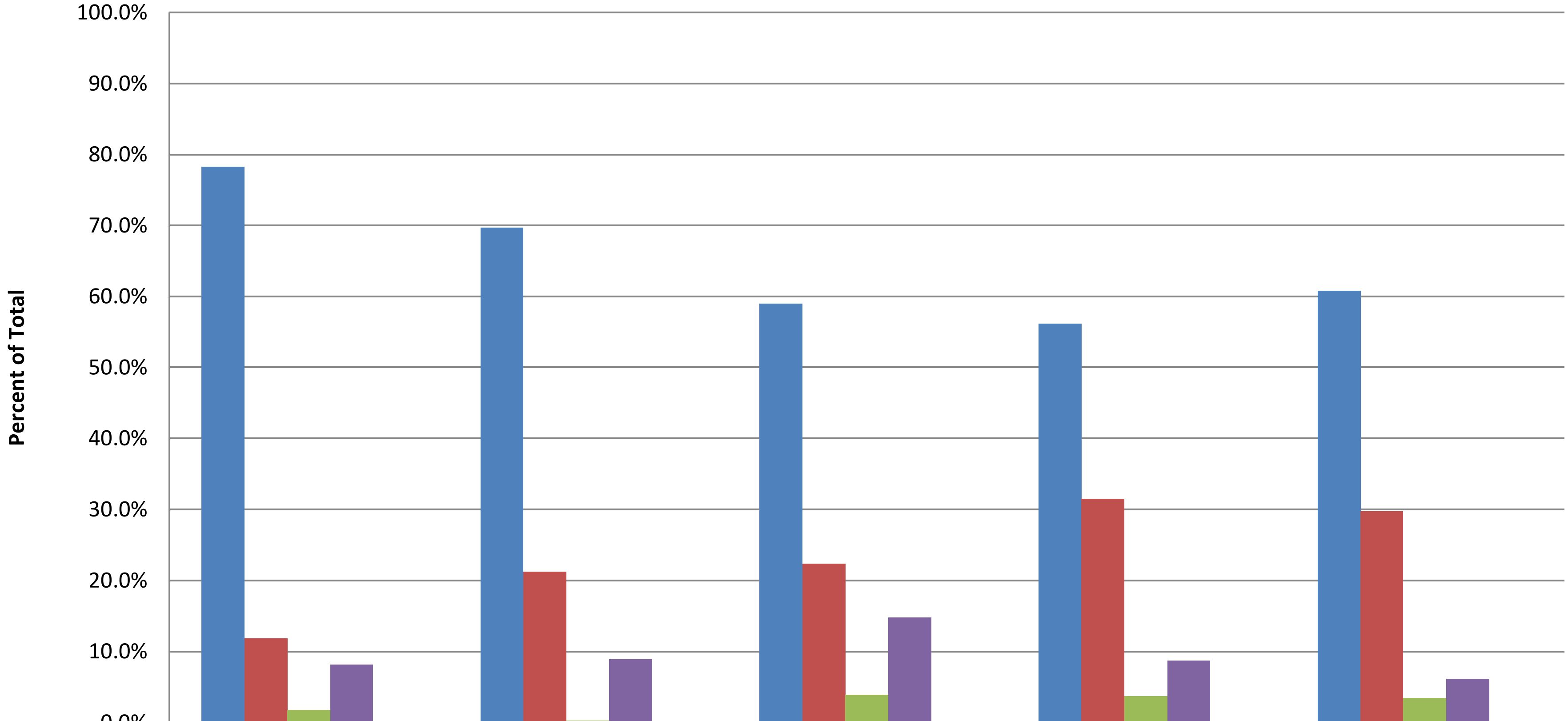



| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 77.7% | 67.7% | 62.2% | 65.9% | 69.3% |
| MBS/CMO | 12.1% | 14.9% | 16.2% | 14.3% | 14.9% |
| Securities | 1.6% | 0.5% | 1.3% | 1.7% | 2.5% |
| ORERC | 8.0% | 16.2% | 19.3% | 17.7% | 12.9% |
| CFI | 0.5% | 0.8% | 1.0% | 0.4% | 0.5% |

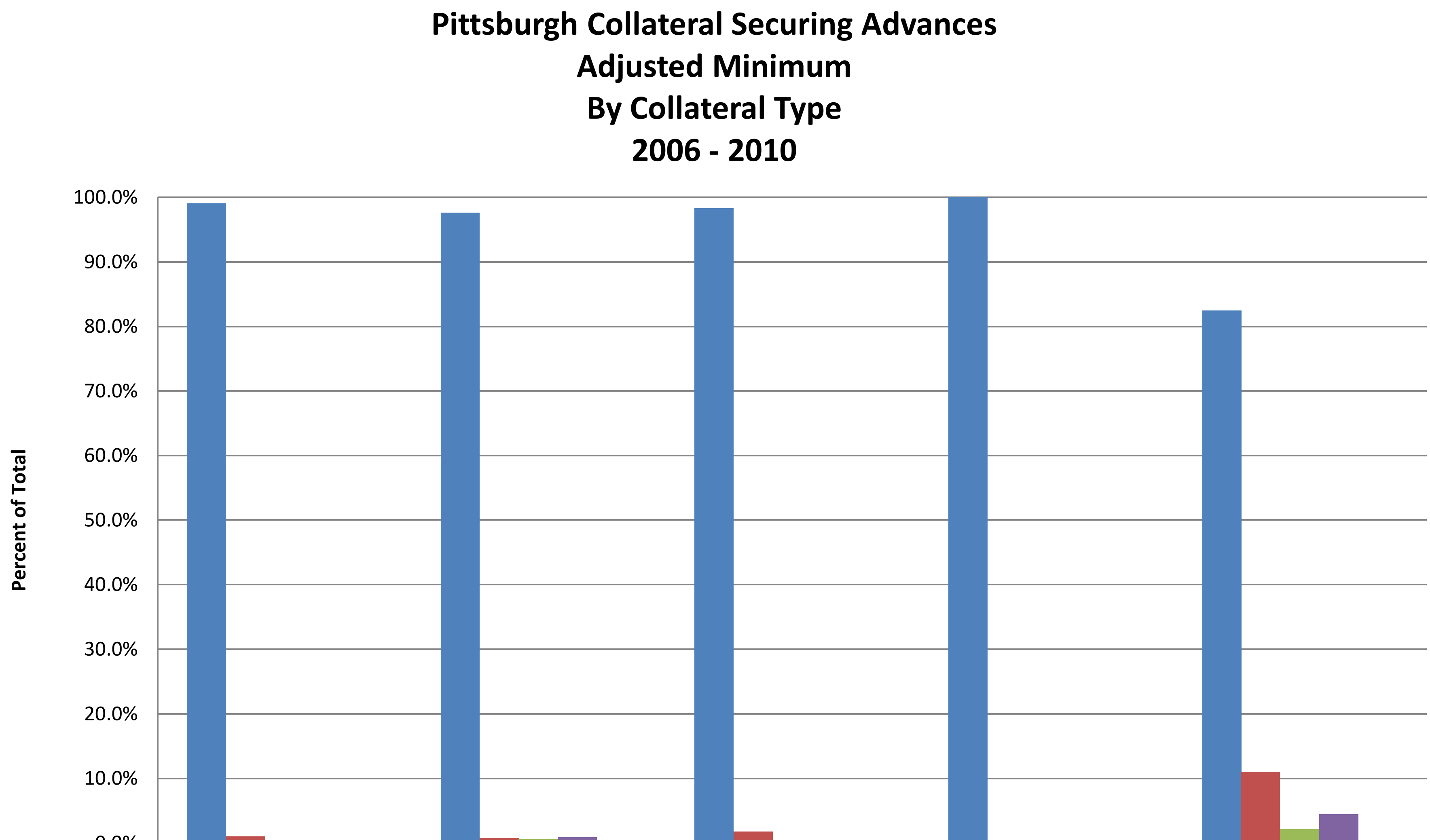



| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 70.7% | 93.4% | 85.8% | 86.9% | 82.9% |
| MBS/CMO | 20.7% | 5.8% | 10.3% | 4.1% | 12.7% |
| Securities | 4.0% | 0.3% | 2.4% | 2.4% | 3.9% |
| ORERC | 4.6% | 0.5% | 1.5% | 6.6% | 0.4% |
| CFI | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

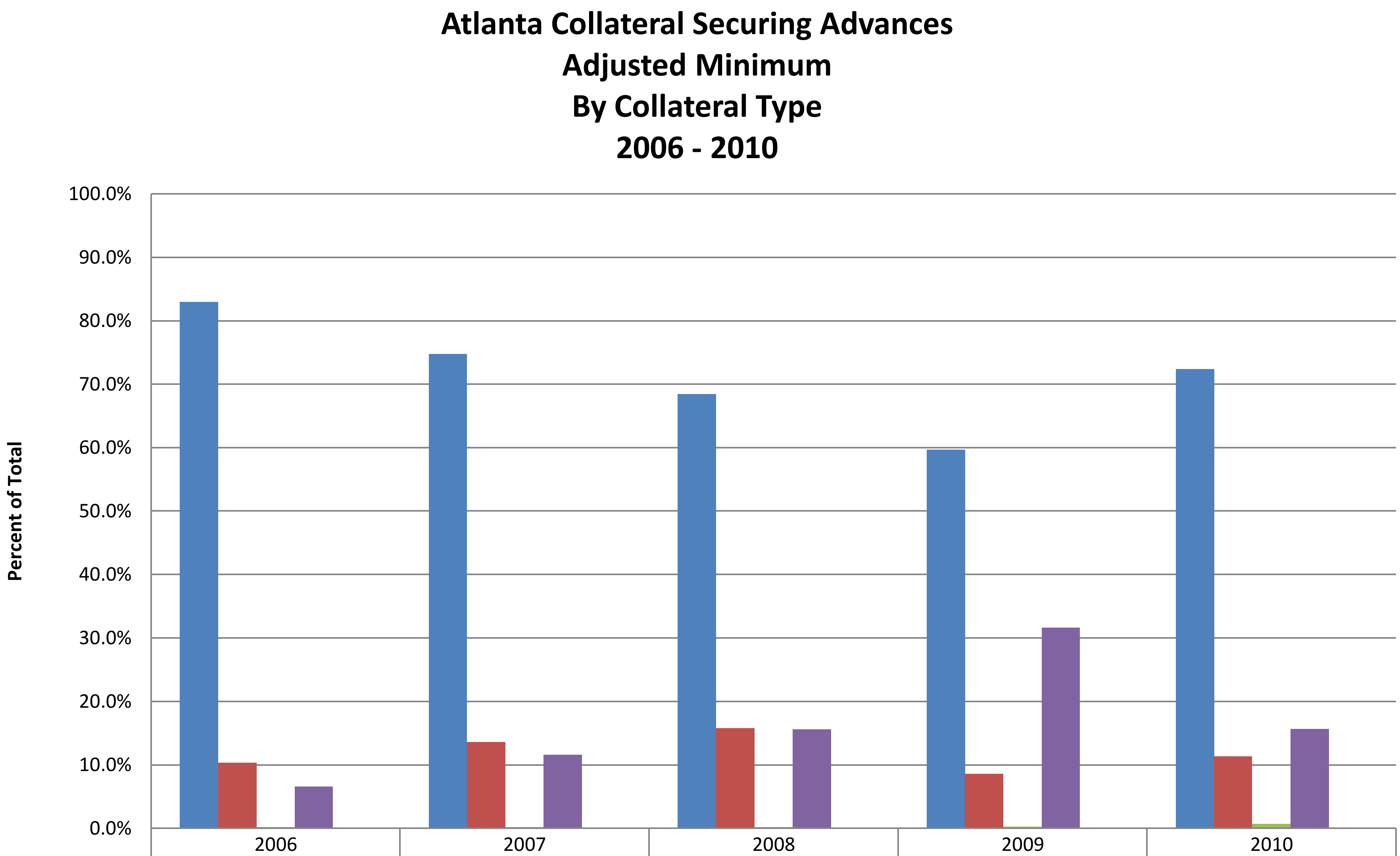
# New York Collateral Securing Advances
## Adjusted Minimum
## By Collateral Type
## 2006 - 2010



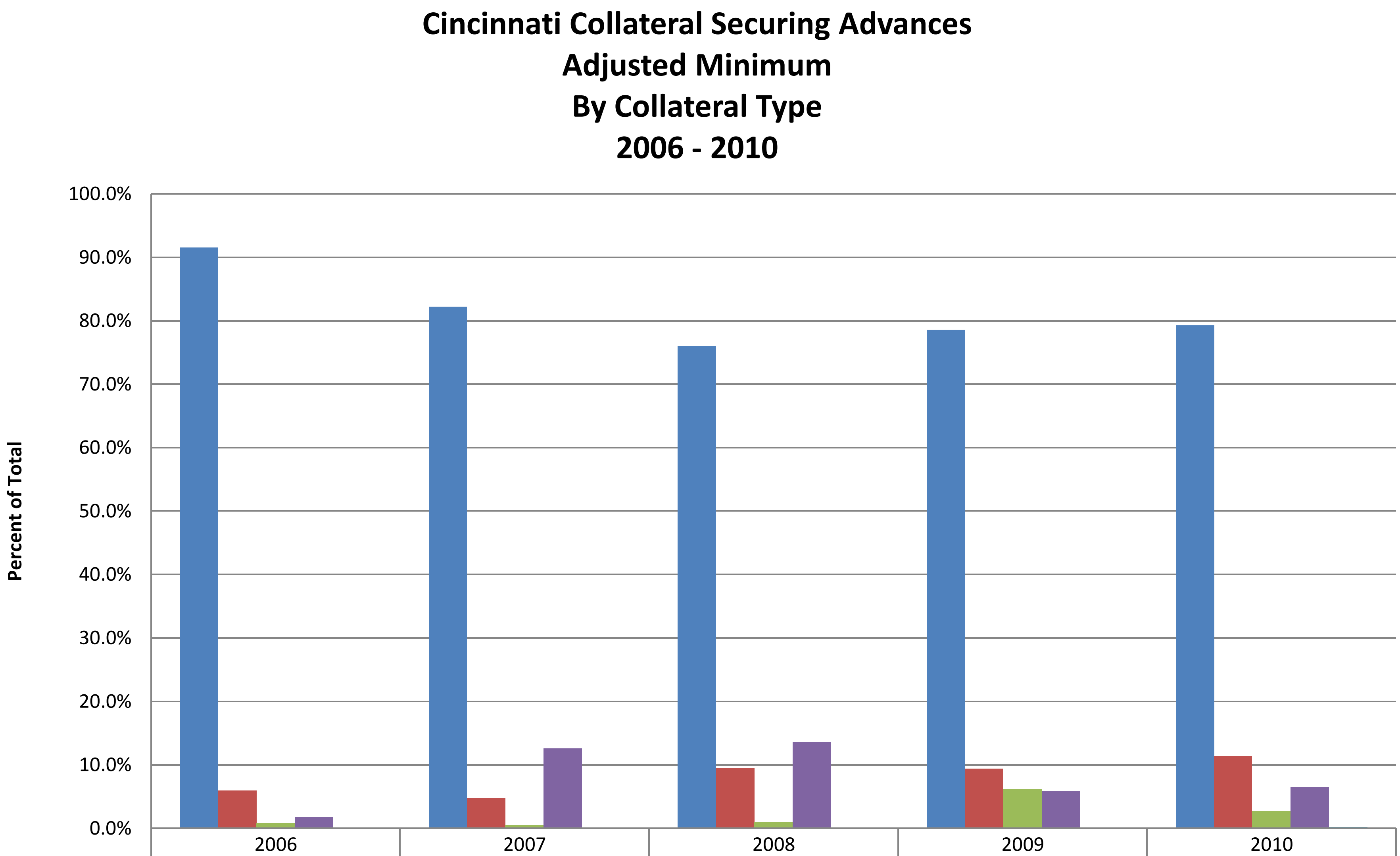

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 78.3% | 69.7% | 59.0% | 56.1% | 60.8% |
| MBS/CMO | 11.8% | 21.2% | 22.3% | 31.5% | 29.7% |
| Securities | 1.8% | 0.2% | 3.9% | 3.7% | 3.4% |
| ORERC | 8.1% | 8.9% | 14.8% | 8.7% | 6.1% |
| CFI | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |



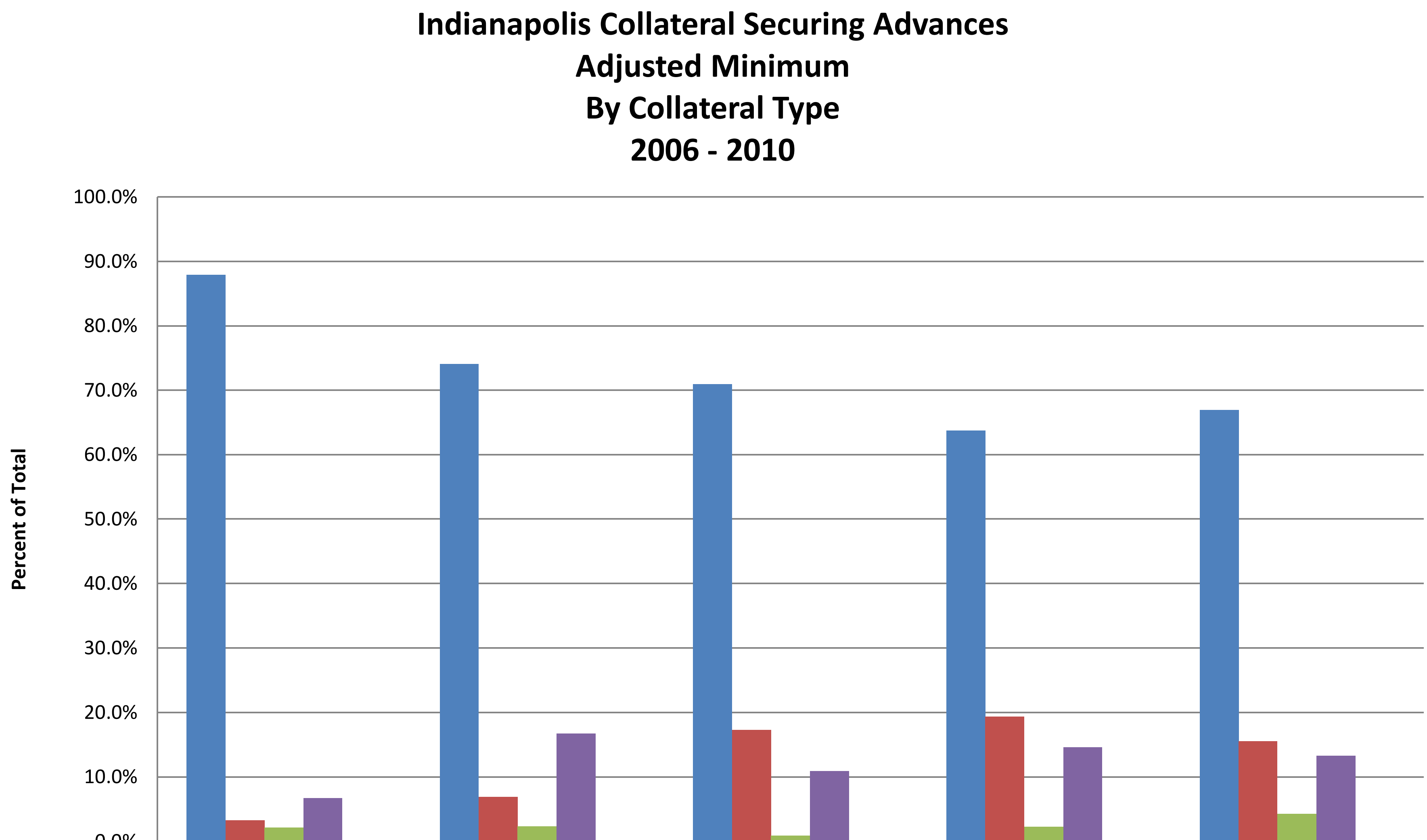

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 99.0% | 97.6% | 98.3% | 100.0% | 82.5% |
| MBS/CMO | 1.0% | 0.7% | 1.7% | 0.0% | 11.0% |
| Securities | 0.0% | 0.5% | 0.0% | 0.0% | 2.1% |
| ORERC | 0.0% | 0.8% | 0.0% | 0.0% | 4.4% |
| CFI | 0.0% | 0.3% | 0.0% | 0.0% | 0.0% |




| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 83.0% | 74.7% | 68.5% | 59.6% | 72.3% |
| MBS/CMO | 10.3% | 13.6% | 15.8% | 8.6% | 11.3% |
| Securities | 0.2% | 0.2% | 0.2% | 0.2% | 0.7% |
| ORERC | 6.5% | 11.5% | 15.6% | 31.6% | 15.6% |
| CFI | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

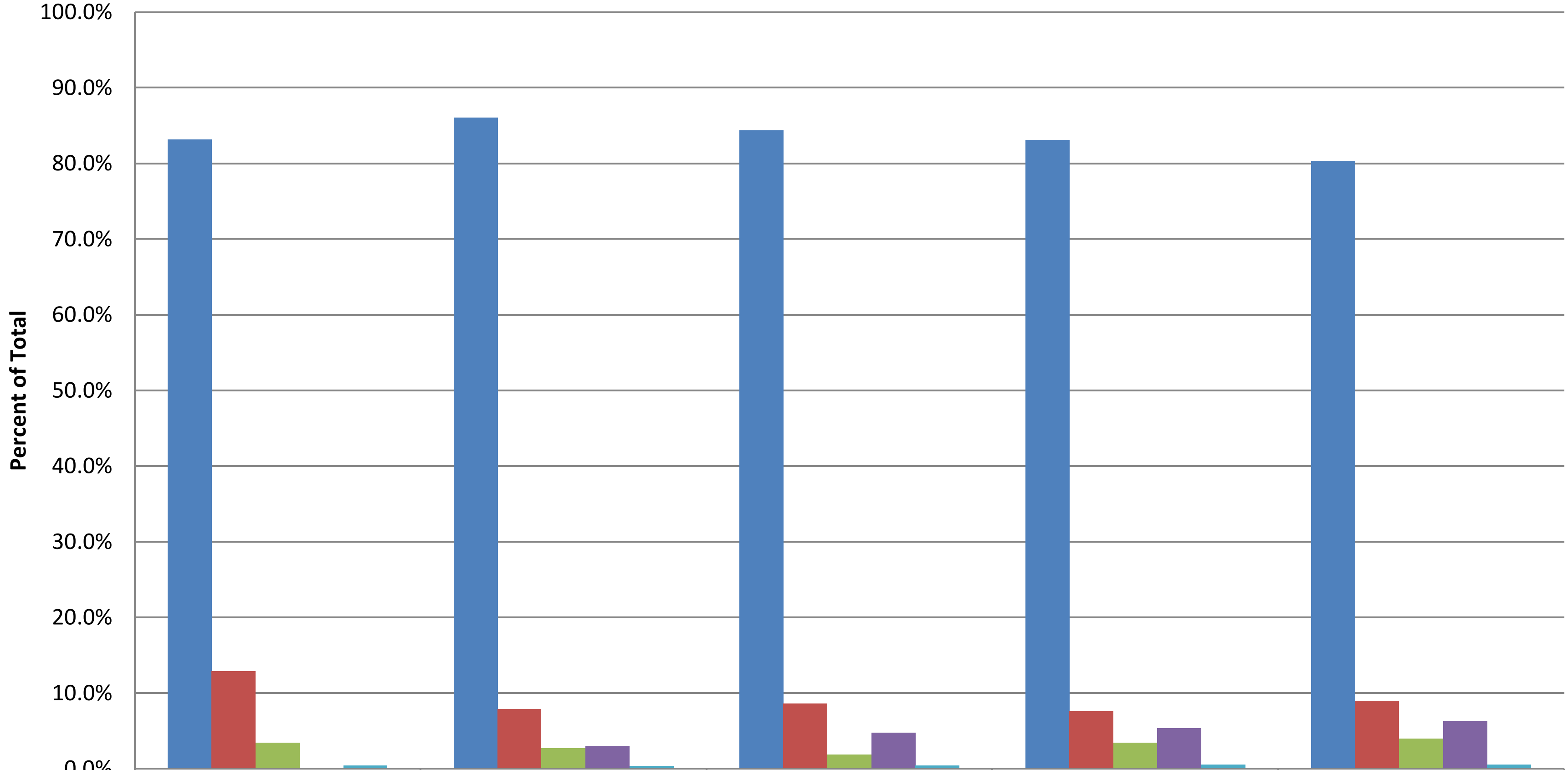



| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 91.5% | 82.2% | 76.0% | 78.6% | 79.2% |
| MBS/CMO | 5.9% | 4.7% | 9.4% | 9.4% | 11.4% |
| Securities | 0.8% | 0.5% | 1.0% | 6.2% | 2.7% |
| ORERC | 1.7% | 12.6% | 13.6% | 5.8% | 6.5% |
| CFI | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% |



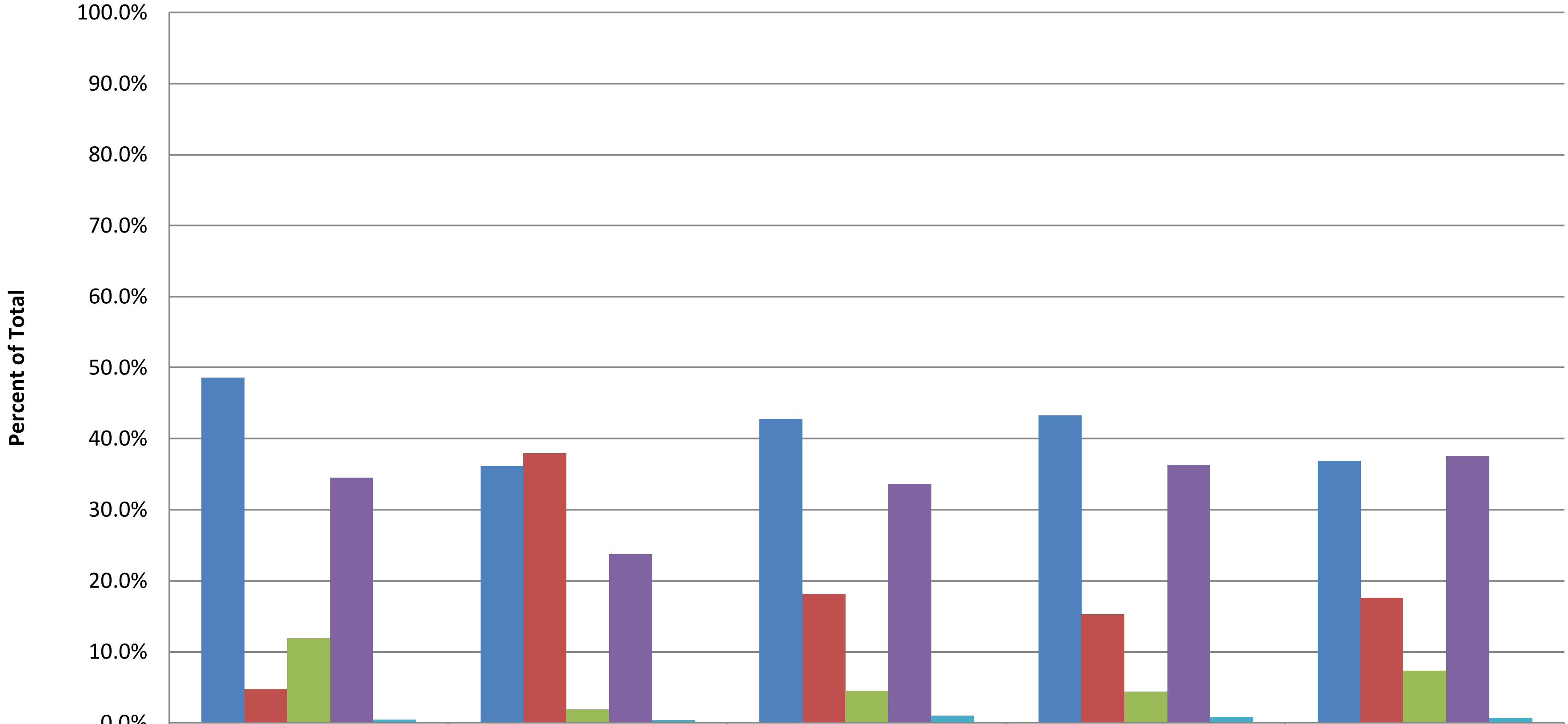

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 87.9% | 74.1% | 70.9% | 63.7% | 66.9% |
| MBS/CMO | 3.3% | 6.9% | 17.2% | 19.4% | 15.5% |
| Securities | 2.1% | 2.3% | 0.9% | 2.2% | 4.3% |
| ORERC | 6.6% | 16.7% | 10.9% | 14.5% | 13.3% |
| CFI | 0.1% | 0.1% | 0.1% | 0.2% | 0.0% |

## Chicago Collateral Securing Advances
## Adjusted Minimum
## By Collateral Type
## 2006 - 2010



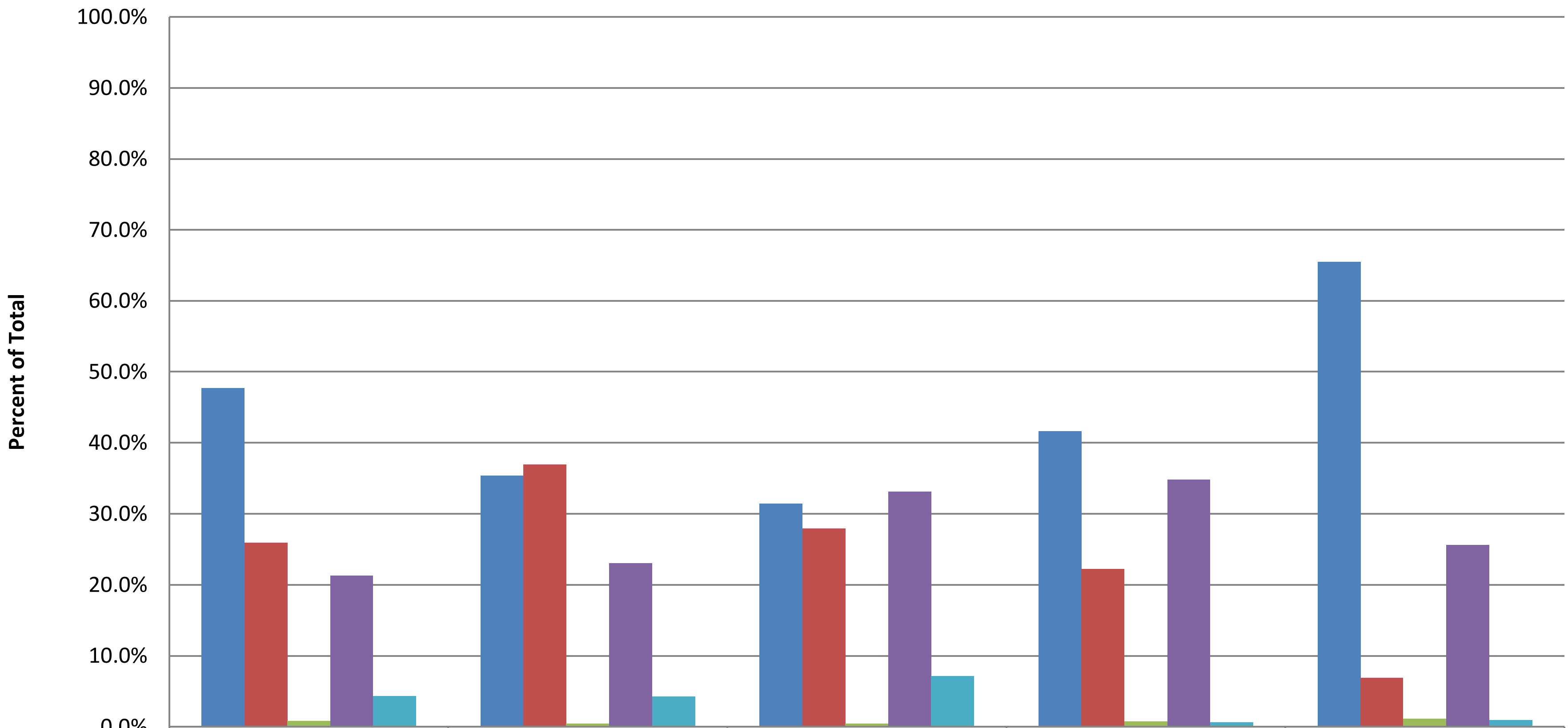

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 83.1% | 86.1% | 84.4% | 83.1% | 80.3% |
| MBS/CMO | 12.9% | 7.9% | 8.6% | 7.6% | 9.0% |
| Securities | 3.4% | 2.7% | 1.8% | 3.4% | 4.0% |
| ORERC | 0.1% | 3.0% | 4.8% | 5.3% | 6.2% |
| CFI | 0.4% | 0.4% | 0.4% | 0.6% | 0.5% |

## Des Moines Collateral Securing Advances
## Adjusted Minimum
## By Collateral Type
## 2006 - 2010



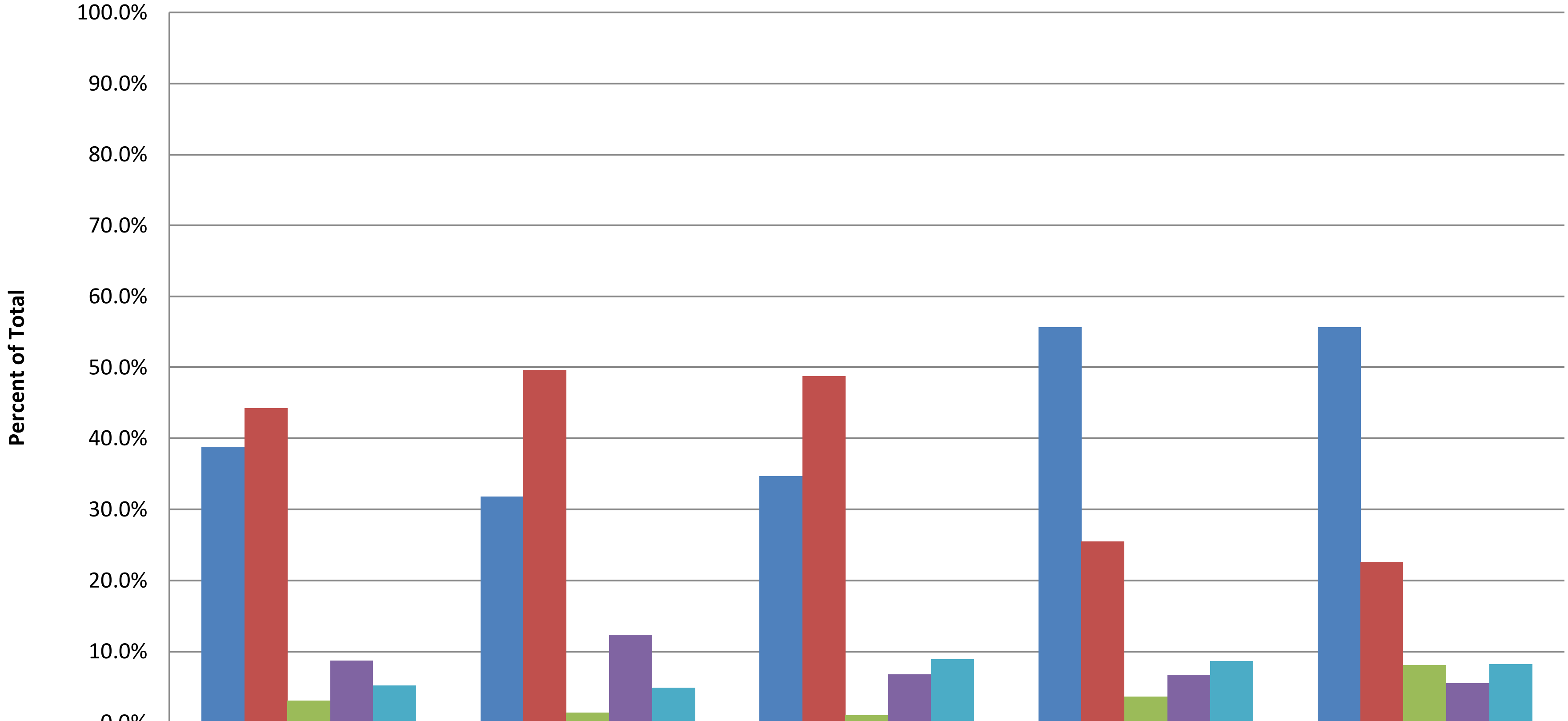

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 48.6% | 36.1% | 42.7% | 43.2% | 36.9% |
| MBS/CMO | 4.7% | 37.9% | 18.2% | 15.3% | 17.6% |
| Securities | 11.9% | 1.9% | 4.5% | 4.4% | 7.3% |
| ORERC | 34.5% | 23.7% | 33.6% | 36.3% | 37.6% |
| CFI | 0.4% | 0.4% | 1.0% | 0.8% | 0.7% |

## Dallas Collateral Securing Advances
## Adjusted Minimum
## By Collateral Type
## 2006 - 2010



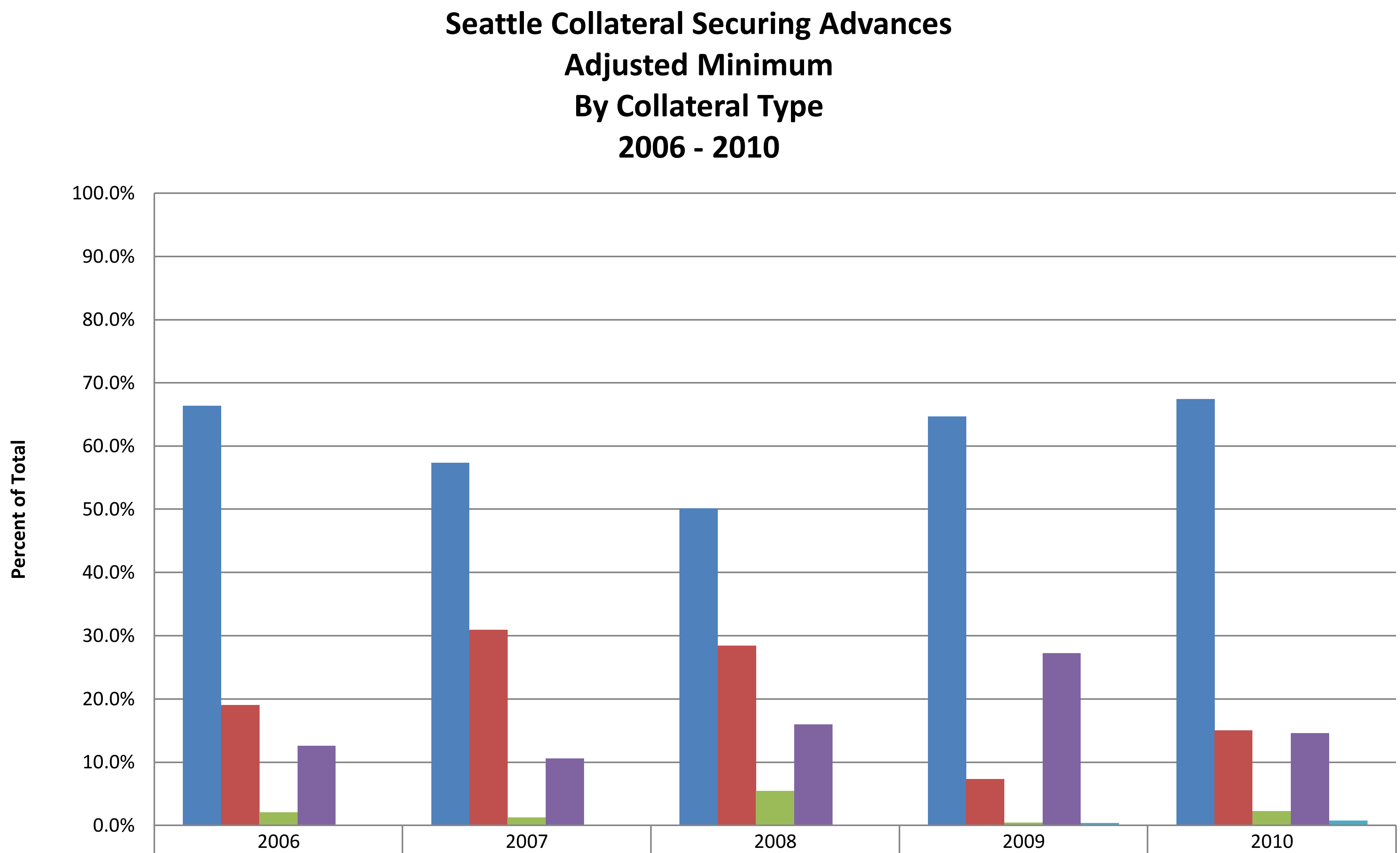

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 47.7% | 35.4% | 31.4% | 41.6% | 65.5% |
| MBS/CMO | 25.9% | 36.9% | 27.9% | 22.2% | 6.8% |
| Securities | 0.8% | 0.4% | 0.4% | 0.8% | 1.1% |
| ORERC | 21.3% | 23.0% | 33.1% | 34.8% | 25.6% |
| CFI | 4.3% | 4.2% | 7.1% | 0.6% | 0.9% |

# Topeka Collateral Securing Advances
# Adjusted Minimum
# By Collateral Type
# 2006 - 2010




| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 38.8% | 31.8% | 34.7% | 55.6% | 55.6% |
| MBS/CMO | 44.3% | 49.6% | 48.7% | 25.5% | 22.6% |
| Securities | 3.1% | 1.4% | 1.0% | 3.6% | 8.1% |
| ORERC | 8.7% | 12.3% | 6.8% | 6.6% | 5.5% |
| CFI | 5.2% | 4.9% | 8.9% | 8.6% | 8.2% |


| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 82.9% | 63.2% | 56.6% | 75.6% | 73.4% |
| MBS/CMO | 9.3% | 9.3% | 10.7% | 16.5% | 12.2% |
| Securities | 1.0% | 0.0% | 0.1% | 0.7% | 0.2% |
| ORERC | 6.7% | 26.4% | 32.5% | 7.2% | 14.2% |
| CFI | 0.1% | 1.0% | 0.1% | 0.0% | 0.0% |




| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Whole Loans | 66.4% | 57.3% | 50.1% | 64.7% | 67.4% |
| MBS/CMO | 19.0% | 30.9% | 28.4% | 7.3% | 15.0% |
| Securities | 2.0% | 1.2% | 5.4% | 0.4% | 2.2% |
| ORERC | 12.6% | 10.6% | 16.0% | 27.2% | 14.6% |
| CFI | 0.0% | 0.0% | 0.1% | 0.4% | 0.8% |

## 4. Collateral Coverage by Member Asset Size

For year-end 2010, the FHLBanks reported adjusted minimum collateral securing advances in four member asset size categories: less than $100 million in assets; greater than $100 million but less than the CFI limit; greater than the CFI limit to $10 billion in assets; and greater than $10 billion in assets.

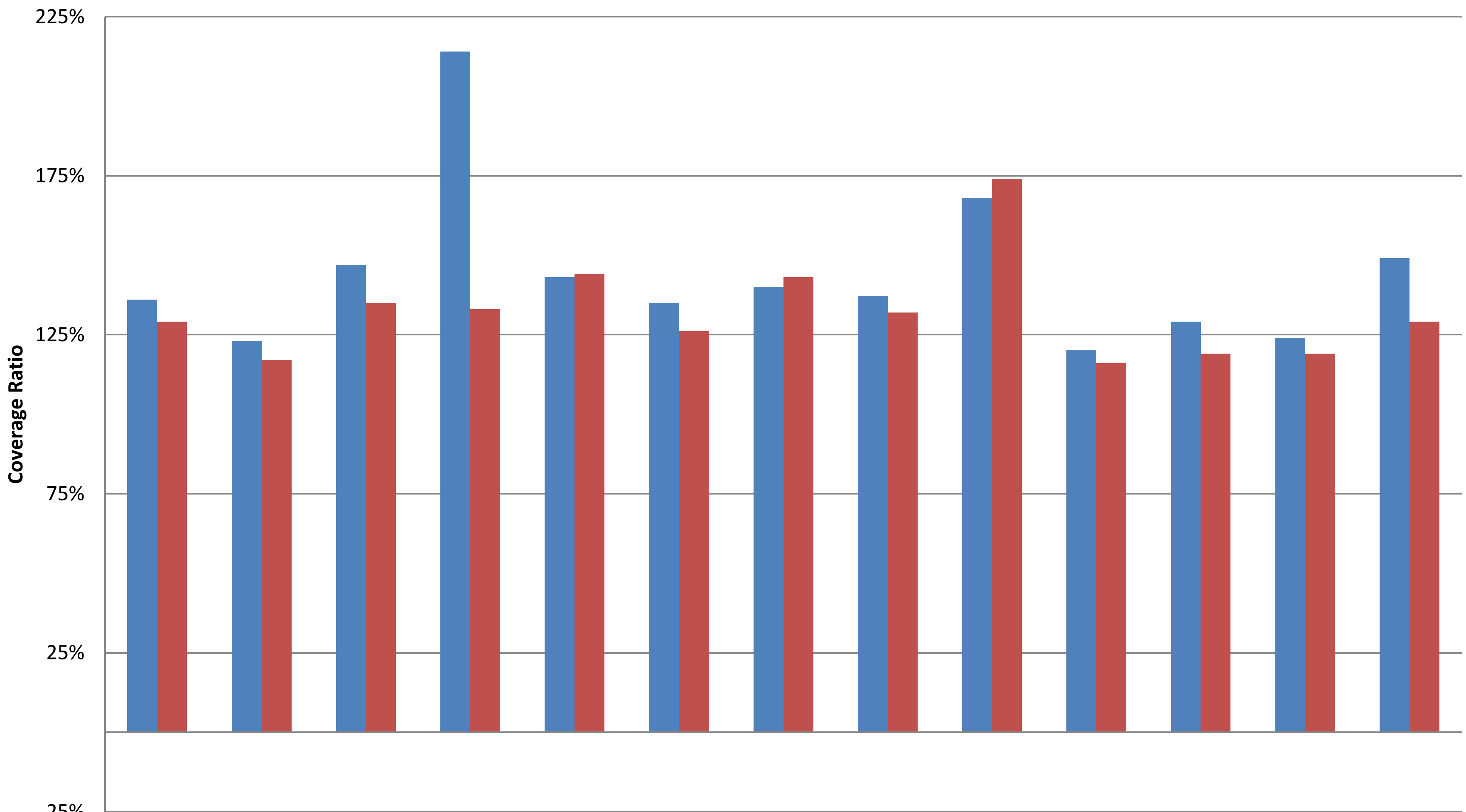
The System-wide average adjusted minimum collateral-to-advances coverage ratio was 129 percent for year-end 2010. At the System level, the collateral coverage ratio was lowest for the largest member category and highest for the second smallest member size category. The decrease in the system average collateral coverage ratio was also greatest for the largest member category, with no change in the system average ratio for members with less than $100 million in assets. One would need additional information at the FHLBank level to determine the exact reasons for differences in coverage ratios across the member asset-size groups. However, higher collateral coverage ratios are required for members that tend to borrow under blanket pledge agreements, which is often the type of pledge agreement made by smaller to medium sized members. Larger members may have more sophisticated asset management systems and often provide additional information about their collateral pledged, which allows them to obtain maximum borrowing capacity from their collateral.

The pattern of collateral coverage ratios varied across the individual FHLBanks. The member collateral coverage ratios at the FHLBanks of Boston, New York and Cincinnati were fairly uniform across all member size categories at year-end 2010, with differences between the highest and lowest ratios of only five to seven percentage points. The FHLBanks of Atlanta and Des Moines reported differences between the lowest and highest collateral coverage ratios exceeding 30 percentage points.

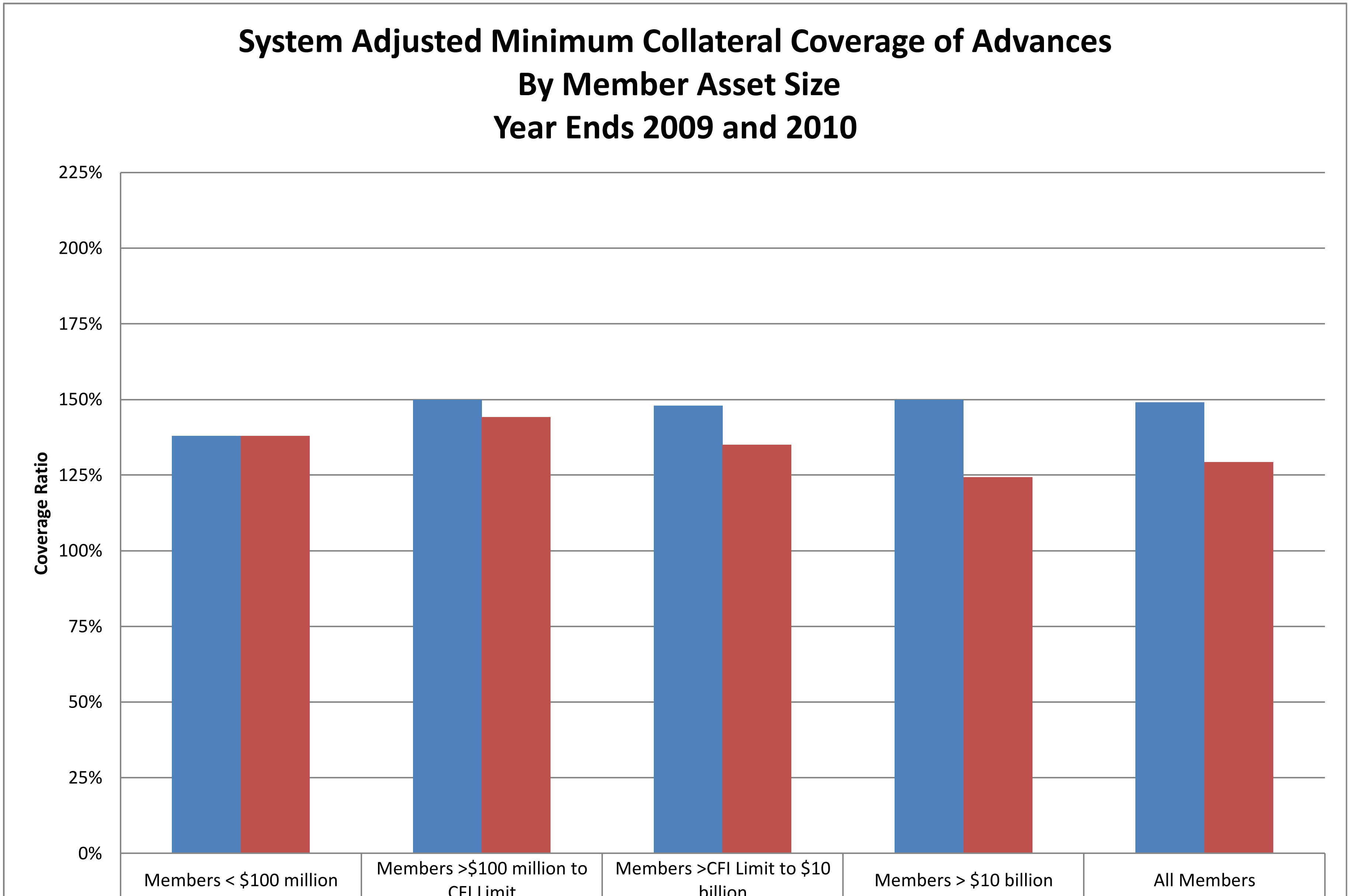
The FHLBank of Atlanta's overall member collateral coverage ratios changed the most between year-end 2009 and year-end 2010 and were markedly lower for all except the smallest members. One reason the collateral coverage ratio is much lower for the largest members is the FHLBank's use of market values, updated frequently, rather than book values to assess collateral values for their largest members. More precise, timely pricing of collateral reduces uncertainty about valuation and allows coverage ratios to be lower.

The following graphs illustrate collateral coverage ratios by FHLBank and member asset size.

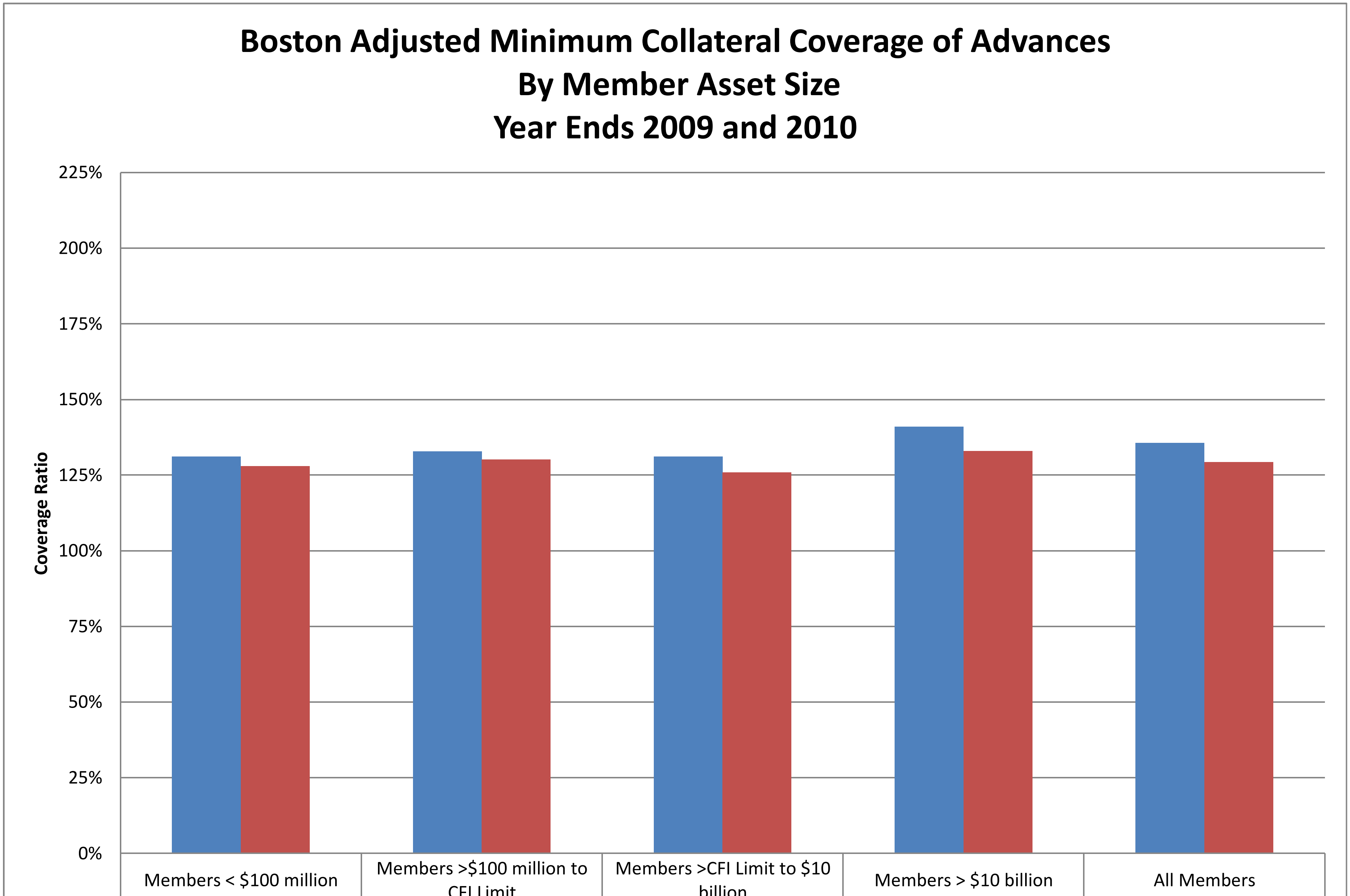
## Adjusted Minimum Collateral Coverage of Advances
## By FHLBank
## Year Ends 2009 and 2010




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 136% | 123% | 147% | 214% | 143% | 135% | 140% | 137% | 168% | 120% | 129% | 124% | 149% |
| 2010 | 129% | 117% | 135% | 133% | 144% | 126% | 143% | 132% | 174% | 116% | 119% | 119% | 129% |

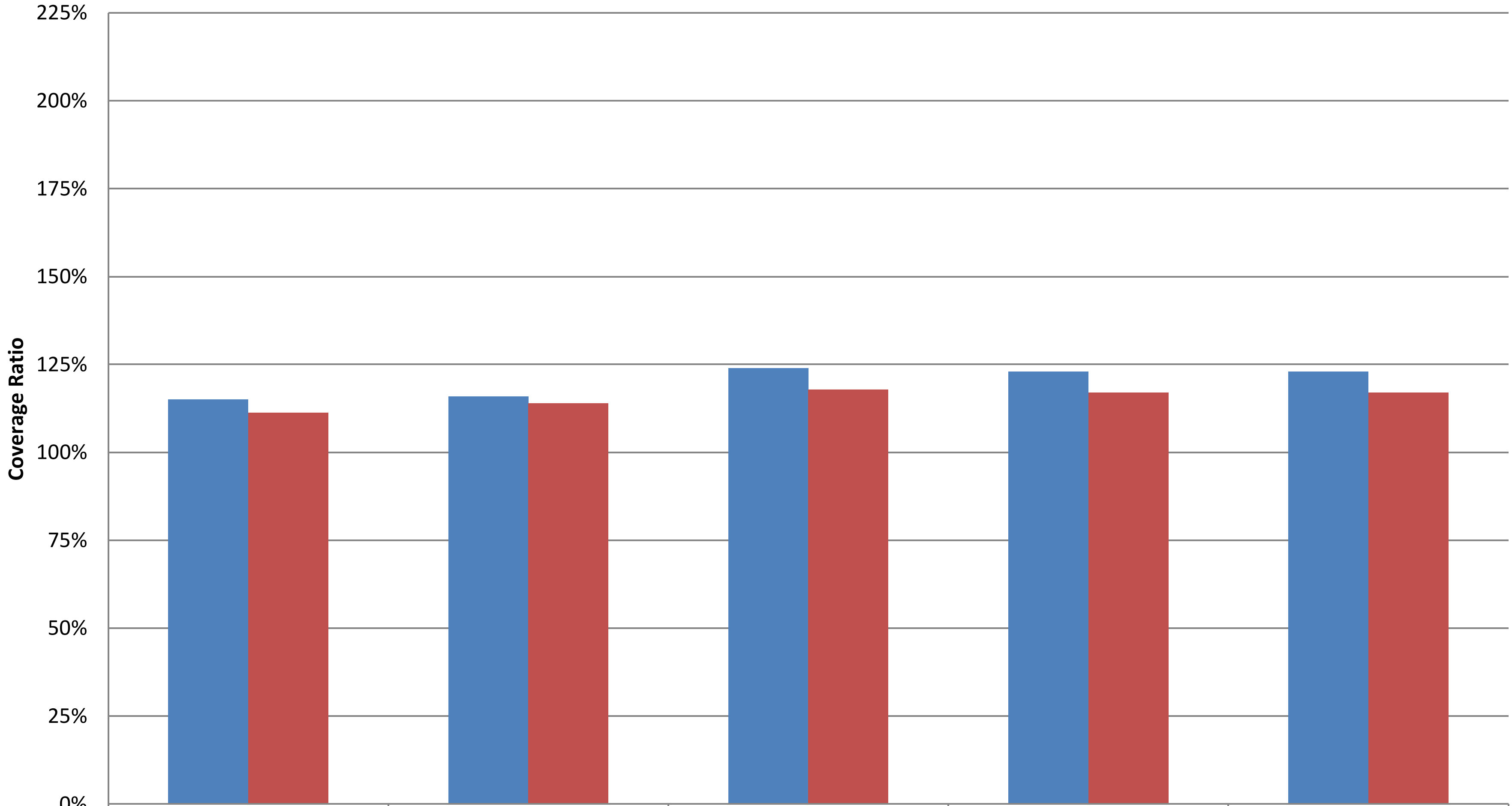



| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 138% | 150% | 148% | 150% | 149% |
| 2010 | 138% | 144% | 135% | 124% | 129% |

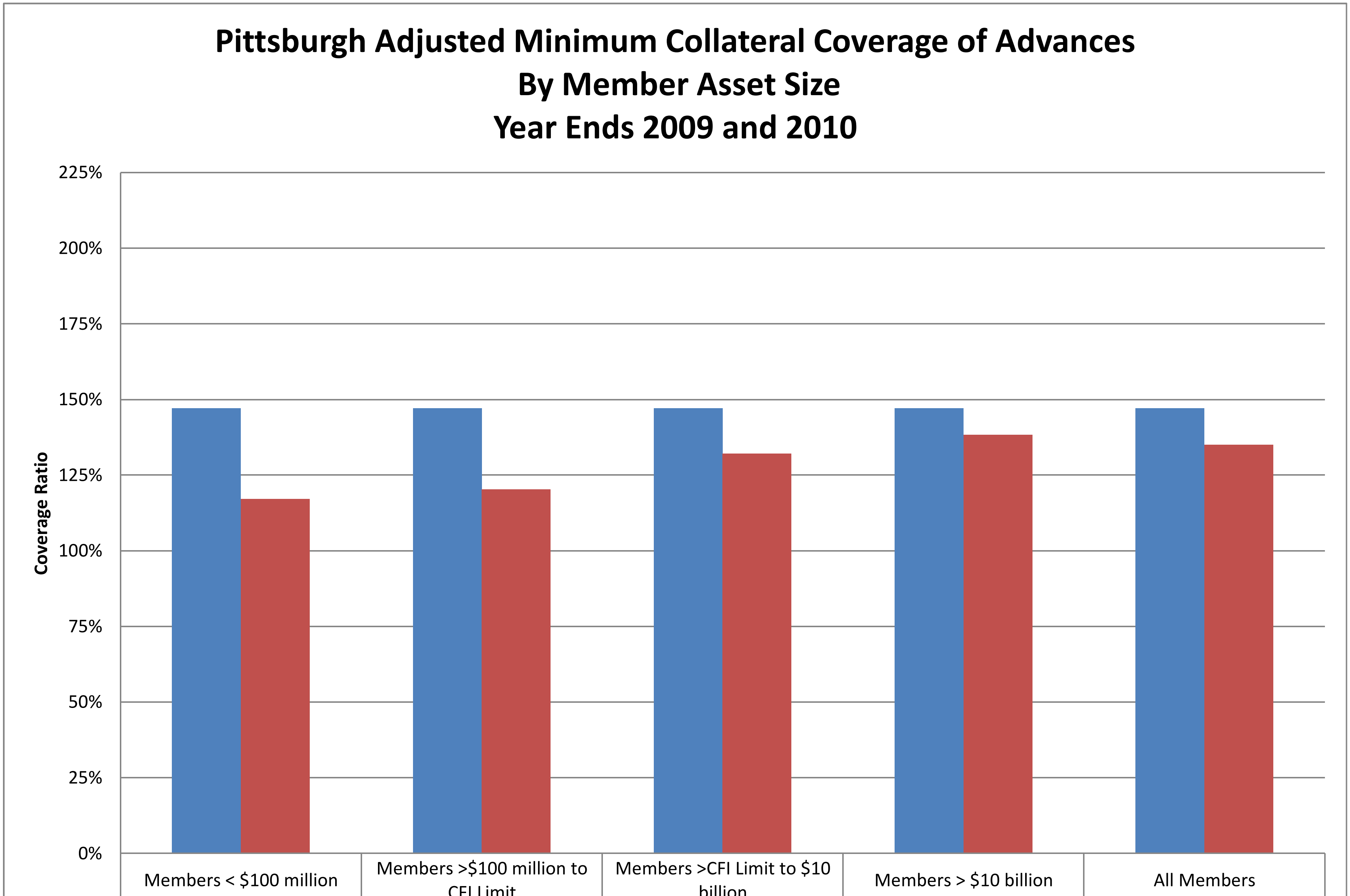



| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 131% | 133% | 131% | 141% | 136% |
| 2010 | 128% | 130% | 126% | 133% | 129% |

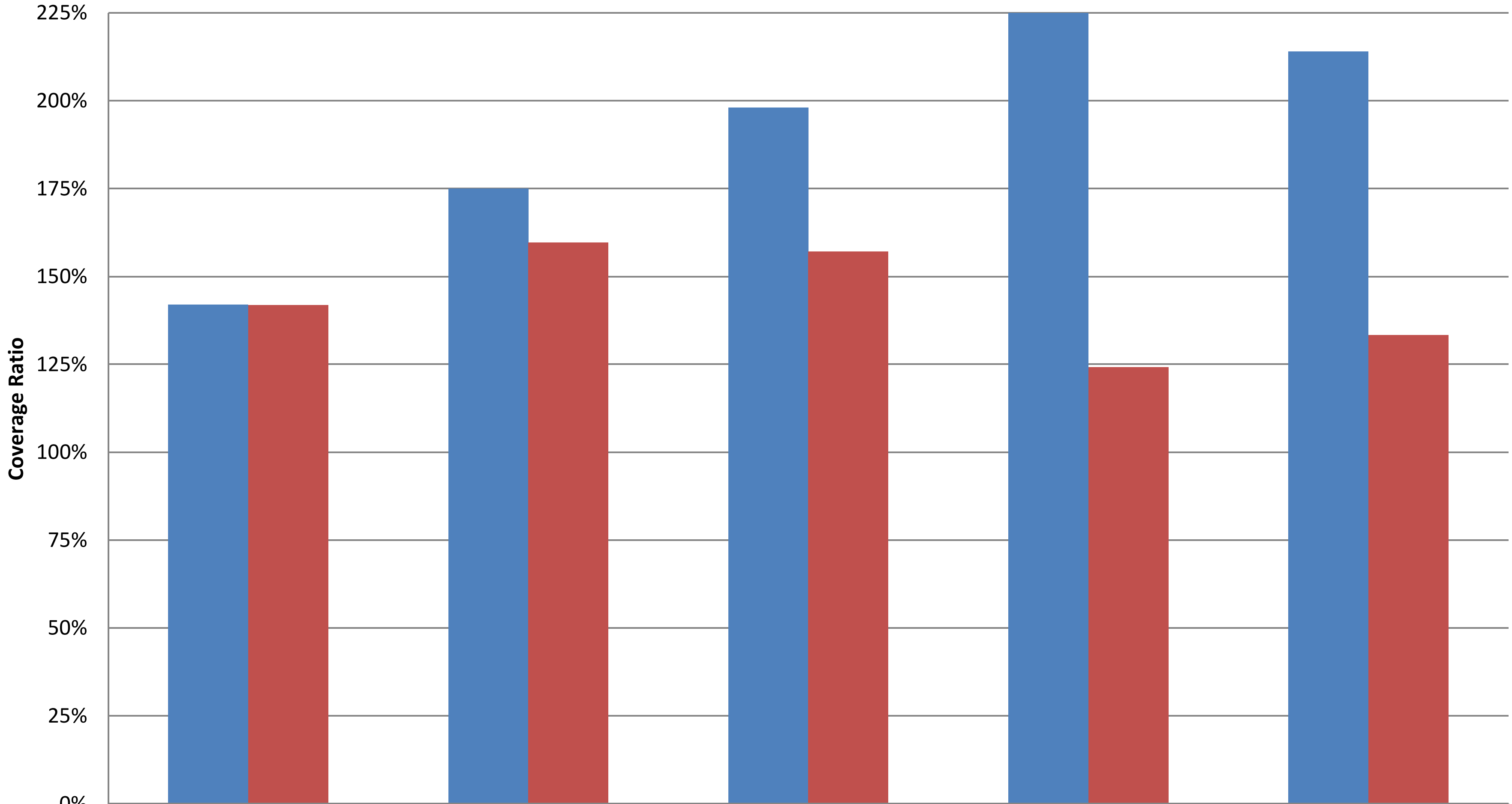
## New York Adjusted Minimum Collateral Coverage of Advances
## By Member Asset Size
## Year Ends 2009 and 2010




| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 115% | 116% | 124% | 123% | 123% |
| 2010 | 111% | 114% | 118% | 117% | 117% |

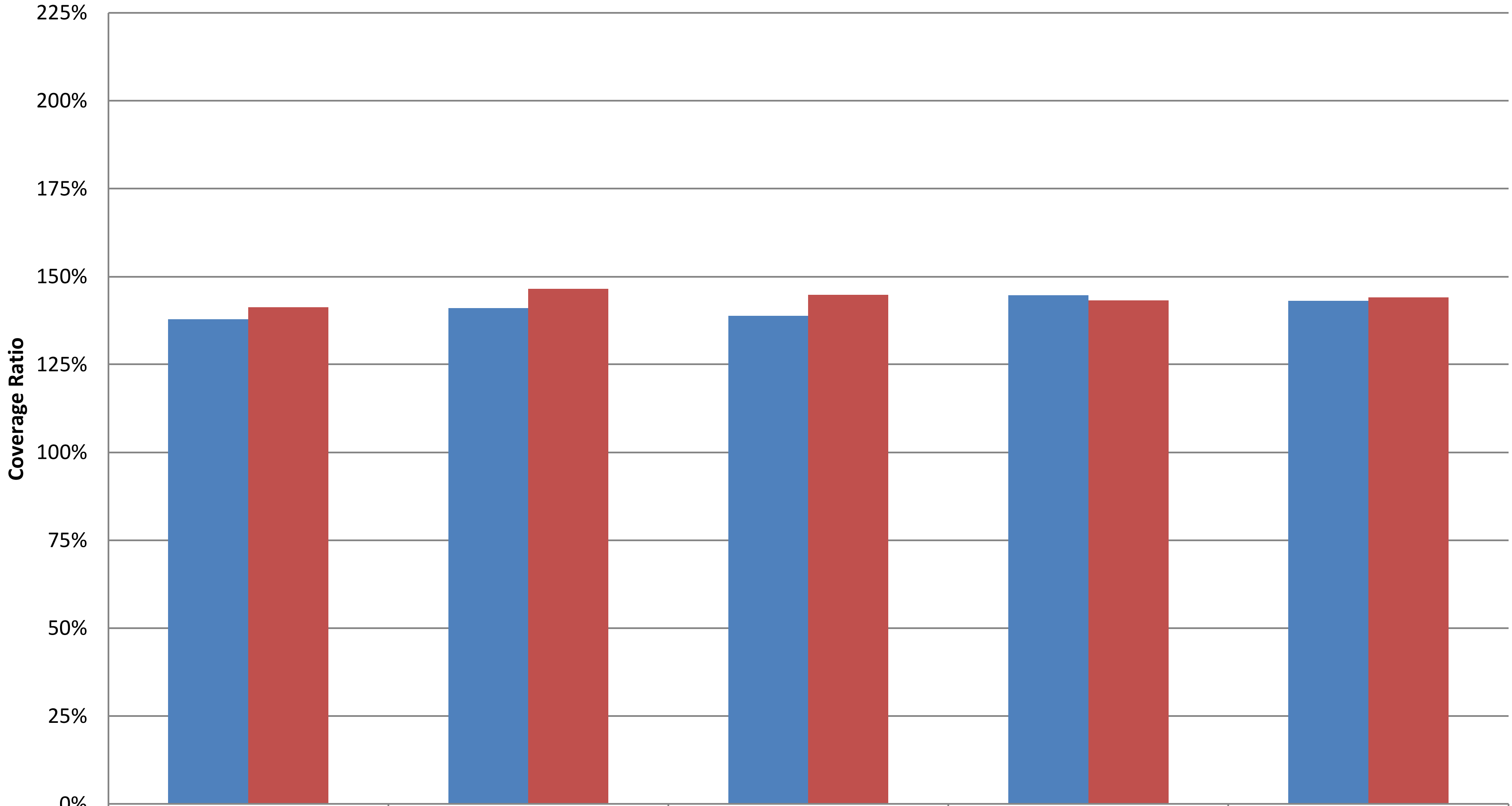



| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 147% | 147% | 147% | 147% | 147% |
| 2010 | 117% | 120% | 132% | 138% | 135% |

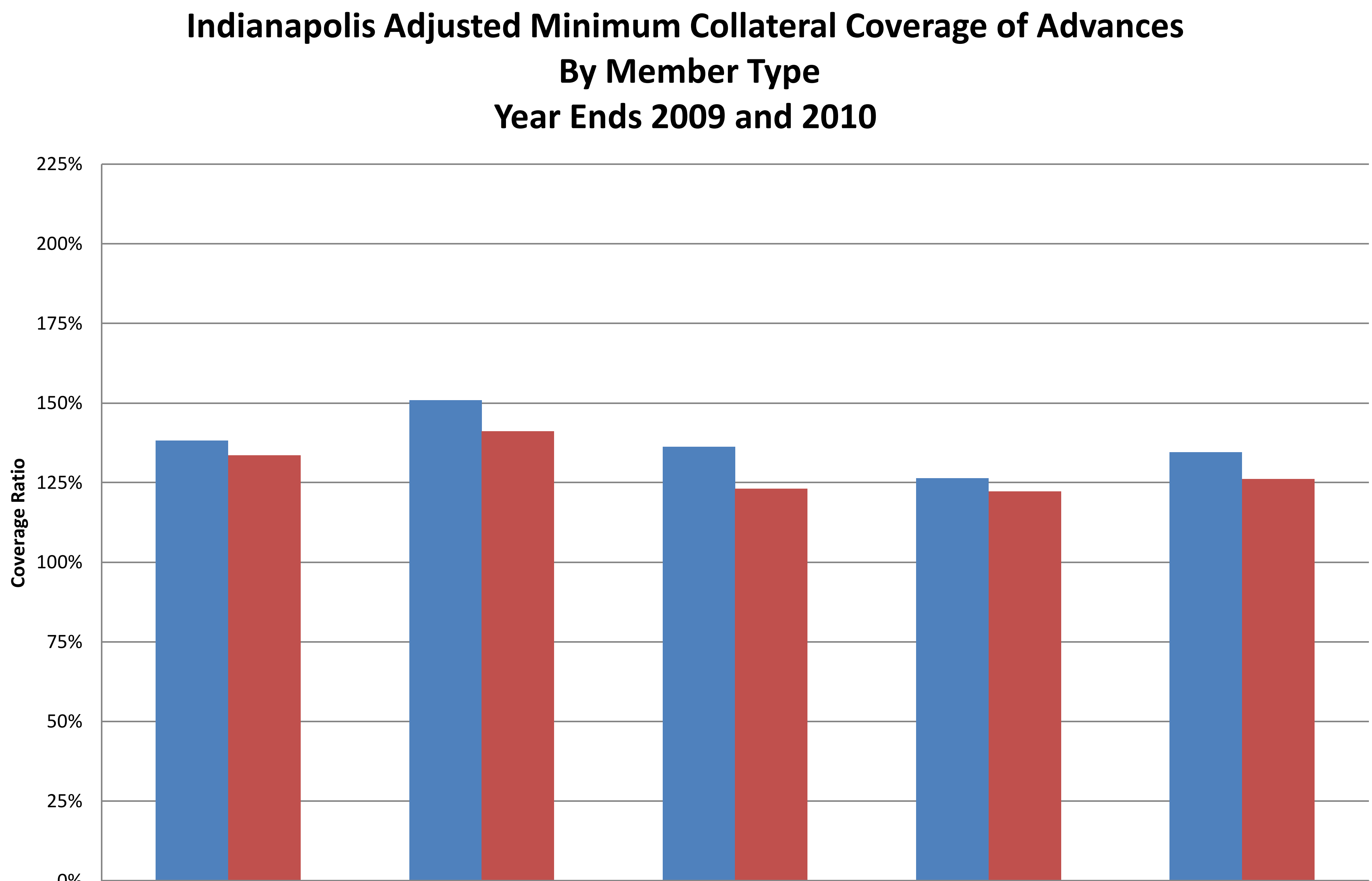



| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 142% | 175% | 198% | 225% | 214% |
| 2010 | 142% | 160% | 157% | 124% | 133% |

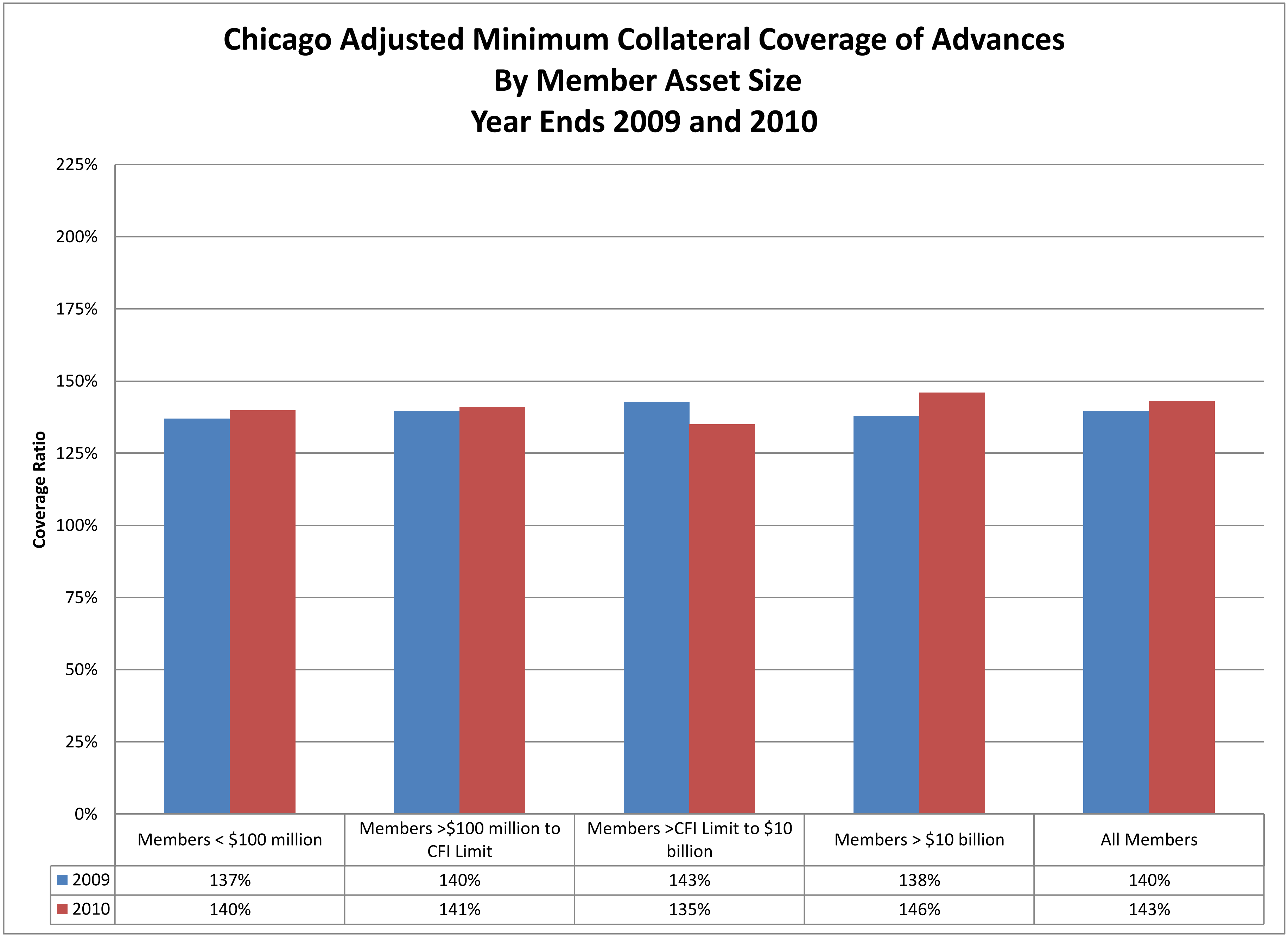
## Cincinnati Adjusted Minimum Collateral Coverage of Advances
## By Member Asset Size
## Year Ends 2009 and 2010



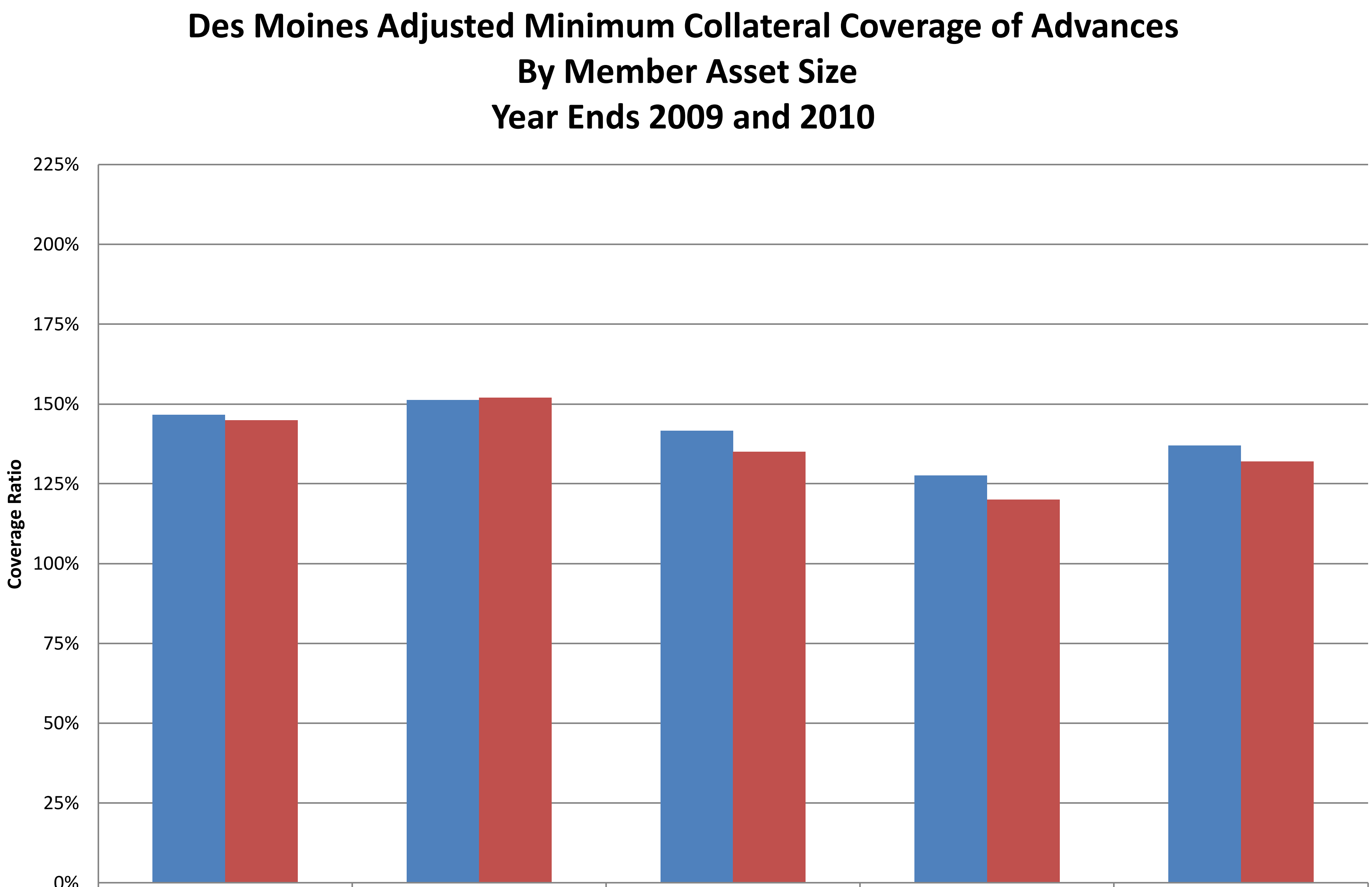

| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 138% | 141% | 139% | 145% | 143% |
| 2010 | 141% | 146% | 145% | 143% | 144% |



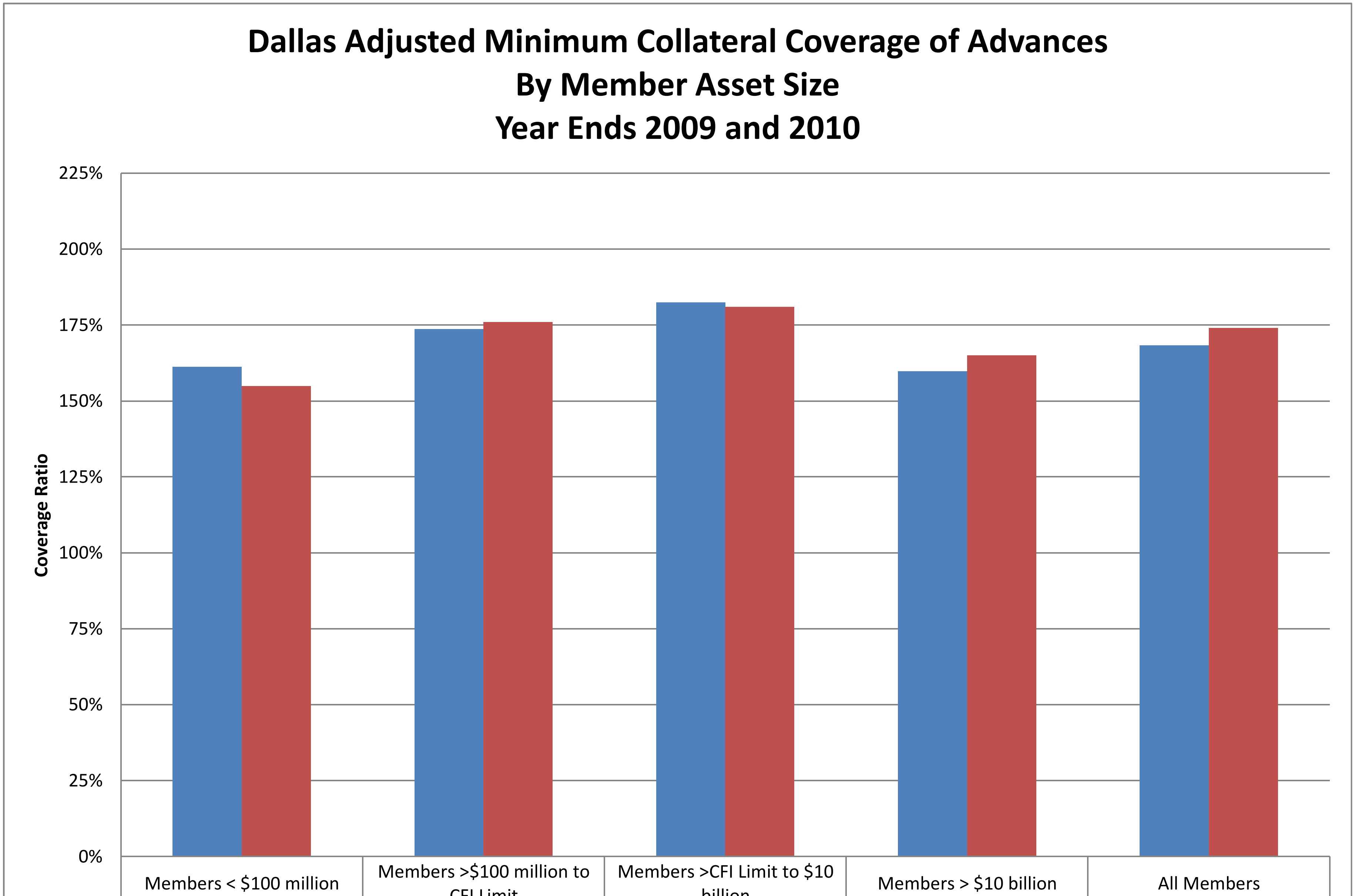

| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 138% | 151% | 136% | 126% | 135% |
| 2010 | 134% | 141% | 123% | 122% | 126% |



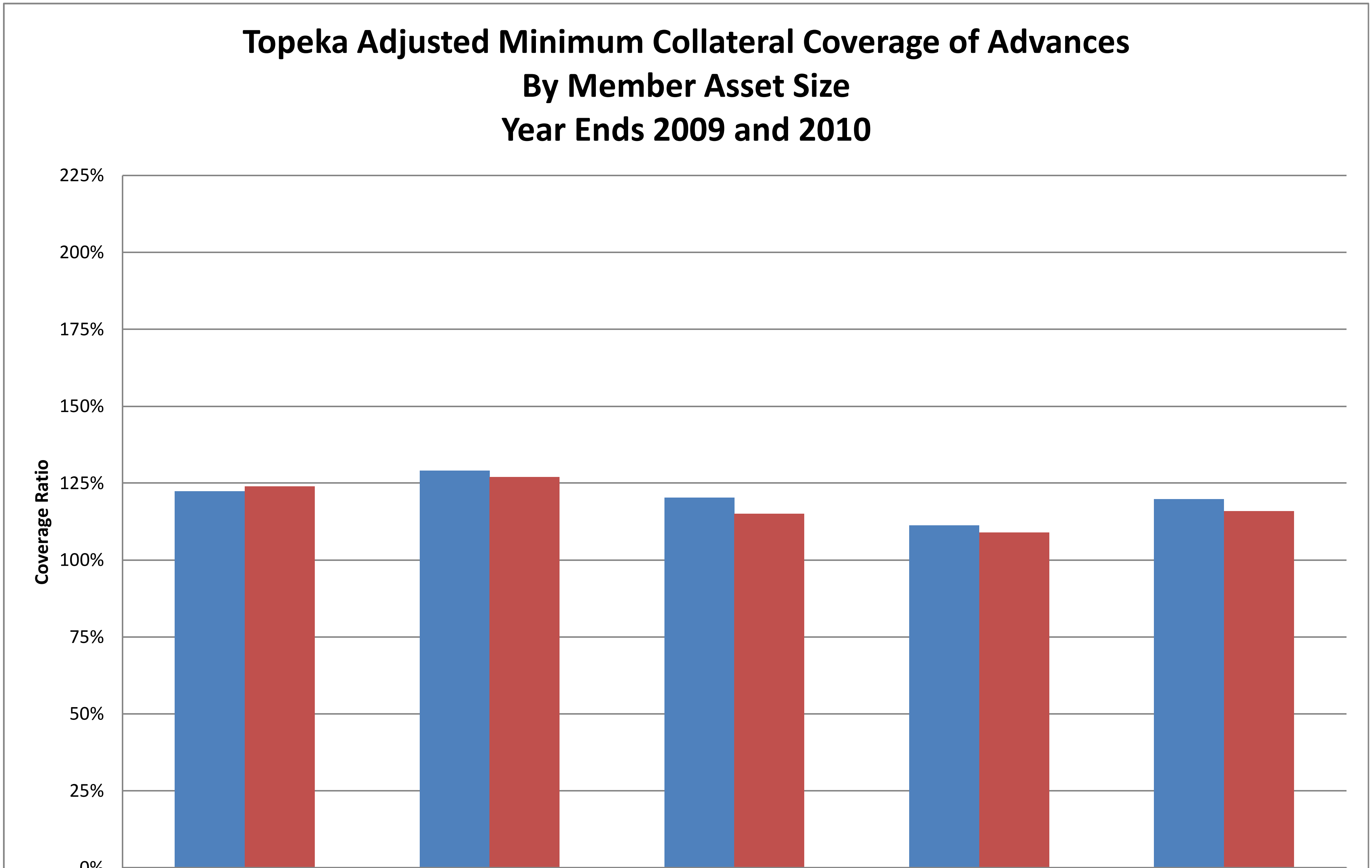

| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 137% | 140% | 143% | 138% | 140% |
| 2010 | 140% | 141% | 135% | 146% | 143% |



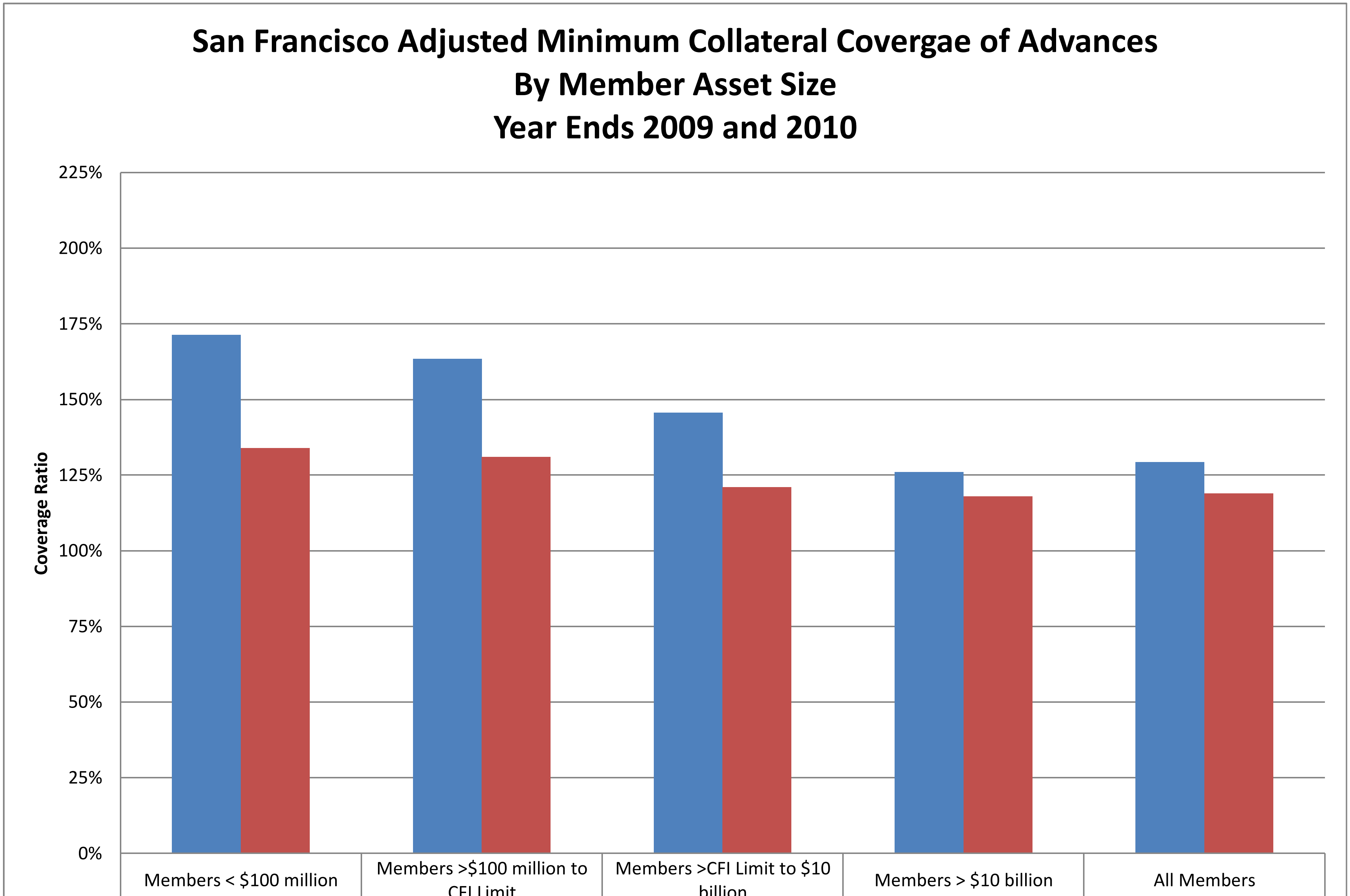

| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 147% | 151% | 142% | 128% | 137% |
| 2010 | 145% | 152% | 135% | 120% | 132% |



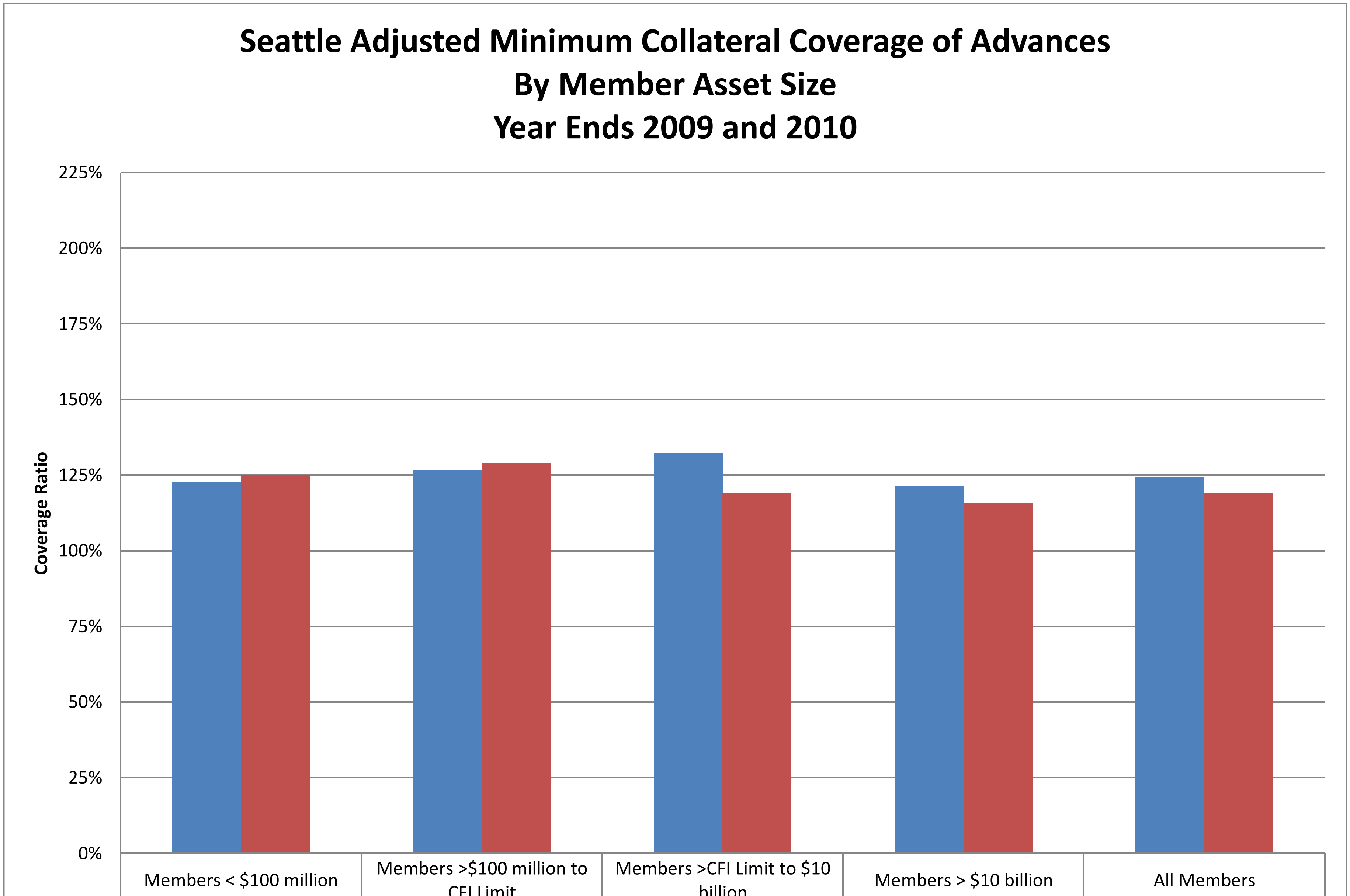

| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 161% | 174% | 183% | 160% | 168% |
| 2010 | 155% | 176% | 181% | 165% | 174% |




| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 122% | 129% | 120% | 111% | 120% |
| 2010 | 124% | 127% | 115% | 109% | 116% |




| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 171% | 164% | 146% | 126% | 129% |
| 2010 | 134% | 131% | 121% | 118% | 119% |




| | Members < $100 million | Members >$100 million to CFI Limit | Members >CFI Limit to $10 billion | Members > $10 billion | All Members |
|---|---|---|---|---|---|
| 2009 | 123% | 127% | 132% | 122% | 125% |
| 2010 | 125% | 129% | 119% | 116% | 119% |

# 5. Other Real Estate Related Collateral

The FHLBanks provide information as part of the Collateral Data Survey detailing the specific types of ORERC that they accept as collateral. Eligible ORERC at the FHLBanks may include commercial real estate loans, commercial mortgage-backed securities, second mortgage loans, home equity lines of credit, and mortgage loan participations. By regulation, to be eligible collateral, ORERC must have a readily ascertainable value, be able to be reliably discounted to account for liquidation and other risks, and be able to be liquidated in due course. Also, each FHLBank must be able to perfect a security interest in such collateral.

All the FHLBanks report ORERC securing advances. At several FHLBanks, members must first exhaust their whole loans, U.S. Agency MBS/CMOs, PLS and securities/deposits collateral prior to receiving borrowing capacity for ORERC.

The largest ORERC category is commercial real estate loans, followed by home equity lines of credit and securities. Six FHLBanks (Atlanta, Cincinnati, Dallas, Indianapolis, Topeka and Seattle) are not able to provide information regarding the specific type of commercial real estate loans pledged, *e.g.*, office, retail, industrial, lodging, or mixed-use. These FHLBanks allow members to secure advances utilizing commercial real estate loan collateral with a blanket pledge. Under a blanket pledge, members do not generally provide details about various types of commercial property loans and this information is also not available from regulatory agencies' Call Report data. Commercial real estate loans were not eligible member collateral at the FHLBank of Chicago until the FHLBank received new business activity approval from FHFA in August 2009.

The following tables provide detailed information regarding the types of ORERC securing advances at the FHLBanks for the year-ends 2009 and 2010.

## Collateral Securing Advances - ORERC

Table 5.1

### Adjusted Minimum Collateral

### As of December 31, 2010

### ($ Millions)

| FHLBank | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYSTEM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | |
| 1. Commercial Real Estate | $67 | $1,297 | $1,697 | $5,542 | $1,149 | $994 | $6 | $6,687 | $10,156 | $323 | $5,569 | $1,873 | $35,360 |
| Office | $46 | $244 | $0 | - | - | - | $3 | $880 | - | - | $634 | - | $1,806 |
| Retail | $13 | $455 | $0 | - | - | - | $3 | $992 | - | - | $1,115 | - | $2,578 |
| Industrial | $8 | $142 | $0 | - | - | - | $0 | $829 | - | - | $503 | - | $1,481 |
| Lodging | $0 | $27 | $0 | - | - | - | $0 | $7 | - | - | $637 | - | $672 |
| Mixed Use | $0 | $141 | $0 | - | - | - | $0 | $40 | - | - | $369 | - | $550 |
| Other - No Detail Available | $0 | $288 | $1,697 | $5,542 | $1,149 | $994 | $0 | $3,940 | $10,156 | $323 | $2,311 | $1,873 | $28,273 |
| 2. Commercial 2nd Mortgages | $0 | $2 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $2 |
| 3. Residential Second Mortgage Loans | $3 | $29 | $0 | $0 | $8 | $0 | $99 | $293 | $429 | $34 | $1,908 | $219 | $3,022 |
| 4. Home Equity Lines of Credit | $85 | $0 | $0 | $12,211 | $96 | $3 | $1,099 | $1,707 | $0 | $0 | $8,573 | $0 | $23,774 |
| 5. Construction Loans | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $2 | $181 | $10 | $0 | $0 | $193 |
| Residential Construction (Single Family) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $2 | $0 | $10 | $0 | $0 | $12 |
| Multi-Family Construction | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Commercial Construction | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $181 | $0 | $0 | $0 | $181 |
| 6. Securities | $0 | $4,152 | $0 | $0 | $1,364 | $1,960 | $139 | $4,367 | $5 | $754 | $0 | $157 | $12,898 |
| CMBS | $0 | $4,152 | $0 | $0 | $1,364 | $1,960 | $0 | $4,364 | $0 | $698 | $0 | $157 | $12,695 |
| HELOC Securities | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $3 | $0 | $56 | $0 | $0 | $59 |
| Mutual Funds | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Securities (Specifiy) - Municipal Securities | $0 | $0 | $0 | $0 | $0 | $0 | $139 | $0 | $5 | $0 | $0 | $0 | $144 |
| 7. Land Loans | $0 | $0 | $0 | $0 | $141 | $0 | $0 | $942 | $422 | $58 | $0 | $0 | $1,563 |
| Farm Real Estate | $0 | $0 | $0 | $0 | $141 | $0 | $0 | $942 | $0 | $58 | $0 | $0 | $1,141 |
| Other Land Loans (Land Development) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $422 | $0 | $0 | $0 | $422 |
| 8. Other | $0 | $0 | $0 | $0 | $0 | $0 | $312 | $98 | $0 | $30 | $5 | $0 | $445 |
| Participated loans | $0 | $0 | $0 | $0 | $0 | $0 | $261 | $98 | $0 | $0 | $5 | $0 | $364 |
| Other (Specify) | $0 | $0 | $0 | $0 | $0 | $0 | $51 | $0 | $2 | $0 | $0 | $0 | $53 |
| Multi-family Second Mortgage Loans | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Ineligible CRE Loans | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Guaranteed portions of FSA & SBA loans | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $30 | $0 | $0 | $30 |
| Warehouse and Jr Liens deducted from Single-family | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Totals** | $155 | $5,481 | $1,697 | $17,753 | $2,758 | $2,957 | $1,655 | $14,095 | $11,193 | $1,209 | $16,055 | $2,249 | $77,256 |

## Collateral Securing Advances - ORERC

**Table 5.2**

### Adjusted Minimum Collateral
### As of December 31, 2009
### ($ Millions)

| FHLBank | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYSTEM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | |
| 1. Commercial Real Estate | $262 | $4,668 | $0 | $10,470 | $1,601 | $2,715 | $0 | $9,288 | $20,333 | $856 | $11,450 | $4,561 | $66,204 |
| Office | $79 | $518 | $0 | - | - | - | $0 | - | - | - | $467 | - | $1,064 |
| Retail | $77 | $1,046 | $0 | - | - | - | $0 | - | - | - | $1,586 | - | $2,709 |
| Industrial | $28 | $369 | $0 | - | - | - | $0 | - | - | - | $1,126 | - | $1,523 |
| Lodging | $11 | $221 | $0 | - | - | - | $0 | - | - | - | $705 | - | $937 |
| Mixed Use | $32 | $406 | $0 | - | - | - | $0 | - | - | - | $746 | - | $1,184 |
| Other | $36 | $2,108 | $0 | $10,470 | $1,601 | $2,715 | $0 | $9,288 | $20,333 | $856 | $6,820 | $4,561 | $58,788 |
| 2. Commercial 2nd Mortgages | $0 | $117 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $117 |
| 3. Residential Second Mortgage Loans | $0 | $127 | $0 | $0 | $8 | $27 | $74 | $384 | $101 | $183 | $589 | $342 | $1,835 |
| 4. Home Equity Lines of Credit | $3,038 | $0 | $0 | $63,768 | $168 | $277 | $1,142 | $2,099 | $0 | $0 | $89 | $0 | $70,582 |
| 5. Construction Loans | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $5 | $1,167 | $47 | $0 | $0 | $1,220 |
| Residential Construction (Single Family) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $5 | $0 | $25 | $0 | $0 | $30 |
| Multi-Family Construction | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $22 | $0 | $0 | $22 |
| Commercial Construction | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 6. Securities | $0 | $4,702 | $0 | $0 | $1,102 | $1,226 | $194 | $4,386 | $0 | $475 | $32 | $2,507 | $14,624 |
| CMBS | $0 | $4,702 | $0 | $0 | $1,102 | $1,224 | $0 | $4,349 | $0 | $436 | $25 | $2,507 | $14,344 |
| HELOC Securities | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $38 | $0 | $40 | $7 | $0 | $84 |
| Mutual Funds | $0 | $0 | $0 | $0 | $0 | $2 | $0 | $0 | $0 | $0 | $0 | $0 | $2 |
| Other Securities (Specifiy) - Mutual Securities | $0 | $0 | $0 | $0 | $0 | $0 | $194 | $0 | $0 | $0 | $0 | $0 | $194 |
| 7. Land Loans | $0 | $0 | $0 | $0 | $54 | $0 | $0 | $1,099 | $5,763 | $143 | $0 | $0 | $7,059 |
| Farm Real Estate | $0 | $0 | $0 | $0 | $54 | $0 | $0 | $1,099 | $0 | $143 | $0 | $0 | $1,295 |
| Other Land Loans (Specifiy) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $5,763 | $0 | $0 | $0 | $5,763 |
| 8. Other | $0 | $39 | $0 | $0 | $0 | $0 | $368 | $154 | $125 | $33 | $229 | $0 | $948 |
| Participated loans | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $154 | $0 | $0 | $229 | $0 | $383 |
| Other (Specify) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Multi-family Second Mortgage Loans | $0 | $39 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $39 |
| Ineligible CRE Loans | $0 | $0 | $0 | $0 | $0 | $0 | $368 | $0 | $0 | $0 | $0 | $0 | $368 |
| Guaranteed portions of FSA & SBA loans | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $33 | $0 | $0 | $33 |
| Warehouse and Jr Liens deducted from Single-family | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $125 | $0 | $0 | $0 | $125 |
| **Totals** | $3,300 | $9,653 | $0 | $74,238 | $2,932 | $4,246 | $1,778 | $17,416 | $27,489 | $1,738 | $12,389 | $7,410 | $162,588 |

# 6. 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. These types of CFI collateral include small business loans, small farm loans or small agri-business loans fully secured by collateral other than real estate, and securities representing a whole interest in such loans. The FHLBanks report data on the types of CFI collateral that they accept, as well as the associated advances secured solely by CFI collateral.

The FHLBank of Topeka reported the highest level of advances secured by CFI collateral (CFI advances) for both year-end 2009 and year-end 2010, although CFI advances at the FHLBank decreased to just under $1 billion at year-end 2010 from $1.3 billion at year-end 2009.

The tables in this section display the mix of CFI collateral types, the level of advances secured by CFI collateral, and the amounts of total CFI collateral pledged by CFI members at year-end 2010. The graphs illustrate CFI collateral and associated advances at year-ends 2009 and 2010.

In previous years the Collateral Data Survey collected total amounts of CFI collateral on the balance sheets of CFI members by district and designated the amounts not securing outstanding advances as “unutilized” CFI collateral. For the 2011 Collateral Data Survey FHFA modified the method of collection and collected total amounts of CFI collateral actually pledged to the FHLBanks by CFI members at year-end 2010 rather than what was only reported and available on their respective balance sheets. The result is a more precise measure of actually available CFI collateral to secure potential advances for year-end 2010.

Table 6.1

# 2010 CFI Collateral & Advances Activity

## ($ Millions)

| CFI Collateral Securing Advances | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FHLBank** | **BOS** | **NYK** | **PIT** | **ATL** | **CIN** | **IND** | **CHG** | **DSM** | **DAL** | **TOP** | **SFR** | **SEA** | **SYSTEM** |
| **Small Farm Loans** | 0 | 0 | 0 | 0 | 73 | 7 | 85 | 0 | 220 | 729 | 0 | 27 | 1,141 |
| **Small Agri-business Loans** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 93 | 0 | 154 | 0 | 1 | 248 |
| **Small Business Loans** | 9 | 0 | 0 | 0 | 0 | 4 | 57 | 152 | 188 | 917 | 15 | 92 | 1,434 |
| **Total CFI Collateral** | 9 | 0 | 0 | 0 | 73 | 11 | 142 | 245 | 408 | 1,800 | 15 | 120 | 2,823 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total CFI Advances** | $5 | $0 | $0 | $0 | $47 | $5 | $70 | $90 | $110 | $999 | $4 | $77 | $1,407 |

| CFI Pledged | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FHLBank** | **BOS** | **NYK** | **PIT** | **ATL** | **CIN** | **IND** | **CHG** | **DSM** | **DAL** | **TOP** | **SFR** | **SEA** | **SYSTEM** |
| **Small Farm Loans** | $0 | $0 | $0 | $0 | $255 | $126 | $252 | $0 | $5,243 | $2,845 | $199 | $155 | $9,075 |
| **Small Agri-business Loans** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $1,552 | $0 | $2,673 | $118 | $146 | $4,489 |
| **Small Business Loans** | $600 | $0 | $2,912 | $0 | $0 | $38 | $274 | $2,521 | $4,497 | $6,760 | $2,087 | $470 | $20,159 |
| **Total Pledged CFI Collateral** | $600 | $0 | $2,912 | $0 | $255 | $164 | $526 | $4,073 | $9,740 | $12,278 | $2,404 | $771 | $33,723 |

Table 6.2

# 2009 CFI Collateral & Advances Activity

## ($ Millions)

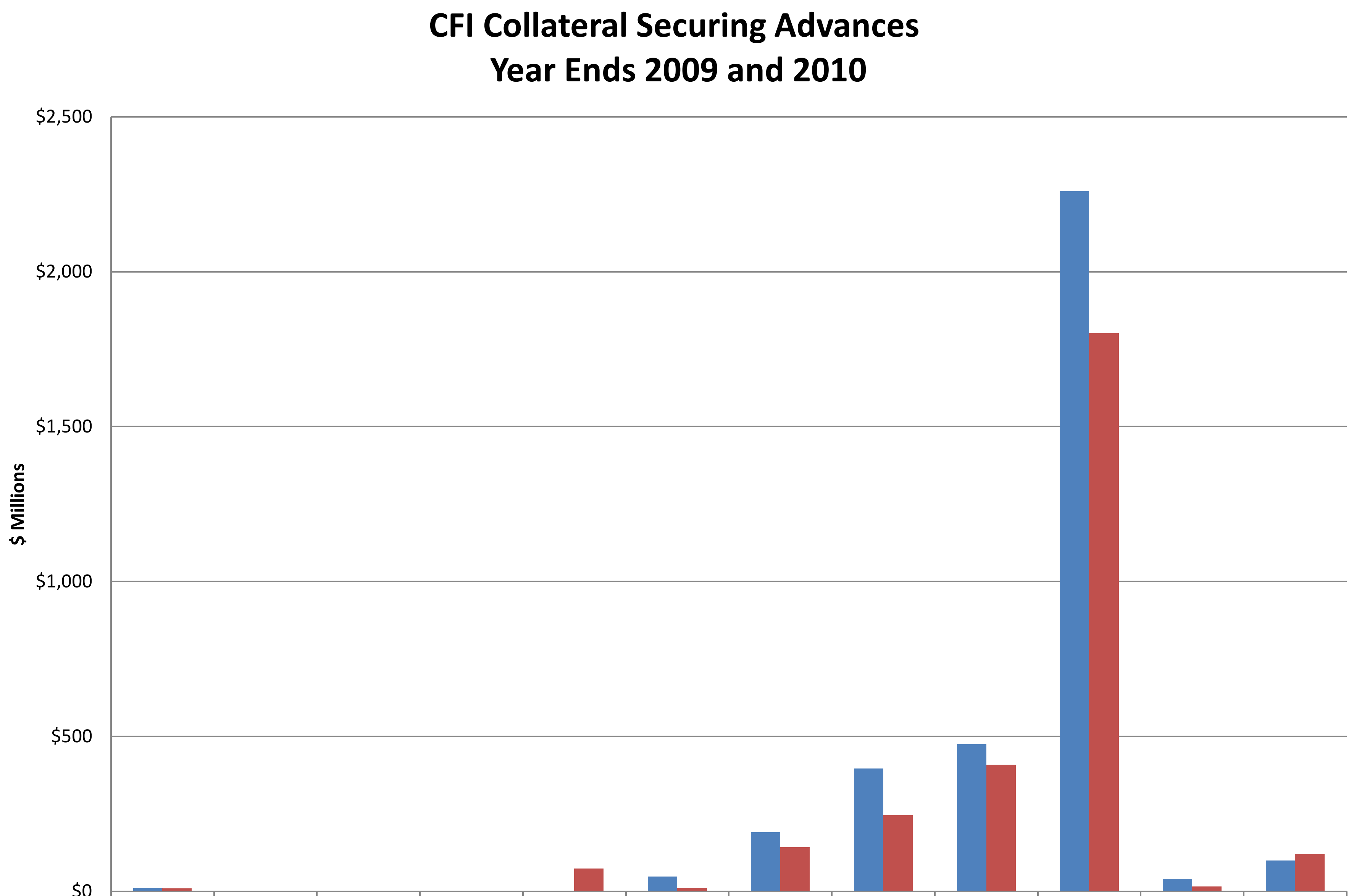
**CFI Collateral Securing Advances**

| FHLBank | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYSTEM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Small Farm Loans | $0 | $0 | $0 | $0 | $0 | $27 | $88 | $0 | $219 | $885 | $0 | $32 | $1,251 |
| Small Agri-business Loans | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $129 | $0 | $210 | $1 | $10 | $350 |
| Small Business Loans | $10 | $0 | $0 | $0 | $0 | $20 | $102 | $267 | $256 | $1,164 | $39 | $57 | $1,915 |
| Total CFI Collateral | $10 | $0 | $0 | $0 | $0 | $47 | $190 | $396 | $475 | $2,259 | $40 | $99 | $3,516 |

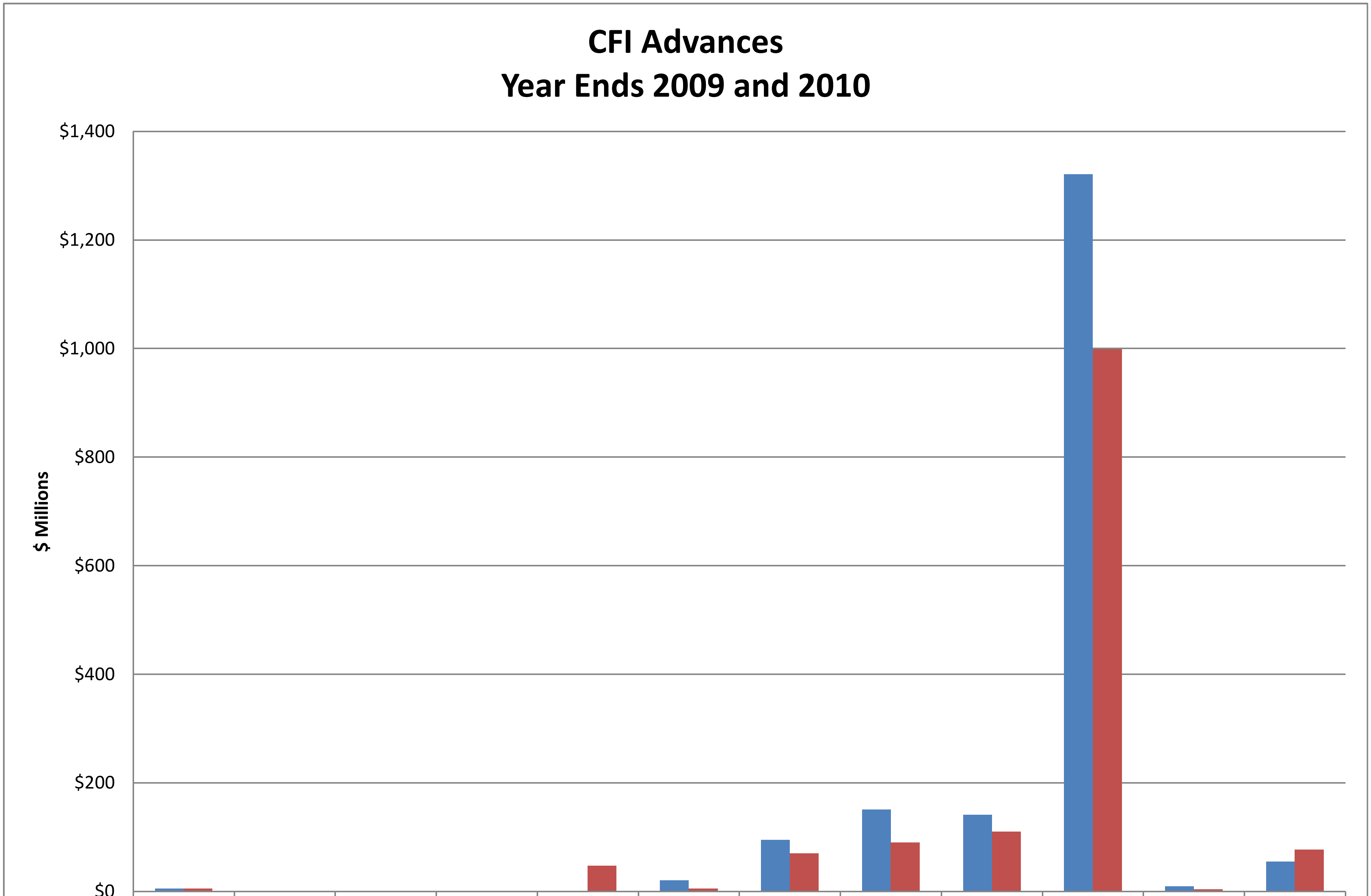
| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total CFI Advances | $5 | $0 | $0 | $0 | $0 | $20 | $95 | $151 | $141 | $1,321 | $9 | $55 | $1,797 |

**Unutilized CFI Collateral**

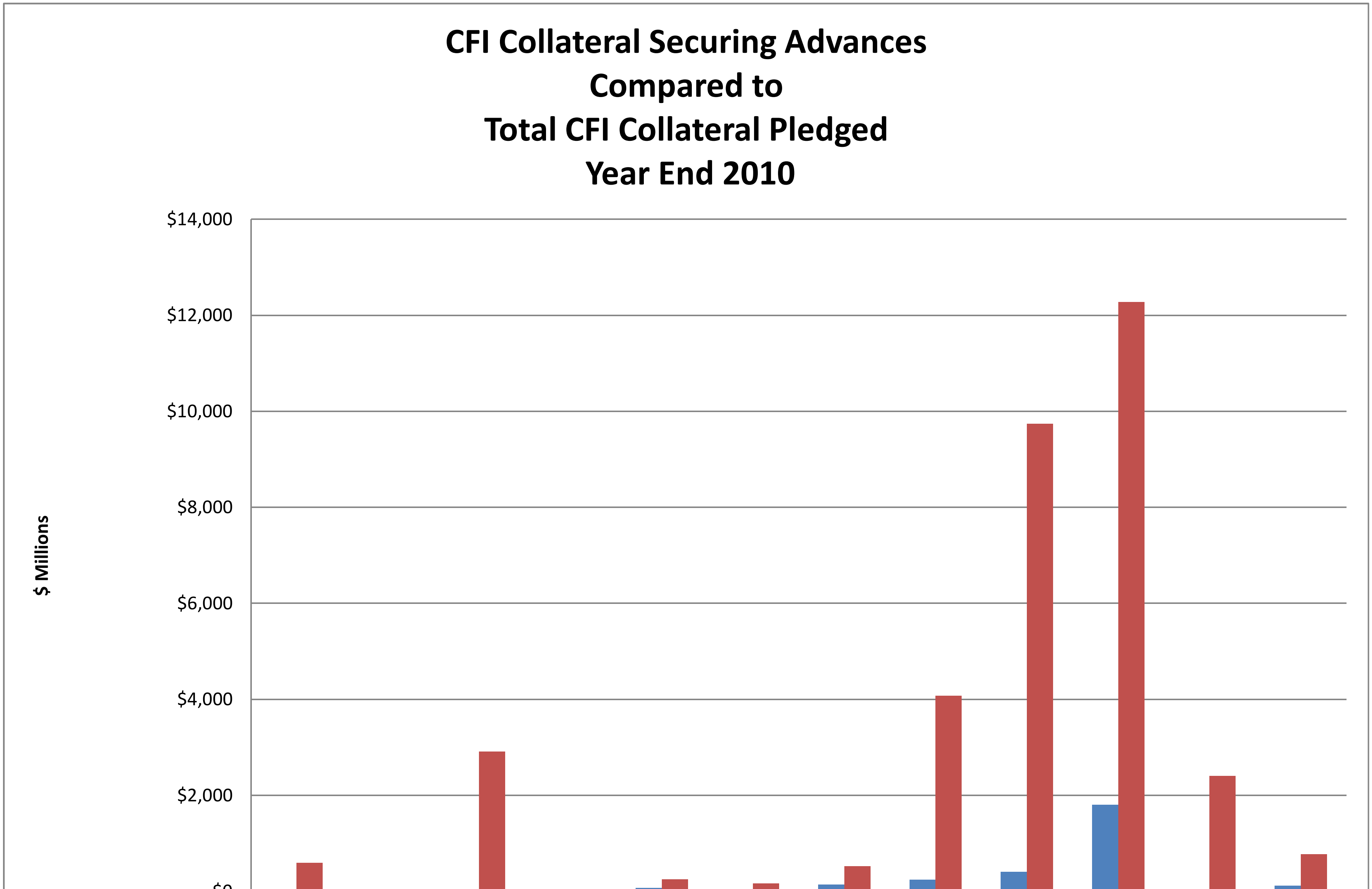
| FHLBank | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYSTEM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Small Farm Loans | $5,402 | $0 | $0 | $0 | $0 | $1,369 | $142 | $0 | $8,365 | $2,671 | $207 | $2,390 | $20,546 |
| Small Agri-business Loans | $521 | $0 | $0 | $0 | $737 | $0 | $0 | $11,726 | $0 | $2,776 | $180 | $1,641 | $17,581 |
| Small Business Loans | $15,543 | $0 | $5,875 | $0 | $5,225 | $2,767 | $200 | $19,694 | $14,381 | $15,174 | $2,961 | $4,892 | $86,712 |
| Total Unutilized CFI Collateral | $21,466 | $0 | $5,875 | $0 | $5,962 | $4,136 | $342 | $31,420 | $22,746 | $20,621 | $3,348 | $8,923 | $124,839 |




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | $10 | $0 | $0 | $0 | $0 | $47 | $190 | $396 | $475 | $2,259 | $40 | $99 |
| 2010 | $9 | $0 | $0 | $0 | $73 | $11 | $142 | $245 | $408 | $1,800 | $15 | $120 |




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | $5 | $0 | $0 | $0 | $0 | $20 | $95 | $151 | $141 | $1,321 | $9 | $55 |
| 2010 | $5 | $0 | $0 | $0 | $47 | $5 | $70 | $90 | $110 | $999 | $4 | $77 |




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CFI Securing Advances | $9 | $0 | $0 | $0 | $73 | $11 | $142 | $245 | $408 | $1,800 | $15 | $120 |
| Total CFI Pledged | $600 | $0 | $2,912 | $0 | $255 | $164 | $526 | $4,073 | $9,740 | $12,278 | $2,404 | $771 |

## 7. Insurance Company and Credit Union Collateral

**Insurance Companies**

Insurance company membership is increasing throughout the System. During 2010, the number of insurance company members rose to 229, an increase of 22 insurance company members from 2009. Despite a decrease in the level of advances to insurance company members between year-end 2009 and year-end 2010 (from $48 to $45 billion), insurance company member advances accounted for a larger share of total system advances at year-end 2010 (10 percent, up from 8 percent at year-end 2009).

Reported collateral coverage for advances to insurance companies is lower than the collateral coverage for commercial bank, thrift or credit union members. This is principally a result of the type of collateral pledged and the fact that most FHLBanks require insurance company members to deliver collateral rather than relying on a blanket lien or a listing. Delivered mortgage securities receive some of the highest collateral value among eligible collateral types and they represent 52 percent of the collateral securing advances to insurance company members. The FHLBanks generally require the delivery of collateral from insurance companies as they are not federally insured as other members of the System, and thus would go through a state law rehabilitation or receivership process if they were to fail, rather than a receivership process administered by the FDIC or NCUA. Because of the uncertainties of such state law processes, it is not clear that the super lien protection that legislatively places the FHLBanks first among other creditors for collateral securing advances would apply in the case of a failure of an insurance company member. Accordingly, the FHLBanks have determined that they generally must take possession of collateral pledged by insurance company members to fully protect their lien status. In addition, each insurance company member is under individual state regulation and, as such, some states may limit the amounts of collateral pledged by insurance companies to secure any advances made to them. In combination, this results in lower collateral coverage for insurance company members of the System.

The table below displays the distribution of collateral securing advances to insurance companies at year-ends 2009 and 2010:

| Insurance Company Collateral | | |
|---|---|---|
| **Collateral Type** | **Percentage of Collateral 2009** | **Percentage of Collateral 2010** |
| PLS MBS/CMO | 6 | 4 |
| U.S Agency MBS/CMO | 49 | 48 |
| ORERC | 30 | 33 |
| Whole loans | 7 | 1 |
| Securities/deposits | 8 | 14 |

### Credit Unions

Although all FHLBanks report advances outstanding to credit union members, advances to credit unions are not currently a significant component of their advance business. Credit union borrowings decreased from $26.6 billion at year-end 2009 to $26.1 billion at year-end 2010, a decrease of 2 percent. While credit union membership increased by 26 to 1,030 at year-end 2010, most credit union members tend to be of small asset size.

Collateral coverage for advances to credit unions is higher than the collateral coverage for other members. This is principally a result of the type of collateral credit unions pledge. Whole mortgage loan collateral represents 80 percent of the collateral to secure this member group's advances. The FHLBanks generally discount whole mortgage loan collateral more than MBS/CMOs.

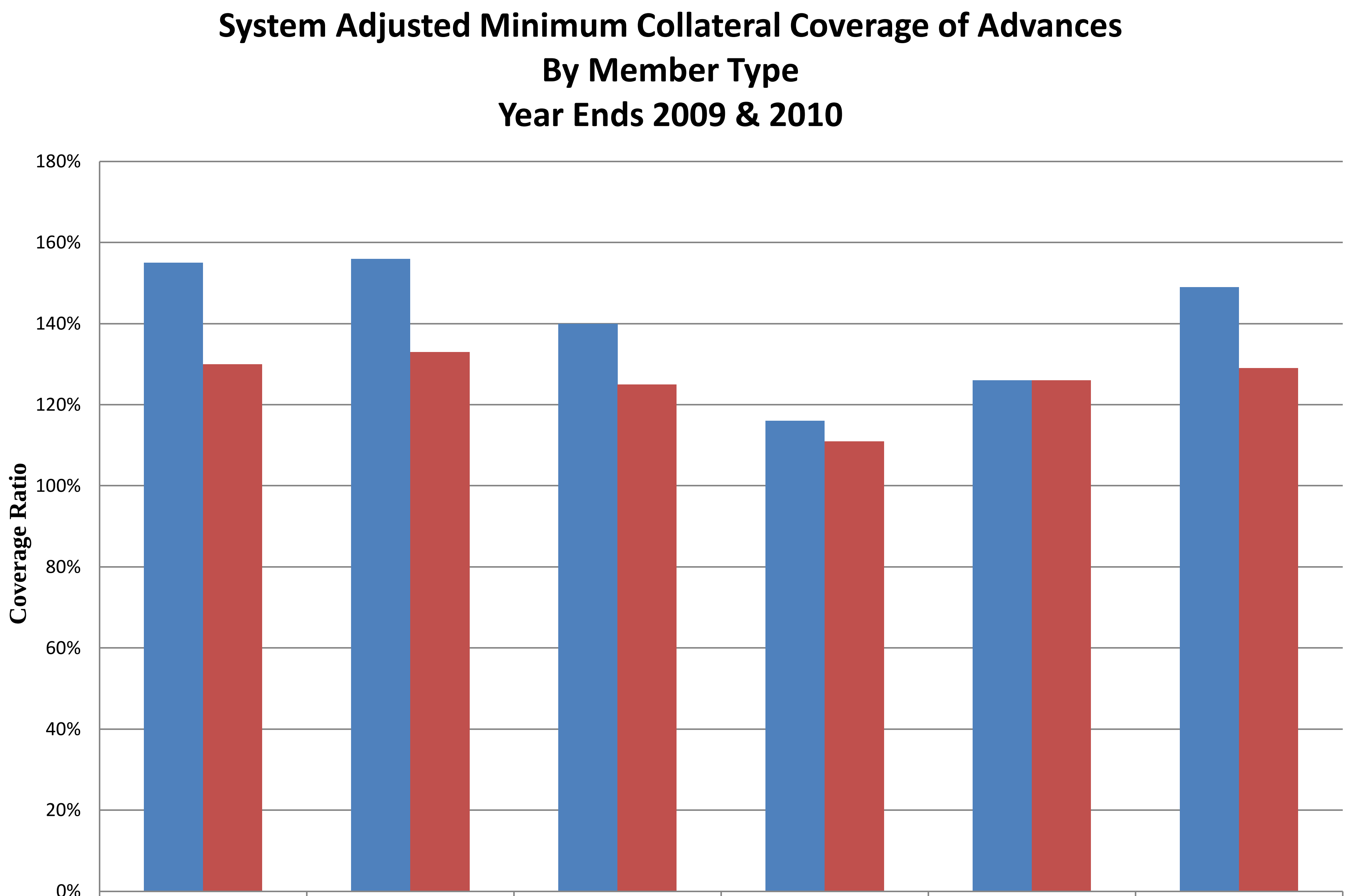
The table below displays the distribution of collateral securing advances to credit unions at year-ends 2009 and 2010:

| Credit Union Collateral | | |
|---|---|---|
| **Collateral Type** | **Percentage of Collateral 2009** | **Percentage of Collateral 2010** |
| PLS MBS/CMO | 0 | 0 |
| U.S. Agency MBS/CMOs | 15 | 15 |
| ORERC | 4 | 3 |
| Whole loans | 79 | 80 |
| Securities/Deposits | 2 | 2 |

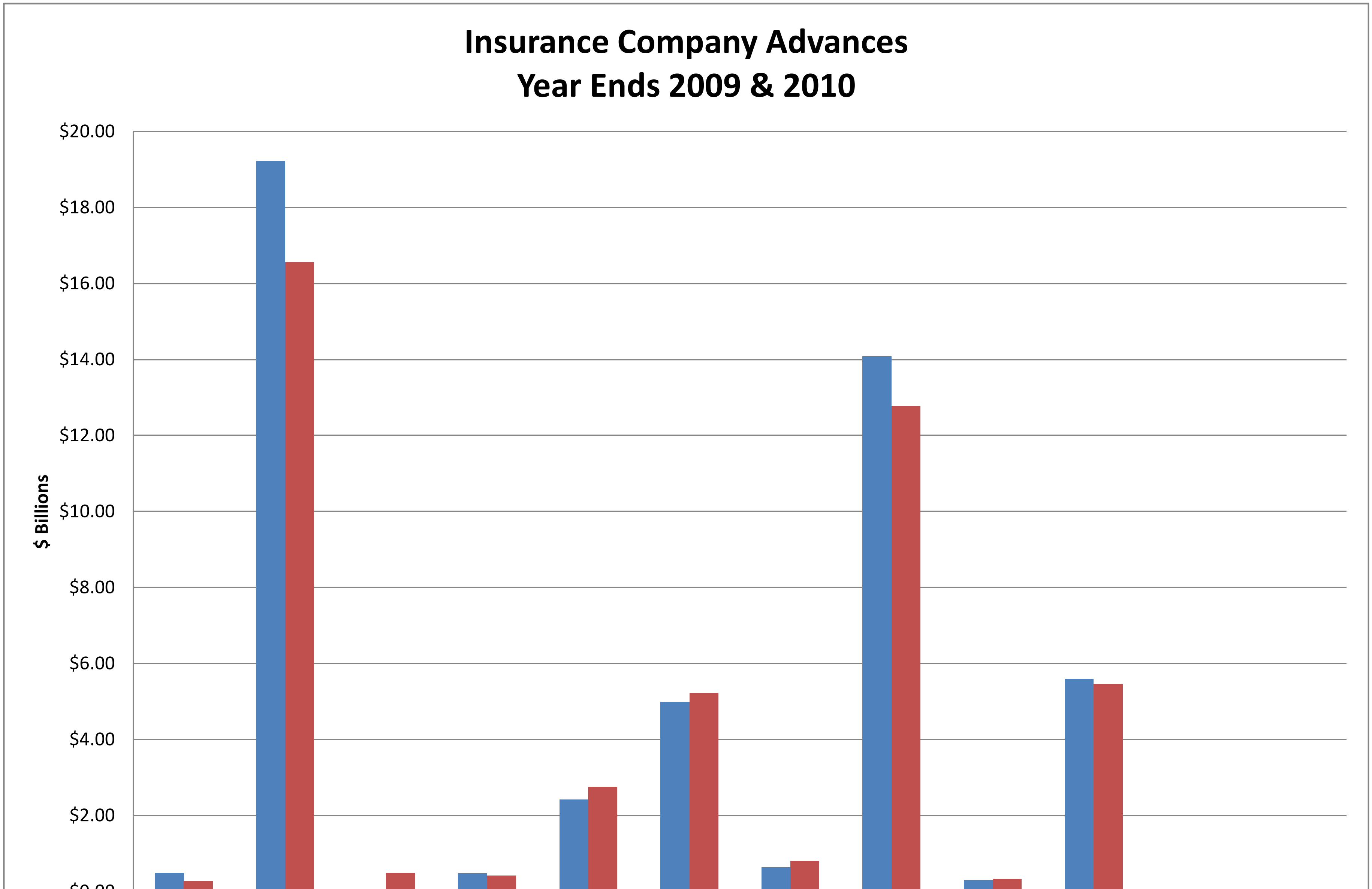
### Exhibits

The first graph in this section shows collateral coverage of advances to the various types of FHLBank members. The "Other" category captures outstanding advances made to members that have been acquired by a member of another FHLBank or to a nonmember financial institution (but which remain outstanding to the originating FHLBank) and advances made to housing associates. Advances outstanding to housing associates were $1.1 billion, and advances outstanding to members acquired by out-of-district members or by nonmembers were $19.2 billion as of year-end 2010.

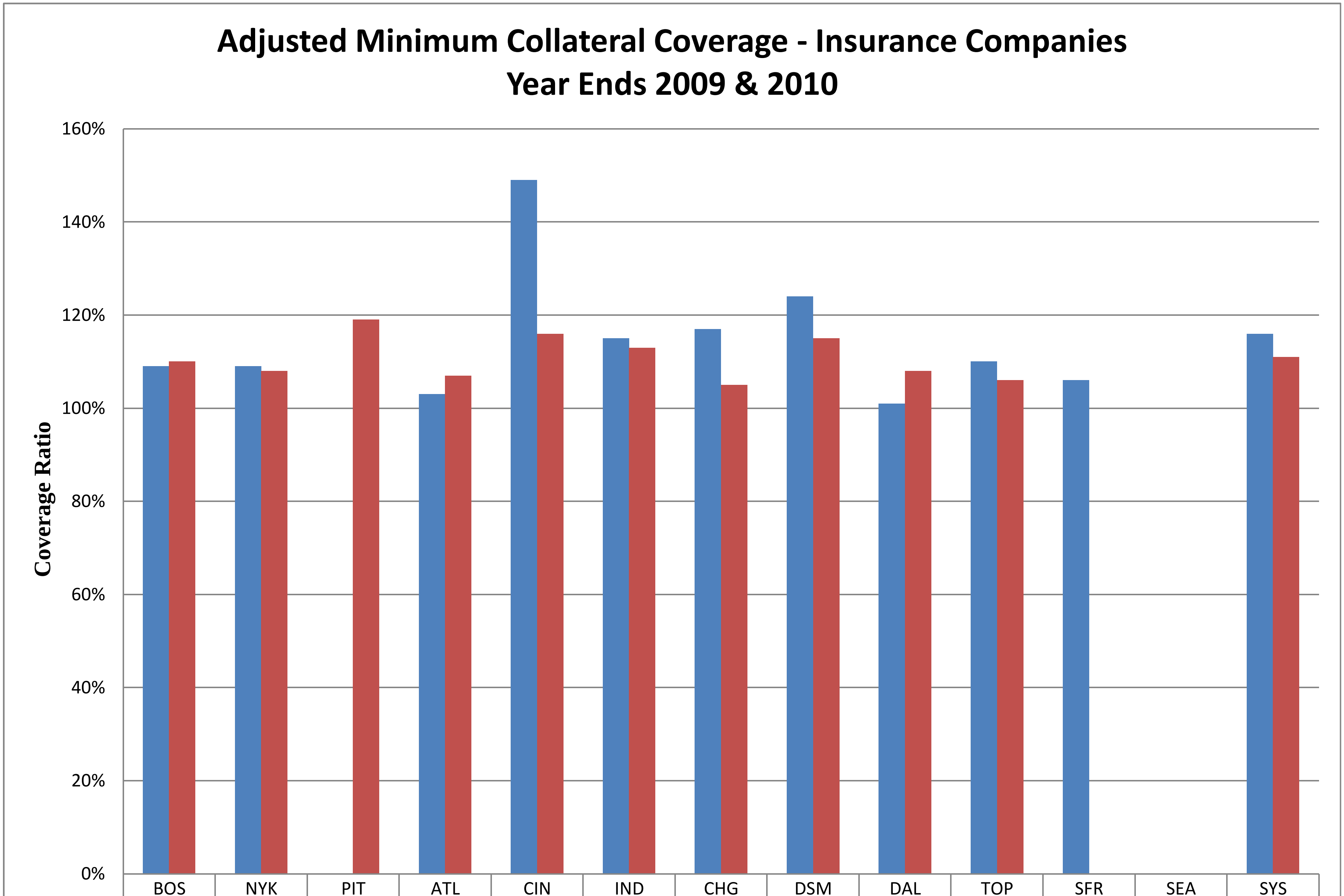
The remaining graphs in this section provide information on the volume of advances and the collateral coverage for both insurance companies and credit unions.



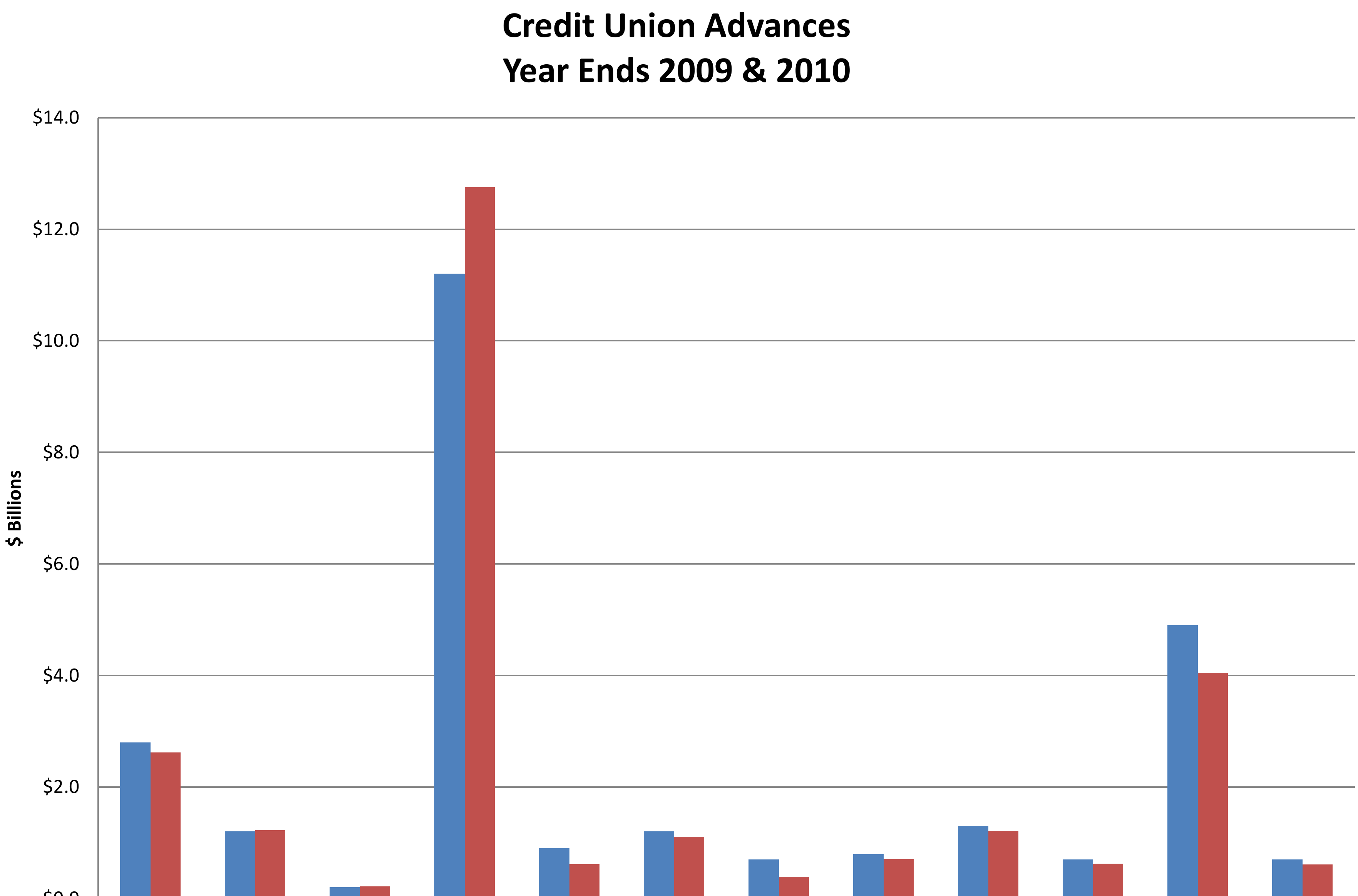

| | Thrifts | Commercial Banks | Credit Unions | Insurance Companies | Others | All Members |
|---|---|---|---|---|---|---|
| 2009 | 155% | 156% | 140% | 116% | 126% | 149% |
| 2010 | 130% | 133% | 125% | 111% | 126% | 129% |



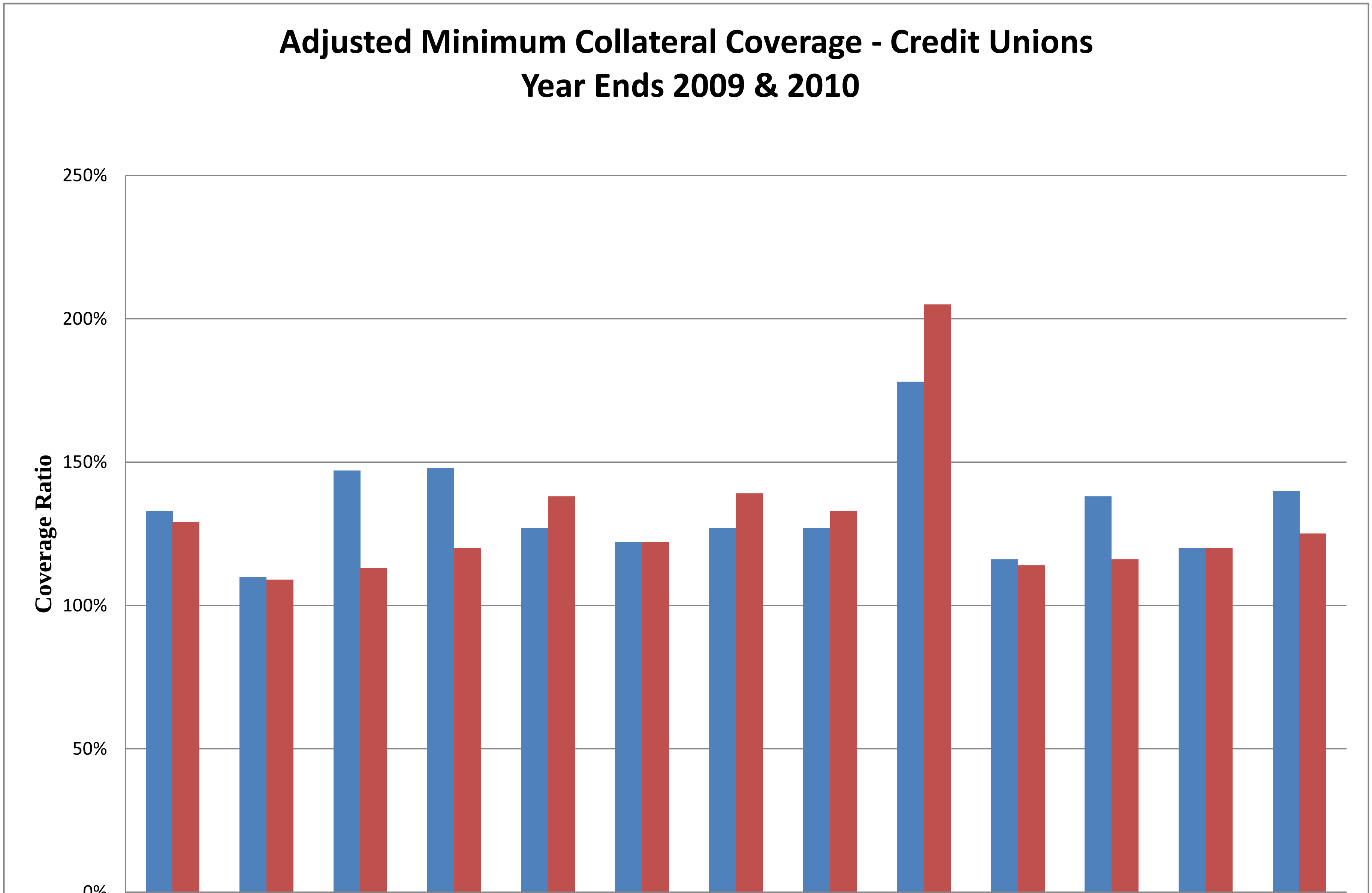

| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | $0.49 | $19.23 | $0.00 | $0.48 | $2.42 | $4.99 | $0.63 | $14.08 | $0.30 | $5.60 | $0.03 | $0.00 |
| 2010 | $0.27 | $16.56 | $0.49 | $0.42 | $2.75 | $5.22 | $0.81 | $12.78 | $0.34 | $5.46 | $0.00 | $0.00 |




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 109% | 109% | 0% | 103% | 149% | 115% | 117% | 124% | 101% | 110% | 106% | 0% | 116% |
| 2010 | 110% | 108% | 119% | 107% | 116% | 113% | 105% | 115% | 108% | 106% | 0% | 0% | 111% |




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | $2.8 | $1.2 | $0.2 | $11.2 | $0.9 | $1.2 | $0.7 | $0.8 | $1.3 | $0.7 | $4.9 | $0.7 |
| 2010 | $2.6 | $1.2 | $0.2 | $12.8 | $0.6 | $1.1 | $0.4 | $0.7 | $1.2 | $0.6 | $4.0 | $0.6 |




| | BOS | NYK | PIT | ATL | CIN | IND | CHG | DSM | DAL | TOP | SFR | SEA | SYS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | 133% | 110% | 147% | 148% | 127% | 122% | 127% | 127% | 178% | 116% | 138% | 120% | 140% |
| 2010 | 129% | 109% | 113% | 120% | 138% | 122% | 139% | 133% | 205% | 114% | 116% | 120% | 125% |

# 8. Subprime and Nontraditional Mortgage Collateral

Each FHLBank reports for the Collateral Data Survey the amounts of subprime and nontraditional mortgage loans and securities that it relies on to secure advances. The FHLBanks are requested to provide the amounts of subprime and nontraditional first lien residential mortgage loans, second mortgages, home equity lines of credit, and residential construction loans. The FHLBanks also report the amounts of subprime and Alt-A PLS which FHLBank members have pledged.

The varying levels of subprime and nontraditional mortgage loan collateral reported by each FHLBank are a function of 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 example, the amounts of subprime and nontraditional mortgage loans are most often extrapolated from collateral verification reviews and estimated information collected from those members on blanket lien status and added to the actual reported amounts by members on listing or delivery collateral status.

The FHLBanks used their own categorizations of subprime and nontraditional mortgage loans when responding to the Collateral Data Survey. The Collateral Data Survey did not establish specific definitions of these terms to allow for flexibility in reporting based on imperfect information about collateral, particularly information available about collateral accepted through a blanket lien. This approach is consistent with the three Advisory Bulletins FHFA has issued since 2007 regarding restrictions related to subprime and nontraditional mortgage loan and PLS collateral. Generally speaking, however, nontraditional mortgage loans include those that allow negative amortization or the deferment of payments of principal or interest. Subprime loans generally are those offered to a borrower having a credit score below a threshold level. The threshold under which a borrower is considered subprime has varied with market conditions, loan originators, and loan investors.

In regard to PLS serving as collateral for advances, the Collateral Data Survey requested the FHLBanks to report those securities according to how they were categorized by the issuer, rating agency, or other market participant. FHLBanks can obtain information on PLS by reviewing the securities' prospectuses, market-based sources of information, or even the names of the securities themselves. There is no standard definition of an Alt-A security. Alt-A PLS traditionally have been considered to be 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 PLS are generally backed by mortgage loans to subprime borrowers. Rating agencies often have identified securities backed by home equity loans as subprime.

Table 8.1 presents the percentages of mortgage loan collateral that is subprime, nontraditional, or both, as a percent of whole loan collateral, and subprime and Alt-A PLS collateral as a percent of total PLS collateral. Table 8.2 presents subprime and nontraditional mortgage loans and subprime and Alt-A PLS collateral to total adjusted minimum collateral securing advances. Tables 8.3 and 8.4 present the volume of mortgage loan collateral that is subprime, nontraditional, or both, and subprime and Alt-A PLS collateral for year-ends 2009 and 2010.

**Table 8.1**

# Adjusted Minimum Collateral

## Subprime, Nontraditional and Alt-A Collateral to Collateral Class

## Year End 2010

| FHLBank | Percent of Mortgage Loan Collateral that is Subprime (SP) | Percent of Mortgage Loan Collateral that is Nontraditional (NTM) | Percent of Mortgage Loan Collateral that is both SP and NTM | Percent of PLS Collateral that is SP | Percent of PLS Collateral that is Alt-A | FHLBank Reporting Standard: Actual (A) or Estimate (E) |
|---|---|---|---|---|---|---|
| BOS | 0.6% | 2.4% | 0.0% | 0.0% | 0.0% | A |
| NYK | 5.6% | 18.0% | 0.8% | 0.9% | 1.9% | A |
| PIT | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | A |
| ATL | 5.5% | 21.1% | 1.3% | 0.0% | 10.9% | A & E |
| CIN | 2.2% | 0.6% | 0.1% | 0.0% | 5.9% | E |
| IND | 7.2% | 2.1% | 0.0% | 0.0% | 5.8% | A & E |
| CHG | 0.1% | 2.5% | 0.1% | 0.0% | 63.4% | E |
| DSM | 1.2% | 0.1% | 0.0% | 1.8% | 0.8% | E |
| DAL | 0.0% | 1.1% | 3.2% | 45.1% | 54.0% | A & E |
| TOP | 0.0% | 1.1% | 0.0% | 0.0% | 6.2% | A |
| SFR | 0.0% | 2.5% | 0.0% | 0.0% | 22.1% | A |
| SEA | 3.4% | 10.5% | 0.4% | 0.0% | 0.1% | A & E |
| SYS | 2.5% | 8.0% | 0.6% | 4.0% | 8.4% | A & E |

**Table 8.2**

# Adjusted Minimum Collateral

## Subprime, Nontraditional and Alt-A Collateral to Total Collateral

## Year End 2010

| FHLBank | Percent of Mortgage Loan Collateral that is Subprime (SP) | Percent of Mortgage Loan Collateral that is Nontraditional (NTM) | Percent of Mortgage Loan Collateral that is both SP and NTM | Percent of PLS Collateral that is SP | Percent of PLS Collateral that is Alt-A | Combined SP and NTM Mortgage, SP and Alt-A PLS Collateral |
|---|---|---|---|---|---|---|
| BOS | 0.5% | 2.0% | 0.0% | 0.0% | 0.0% | 2.6% |
| NYK | 3.4% | 11.0% | 0.5% | 0.0% | 0.1% | 15.0% |
| PIT | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| ATL | 4.6% | 17.6% | 1.1% | 0.0% | 0.3% | 23.6% |
| CIN | 1.7% | 0.5% | 0.0% | 0.0% | 0.2% | 2.5% |
| IND | 4.8% | 1.4% | 0.0% | 0.0% | 0.6% | 6.9% |
| CHG | 0.0% | 2.2% | 0.0% | 0.0% | 0.3% | 2.6% |
| DSM | 0.6% | 0.0% | 0.0% | 0.2% | 0.1% | 0.9% |
| DAL | 0.0% | 0.7% | 2.2% | 1.6% | 1.9% | 6.4% |
| TOP | 0.0% | 0.6% | 0.0% | 0.0% | 0.3% | 0.9% |
| SFR | 0.0% | 2.1% | 0.0% | 0.0% | 0.0% | 2.1% |
| SEA | 2.4% | 7.3% | 0.3% | 0.0% | 0.0% | 9.9% |
| SYS | 1.8% | 5.9% | 0.5% | 0.1% | 0.3% | 8.6% |

Table 8.3

# Adjusted Minimum Collateral

## Subprime, Nontraditional and Alt-A Collateral

## Year End 2010

### (Millions)

| FHLBank | Mortgage Loan Collateral that is Subprime (SP) | Mortgage Loan Collateral that is Nontraditional (NTM) | Mortgage Loan Collateral that is both SP and NTM | PLS Collateral that is SP | PLS Collateral that is Alt-A | Total of all SP, NTM and Alt-A Collateral |
|---|---|---|---|---|---|---|
| BOS | $185 | $720 | $0 | $0 | $0 | $905 |
| NYK | $3,089 | $9,899 | $423 | $39 | $85 | $13,525 |
| PIT | $0 | $0 | $0 | $0 | $0 | $0 |
| ATL | $5,231 | $19,930 | $1,258 | $1 | $349 | $26,769 |
| CIN | $733 | $197 | $18 | $0 | $104 | $1,052 |
| IND | $1,077 | $309 | $2 | $0 | $143 | $1,531 |
| CHG | $13 | $579 | $13 | $0 | $90 | $695 |
| DSM | $208 | $12 | $0 | $84 | $39 | $343 |
| DAL | $13 | $321 | $953 | $688 | $825 | $2,800 |
| TOP | $0 | $140 | $0 | $0 | $69 | $209 |
| SFR | $5 | $2,368 | $0 | $0 | $29 | $2,402 |
| SEA | $363 | $1,120 | $47 | $0 | $0 | $1,530 |
| SYS | $10,917 | $35,585 | $2,714 | $812 | $1,733 | $51,761 |

**Table 8.4**

# Adjusted Minimum Collateral

## Subprime, Nontraditional and Alt-A Collateral

## Year End 2009

### (Millions)

| FHLBank | Mortgage Loan Collateral that is Subprime (SP) | Mortgage Loan Collateral that is Nontraditional (NTM) | Mortgage Loan Collateral that is both SP and NTM | PLS Collateral that is SP | PLS Collateral that is Alt-A | Total of all SP, NTM and Alt-A Collateral |
|---|---|---|---|---|---|---|
| BOS | $567 | $1,196 | $0 | $0 | $0 | $1,762 |
| NYK* | $14 | $0 | $11,129 | $82 | $386 | $11,611 |
| PIT | $0 | $17,348 | $0 | $0 | $0 | $17,348 |
| ATL | $34,239 | $28,701 | $6,657 | $44 | $671 | $70,311 |
| CIN | $294 | $948 | $8 | $0 | $3 | $1,253 |
| IND | $1,176 | $1,883 | $30 | $0 | $172 | $3,261 |
| CHG | $2 | $2,011 | $0 | $0 | $153 | $2,166 |
| DSM | $2,753 | $142 | $0 | $112 | $78 | $3,085 |
| DAL | $1,127 | $1,802 | $11 | $90 | $6,616 | $9,646 |
| TOP | $0 | $211 | $0 | $81 | $308 | $599 |
| SFR | $11,156 | $53,522 | $6,903 | $7 | $32 | $71,621 |
| SEA | $455 | $1,951 | $122 | $0 | $3 | $2,531 |
| SYS | $51,783 | $109,714 | $24,861 | $415 | $8,422 | $195,195 |

* FHFA requested that the FHLBank of New York re-submit its collateral securing advances data for year-end 2009, as a result, year-end 2009 data for the FHLBank of New York and Systems totals are restated from the previous Report on FHLBank Collateral Securing Advances dated August 2010.

# 9. Glossary

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

**Alt-A PLS** - Alt-A private-label mortgage-backed securities traditionally have been considered to be 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, there is no standard definition of an Alt-A PLS.

**Blanket** - 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.

**Delivery -** A form of collateral control under which the member delivers pledged assets to an FHLBank or an approved safekeeping facility to secure advances.

**Collateral Coverage Ratio -** The ratio of collateral value to advance value. Collateral value may be defined as the book value, adjusted book value, or market value.

**Community Financial Institution** - For purposes of this report, the term community financial institution (CFI) means a member, the deposits of which are insured under the Federal Deposit Insurance Act, that has average total assets of $1.029 billion or less, based on an average of total assets over the last 3 years.  For calendar year 2011, the CFI asset threshold is $1.040 billion or less.  FHLBank members that are CFIs may pledge small business loans, small farm loans, small agri-business loans, and, for 2011 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.

**Excess Collateral -** The difference between the minimum adjusted collateral to secure advances and a member’s total pledged collateral.  Some collateral deemed “excess” by this definition may be required to support letters of credit or other non-advance FHLBank products.

**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.

**Listing** - A form of collateral control under which the member agrees to provide the Federal Home Loan Bank with specific details of the mortgage loans or other eligible collateral pledged, but held by the member, to secure advances.

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

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

**Subprime Mortgage Loan** - Subprime loans generally are those to a borrower having a credit score below a threshold level. Currently, there is no consistent or standard threshold score that defines a subprime loan.

**Subprime PLS** - Subprime private-label mortgage-backed securities generally are backed by residential first or second mortgage loans to subprime borrowers. Rating agencies often have identified securities backed by home equity loans as subprime.

**Super Lien** - Statutory lien that is senior or superior to all current or future liens on the same asset or property. The super lien was originally established by the Competitive Equality Banking Act of 1987 (Pub. Law 100-86). This Act amended Section 10 of the Federal Home Loan Bank Act to improve the standing of the Federal Home Loan Banks as a secured creditor by giving them priority in receivership over unsecured creditors such as the Federal Deposit Insurance Corporation acting as receiver or conservator.

The law reads: "*Notwithstanding any other provision of law, any security interest granted to a Federal Home Loan Bank by any member of any Federal Home Loan Bank or any affiliate of any such member shall be entitled to priority over the claims and rights of any party (including any receiver, conservator, trustee, or similar party having rights of a lien creditor) other than claims and rights that: (1) would be entitled to priority under otherwise applicable law; and (2) are held by actual bona fide purchasers for value or by actual secured parties that are secured by actual perfected security interests.*" Federal Home Loan Bank Act, 10(e) [12 U.S.C. §1430]