



# FHLBANK TOPEKA

Annual Management Conference

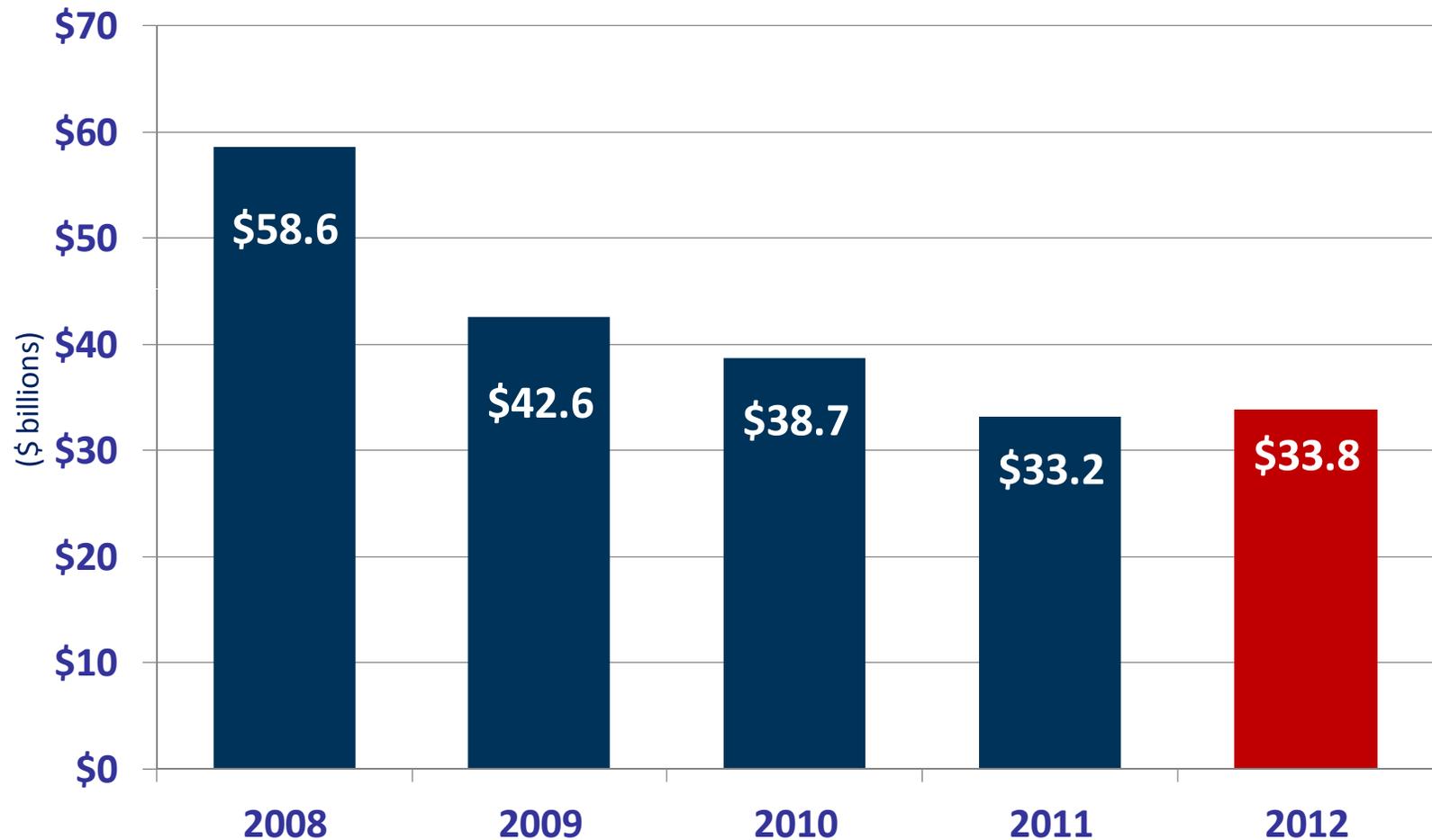
**Andy Jetter | President & CEO**

April 25, 2013

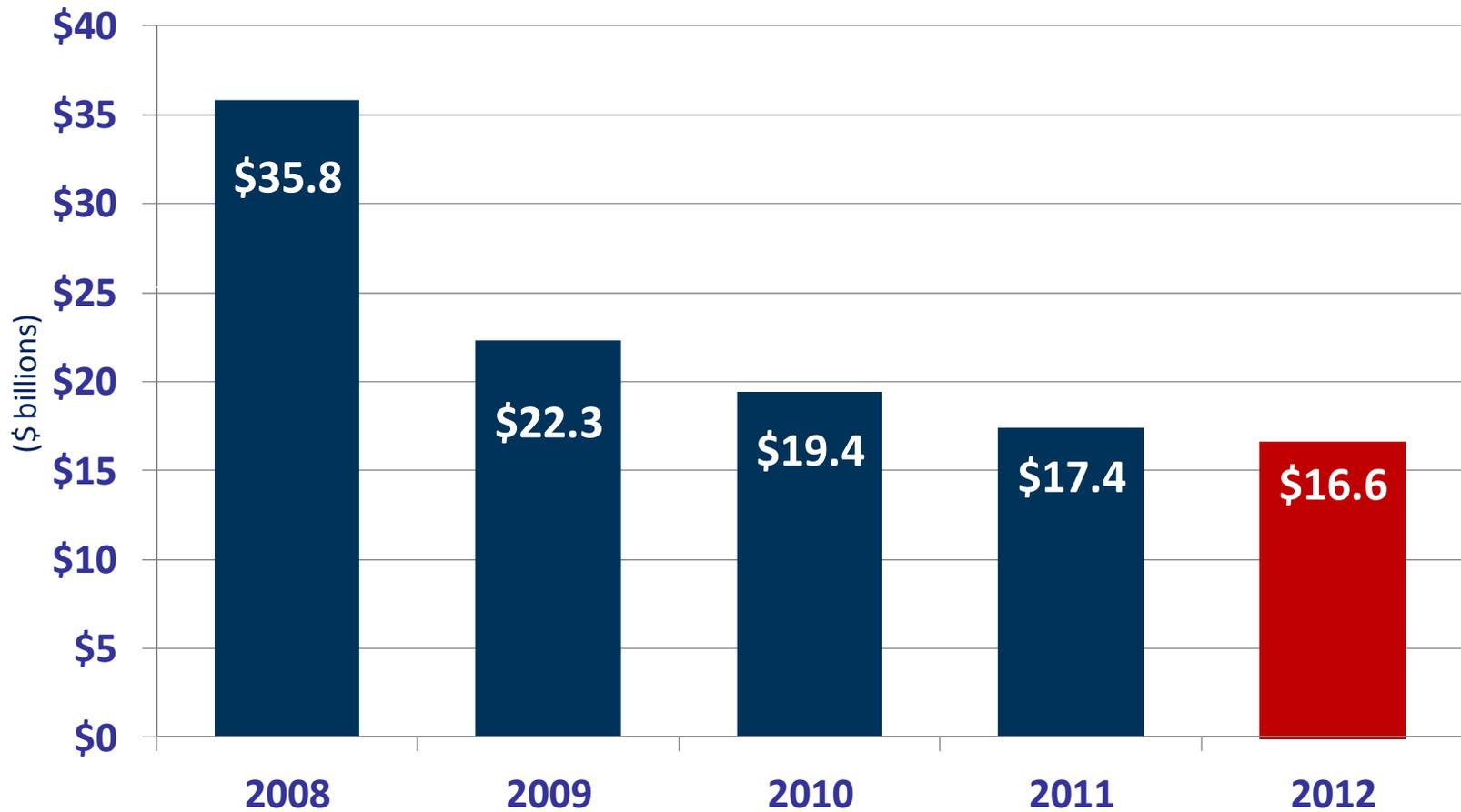
# OVERVIEW

- FHLBank Topeka Financial Highlights
- FHLBank System Financial Highlights
- Update on Mortgage Finance and GSE Reform

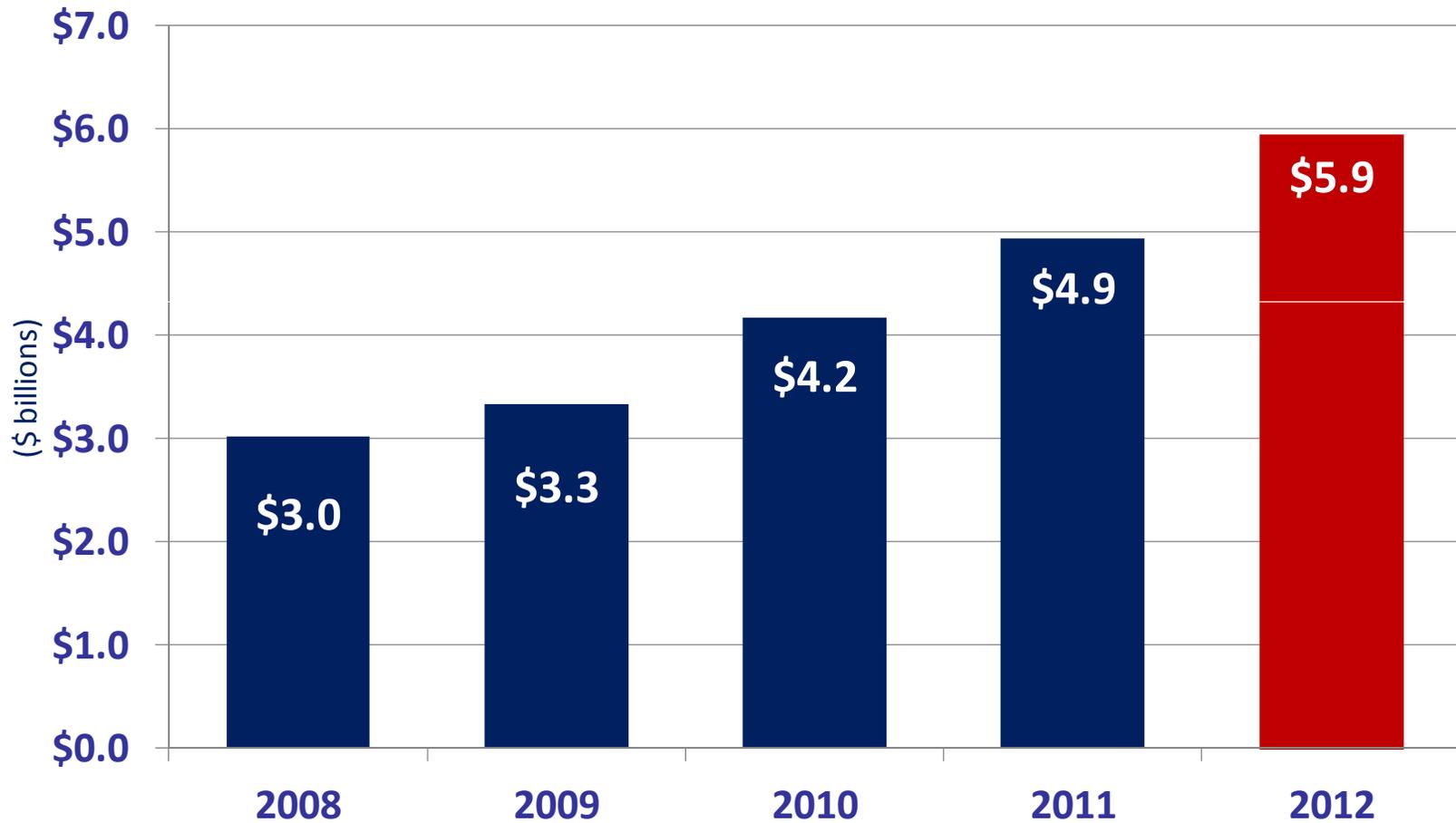
# FHLBank Topeka: Trends In Total Assets



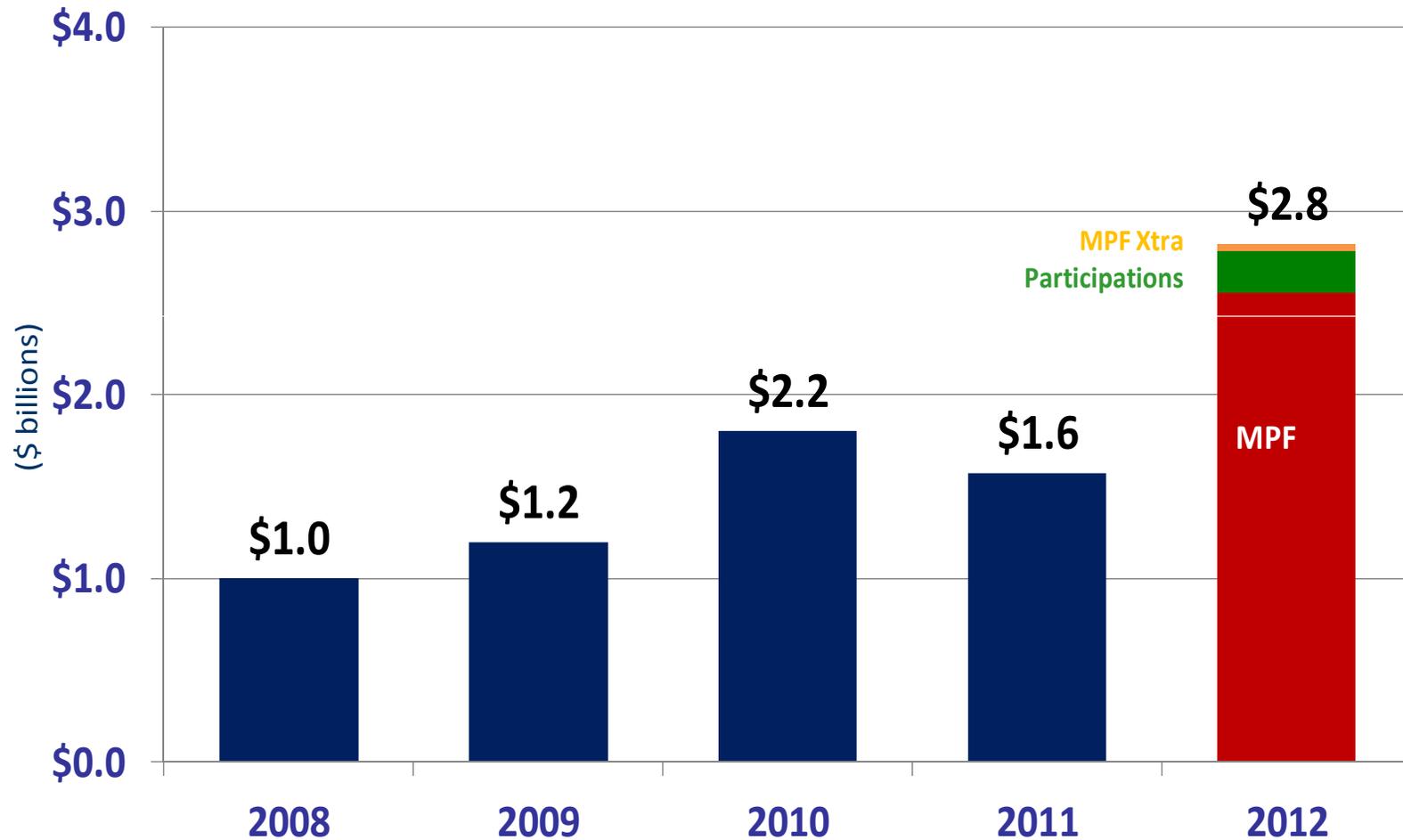
# FHLBank Topeka: Trends In Advances



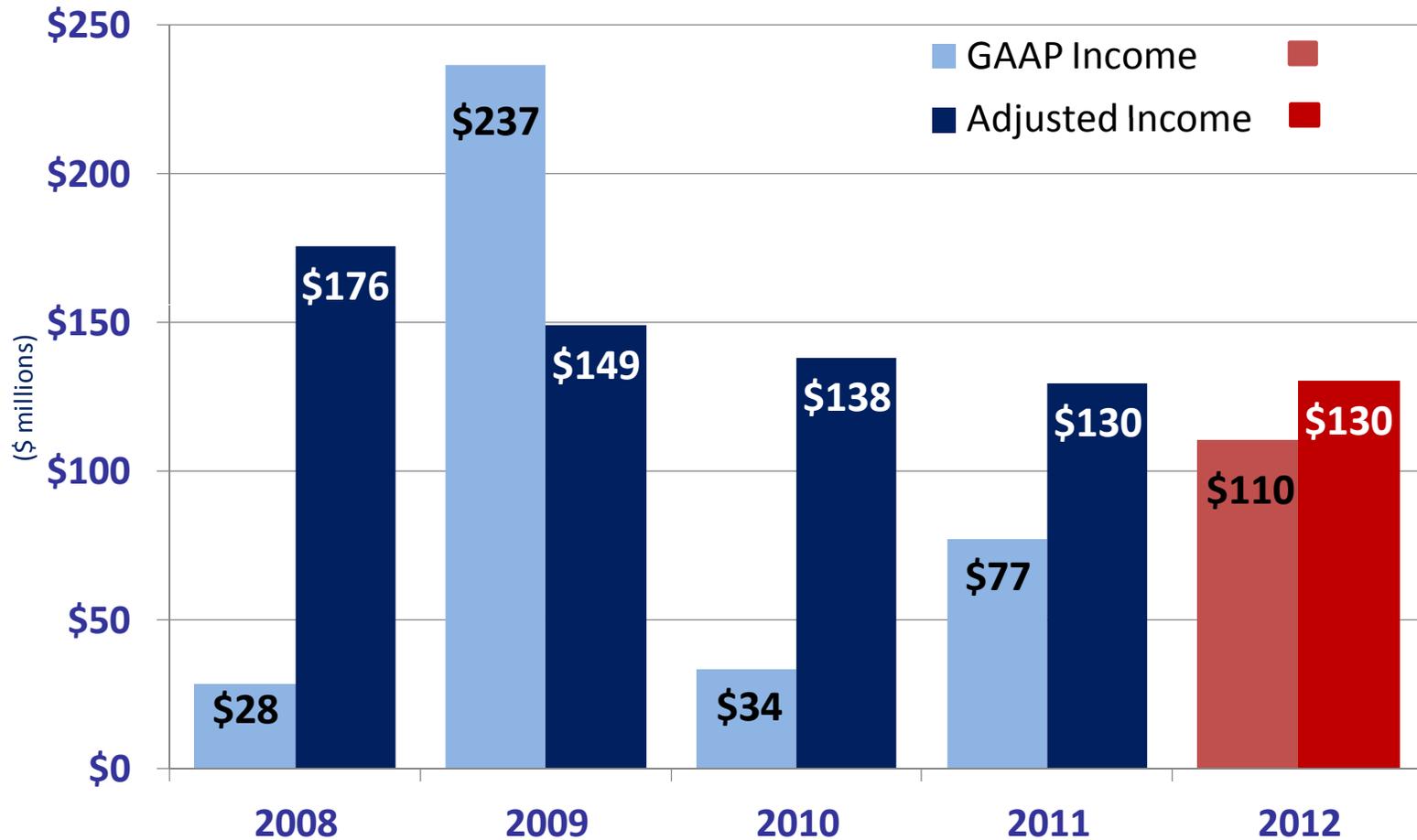
# FHLBank Topeka: Trends In Mortgage Assets



# FHLBank Topeka: Mortgages Aggregated

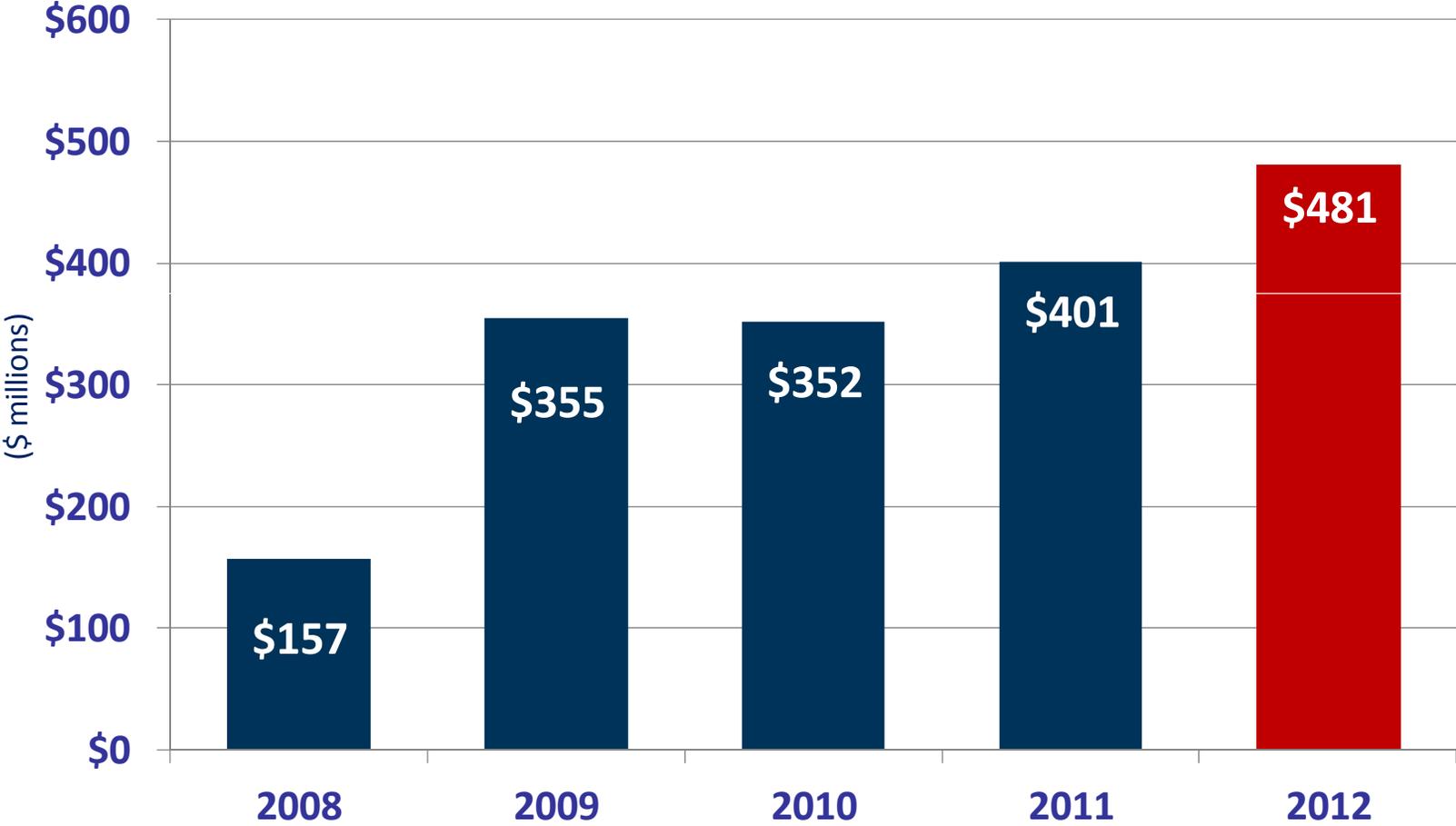


# FHLBank Topeka: Trends In Income

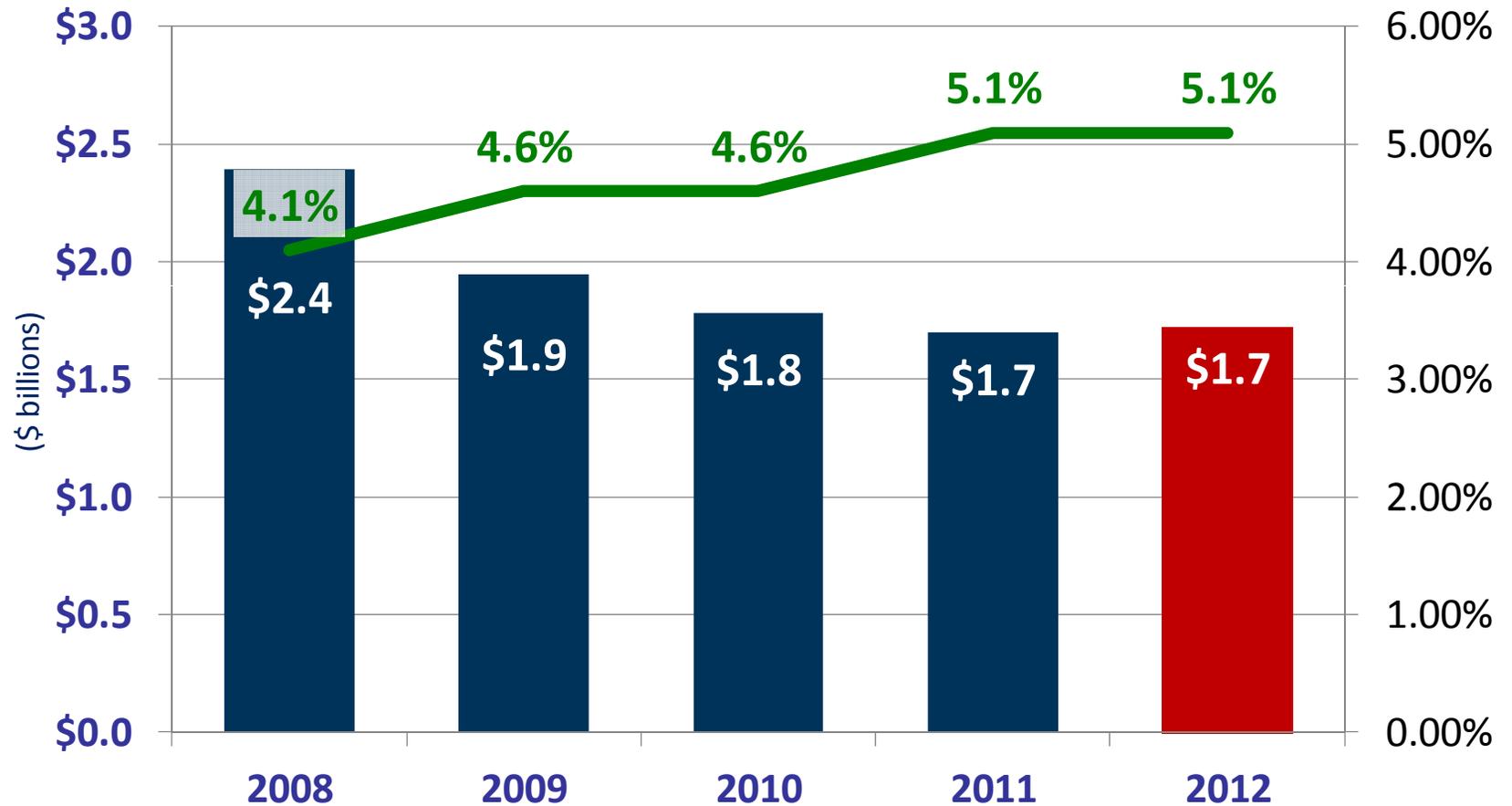


Adjusted Income = GAAP net income adjusted for the impact of: (1) AHP and REFCORP assessments; (2) market value changes on derivatives (excludes net interest settlements related to derivatives not qualifying for hedge accounting); and (3) other items excluded because they are not considered a part of our routine operations or ongoing business model, such as prepayment fees, gain/loss on retirement of debt, gain/loss on mortgage loans held for sale and gain/loss on securities.

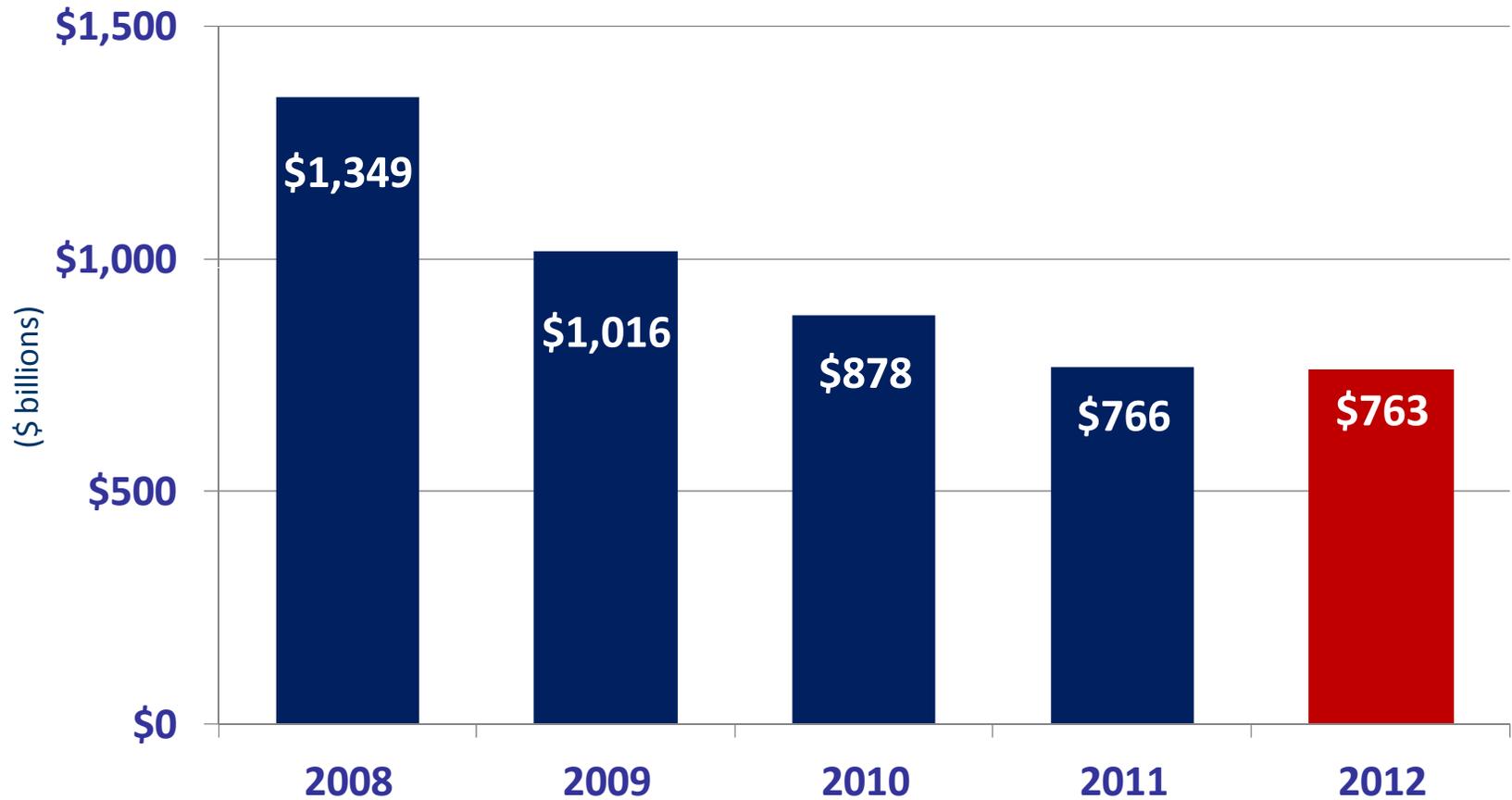
# FHLBank Topeka: Trends In Retained Earnings



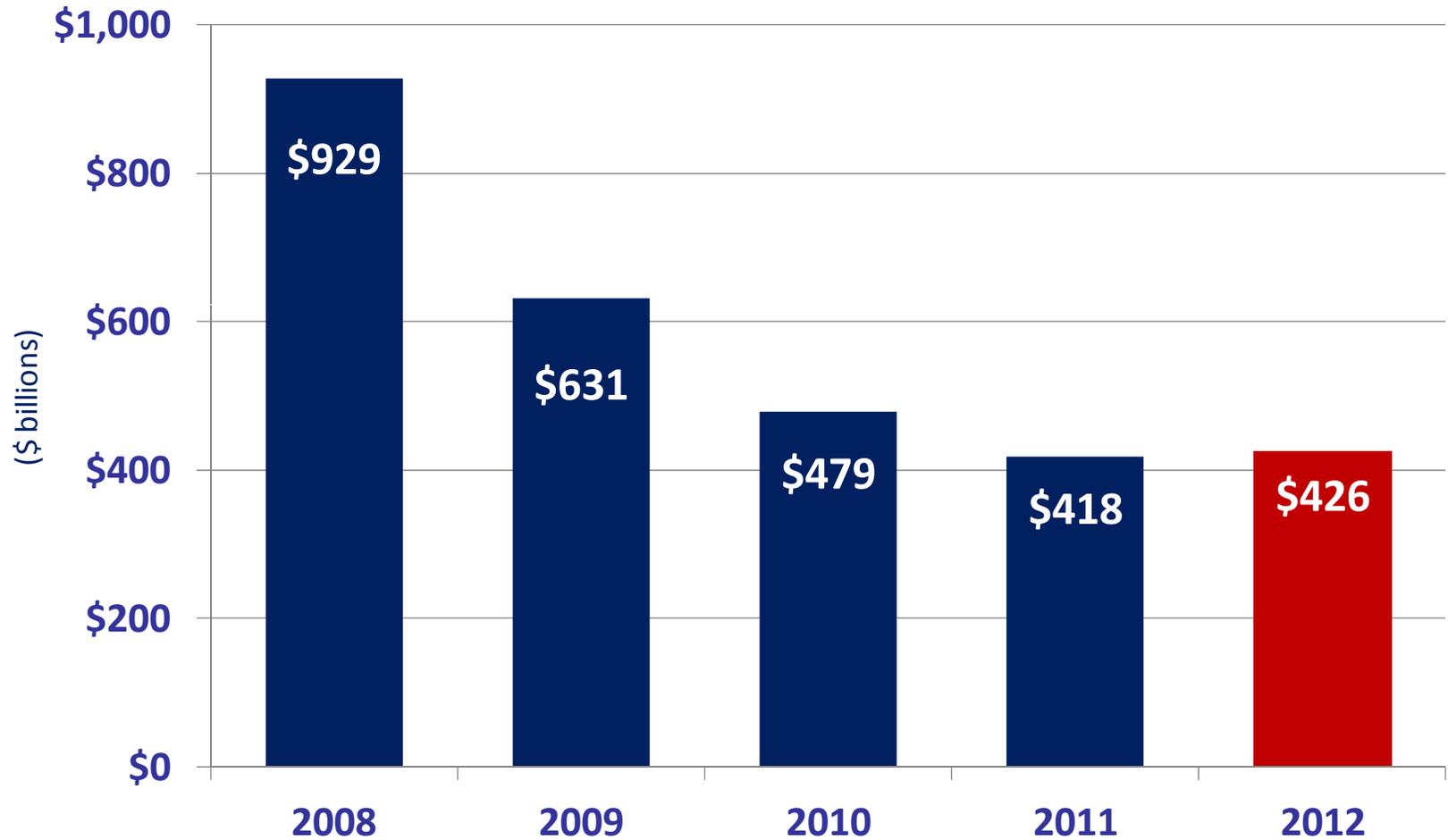
# FHLBank Topeka: Trends In Total Capital



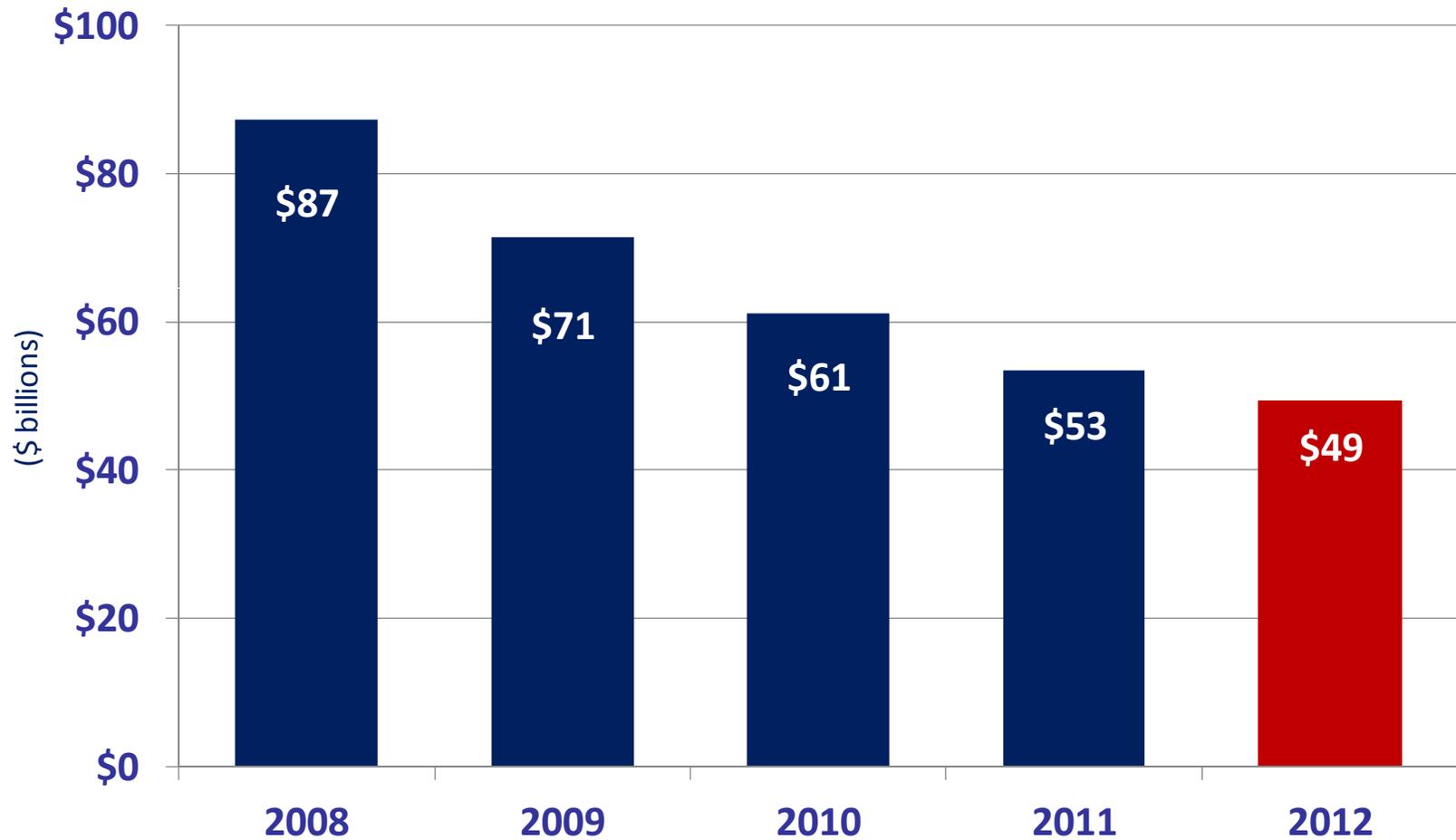
# FHLBank System: Trends In Total Assets



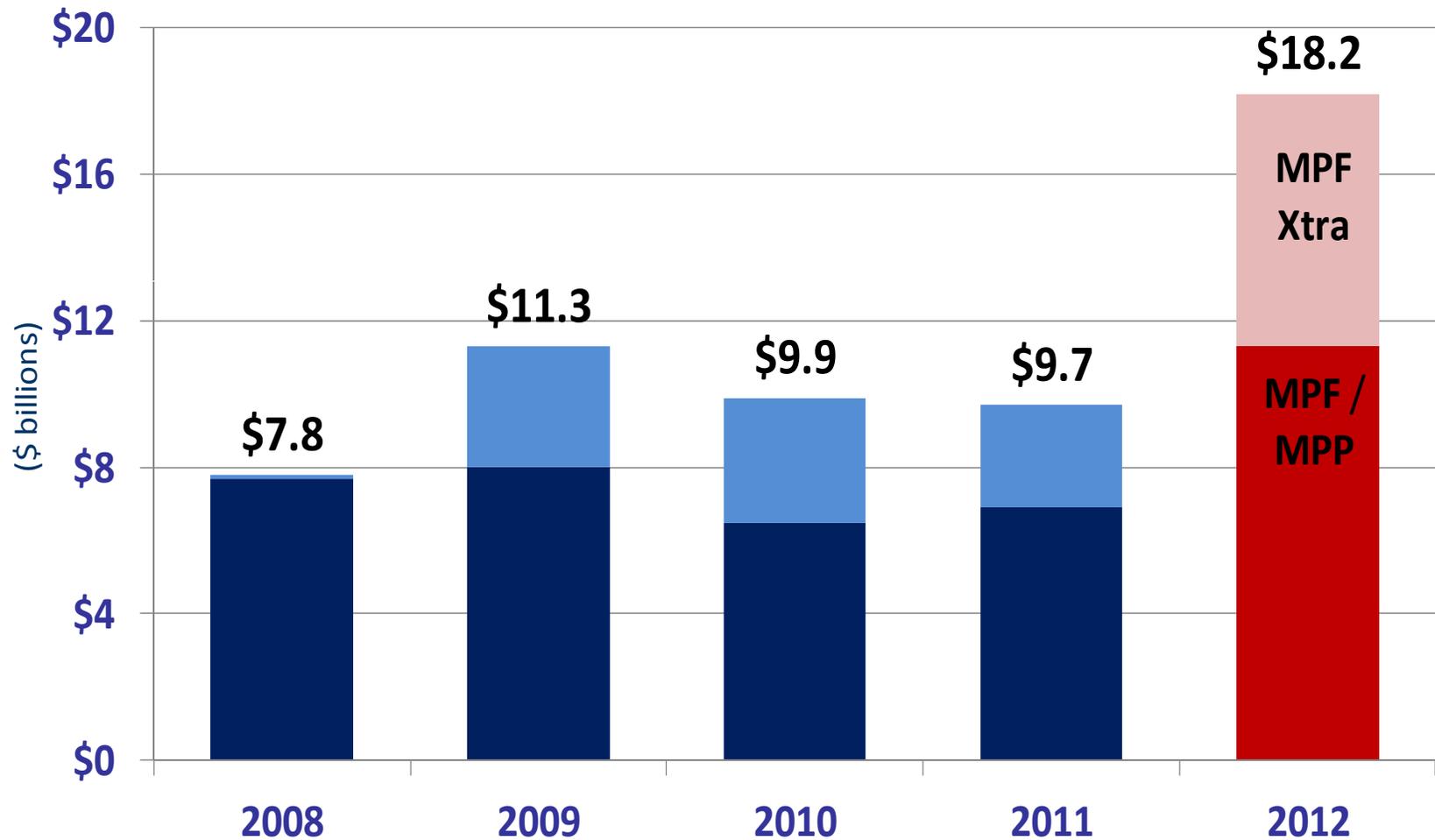
# FHLBank System: Trends In Advances



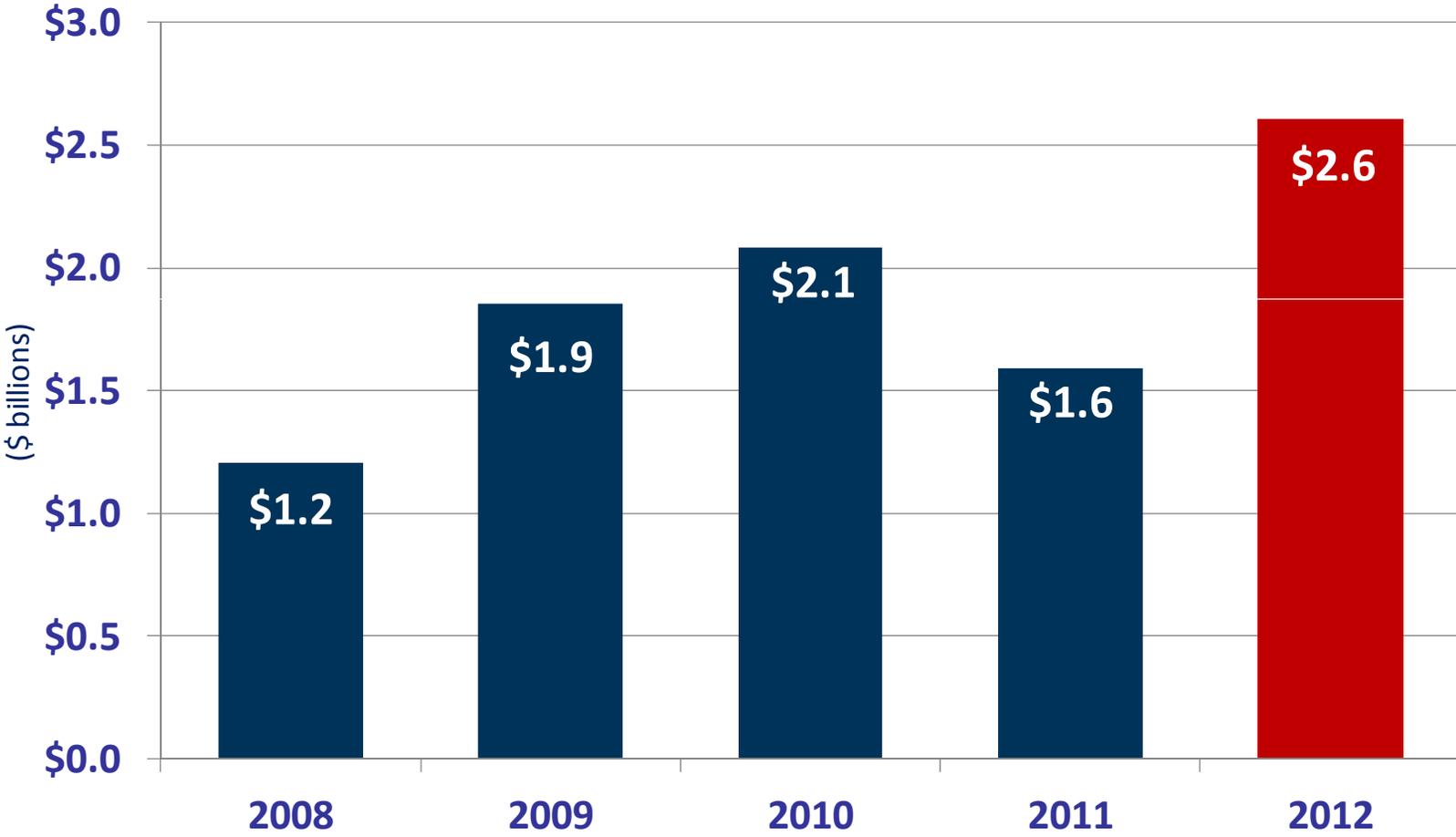
# FHLBank System: Trends In Mortgage Assets



# FHLBank System: Mortgages Aggregated

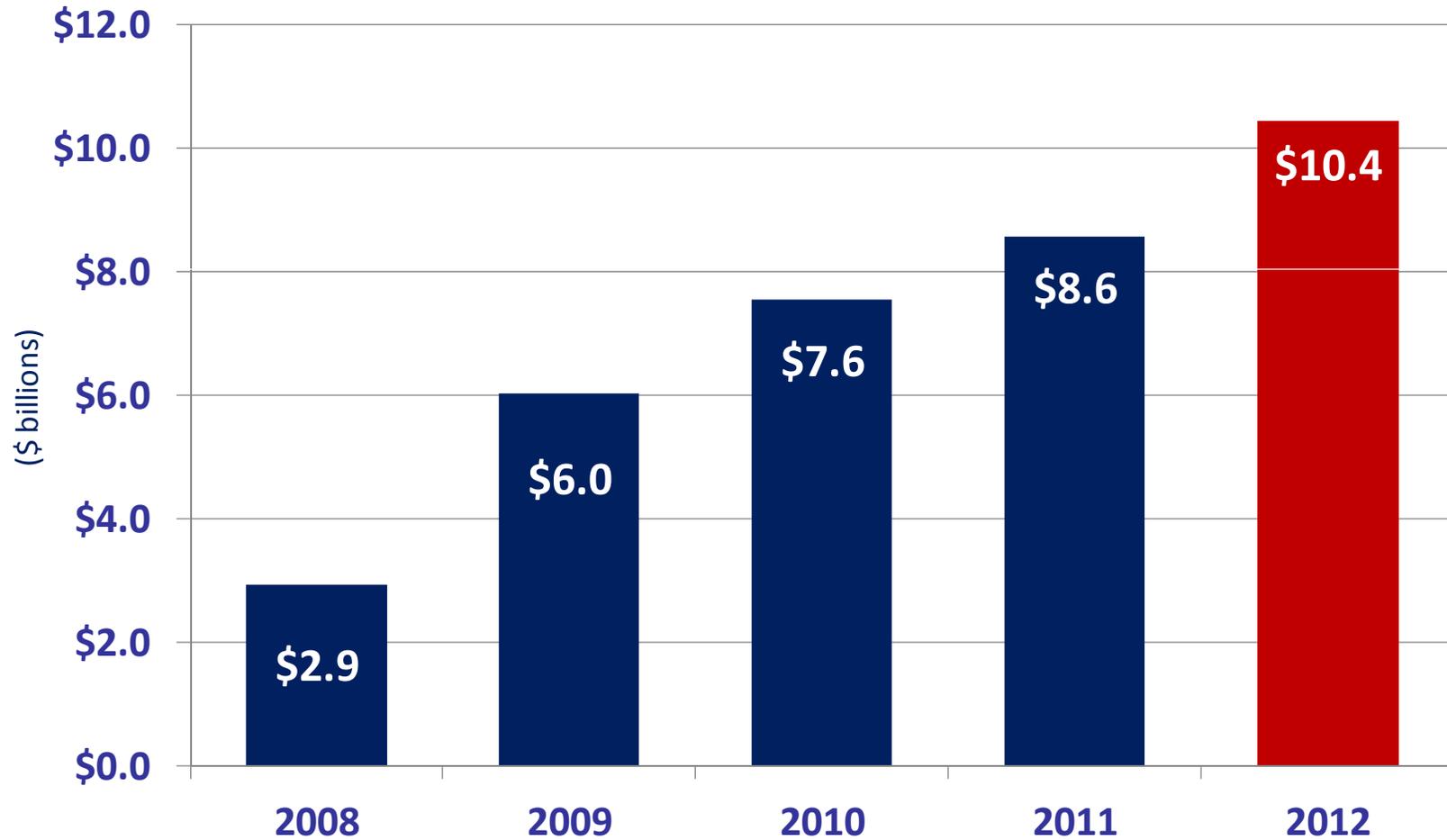


# FHLBank System: Trends In GAAP Income

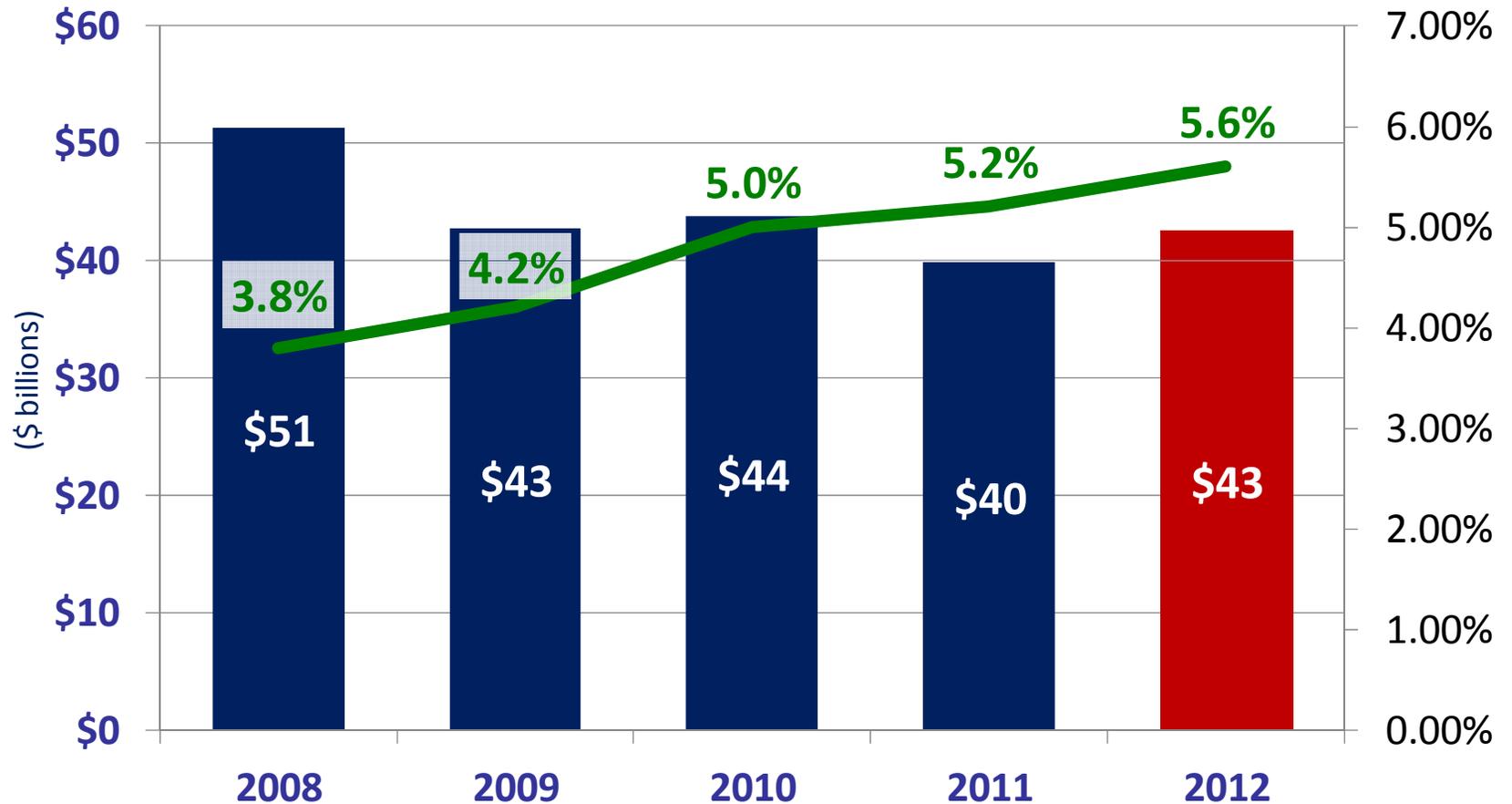


Per Office of Finance Combined Report

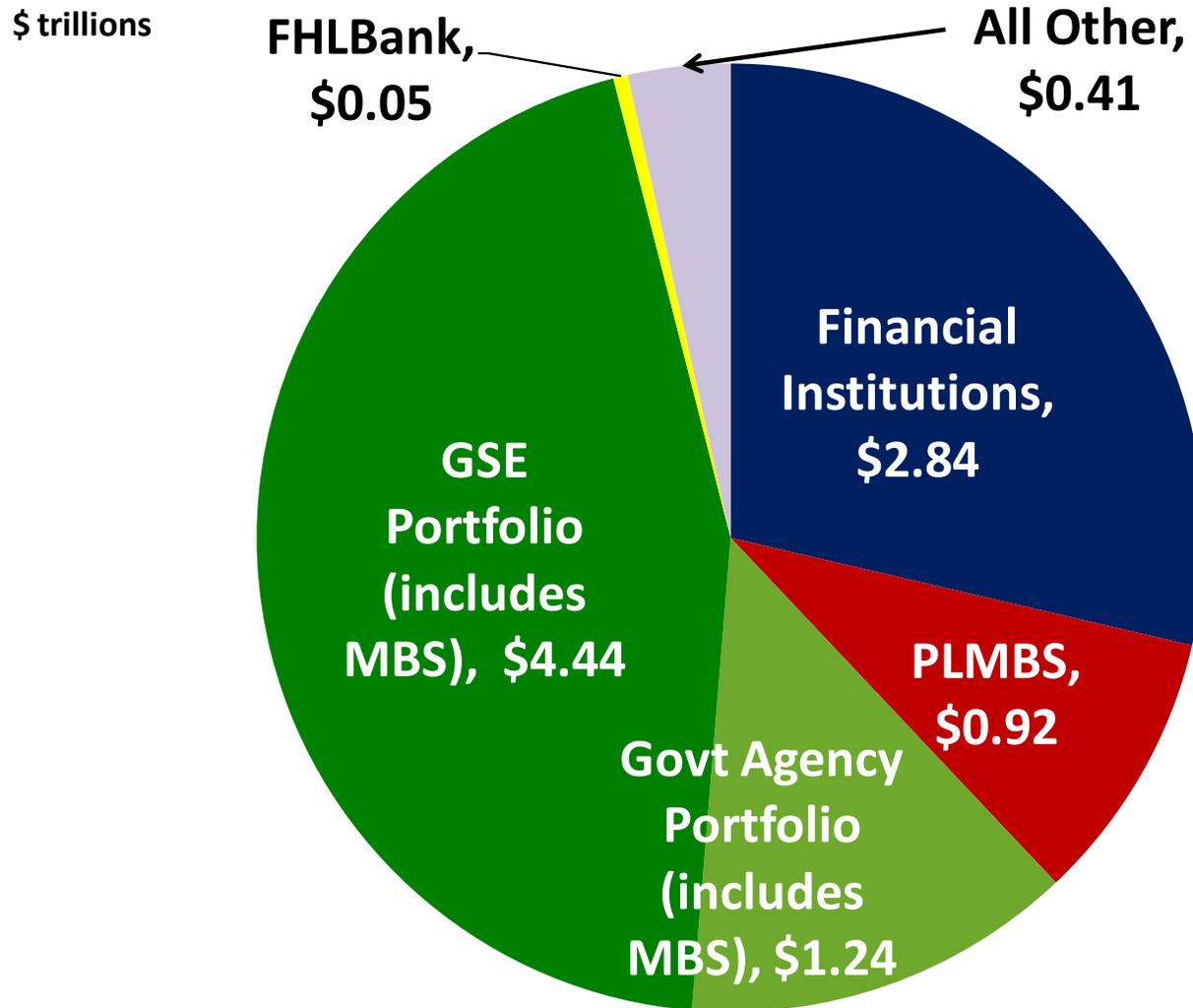
# FHLBank System: Trends In Retained Earnings



# FHLBank System: Trends In Total Capital

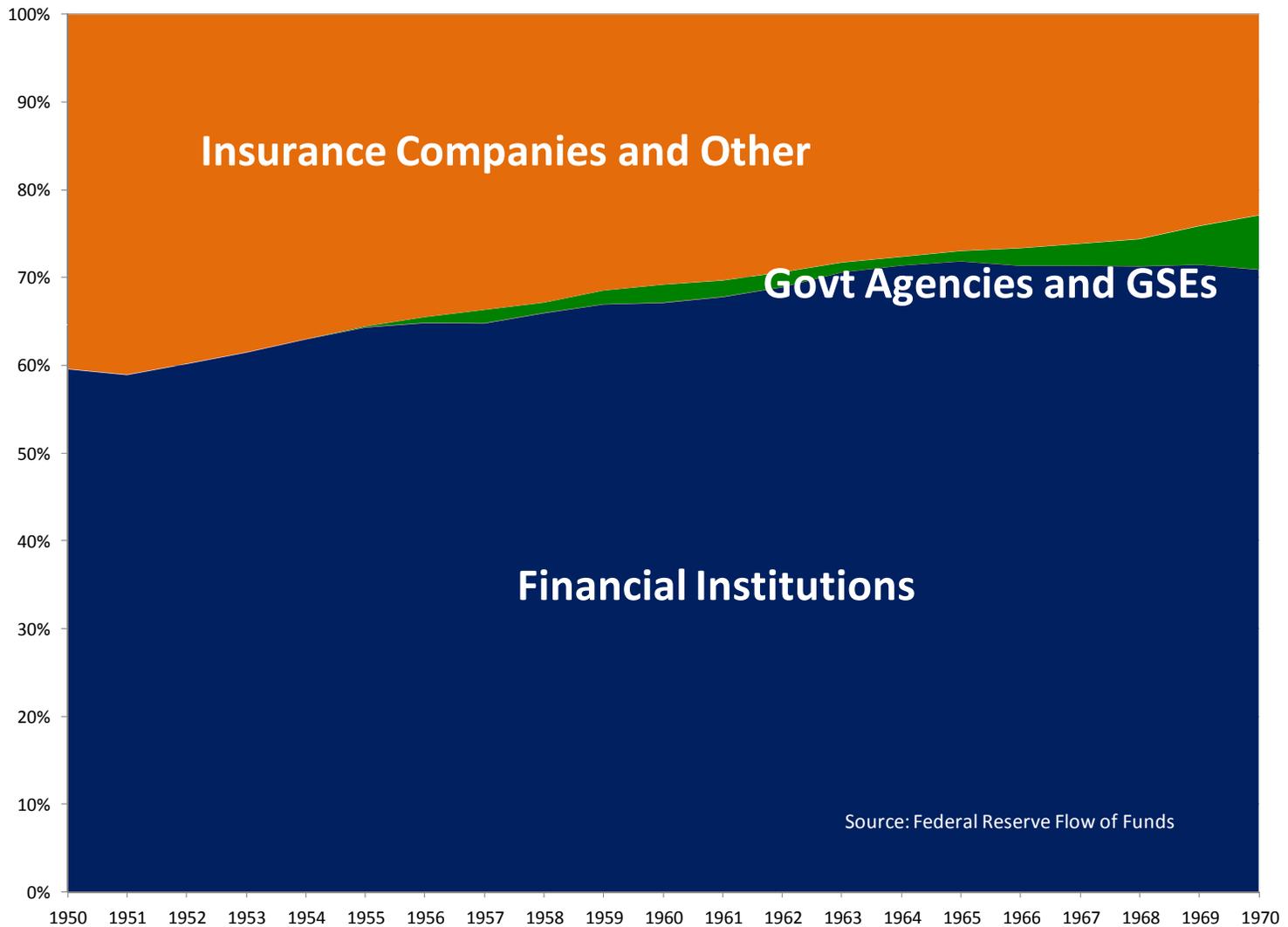


# U.S. Residential Mortgages - \$9.9 trillion

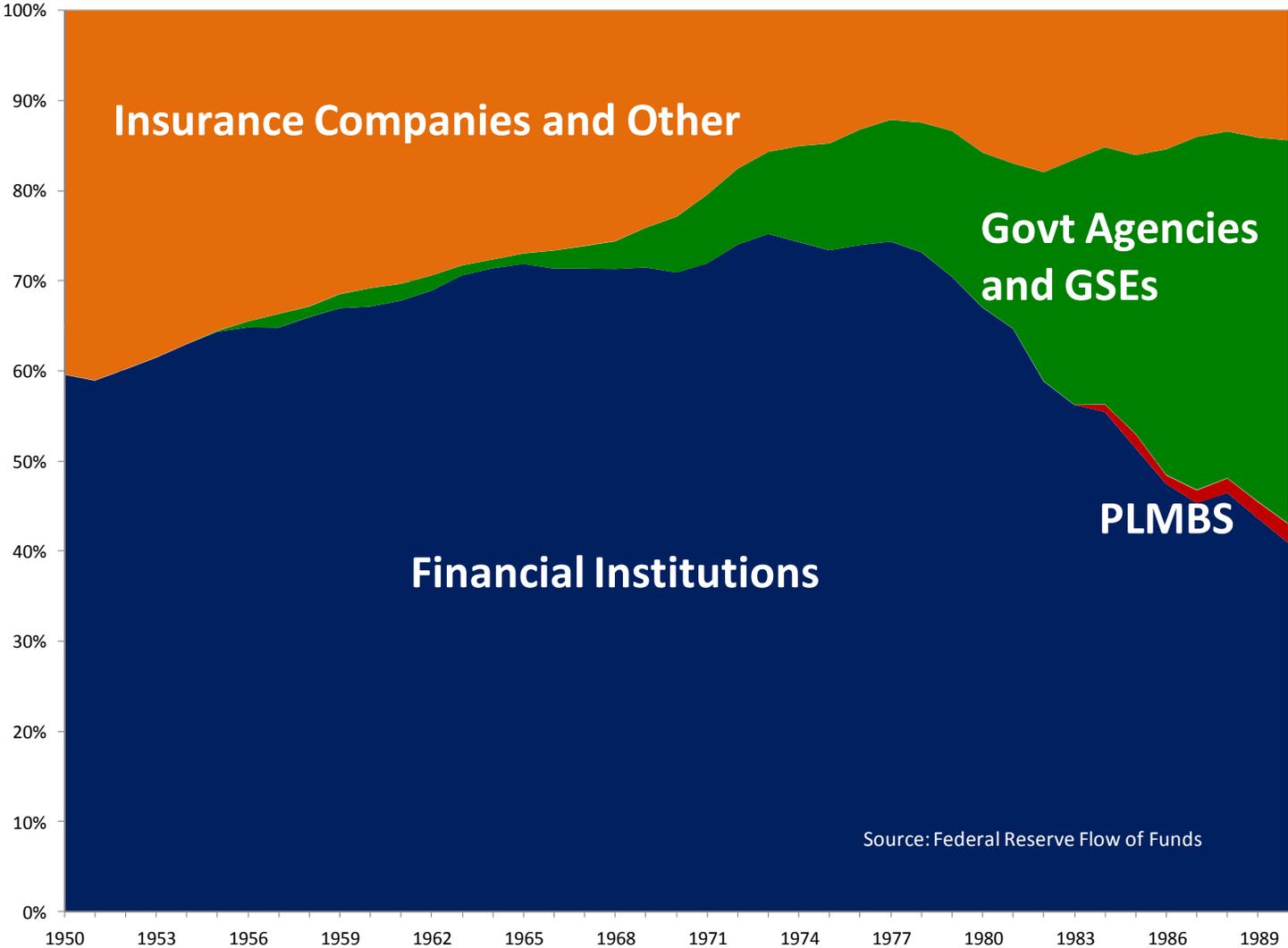


Source: Federal Reserve Flow of Funds Report

# Portfolio Lending Dominates 1950 to 1970

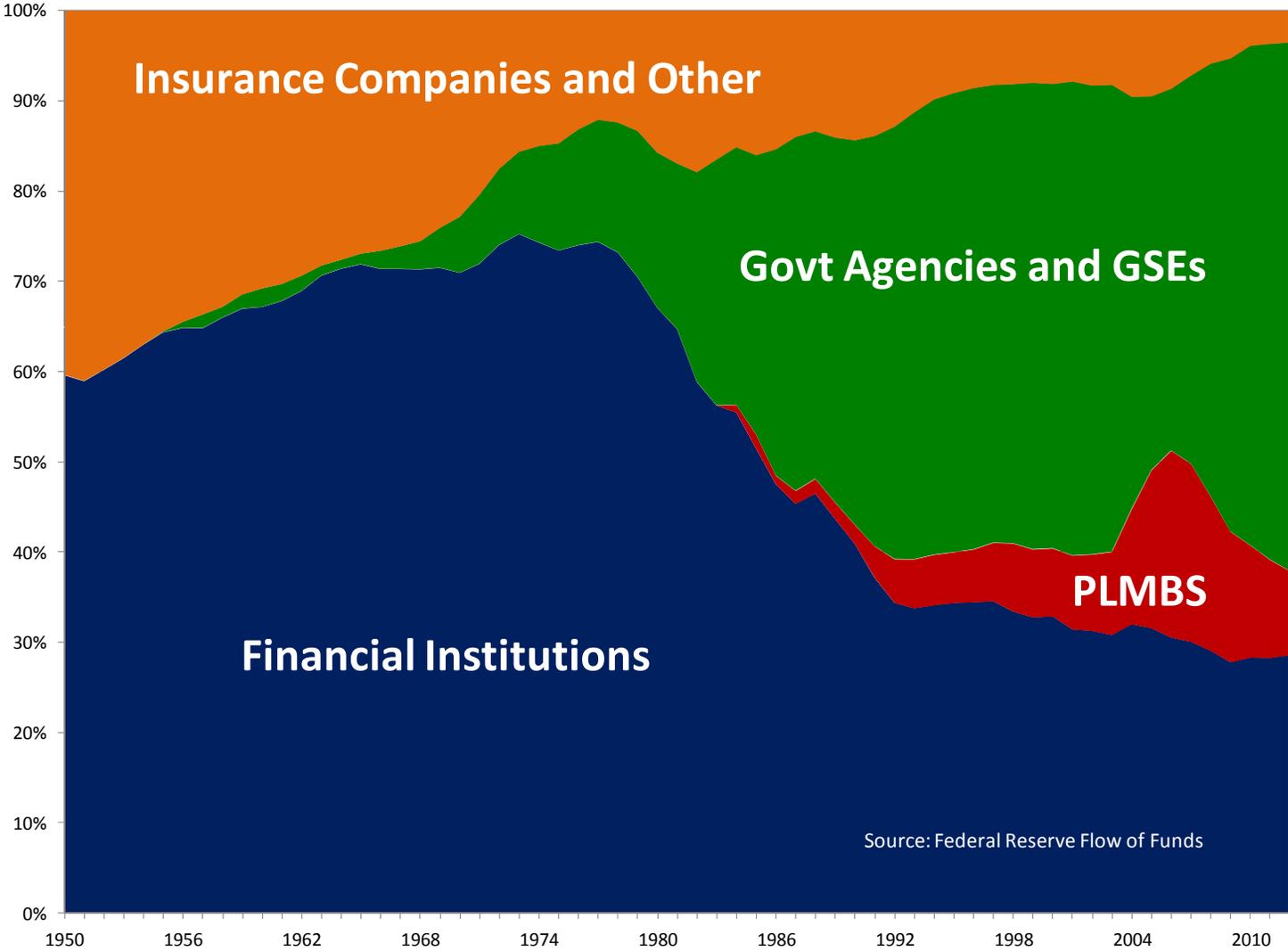


# Securitization Takes Hold in 1970s and 1980s



Source: Federal Reserve Flow of Funds

# Today, Agency and GSE MBS Dominate Market

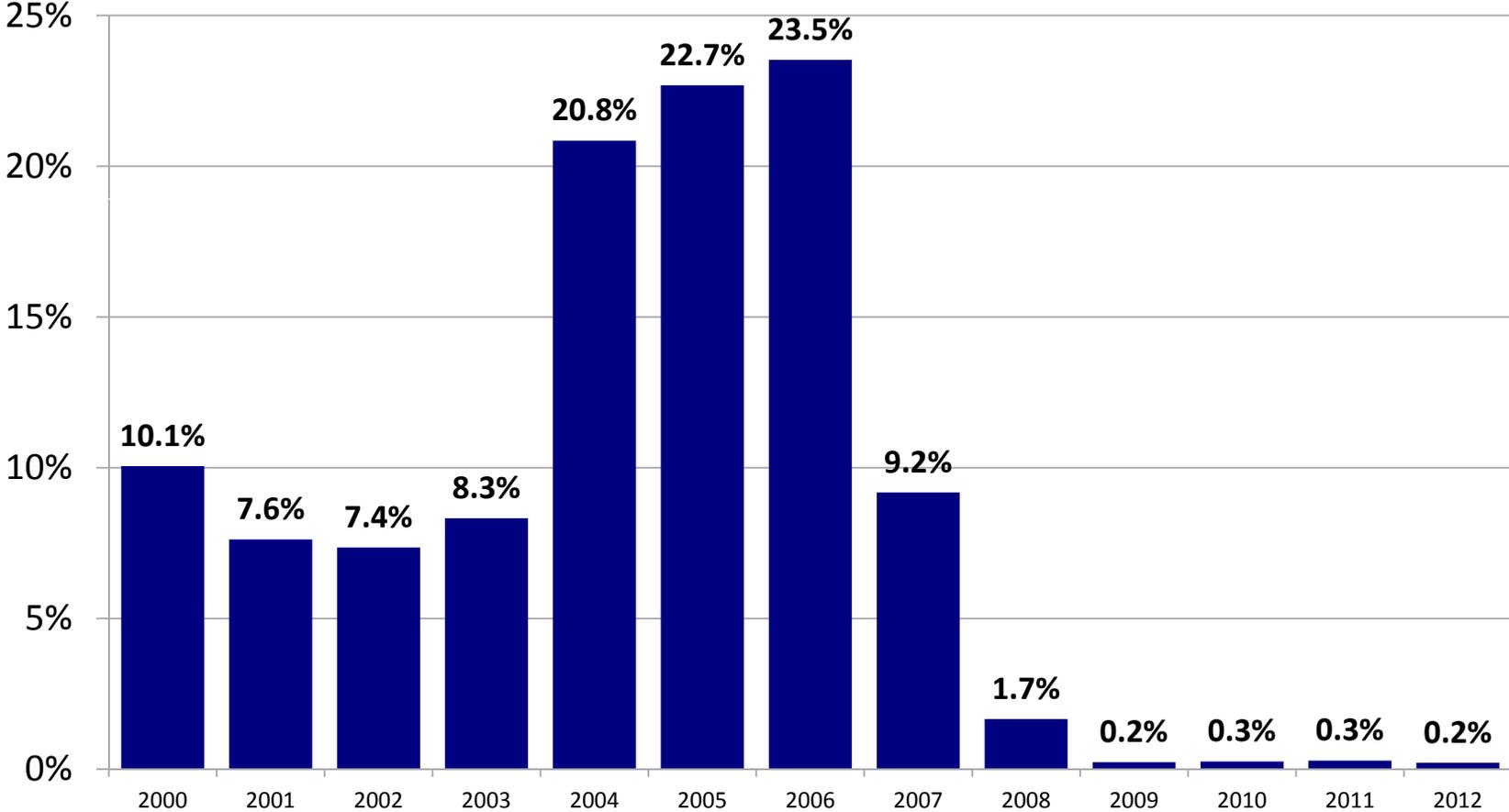


Source: Federal Reserve Flow of Funds

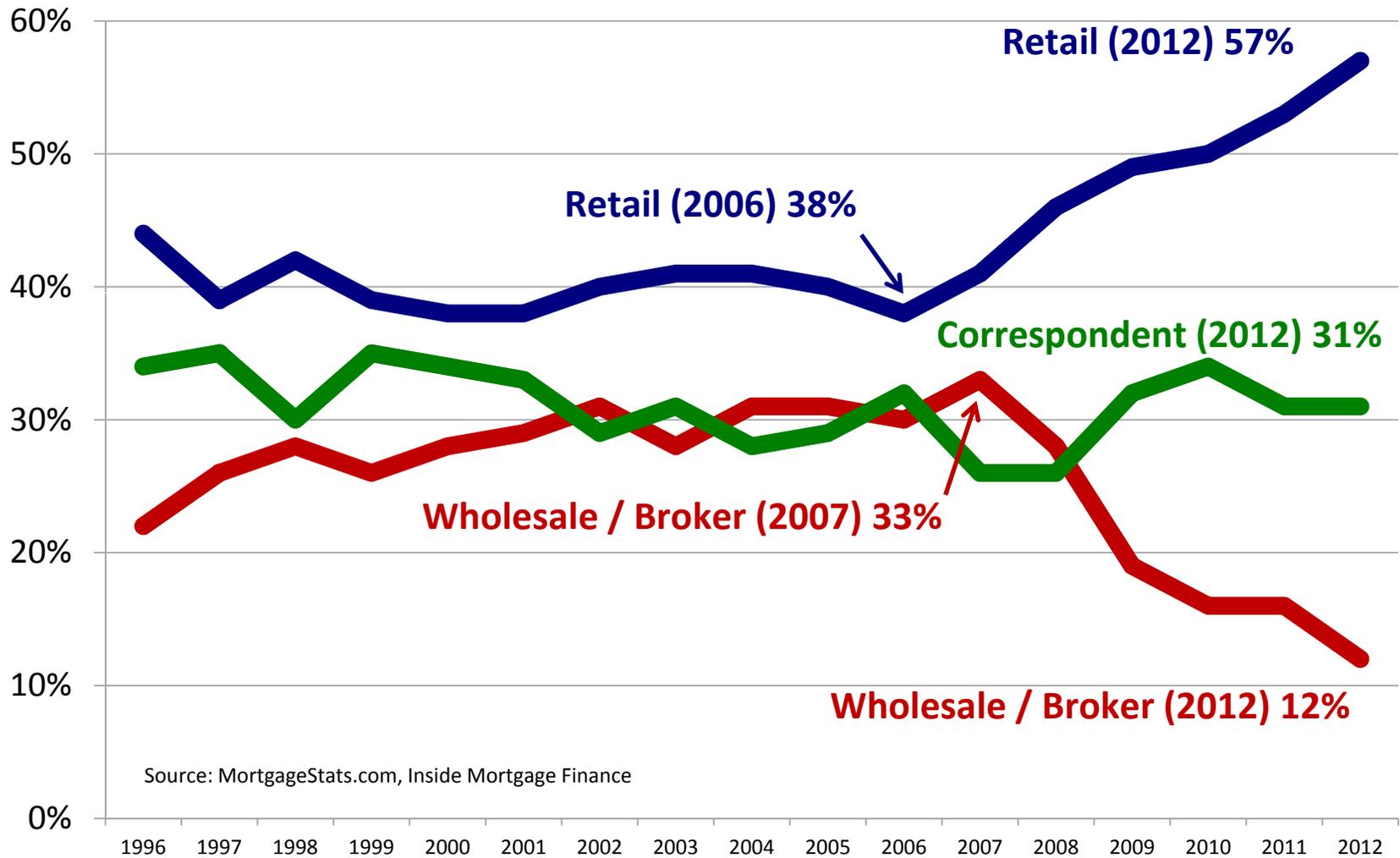
# Subprime Lending Increases

## % Subprime Mortgage Originations: 2000 to 2012

(Source: Inside Mortgage Finance)

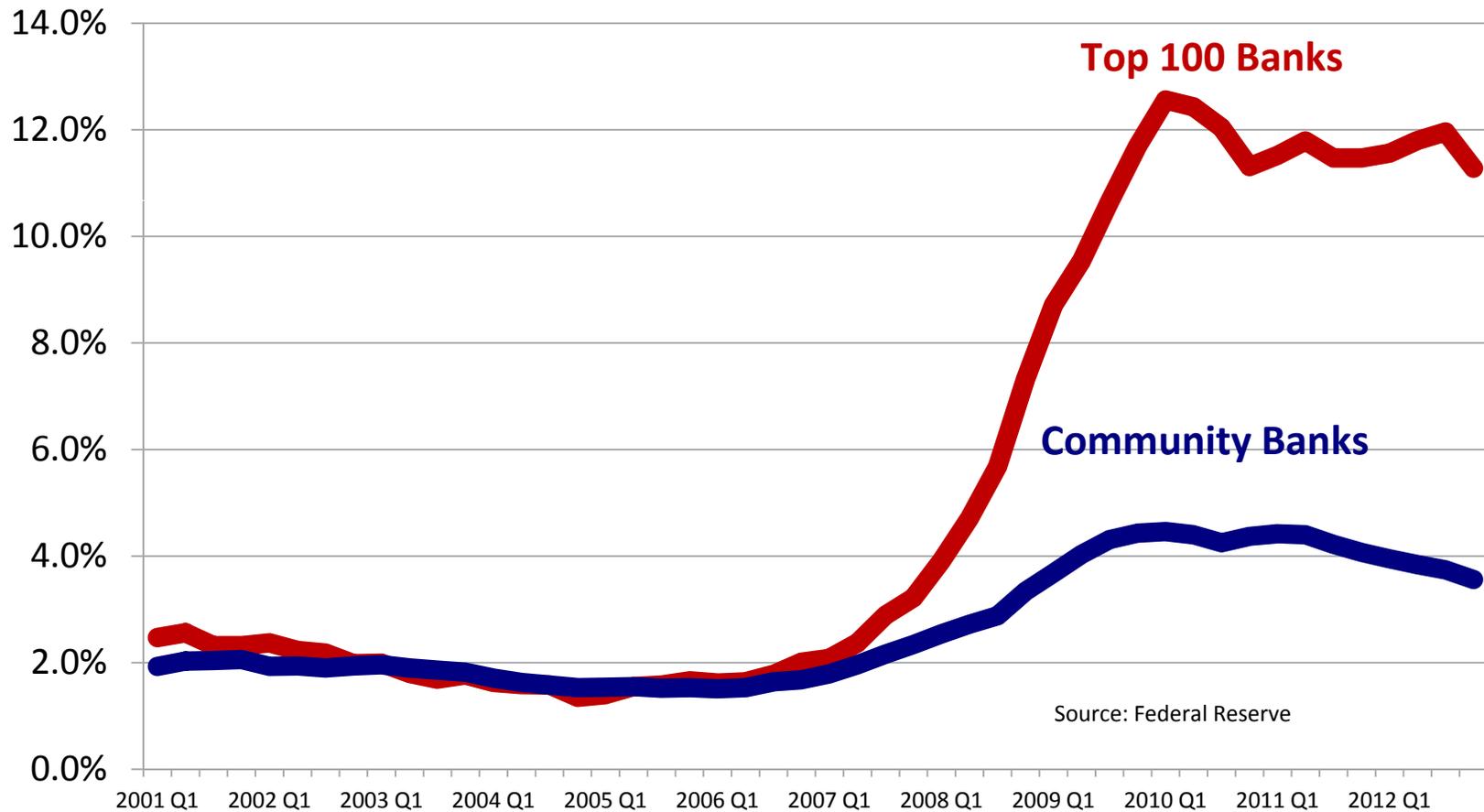


# Origination Channels Shift Pre- and Post-Crisis



# Residential Mortgage Delinquency Rises

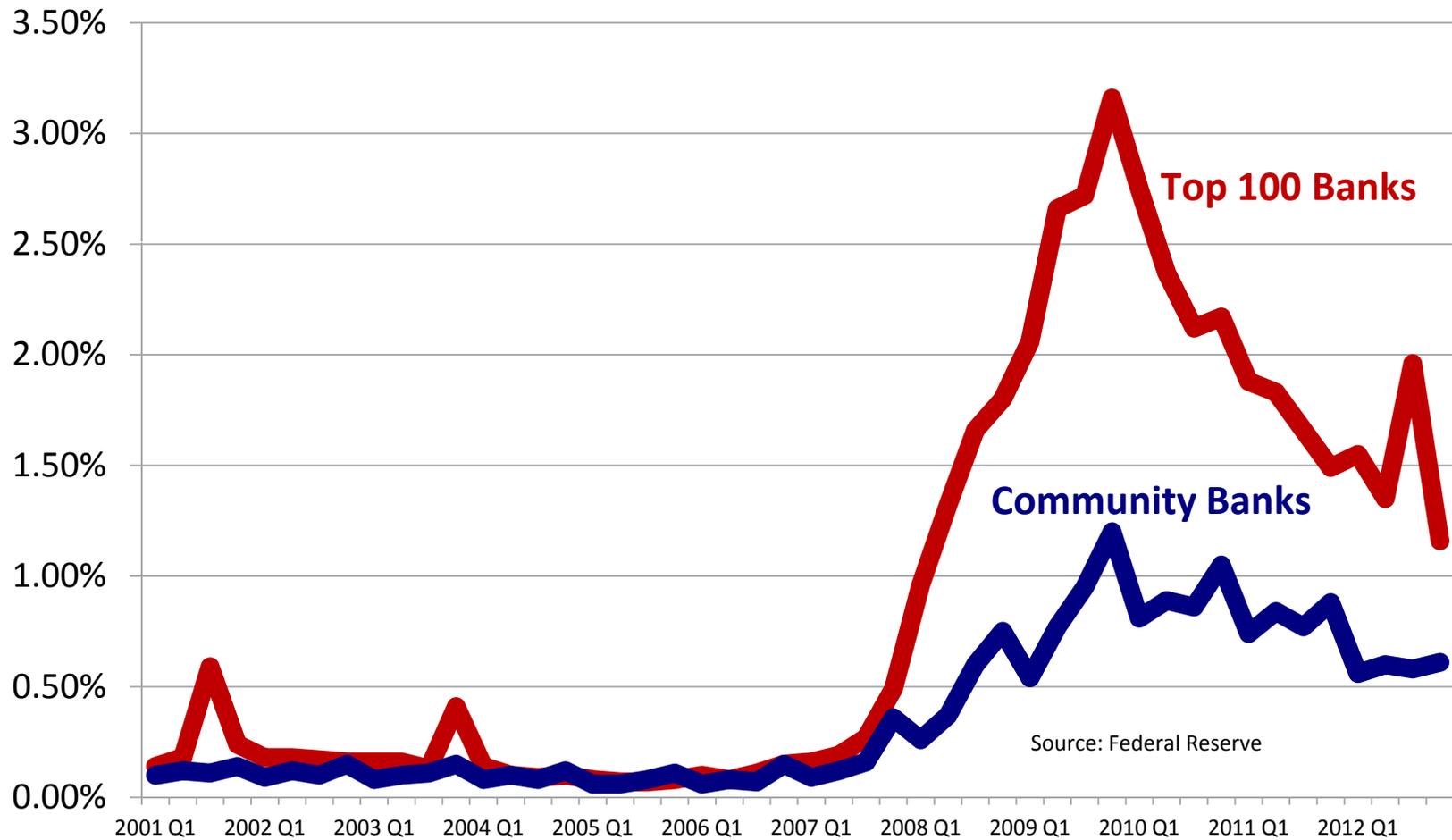
Delinquent Residential Mortgage Loans: 2001 to 2012  
(Past Due 30 days + Nonaccrual)



Source: Federal Reserve

# Residential Mortgage Charge Offs Jump

Residential Mortgage Charge Off Ratios: 2001 to 2012



# Department of Treasury Reform Proposal

- **Role of Federal Government**
  - **Assure strong and stable financial system**
  - **Provide oversight and consumer protection**
  - **Promote level playing field among all participants**
- **Private Sector Capital**
  - **Primary source of mortgage credit**
  - **Bears most – if not all, risk of loss**
  - **Possible federal catastrophic MBS P&I guarantee**

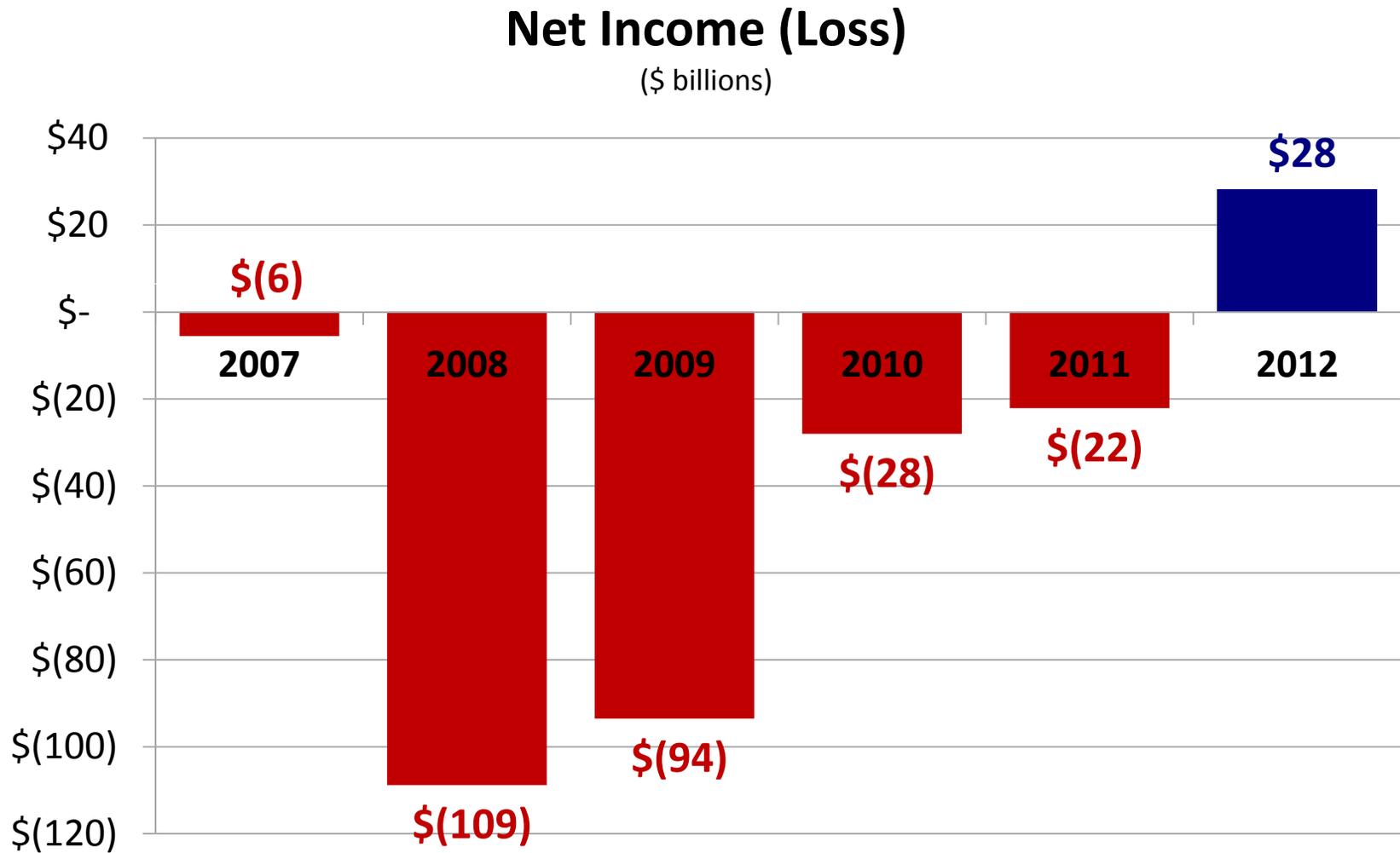
# Department of Treasury Reform Proposal

- **Role of FHFA, VA and USDA**
  - **Return to traditional roles**
  - **Low- to moderate-income; first-time homeowners**
- **Wind down Fannie & Freddie**
  - **Increase g-fees to bring in private capital**
- **Strengthen banking and financial sectors**
  - **Increase capital (Basel III)**
  - **More regulatory oversight (Dodd Frank)**
- **Ensure FHLBanks support community financial institutions**

# Status of Wind Down of Fannie & Freddie

- Continue to Raise Guarantee Fees
- Merging Back Offices
- Building New Securitization Platform
- Combined 2012 Earnings of \$28 billion
  - **\$(258) billion in losses 2007 to 2011**
  - **Mission Accomplished!**
- Final Resolution of Fannie and Freddie Uncertain

# Fannie & Freddie Turn Profitable



# Keys to Mortgage Market Reform

- **Accomplishable now:**
  - ✓ **Sound mortgage product structures**
  - ✓ **Disciplined underwriting standards**
  
- **Accomplishable near-term:**
  - ✓ **Reasonable regulatory oversight**
  - ✓ **Rational consumer protection**
  - ✓ **Promote level playing field among all participants**

# Keys to Mortgage Market Reform

- **Difficult, but accomplishable issues:**
  - ✓ **Reduce federal government risk**
  - ✓ **Bring private capital into mortgage markets**
- **Questions to resolve:**
  - ✓ **Need for federal catastrophic MBS guarantee**
  - ✓ **Ability to obtain mortgages during times of severe market disruption**

# Future Role of FHLBanks

- **What is our Primary Mission?**
  - **Liquidity provider for community lenders**
- **Don't jeopardize primary mission!**
- **Leverage the unique strengths and needs of membership**
- **Continue to pursue initiatives that provide value to members**
  - **Expand pass-through programs**
  - **Consider ways to leverage AMA program as aggregator**
  - **Provide assets to members**

# THANK YOU

We appreciate your business and your support.

Thanks for joining us today.