2025

# MEMBER PRODUCTS AND SERVICES GUIDE

**FHLBank Topeka makes a difference by helping our members build their communities.**

FHLBank Topeka periodically publishes this Member Products and Services Guide for its member financial institutions and housing associates in Colorado, Kansas, Nebraska and Oklahoma.

All forms referred to in this Guide are available on the *Members Only* section of FHLBank's website unless otherwise stated.

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FHLBank Topeka

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# Introduction

FHLBank Topeka is one of 11 Federal Home Loan Banks nationwide created by Congress in 1932. It operates as a cooperative, with all capital provided by its members.

## *Purpose*

This Member Products and Services Guide (Guide) assists members and housing associates in understanding and using FHLBank's products and services. It also provides information on FHLBank's credit guidelines, advance pricing, collateral guidelines and the Mortgage Partnership Finance® Program.

FHLBank provides wholesale funding, related services and technical expertise to member commercial banks, thrifts, credit unions, insurance companies, community development financial institutions (CDFIs) and housing associates in Colorado, Kansas, Nebraska and Oklahoma.

FHLBank promotes housing, jobs and general prosperity by offering products and services that help our members provide affordable credit in their communities. Accordingly, FHLBank's core business is to provide members and housing associates with funds for home mortgage financing, liquidity, asset/liability management and community development.

### AUTHORITY

FHLBank draws on the following sources of authority to offer its programs:

- *Statutory directives of the Federal Home Loan Bank Act*;
- *Regulations of the Federal Housing Finance Agency*;
- FHLBank's Member Products Policy adopted by FHLBank's board of directors, which includes sections covering Credit, Collateral, Advance Pricing and Mortgage Partnership Finance;
- The Advance, Pledge and Security Agreement that each member or housing associate executes with FHLBank, which governs extensions of credit; and
- *FHLBank's capital plan*

The information in this Guide is intended to be consistent with the above sources, but the actual statute, regulation or policy governs if a conflict occurs. The statutes, regulations and policies may be amended from time to time. Any amendments affecting the information in this Guide will be communicated to members and housing associates in a timely manner.

### PRODUCTS AND SERVICES

FHLBank's products, programs and services assist Tenth District members and housing associates in providing affordable credit in their local markets to support housing, small farms, small businesses and community development. FHLBank products and services are described in detail in this Guide.

# Overnight Line of Credit

The overnight line of credit provides an alternative to Fed funds purchased, repurchase agreement borrowings and purchased deposits. This revolving line product is a short-term liquidity source with automatic daily renewals of the outstanding balance.

**Floating rate, non-amortizing, non-prepayable**

### *Common Uses*

Liquidity for unanticipated daily cash needs

Mortgage-banking operations

Allows for reduction of lower yielding assets held for liquidity purposes

## TERMS AND CONDITIONS

### LIMITATIONS

Overnight line of credit draws, as with all other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide. The minimum amount of each overnight line of credit draw is $100,000.

### RATE

The rate reprices daily based on FHLBank's cost of funds. The rate of interest applicable to each individual draw is established at the time of each funding request. At the beginning of each business day, all outstanding draws and balances from the previous day are combined and repriced to an interest rate based on FHLBank's cost of funds.

Visit *Members Only* to view current rates.

### INTEREST

All draws will be charged a minimum of one day's interest. Interest is collected on the first business day of the month for the amount accrued through the last day of the previous month. Interest is computed on an actual/360-day basis.

### TERM

One day, with automatic daily renewals of the outstanding balance subject to FHLBank's discretion not to renew.

### PREPAYMENT OPTION

Overnight Line of Credit advances are non-prepayable on the date of the draw. Members can adjust their outstanding balance daily; however, repayments are not permitted if funds have been drawn earlier in the day.

Principal repayments should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

For information about principal repayments, refer to the *Credit Guidelines* section of this Guide.

### AVAILABILITY

Draw and repayment requests may be made on the overnight line of credit until 4 p.m. CT via Members Only or by calling the Lending department.

*800.809.2733*

# Short-term Fixed Rate Advances

The short-term fixed rate advance provides an alternative to local or brokered deposit markets for short-term funding.

**Fixed rate, non-amortizing, non-prepayable**

### *Common Uses*

Unanticipated cash needs

Alternative to Fed funds purchased, repurchase agreement borrowings and brokered deposits

Mortgage banking operations

Allows for reduction of lower yielding assets held for liquidity purposes

## TERMS AND CONDITIONS

### LIMITATIONS

Short-term fixed rate advances, as with all other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide. The minimum amount of a short-term fixed rate advance is $100,000.

### RATE

The fixed rate of interest is for the term in accordance with the selected advance maturity.

Visit *Members Only* to view current rates.

### PRINCIPAL AND INTEREST

Principal is due at maturity.

Interest is collected on the first business day of the month for the amount accrued through the last day of the previous month and at maturity. Interest is computed on an actual/360-day basis.

Payments (principal and interest) should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

For information about principal repayments, refer to the *Credit Guidelines* section of this Guide.

### TERM

Three to 93 days

### PREPAYMENT OPTION

Non-prepayable

### AVAILABILITY

Short-term fixed rate advances may be requested until 4 p.m. CT.

# Regular Fixed Rate Advances

The regular fixed rate advance provides fixed maturity structures similar to certificates of deposit. However, unlike certificates of deposit, these advances provide a great deal of flexibility in establishing desired maturities.

**Fixed rate, non-amortizing, prepayable with a fee**

### *Common Uses*

Seasonal funding needs

Construction loans

Origination or purchase of fixed rate mortgages or securities

Match funding of a specific asset or portfolio of assets

Asset/liability and interest rate risk management

*View an example of Regular Fixed Rate Advance funding.*

## TERMS AND CONDITIONS

### LIMITATIONS

Regular fixed rate advances, as with other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide. Fixed rate advances are also subject to FHLBank's ability to obtain matching liabilities. The minimum amount of a regular fixed rate advance is $10,000.

### RATE

The fixed rate of interest is for the term in accordance with the selected advance maturity.

Visit *Members Only* to view current rates.

### PRINCIPAL AND INTEREST

Principal is due at maturity.

Interest is collected on the first business day of the month for the amount accrued through the last day of the previous month and on the maturity or prepayment date.

Interest is computed on an actual/360-day basis for original maturities of 12 months or less or on an actual/365(6)-day basis for original maturities greater than 12 months.

Payments (principal and interest) should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

For information about principal repayments, refer to the *Credit Guidelines* section of this Guide.

### TERM

94 days to 360 months

### PREPAYMENT OPTION

Term advance prepayments require formal notification (by email or phone) to FHLBank's Lending department before 2 p.m. CT. Any notification of term advance prepayment received after 2 p.m. CT will be processed the following business day.

**Regular Fixed Rate**
Prepayment is permitted in full or in part. The prepayment fee equals the present value (discounted at the reference rate) of the difference between: (a) the scheduled interest payments to be paid on

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the advance through remaining maturity, and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate. The reference rate is the effective yield of a Federal Home Loan Bank obligation having the closest remaining maturity and coupon to the advance being prepaid. If the reference rate is greater than the rate on the advance, no fee is charged.

An *example* of the prepayment calculation for fixed rate advances using this prepayment language is located in the Appendices of this Guide.

*The following prepayment fee language will apply for advances with an embedded call option.*

**Regular Fixed Rate Callable**
Prepayment is permitted in full or in part without a fee at specific intervals during the life of the advance provided FHLBank is notified in writing nine business days prior to scheduled call dates.

If the callable advance is prepaid under circumstances and conditions other than as outlined above, the prepayment fee equals the present value (discounted at the reference rate) of the difference between: (a) the scheduled interest payments to be paid on the advance through remaining maturity (next call date), and (b) the interest payments that would be collected on the advance through remaining maturity (next call date) if it bore interest at the reference rate. The reference rate is the effective yield of a Federal Home Loan Bank obligation having the closest remaining maturity (next call date) and coupon to the advance being prepaid. If the reference rate is greater than the rate on the advance, no fee is charged.

AVAILABILITY

Regular fixed rate advances may be requested until 4 p.m. CT.

# Symmetrical Fixed Rate Advances

The symmetrical fixed rate advance provides members and housing associates with fixed-rate term funding with the contractual ability to realize a gain from the market movement of interest rates.

### *Common Uses*

Offset investment portfolio losses with a gain on an advance in a rising rate environment

Reposition a balance sheet with minimal expense

## TERMS AND CONDITIONS

### LIMITATIONS

Symmetrical fixed rate advances (SFAs), as with other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide. SFAs are also subject to FHLBank's ability to obtain matching liabilities. The minimum amount of a SFA is $2.5 million.

### RATE

The fixed rate of interest is at a slight premium above the fixed rate advance for the same term. The fixed rate of interest is for the term in accordance with the selected advance maturity.

Visit *Members Only* to view current rates.

### PRINCIPAL AND INTEREST

Principal is due at maturity.

Interest is collected on the first business day of the month for the amount accrued through the last day of the previous month and on the maturity or prepayment date.

Interest is computed on an actual/360-day basis for original maturities of 12 months or less or on an actual/365(6)-day basis for original maturities greater than 12 months.

Payments (principal and interest) should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

For information about principal repayments, refer to the *Credit Guidelines* section of this Guide.

### TERM

94 days to 360 months

### PREPAYMENT OPTION

Term advance prepayments require formal notification (by email or phone) to FHLBank's Lending department before 2 p.m. CT. Any notification of term advance prepayment received after 2 p.m. CT will be processed the following business day.

Prepayment is permitted in full (but not in part unless FHLBank is able to terminate the por-

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tion of the underlying swap used to hedge the advance that applies directly to the amount of the advance being prepaid) and equals the present value of the advance spread of 0.XX% (held constant over the remaining life of the advance) plus or minus the cost (plus) or benefit (minus) resulting from the termination of the underlying swap used to hedge the advance. Any net benefit associated with prepayment will be paid by FHLBank and will be limited to 10 percent of the advance principal balance.

Note: If a new symmetrical advance is issued on the same day an outstanding symmetrical advance is prepaid, FHLBank will credit, against any prepayment fee owed by the borrower, the present value of the advance spread using the lower spread, lower principal amount and shorter remaining maturity of the two advances.

An *example* of the prepayment calculation for symmetrical fixed rate advances using this prepayment language is located in the Appendices of this Guide.

### AVAILABILITY

Symmetrical fixed rate advances may be requested until 4 p.m. CT.

# Forward Settling Advance Commitments

The forward settling advance (FSA) commitment protects against rising rates and is an attractive option when funding loans with a delayed disbursement. The advance under the FSA commitment will have all the features and prepayment characteristics of the advance type selected.

### *Common Uses*

Fund the permanent financing for construction/permanent loans

Lock in current rates without adding liquidity

Hedge future interest-rate increases

## TERMS AND CONDITIONS

### LIMITATIONS

Forward settling advance (FSA) commitments allow members to lock in a fixed rate advance that will settle up to 24 months in the future. As with all other credit transactions, advances taken under FSA commitments will be subject to the maximum amount of credit available upon the settlement date. Collateral and stock are not required until after the commitment expires and the advance settles. Please refer to the *Credit Guidelines* section of this Guide.

FSA commitments are also subject to FHLBank's ability to obtain matching liabilities or hedging instruments. The minimum amount required for an FSA commitment is $500,000.

### FEES

The cost of the commitment will be incorporated into the interest rate established for the future advance tied to the FSA commitment.

### RATE

The fixed rate of interest is typically at a premium above the fixed rate advance for the same term. The fixed rate of interest is for the term in accordance with the selected advance maturity and type.

Contact *Lending* for current rates.

### DISBURSEMENT OF FUNDS

Advance funds will be disbursed only on the FSA commitment's scheduled expiration date, only if the member or housing associate fully complies with all applicable FHFA regulations and the *Credit Guidelines* identified in this Guide. Failure to disburse the funds under the FSA commitment for any reason will result in the member or housing associate being charged a termination fee.

### COMMITMENT TERMINATION FEE

If for any reason, the FSA commitment is not disbursed in its full amount, a termination fee will be charged. The termination fee will be determined by FHLBank, in its discretion, to be sufficient to make FHLBank financially indifferent to the termination, taking into account the present value of the spread on the committed advance (assuming the spread at the time of termination

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remains constant throughout the expected life of the committed advance) and FHLBank's cost or benefit resulting from termination or offset of any funding, interest rate swap agreement(s) and/or other financial instruments associated with the committed advance, but the fee shall not be less than $100.

### ADVANCE PREPAYMENT OPTION

Term advance prepayments require formal notification (by email or phone) to FHLBank's Lending department before 2 p.m. CT. Any notification of term advance prepayment received after 2 p.m. CT will be processed the following business day.

Prepayable in full (but not in part unless FHLBank is able to terminate the portion of its interest rate exchange agreement(s) that applies directly to the amount of the advance being prepaid) at a fee determined by FHLBank, in its reasonable discretion, to be sufficient to make FHLBank financially indifferent to the prepayment, taking into account the present value of the advance spread (assuming the spread at the time of prepayment remains constant throughout the expected life of the advance) plus or minus the cost (plus) or benefit (minus) resulting from termination or offset of any underlying financial instrument associated with the advance, but the fee shall not be less than $100.

### ADVANCE TERM

Regular fixed-rate (bullet) advances:
94 days to 360 months

Amortizing fixed-rate advances:
12 to 360 months

### AVAILABILITY

Generally, requests for FSA commitments should be made before noon CT.

# Callable Advances

The callable advance provides the flexibility to prepay without a fee at specific intervals throughout the life of the advance. It provides protection against prepayment risk and offers the flexibility to restructure liabilities if necessary.

**Contains options that allow for prepayment without a fee**

### *Common Uses*

Seasonal funding needs

Origination or purchase of fixed rate mortgages or securities

Match funding of a specific asset or portfolio of assets

Asset/liability and interest rate risk management

## TERMS AND CONDITIONS

### LIMITATIONS

Callable advances, as with all other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide. Callable advances are also subject to FHLBank's ability to obtain matching liabilities or hedging instruments. The minimum amount of a callable advance is $10,000.

Callable advances can be regular fixed rate, amortizing fixed rate or adjustable rate.

### RATE

The fixed or adjustable rate of interest is for the term in accordance with the selected advance maturity.

Visit *Members Only* to view current rates.

### PRINCIPAL AND INTEREST

Principal is due at maturity.

Interest is collected on the first business day of the month for the amount accrued through the last day of the previous month and on the maturity or prepayment date. Interest is computed on an actual/365(6)-day basis for fixed rate advances. For adjustable rate advances, interest is computed based on the industry standard day basis for the index selected. For example, the Secured Overnight Financing Rate (SOFR) is computed on an actual/360-day basis.

Payments (principal and interest) should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

For information about principal repayments, refer to the *Credit Guidelines* section of this Guide.

### TERM

Fixed Rate: 12 to 360 months
Adjustable Rate: 12 to 60 months

### PREPAYMENT OPTION

See specific advance type for prepayment of advances that include a call option.

### AVAILABILITY

Callable advances may be requested until 4 p.m CT.

# Amortizing Fixed Rate Advances

The amortizing fixed rate advance is structured to fund mortgages, commercial loans or similar assets. Principal payment streams may be structured to meet practically any funding need.

**Fixed rate, amortizing with predetermined principal payments**

### *Common Uses*

Construction loans

Origination or purchase of fixed rate mortgages or securities

Match funding of a specific asset or portfolio of assets

Asset/liability and interest rate risk management

*View examples of Amortizing Fixed Rate Advance funding.*
- *Match Funding*
- *Short Funding*
- *Blended Funding*

*800.809.2733*

## TERMS AND CONDITIONS

### LIMITATIONS

Amortizing fixed rate advances, as with all other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide. Amortizing fixed rate advances are also subject to FHLBank's ability to obtain matching liabilities or hedging instruments. The minimum amount of an amortizing fixed rate advance is $10,000.

### RATE

The fixed rate of interest is for the term in accordance with the selected advance maturity.

Visit *Members Only* to view current rates.

### AMORTIZATION

Principal payments may be amortized on a monthly, quarterly, semiannual or annual basis, or any predetermined fixed schedule of payments, with or without a balloon payment. Constant prepayment rates may be embedded into the principal payment streams. The amortization of payments is determined at the time of the request and cannot be changed once funds are disbursed.

### PRINCIPAL AND INTEREST

Principal payments will be collected on the first business day of the month based upon the principal payment schedule selected. The final principal payment will be collected at maturity.

Interest is collected on the first business day of the month for the amount accrued through the last day of the previous month and on the maturity or prepayment date. Interest is computed on an actual/365(6)-day basis.

Payments (principal and interest) should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

For information about principal repayments, refer to the *Credit Guidelines* section of this Guide.

### TERM

12 to 360 months

### PREPAYMENT OPTION

Term advance prepayments require formal notification (by email or phone) to FHLBank's Lending department before 2 p.m. CT. Any notification of term advance prepayment received after

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2 p.m. CT will be processed the following business day.

**Amortizing Fixed Rate**
Prepayment is permitted in full (but not in part) with a fee. The prepayment fee equals the present value (discounted at the reference rate) of the difference between: (a) the scheduled interest payments to be paid on the advance through remaining maturity, and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate. The reference rate is the internal rate of return which equates the principal balance of the advance with the future cash flows which would be due on the advance if each unpaid principal payment bore interest, payable monthly, at the effective yield of a Federal Home Loan Bank obligation having the closest remaining maturity and coupon to such principal payment. If the reference rate is greater than the rate on the advance, no fee is charged.

An *example* of the prepayment calculation for amortizing fixed rate advances using this prepayment language can be found in the Appendices of this Guide.

*The following prepayment fee language will apply for advances with an embedded call option.*

**Amortizing Fixed Rate Callable**
Prepayment is permitted in full without a fee at specific intervals during the life of the advance provided FHLBank is notified in writing nine business days prior to scheduled call dates.

If the advance is prepaid other than as outlined above, the prepayment fee equals the present value (discounted at the reference rate) of the difference between: (a) the scheduled interest payments to be paid on the advance through remaining maturity (next call date) and (b) the interest payments that would be collected on the advance through remaining maturity (next call date) if it bore interest at the reference rate. The reference rate is the internal rate of return which equates the principal balance of the advance with the future cash flows which would be due on the advance if each unpaid principal payment bore interest, payable monthly, at the effective yield of a Federal Home Loan Bank obligation having the closest remaining maturity (next call date) and coupon to such principal payment. If the reference rate is greater than the rate on the advance, no fee is charged.

### AVAILABILITY

Amortizing fixed rate advances may be requested until 4 p.m. CT.

# Adjustable Rate Advances

The adjustable rate advance is structured to fund variable rate assets, thereby reducing the repricing and basis risk associated with certain transactions. In addition, these advances often correlate to an institution's internal cost of funds and can complement retail deposits.

**Adjustable rate, non-amortizing**

*Common Uses*

Home equity loans

Origination or purchase of adjustable rate mortgages or securities

Asset/liability and interest rate risk management

Ag operating lines

## TERMS AND CONDITIONS

### LIMITATIONS

Adjustable rate advances, as with all other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide. Adjustable rate advances are also subject to FHLBank's ability to obtain matching liabilities or hedging instruments. The minimum amount of an adjustable rate advance is $10,000.

### RATE

Rates are determined by adding (subtracting) the appropriate spread to (from) the actual index yield at the time of the borrowing. The advance rate is adjusted at intervals based on the SOFR index.*

Visit *Members Only* to view current rates.

### PRINCIPAL AND INTEREST

Principal is due at maturity.

Interest is collected on the first business day of the month for the amount accrued through the last day of the previous month and on the maturity or prepayment date. Interest is computed based on the industry standard day basis for the index selected. For example, SOFR-indexed advances have interest computed on an actual/360-day basis.

Payments (principal and interest) should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

For information about principal repayments, refer to the *Credit Guidelines* section of this Guide.

### TERM

1 to 120 months

* In the event that SOFR is suspended or unreliable, FHLBank may substitute an alternative benchmark index or adjust the spread to maintain the current yield or make the new rate economically neutral. FHLBank will provide the member notice as soon as practically possible and the effective date of any substitutions, adjustments or other changes.

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PREPAYMENT OPTION

Term advance prepayments require formal notification (by email or phone) to FHLBank's Lending department before 2 p.m. CT. Any notification of term advance prepayment received after 2 p.m. CT will be processed the following business day.

Prepayment is permitted in full or in part. Prepayment permitted on rate reset dates with one business day notice and equals the present value (discounted at the reference rate) of the difference between: (a) the scheduled interest payments to be paid on the advance through remaining maturity, assuming the advance rate remains constant, and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate, assuming the reference rate remains constant. The reference rate is the effective yield of a similarly indexed advance having the closest remaining maturity to the advance being prepaid on the date of prepayment. If the reference rate is greater than the rate on the advance, no fee is charged.

An *example* of the prepayment calculation for adjustable rate advances using this prepayment language is located in the Appendices of this Guide.

*The following prepayment fee language will apply for advances with an embedded call option.*

ADJUSTABLE RATE CALLABLE

Prepayment is permitted in full or in part without a fee at specific intervals during the life of the advance provided FHLBank is notified in writing nine business days prior to scheduled call dates.

If the advance is prepaid other than as outlined above, the prepayment fee equals the present value (discounted at the reference rate) of the difference between: (a) the scheduled interest payments to be paid on the advance through remaining maturity (next call date), assuming the advance rate remains constant, and (b) the interest payments that would be collected on the advance through remaining maturity (next call date) if it bore interest at the reference rate, assuming the reference rate remains constant. The reference rate is the effective yield of a similarly indexed advance having the closest remaining maturity (next call date) to the advance being prepaid on the day of prepayment. If the reference rate is greater than the rate on the advance, no fee is charged.

Advances issued with an advance rate tied to FHLBank's Short-Term Advance rate are prepayable on rate reset dates only.

AVAILABILITY

Adjustable rate advances may be requested until 4 p.m. CT.

# Putable Advances

The putable advance typically offers an attractive fixed rate of interest in exchange for granting FHLBank the option to put the advance on a predetermined date(s) before maturity.

**Non-amortizing; contains options FHLBank can exercise**

The option to put the advance is solely at the discretion of FHLBank. Once FHLBank exercises its option to put, the advance must be prepaid without a fee or rolled into another advance product (subject to underwriting standards).

## TERMS AND CONDITIONS

### LIMITATIONS

Putable advances, as with all other credit transactions, are subject to the maximum amount of credit available. Please refer to the Credit Guidelines section of this Guide. Putable advances are also subject to FHLBank's ability to obtain matching liabilities or hedging instruments. The minimum amount required for a putable advance is $2.5 million. Members or housing associates with smaller funding requests may obtain putable advances by participating in FHLBank's periodically advertised window of opportunities.

In addition, members and housing associates are limited to 25% of total assets (admitted assets for insurance company members) in putable and legacy convertible advances with optionality. Assets are based on the most recent quarterly filings with the institution's regulatory agency. Exceptions require the pre-approval of FHLBank senior management.

### RATE

In exchange for selling an option (European) or a strip of options (Bermudan) to FHLBank, the advance is priced below the rate for a fixed rate advance with the same maturity. These options allow FHLBank, after the predetermined lockout period, to put the advance which then requires either the prepayment of the advance without fee or rolling of the advance into another advance product (subject to underwriting standards).

Visit *Members Only* to view current rates.

### FHLBANK OPTION

A European option (single option) allows FHLBank to put the advance after a predetermined lockout period. A Bermudan option (strip of options) allows FHLBank to put the advance after a predetermined lockout period and quarterly thereafter.

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# Putable Advances

*Continued*

BORROWER OPTION

On the date FHLBank exercises its put option, the borrower has the option to prepay the advance in full without a fee or roll into another advance product (subject to underwriting standards).

PRINCIPAL AND INTEREST

Principal is due at maturity.

Interest is collected on the first business day of the month for the amount accrued through the last day of the previous month and on the maturity or prepayment date. Interest is computed on an actual/360-day basis.

Payments (principal and interest) should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the Fees section of this Guide.

For information about principal repayments, refer to the *Credit Guidelines* section of this Guide.

TERM

12 to 180 months

PREPAYMENT OPTION

Term advance prepayments require formal notification (by email or phone) to FHLBank's Lending department before 2 p.m. CT. Any notification of term advance prepayment received after 2 p.m. CT will be processed the following business day.

If FHLBank exercises its put option, this advance must be prepaid in full, without a fee, on the put date.

If the advance is prepaid other than as outlined above, prepayment is permitted in full (but not in part unless FHLBank is able to terminate the portion of its interest rate swap that applies directly to the amount of the advance being prepaid) with one business day notice at a fee determined by FHLBank, in its reasonable discretion, to be sufficient to make FHLBank financially indifferent to the prepayment, taking into account the present value of the advance spread (assuming the spread at the time of prepayment remains constant throughout the expected life of the advance) plus or minus the cost (plus) or benefit (minus) resulting from termination of the underlying interest rate swap used to structure the advance, but the fee shall not be less than $100.

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AVAILABILITY

Putable advances may be requested until 4 p.m. CT; however, because these advances are priced live to the market, pricing is generally more attractive earlier in the day, and late afternoon execution may be unavailable.

**SPECIAL NOTICE**

The putable advance has a complex risk profile and may be an unsuitable funding vehicle for some members or housing associates. Because of the embedded option(s), a putable advance is inherently riskier than a regular fixed rate advance in terms of interest rate risk. Prudent use of a putable advance requires risk evaluation of both the putable advance and the cumulative effect of the putable advance on an institution's overall risk profile. This information is not intended to be investment advice. The decision to obtain a putable advance and understanding how it fits into a financial or business strategy remains the institution's responsibility. Members and housing associates may be required to execute a putable advance disclosure statement when applying for a putable advance.

# Letters of Credit

A letter of credit provides an attractive alternative to using traditional collateral for various transactions. FHLBank's high credit rating ensures wide acceptance of a letter of credit for multiple purposes, including security for public unit deposits.

## TERMS AND CONDITIONS

### LIMITATIONS

FHLBank may issue or confirm a standby letter of credit on behalf of members and housing associates for the following purposes:

— To assist in facilitating residential housing finance;

— To assist in facilitating community lending as defined in 12 C.F.R §1269.2(a)(2) that is eligible for any of FHLBank's Community Investment Cash Advance (CICA) programs;

— To assist with asset/liability management; and

— To provide liquidity or other funding.

A *letter of credit*, as with other credit transactions, is subject to the maximum amount of credit available. Refer to the *Credit Guidelines* section of this Guide.

### TERM

Generally, the term of a letter of credit is one year. However, the term may be extended at FHLBank's discretion based upon the maturity of the underlying obligation. A letter of credit will not be issued for a term exceeding 120 months unless the letter of credit is issued to support a derivative transaction, specifically an interest rate swap. Once the letter of credit is issued, it will remain in effect until the stated maturity date, unless all parties, including the beneficiary, agree in writing to an earlier termination.

### COLLATERAL

A letter of credit must be fully collateralized at the date of issuance and at all times thereafter.

### REQUIRED DOCUMENTS

*Standby Irrevocable Letter of Credit Application*

FHLBank Topeka's Master Transaction Agreement covers all letters of credit. This continuing agreement sets forth the terms, conditions and procedures authorized by FHLBank. A separate application must be submitted for each letter of credit, listing the beneficiary, purpose and

*Continued on next page*

other special instructions. Applications can be completed on the Members Only website or by emailing or faxing a PDF application. To obtain this required document, visit the *Members Only* section of FHLBank's website.

### FEES

Please refer to the *Fees* section of this Guide.

### AVAILABILITY

Letter of credit requests may be made until 3:30 p.m. CT.

# Unsecured Credit Transactions

FHLBank offers unsecured credit transactions, specifically the ability to purchase overnight Fed funds.

**TERMS AND CONDITIONS**

ELIGIBILITY
FHLBank members are eligible to obtain unsecured credit transactions.

LIMITATIONS
FHLBank members must: (1) exhibit capital equal to or greater than $100 million; (2) maintain an NRSRO rating of A or higher; and (3) be approved by FHLBank.

RATE
The fixed rate of interest is based on the overnight Fed funds market and is determined by FHLBank at the time of each funding request.

PRINCIPAL AND INTEREST
Principal and interest is collected the following business day. Interest is computed on an actual/360-day basis. Payments should be received by FHLBank no later than 4:30 p.m. CT or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

TERM
Overnight

AVAILABILITY
Availability of an unsecured credit transaction is dependent on FHLBank's cash position and is at the sole discretion of FHLBank. Requests may be made by contacting the Capital Markets department at 800.933.5427 from 8 a.m. to 5 p.m. CT.

***Common Uses***

Liquidity management

Balance sheet funding

# Demand Deposit Account

FHLBank Topeka's deposit services help cushion your institution against unexpected problems and provide the assurance and protection you need. Customers can review account activity daily via the *Members Only* section of FHLBank's website.

### *Common Uses*

Post advance proceeds, repayments and interest

Post MPF Program loan acquisitions, repayments and interest

Post wire transfers

Post security safekeeping purchases, sales and principal and interest payments

Post stock activity (i.e., purchases, dividends, redemptions)

## TERMS AND CONDITIONS

### ELIGIBILITY

All FHLBank customers have access to FHLBank's Demand Deposit service.

### REQUIRED DOCUMENTS

*Rules & Regulations Governing Deposit Accounts*

### LIMITATIONS

There are no minimum or maximum dollar limits.

### RATE

Rate is set daily at a spread below the Fed funds rate earned by FHLBank.

Visit *Members Only* to view current rates.

### INTEREST

Interest is paid on the first business day of the month for the amount accrued through the last day of the previous month. Interest is computed on an actual/360-day basis.

### TERM

Balances roll over daily.

### FEES

Please refer to the *Fees* section of this Guide.

### AVAILABILITY

Demand Deposit transactions may be made until 4 p.m. CT.

# Overnight Deposit Account

FHLBank's overnight deposit account provides excellent yield opportunities by allowing customers to invest excess liquidity. With FHLBank's high credit rating, the overnight deposit account is a high-quality alternative to direct Fed funds placement providing a competitive interest rate.

Customers can submit transactions and review account activity daily via the *Members Only* section of FHLBank's website.

## TERMS AND CONDITIONS

### ELIGIBILITY

All FHLBank customers have access to FHLBank's Overnight Deposit service.

### REQUIRED DOCUMENTS

*Rules & Regulations Governing Deposit Accounts*

### LIMITATIONS

Overnight deposit transactions are made in multiples of $100,000.

### RATE

Rate is set daily at a spread below the Fed funds rate earned by FHLBank.

Visit *Members Only* to view current rates.

### INTEREST

Interest is computed on an actual/360-day basis and paid daily.

### TERM

Balances roll over daily.

### AVAILABILITY

Overnight Deposit transactions may be made until 4 p.m. CT.

# Certificates of Deposit

FHLBank's certificates of deposit product is a convenient, short-term investment that is often used as a pledging vehicle for advances or public unit deposits.

## TERMS AND CONDITIONS

### ELIGIBILITY

All FHLBank customers have access to FHLBank's Certificates of Deposit service.

### REQUIRED DOCUMENTS

*Rules & Regulations Governing Deposit Accounts*

### LIMITATIONS

The minimum amount is $100,000.

### RATE

The rate is established relative to FHLBank's short-term cost of funds.

Visit *Members Only* to view current rates.

### INTEREST

Interest is computed on an actual/360-day basis and paid at maturity.

### TERM

Three to 360 days

### AVAILABILITY

Certificates of Deposit may be requested until 4 p.m. CT.

# Wire Transfer Services

FHLBank's Wire Transfer services enable customers to access the Federal Reserve system for electronic fund transfers. Wire Transfer requests are expedited through a direct computer interface via FHLBank's account with the Federal Reserve Bank of Kansas City. Customers can review same-day wire activity via the *Members Only* section of FHLBank's website.

## TERMS AND CONDITIONS

### ELIGIBILITY

All FHLBank customers have access to FHLBank's Wire Transfer services.

### OTHER REQUIREMENTS

Each individual authorized by a customer will receive a "Personal Identification Number" (PIN). This PIN must be given prior to initiating wires.

### WIRING INSTRUCTIONS

FHLB Topeka
ABA #101101947

Include Demand Deposit Account (DDA) number and name of institution to credit on wire.

### FEES

Incoming wire transfers received after 4:30 p.m. CT may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

### AVAILABILITY

Outgoing wire transfers may be requested until 5 p.m. CT. Incoming wire transfers received after 4:30 p.m. CT may be subject to a late wire fee. Please refer to the Fees section of this Guide.

# Safekeeping Services

FHLBank's Collateral and Safekeeping Operations (CSO) department can safekeep all types of securities, offer security pledging, segregating and repurchase transactions, and serve as a depository for any securities pledged to public unit deposits. Besides the services outlined above, the CSO department also provides claim processing for the timely resolution of payments for principal and interest, maturities, calls or other transactions. Customers can review account activity and current holdings reports daily via the *Members Only* section of FHLBank's website.

## TERMS AND CONDITIONS

### ELIGIBILITY

All FHLBank customers have access to FHLBank's Safekeeping services.

### FEES

The costs for Safekeeping services are reviewed periodically and are based on competitive factors. Please refer to the *Fees* section of this Guide.

## Security Delivery Instructions

**Fed Book-entry**
Citibank NYC/Cust
ABA #021000089
Ref: FHLBank Topeka - A/C #087088
FFC: Institution Name and DDA #

**DTC Securities**
Citibank NA
DTC #0908
Agent Bank #27603
Institutional ID #29878
A/C FHLBank Topeka - A/C #087088
FFC: Institution Name and DDA #

**Physical Securities** *(Street Delivery)*
Citibank NA (908)
DTC New York Window
55 Water Street – 1st Floor
New York, NY 10041
Ref: FHLBank Topeka - A/C #087088
FFC: Institution Name and DDA #

**Physical Securities** *(through mail and overnight courier)*
Citibank NA
399 Park Ave, Level B Vault
New York, NY 10022
*(Attn: Mr. Sam Smith for commercial paper)*
*(Attn: Mr. Keith Whyte for all other physicals)*
Ref: FHLBank Topeka - A/C #087088
FFC: Institution Name and DDA #

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AVAILABILITY

FHLBank's CSO department must be notified of any security activity by noon, one business day prior to settlement. Notification may be made via fax, phone or email, with the exception of free deliveries. Notification of free deliveries must include an authorized signature, so the request may be made via fax or email with scanned document attached.

# Mortgage Partnership Finance® Program

Mortgage Partnership Finance® (MPF®) is a registered trademark of the Federal Home Loan Bank of Chicago.

The Mortgage Partnership Finance® (MPF®) Program is a secondary market alternative for fixed rate mortgage loans available to FHLBank members and housing associates who apply and are approved to become a Participating Financial Institution (PFI). FHLBank offers traditional products that are held on balance sheet and non-portfolio products.

The traditional products are MPF Original and MPF 125. With these products, FHLBank purchases first lien, conventional one-to-four family residential mortgage loans from PFIs and manages the prepayment, liquidity and interest rate risk associated with the loans. The PFI manages the credit risk of the loans they sell to FHLBank while keeping the customer relationship local through originating and possibly servicing the loan. The traditional product options also include MPF Government for Federal Housing Administration/Veterans Affairs (FHA/VA), HUD Section 184 and RHS Section 502 loans. Because of the Government guarantee, PFIs retain no credit risk and receive no Credit Enhancement income.

For sharing in the credit risk of the loans sold into the MPF Program, a PFI receives a Credit Enhancement income over the life of the loan of up to 10 basis points against the unpaid principal balance of the loans, per annum. Depending on the product option selected, the Credit Enhancement income is either guaranteed or subject to the individual loan performance.

By sharing in the credit risk, a PFI is also required to maintain a Credit Enhancement obligation. The Credit Enhancement obligation is established based on the characteristics of loans sold into a master commitment pool in an amount that is determined at the discretion of FHLBank and subject to regulatory requirements. PFIs selling mortgage loans to FHLBank will be responsible for absorbing losses on the loans it sells up to a fixed Credit Enhancement obligation dollar amount.

The PFI's Credit Enhancement obligation falls in a hierarchy of credit coverage behind homeowner equity, mortgage insurance if applicable, and FHLBank's First Loss Account (FLA).

FHLBank's first-loss obligation is specified in each master commitment (loan contract). FHLBank absorbs loan losses for loans in the master commitment up to the balance of the FLA or in amounts that exceed a PFI's Credit Enhancement obligation.

FHLBank also offers two non-portfolio products, MPF Government MBS and MPF Xtra.

MPF Government MBS provides PFIs the opportunity to sell mortgage loans guaranteed by FHA, VA and the Rural Housing Service (Section 502) under the MPF Program. These mortgage loans

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Mortgage Partnership Finance® (MPF®) is a registered trademark of the Federal Home Loan Bank of Chicago.

are aggregated and pooled into securities guaranteed by the Government National Mortgage Association (GNMA), which results in highly competitive pricing for PFIs. Because of the Government guarantee, PFIs retain no credit risk and receive no Credit Enhancement income.

MPF Xtra provides PFIs the opportunity to sell first-lien, conventional one-to-four family mortgages. The credit risk associated with mortgage loans under MPF Xtra is transferred to the Federal National Mortgage Association (FNMA), and as a result, the PFI does not retain a Credit Enhancement obligation or receive Credit Enhancement income.

MPF Xtra and MPF Government MBS allow the servicing of the mortgages to be retained by the PFI or released to an approved servicing aggregator.

The Mortgage Rate Reduction Product (MRRP) provides eligible households a reduced mortgage interest rate compared to current market rates. This product is available annually on a first-come, first-served basis when voluntary funds are made available. To qualify, your institution must be a PFI, and the borrower household must be at or below 80% of the area median income based on property location. MRRP voluntary funds are available exclusively with the MPF Original and MPF 125 Products. Please refer to our *public website* for more detailed information on this product.

## TERMS AND CONDITIONS

### ELIGIBILITY

Members and housing associates interested in participating in the MPF Program must apply to FHLBank to become a PFI. Suitability criteria include, but are not limited to the following:

- Satisfactory financial condition;
- Non-Performing Loans and REO ratios;
- Loan Loss Reserve ratios;
- Core Capital or Tier 1 Capital ratios;
- Risk-Based Capital ratios;
- Net Worth ratios;
- 1-4 residential loans percentages; and
- Satisfactory review of the member's servicing, loan origination and investor reporting capabilities.

### PRICING

MPF mortgage loan pricing is determined daily (intra-day) based on several factors that affect FHLBank's ability to hold the loans that are sold into the MPF Program. For the various risk-sharing MPF products, FHLBank Topeka uses a base price from the MPF Provider (FHLBank of Chicago) as a starting point. FHLBank then adjusts the base price to meet specific pricing objectives based on profitability, market competitiveness and volume management.

Mortgage Partnership Finance® (MPF®) is a registered trademark of the Federal Home Loan Bank of Chicago.

LIMITATIONS

PFIs selling mortgage loans to FHLBank must comply with the MPF Program, Selling and Servicing Guides as promulgated by the MPF Provider as well as the FHLBank's Anti-Predatory Lending (APL) Policy. For the complete APL Policy, refer to the *Anti-Predatory Lending* section of this Guide.

A PFI's Credit Enhancement obligation, as with all other credit transactions, is subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide. Supplemental quality control reviews may be requested as a result of a PFI's financial or portfolio performance, or the results of its periodic quality control review, at the discretion of FHLBank.

A PFI's total annual, on-balance sheet MPF sales shall be limited to no more than $225 million (gross dollar amount), with no more than $20 million (gross dollar amount) of those purchases being mortgages on second homes, unless the PFI sells $20 million (gross dollar amount) in primary homes in which case the PFI can then sell another $20 million in second homes. Waivers may be available to PFIs needing to exceed this limit, at the discretion of FHLBank.

COLLATERAL

A PFI's Credit Enhancement obligation must be fully collateralized at all times.

SERVICING

PFIs have the ability to retain the servicing of their originated loans, subcontract that servicing to an MPF-approved servicer, or sell the servicing to an MPF-approved servicing aggregator. Additional income can be realized on an ongoing basis when the servicing is retained, and a Service Released Premium provides almost immediate income when PFIs choose to sell the servicing.

AVAILABILITY

Institutions interested in the MPF Program should contact their account manager or the MPF department at 866.571.8171.

# Community Housing Program

The Community Housing Program (CHP) is a special advance program authorized by the Community Investment Cash Advance (CICA) regulations of the Federal Housing Finance Agency. The CHP provides members with wholesale loans (advances) priced below FHLBank's regular advance rates to help finance owner- and renter-occupied housing in their communities, subject to income qualifications (for details see Exhibit B of the *Community Support Program and Targeted Community Lending Plan*).

***Common Uses***

Single family homes

Multifamily rental projects

Purchasing low-income housing tax credits

CHP Advance Products and Program

- Regular fixed rate advances
- Callable advances
- Amortizing fixed rate advances
- Adjustable rate advances

## TERMS AND CONDITIONS

### LIMITATIONS

CHP advances, as with all other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide for more information. In addition, CHP advances must be fully collateralized at date of issuance and at all times thereafter. Please refer to the *Collateral Guidelines* section for more information. CHP advances cannot be used to finance any direct activity of the member or an affiliate of the member. Members are precluded from using CHP advances for their own benefit. Members will not be approved for CHP advance funding for any loan(s) secured by property to be used for any marijuana-related business. The minimum amount of a CHP advance is $10,000.

### REQUIRED DOCUMENTS

*CDP/CHP Application*

Completed CHP applications and a list of loans for which the advance will be taken must be submitted to FHLBank's Housing and Community Development department for confirmation of eligibility. Substitution or submission of additional note(s) will be accepted only after submission to and approval by the HCD department. Projects involving refinancing of loans previously funded with a CHP advance must be identified in a separate application. To obtain the application, visit the *Community Programs* section of FHLBank's website.

Failure on the part of a member to supply any requested documentation may result in the member being restricted from access to FHLBank's Housing and Community Development programs.

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### RATE

CHP advances are priced at FHLBank's cost of issuing consolidated obligations of comparable maturities, including concession costs, plus a reasonable allowance for administrative costs. CHP advance rate pricing must be applied on the date the advance is issued.

If FHLBank determines that a member is not complying with the terms, conditions or regulations of the CHP, the interest rates on the outstanding CHP advances may be changed, as applicable, to (1) the regular fixed advance rate in effect at the time of the original funding; or (2) a rate based on the index, as adjusted based on current interest rates, and the regular pricing spread in effect at the time of the original funding. Members will be given the opportunity to appeal such determinations before FHLBank implements any rate adjustment.

### PRINCIPAL AND INTEREST

Normal principal and interest collection applies. For details, refer to the specific advance program.

### TERM

Four to 360 months. For details, refer to the specific advance program.

### PREPAYMENT OPTION

Normal prepayment fees will apply to CHP advances. For details, refer to the specific advance program.

### AVAILABILITY

Members should allow 48 hours for processing a complete CHP application. Provided an approved CHP application is on file, advances may be requested from the *Lending department* until 4 p.m. CT.

Members are not committed to taking the full amount of approved CHP application amount; however, any unused CHP application amount shall expire at the earlier of three months following the date the CHP-funded loan(s) was originated or three months following application approval.

### TECHNICAL ASSISTANCE

Contact the *Housing and Community Development department*.

# Community Development Program

### *Common Uses*

Ag loans for operating, equipment, breeding stock, real estate, or refinancing;

Commercial/small business loans for real estate, equipment, rolling stock, or refinancing;

Community loans for infrastructure, public facilities or equipment;

Nonprofit lending for churches, schools, daycares and museums; and

Purchase of a participation interest in a loan consortium for CDP-eligible projects.

*866.571.8155*

The Community Development Program (CDP) is a special advance program authorized by the Community Investment Cash Advance (CICA) regulations of the Federal Housing Finance Agency. The CDP is designed to increase members' involvement in their communities through the financing of commercial loans, small business and other community and economic development loans. The CDP provides wholesale loans (advances) priced below FHLBank's regular advance rates to help members finance qualifying commercial loans, farm loans and community and economic development initiatives in the areas they serve (for details, see Exhibit C of the *Community Support Program and Targeted Community Lending Plan*).

CDP Advance Products and Programs

— Regular fixed rate advances
— Callable advances
— Amortizing fixed rate advances
— Adjustable rate advances

## TERMS AND CONDITIONS

### LIMITATIONS

CDP advances, as with all other credit transactions, are subject to the maximum amount of credit available. Please refer to the *Credit Guidelines* section of this Guide for more information. In addition, CDP advances must be fully collateralized at date of issuance and at all times thereafter. Please refer to the *Collateral Guidelines* section for more information. CDP advances cannot be used to finance any direct activity of the member or an affiliate of the member. Members are precluded from using CDP advances for their own benefit. Members will not be approved for CDP advance funding for any loan(s) secured by property to be used for any marijuana-related business. The minimum amount of a CDP advance is $10,000.

### REQUIRED DOCUMENTS

*CDP/CHP Application*

Completed CDP applications and a list of loans for which the advance will be taken must be submitted to FHLBank's Housing and Community Development department for confirmation of eligibility. Substitution or submission of additional note(s) will be accepted only after submission to and approval by the HCD department. Projects involving refinancing of loans previously funded with a CDP advance must be identified in a separate application. To obtain the application, visit the *Community Programs* section of FHLBank's website.

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Failure on the part of a member to supply any requested documentation may result in the member being restricted from access to FHLBank's Housing and Community Development programs.

RATE

CDP advances are priced at FHLBank's cost of issuing consolidated obligations of comparable maturities, including concession costs, plus a reasonable allowance for administrative costs. CDP advance rate pricing must be applied on the date the advance is issued.

If FHLBank determines that a member is not complying with the terms, conditions or regulations of the CDP, the interest rates on the outstanding CDP advances may be changed, as applicable, to (1) the regular fixed advance rate in effect at the time of the original funding; or (2) a rate based on the index, as adjusted based on current interest rates, and the regular pricing spread in effect at the time of the original funding. Members will be given the opportunity to appeal such determinations before FHLBank implements any rate adjustment.

PRINCIPAL AND INTEREST

Normal principal and interest collection applies. For details, refer to the specific advance program.

TERM

Four to 360 months. For details, refer to the specific advance program.

PREPAYMENT OPTION

Normal prepayment fees will apply to CDP advances. For details, refer to the specific advance program.

AVAILABILITY

Members should allow 48 hours for processing a complete CDP application. Provided an approved CDP application is on file, advances may be requested from the *Lending department* until 4 p.m. CT.

Members are not committed to taking the full amount of approved CDP application amount; however, any unused CDP application amount shall expire at the earlier of three months following the date the CDP-funded loan(s) was originated or three months following application approval.

TECHNICAL ASSISTANCE

Contact the *Housing and Community Development department*.

# Affordable Housing Program

Each year end, FHLBank allocates 10% of its net earnings to award in AHP subsidies the following year. Funds allocated to the AHP general fund are awarded in a competitive round, with applications accepted early July to mid-August.

The Affordable Housing Program (AHP) is a program authorized by the Community Investment Cash Advance (CICA) regulations of the Federal Housing Finance Agency. Through the use of subsidized advances and direct subsidies, the AHP helps members provide financing for owner-occupied and rental housing that is affordable to very low-, low- and moderate-income households. Refer to the *AHP Implementation Plan* for more information.

## COMMON USES

AHP provides gap funding for housing projects or programs targeted to very low-, low- and moderate-income households. For direct subsidy requests, members and sponsors must demonstrate the debt-carrying capacity of the project, which indicates a need for the AHP subsidy. For subsidized advances, the applicant must demonstrate that the loan financing for the project requires a below-market interest rate to be feasible. A member receiving a subsidized advance must extend credit to qualified borrowers at an effective rate of interest discounted at least to the same extent as was the subsidy FHLBank granted to the member.

## PROJECT CRITERIA

Eligible applications for AHP funds are reviewed by FHLBank staff using a competitive process. AHP applications must satisfy the following requirements:

1. At least 20% of the rental units must be occupied by and affordable to very low-income households. All owner-occupied units must be occupied by very low-, low- or moderate-income households;

2. Reasonable and customary project costs, sources of funds and proforma projections of operating costs documenting the need for the amount of the AHP subsidy requested must be consistent with AHP standards;

3. Rental applicants must have the ability to draw AHP funds or to use the AHP subsidy to procure other funding not approved at application within 12 months of approval with one six-month extension possible;

4. Owner-occupied applicants must have the ability to draw AHP funds or to use the AHP subsidy to procure other funding not approved at application within 12 months of

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approval with one six-month extension possible;

5. Applicants must commit to not using an AHP subsidy for FHLBank advance prepayment or processing fees;

6. AHP funds can only be used for refinancing if the refinancing produces equity proceeds that are used for purchase, construction, or rehabilitation;

7. Rental units are subject to a 15-year retention period. Units that include down payment assistance are subject to a five-year retention period;

8. All applicants must provide an affirmative fair housing marketing form and comply with fair housing laws;

9. The maximum AHP subsidy per project is $1.5 million. The maximum AHP subsidy per AHP unit is $75,000;

10. Project sponsors must be qualified and able to perform the responsibilities described in the AHP application; and

11. As stated in the *AHP Implementation Plan*, the rate of interest, points, fees and any other charges for all loans that are made for the project in conjunction with the AHP subsidy cannot exceed a reasonable market rate of interest, points, fees and other charges for loans of similar maturity, terms and risk.

### BOARD OF DIRECTORS APPROVAL

FHLBank will forward to its board of directors for final funding consideration the applications receiving the highest overall ratings based on AHP funding criteria. To ensure an adequate pool of projects for consideration, FHLBank staff will forward to the board the highest ranking projects sufficient to exhaust the funds available under the AHP plus the next six alternates.

### ELIGIBILITY

FHLBank will only disburse AHP funds to institutions that are FHLBank members at the time the funds are requested and approved for transfer.

Rental projects and owner-occupied projects with down payment assistance are subject to deed restrictions or other legally enforceable retention

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agreements or mechanisms guaranteeing that:

1. Rental projects will remain affordable and income restricted for the length of the retention period;

2. FHLBank will be notified of the sale or refinancing of the project before the retention period ends;

3. For rental projects the full amount of subsidy will be repaid to FHLBank at sale or refinancing, unless the project continues to be subject to a retention document with the same requirements as the AHP application; and

4. For owner-occupied units that include down payment assistance, a pro rata share of the subsidy may be required to be repaid to FHLBank at sale or refinancing if the net proceeds of the transaction, less the AHP-assisted household's investment, exceed $2,500.

RESOURCES

— AHP User Guides
— AHP Implementation Plan
— Income Calculation Guide
— Income Limits as published on FHLBank's Community Programs website

Applications for AHP funding must be submitted to FHLBank's Housing and Community Development department through FHLBank's online AHP system. For application, disbursement request and reporting requirements, visit the *Community Programs* section of FHLBank's website.

TECHNICAL ASSISTANCE

Contact the *Housing and Community Development department*.

# TurnKey

TurnKey makes housing affordable and accessible in our district by providing down payment, closing cost or purchase-related repair assistance to very low-, low- and moderate-income homebuyers in Colorado, Kansas, Nebraska or Oklahoma.

TurnKey is comprised of three programs - Homeownership Set-aside Program (HSP), Homeownership Set-aside Program Plus (HSP+) and Homeownership Possibilities Expanded (HOPE). Parameters of each program are outlined below.

**HSP**

— Requires household income less than or equal to 80 percent of Area Median Income (AMI);

— Provides up to $15,000 in grant funds per household;

— Is limited to $75,000 per FHLBank member in HSP reservations each month;

— Must be a first-time homebuyer as defined in the *AHP Implementation Plan*;

— Requires homebuyer education/counseling provided by, or based on one provided by, an organization recognized as experienced in homebuyer education; and

— Front ratio must be less than or equal to 38 percent.

**HSP+**

— Requires household income less than or equal to 80 percent of AMI;

— Home must be located in a high-cost or non-metropolitan difficult development area (list of qualifying counties is available on the *HSP+ webpage*);

— Provides up to $25,000 in grant funds per household;

— Is limited to $175,000 per FHLBank member in HSP reservations each month;

— Must be a first-time homebuyer as defined in the *AHP Implementation Plan*

— Requires homebuyer education/counseling provided by, or based on one provided by, an organization recognized as experienced in homebuyer education; and

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— Front ratio must be less than or equal to 44 percent.

### HOPE

— Is not limited to first-time homebuyers;

— If the household is not a first-time homebuyer, the current primary residence must be sold or rented to be eligible for HOPE funds;

— Requires household income less than or equal to 150 percent of AMI;

— Provides up to $12,500 in grant funds per household;

— Is limited to $37,500 per FHLBank member in HSP reservations each month;

— HOPE recipients must be purchasing a primary residence;

— Must have a loan-to-value (first mortgage) of 80 percent or greater; and

— Front ratio must be less than or equal to 38 percent.

### TERMS AND CONDITIONS FOR ALL TURNKEY PROGRAMS

The TurnKey reservation period shall commence annually on the first Monday of March and end on the last business day of November, subject to availability of funds. The funds are not allocated or guaranteed.

HSP and HOPE funds are available incrementally with one-fourth (1/4th) of the annual funding to be available on the first business day of March, April, May and June. The full allocation of HSP+ funds will be made available on the first business day of March.

Funds are available on a first-come, first-served basis. Member limits vary by TurnKey program and are outlined above. FHLBank will evaluate funds remaining after July 1 and determine whether to continue, discontinue or change the member limit.

TurnKey subsidies may not be used for home purchases closed prior to reservation and income approval of the TurnKey funds or prior to the TurnKey funding period. Processing fees charged by any entity, including members, for providing TurnKey subsidy to a household are not allowed.

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### PROGRAM/HOUSEHOLD REQUIREMENTS

RETENTION

- Household is subject to a deed restriction or other legally enforceable retention agreement.
- A pro rata share of the subsidy may be required to be repaid to FHLBank at sale or refinancing if the net proceeds of the transaction, less the HSP-assisted household's investment, exceed $2,500.
- A pro rata share of the subsidy will be required to be repaid to FHLBank at sale by a HOPE-assisted household.
- The amount of subsidy subject to repayment declines 1/60th each month for five years and is then forgiven.
- Repayment is not required in the event of foreclosure, transfer by deed-in-lieu of foreclosure, an assignment of a Federal Housing Administration first mortgage to HUD, or the death of the borrower.

BUYER'S INVESTMENT

Cash back may not exceed $250 at any point in the purchase transaction.

### TURNKEY FUNDING PROCEDURES

To reserve funds for a prospective homebuyer, a member must submit a reservation and required documentation through FHLBank's online system as specified in the program's User Guide. FHLBank shall notify the member by email when the reservation has been approved.

### TURNKEY DISBURSEMENT REQUEST FUNDING PROCEDURES

Member personnel with the AHP/HSP Role in Members Only must submit the following documentation for each disbursement request via FHLBank's online system:

- A copy of the final, signed Closing Disclosure;
- A copy of the fully executed and recorded FHLBank Topeka Real Estate Retention Agreement or other legally enforceable retention agreement;
- A copy of the signed Homebuyer Education Certificate (HSP and HSP+ only);
- Estimates or invoices (whichever applicable) for repair expenses if required by FHLBank; and

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— Grant/forgiveable loan and/or second mortgage documentation (if applicable) from sources in addition to TurnKey.

FHLBank's Housing and Community Development staff will verify that all required documentation is acceptable. The member will be notified by email when the request is approved.

RESOURCES

— AHP Implementation Plan
— Targeted Community Lending Plan
— HSP/HSP+ User Guide
— HOPE User Guide
— Income Calculation Guide
— Income Limits as published on FHLBank's TurnKey website

A TurnKey Member Registration Agreement must be on file with FHLBank's Housing and Community Development department to participate in the program.

For additional information, visit the *TurnKey* section of FHLBank's website.

TECHNICAL ASSISTANCE

Contact the *Housing and Community Development department*.

# Native American Housing Initiatives Grants Program

The Native American Housing Initiatives Grants Program will provide at least $3.6 million to benefit Native American tribes and Tribally Designated Housing Entities. Applications will open in June and close in July.

The Native American Housing Initiatives (NAHI) Grants Program is a voluntary grant program that provides Native American tribes and Tribally Designated Housing Entities with access to grant funds intended to build the capacity of their organizations in support of housing for tribal members in FHLBank's district. NAHI supports tribal organizations working at the grassroots level, which are in the best position to identify and respond directly to tribal needs. Grants are offered through FHLBank members.

## TERMS AND CONDITIONS

### TRANSACTION STRUCTURE

- Funds will be deployed as grants to recipients through an FHLBank member institution who sponsors the application.
- Grant amount cannot exceed $500,000 per recipient with a minimum grant of $100,000. The size of the grant, which may not be the full amount requested, will depend on the recipient's capacity to meet its mission, its housing activity, its geographic footprint, and the strength of its proposal for how the grant funds will be used in alignment with the purpose of the NAHI.
- The recipient will be requested to report outcomes at a designated reporting period post-award.

### DESCRIPTION OF ELIGIBLE RECIPIENTS

**Federally Recognized Tribe** – An American Indian or Alaska Native tribal entity that is recognized as having a government-to-government relationship with the United States, with the responsibilities, powers, limitations and obligations attached to that designation, and is eligible for funding and services from the Bureau of Indian Affairs. Federally Recognized Tribes are recognized as possessing certain inherent rights of self-government (i.e., tribal sovereignty) and are entitled to receive certain federal benefits, services, and protections because of their special relationship with the United States.

**Tribally Designated Housing Entity** (**TDHE**) - May be a department within the Federally Recognized Tribe, tribal housing authority with separate board of commissioners or a nonprofit organization serving members of a Federally Recognized Tribe.

Recipients must provide housing services to Federally Recognized Tribal members residing in Colorado, Kansas, Nebraska or Oklahoma.

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USE OF FUNDS

Grants are intended to strengthen a recipient's ability to provide housing for Native Americans. Grant funds are expected to impact the recipient's financial position, operational efficiency and/or human capital.

Examples of eligible uses of grant funds include, but are not limited to:

- Down payment assistance for home purchases by tribal members
- Repairs to owner-occupied homes for tribal members
- Rental assistance for tenants of tribal housing
- New construction or rehabilitation of existing housing for tribal members
- New program or product development
- Market research to expand existing programs
- Professional development of staff and/or board(s)
- Creation or improvement of lending policies and procedures
- Creation or expansion of strategic plan
- Enhancements to information technology and systems
- Improvements to lending, financial, and/or mission-related reporting
- Marketing and branding
- Consultant (non-employees, separately invoiced)
- Lending capital
- Loan loss reserves
- Salaries, wages, stipends, and/or benefits for new or existing interns and/or staff
- Internal cost allocations (e.g., administrative overhead)

Ineligible uses of grant funds include, but are not limited to:

- Any non-housing related expenses or programs
- Litigation costs/expenses
- Lobbying

AMOUNT OF GRANT FUNDS AUTHORIZED

NAHI is a voluntary grant program funded through FHLBank's retained earnings. It is approved by FHLBank's board of directors, and the annual amount allocated to the Program is recommended by HCD management and approved as part of FHLBank's annual budgeting process. Any increase over the budgeted amount will be recommended by HCD management for approval by FHLBank's Executive Team.

PROGRAM TERMINATION

FHLBank's board of directors may choose to suspend funding the Program at any time and/or discontinue NAHI indefinitely.

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### APPLICATION PROCESS

To be considered for NAHI, an interested organization completes and submits an application in partnership with an FHLBank member.

The applicant must:

- Meet the description of an eligible recipient and its proposed use(s) must satisfy the eligible uses of funds.
- Articulate how the proposed uses of grant dollars will build the capacity of the organization to further its housing mission and activities.
- Have a compelling strategy to increase housing development for Native Americans within FHLBank's geographic footprint and demonstrate how the grant funds help achieve this strategy
- Specify projected outcomes for the uses of funds and the anticipated impact.

FHLBank will review each application to generally assess the strength of the applicant in meeting its mission and objectives, types of housing programs, uses of funds, outcomes and geographic footprint.

### APPLICATION EVALUATION

FHLBank will evaluate each applicant based on the information and documentation provided in its submission and any subsequent data requested.

FHLBank's evaluation will include, but is not limited to, the applicant's strategy, governance and management, program objectives, financial performance, and strength of operations, capital, portfolio performance and management.

Program funds are intended for housing initiatives that lack adequate funding for successful implementation. FHLBank will consider other financial resources available to applicants when reviewing applications.

### POST AWARD PROCESS

Recipients must submit a disbursement request form to the member, who in turn submits the request to HCD for internal processing. Disbursement requests should identify the funding amount and description of housing-related expenses. Recipients are expected to request the full amount of their grant award rather than incremental disbursements.

Disbursement requests will be provided from the recipient to the member who will provide to FHLBank for processing.

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### IMPACT REPORTING

Recipients are requested to submit impact reporting at FHLBank's request. Impact reporting must detail funding, grant activities and outcomes achieved. Impact reporting includes the recipient's future plans and a description of how FHLBank and its members can be included in sustained success of the project.

# Community Assistance Recovery Effort

Community Assistance Recovery Effort (CARE) provides assistance to members in the form of a matching grant to amplify the support our members provide to their communities when natural disasters occur. FHLBank members are in the best position to determine local needs following a disaster and to direct assistance where it will have the greatest impact.

**PROGRAM ACTIVITIES**

FHLBank will match up to $3 for every $1 a member contributes to disaster relief efforts. When a disaster is declared by the Federal Emergency Management Agency (FEMA), members may request CARE funds as follows:

- CARE funds are only for declared disasters in Colorado, Kansas, Nebraska, or Oklahoma.
- Members must contribute $1 for every $3 of CARE funds requested.
- Members must donate at least $2,500 of their own funds.
- CARE funds are capped at $75,000 per member, per disaster.
- FHLBank will not match member donations made prior to January 1, 2025.
- Members may submit multiple requests to address disaster needs in the communities they serve, subject to the member limit described above.

- CARE funds must be used for relief efforts related to the declared disaster, such as, but not limited to:
    - a. Emergency housing,
    - b. Debris clean up,
    - c. Supplies and equipment.

- CARE funds may not be used for:
    - a. A member's foundation, member trade association foundations or similar,
    - b. Any political activity or purpose,
    - c. Any litigation expense.

- Program funds unused as of Nov. 30 will be reallocated to the AHP Extra Program.

# Credit Guidelines

## *Eligible Uses of Credit Products and Programs*

A member or housing associate may request credit for any sound business purpose in which it is authorized to engage. This includes making residential mortgage and consumer loans, covering deposit withdrawals, accommodating seasonal cash needs, restructuring liabilities and maintaining adequate liquidity.

### CREDIT AVAILABILITY

In determining the availability of credit to an institution, FHLBank is subject to regulatory directives and limitations and will take into consideration, among other factors, legislative and practical funding constraints as well as its responsibility to preserve FHLBank's financial integrity and long-term viability. While FHLBank makes every reasonable effort to meet the credit needs of its members and housing associates, it reserves the right to deny any credit request.

Furthermore, an institution's access to credit with maturities of one year or longer will be restricted 30 days after notice is sent by the Federal Housing Finance Agency (FHFA) that the institution is not in compliance with the requirements in the Community Support regulation.

The availability of credit may also be curtailed at any time without prior notice by FHLBank because of adverse market or other conditions, as determined by FHLBank in its discretion.

As a condition for the extension of credit by FHLBank, each institution shall notify FHLBank within three business days after the institution becomes aware of a material adverse change. A material adverse change is any action involving the institution that

### LIMITS ON LONG-TERM ADVANCES

Advances with original maturities greater than five years are considered long term and can only be made for the purpose of enabling an institution to purchase or fund new or existing Residential Housing Finance Assets (RHFAs). As a result, the sum of an institution's advances with original maturities greater than five years cannot exceed the sum of the RHFAs held by the institution.

### RHFAS INCLUDE ANY OF THE FOLLOWING:

- Loans secured by residential real property (see definition on next page);
- Mortgage-backed securities;
- Participations in loans secured by residential real property;
- Loans financed using the Community Investment Cash Advance Program;
- Loans secured by manufactured housing, regardless of whether such housing qualifies as residential real property; or
- Any loans or investments which the Federal Housing Finance Agency, in its discretion, otherwise determines to be RHFAs.

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could reasonably be expected to have a material adverse effect on the institution's ability to comply with provisions of the Advance, Pledge and Security Agreement, impairs the institution's financial status, impairs the institution's operations, or impairs the collateral pledged to FHLBank. A material adverse change includes circumstances that may lead to formal enforcement actions such as, but not limited to, cease and desist orders, written agreements, securities enforcement actions, and prompt corrective actions. Evaluation of potential impact on credit availability will be determined by the Credit function on a case-by-case basis following notification of the material adverse change.

### BANK SECRECY AND ANTI-MONEY LAUNDERING COMPLIANCE

As a condition for the extension of credit by FHLBank, each member shall maintain effective anti-money laundering controls designed to prevent the use of FHLBank's products and service to facilitate money laundering, the funding of terrorists, fraud or other criminal activity.

### MAXIMUM CREDIT AVAILABLE

The maximum level of advances, letters of credit and MPF Credit Enhancement obligations are limited as follows:

**RESIDENTIAL REAL PROPERTY MEANS ANY OF THE FOLLOWING:**

- One-to-four family property;
- Multifamily property;
- Real property to be improved by the construction of dwelling units;
- Real property in the process of being improved by the construction of dwelling units; or
- Community Financial Institutions (CFIs) may also include small farm loans, small business loans and small agri-business loans. See *Definitions* section for more about CFIs.

— For a depository member, insurance company member or housing association, credit obligations to total assets is limited to 40%. Exceptions may be granted up to 50% with the pre-approval of FHLBank senior management. Total assets for insurance company members are defined as admitted assets.

— For non-depository CDFIs, credit obligations are limited to 25% of the non-depository CDFI member's total assets. The ratio can be increased up to 30% with the pre-approval of

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FHLBank senior management.

— Approval of exceptions above the standard maximum amount of credit available may be subject to certain conditions at FHLBank's discretion, which may include but are not limited to: (a) maintenance of specific ongoing creditworthiness standards; (b) collateral pledging limitations; (c) increased disclosure of financial information; and (d) limitations on advance tenors when total credit obligations exceed the respective policy limit of maximum amount of credit available;

— FHLBank credit obligations may not exceed the collateral lending value of loan assets identified on the Qualifying Collateral Determination (QCD) form, plus the lending value of securities and/or loan collateral delivered and pledged to FHLBank or an FHLBank-approved third-party custodian on behalf of FHLBank;

— Long-term advances from FHLBank (original term greater than five years) may not exceed RHFAs; and

— Non-depository CDFIs are further limited to credit obligations with a term of 15 years or less. If the CDFI's Unrestricted Net Asset to Total Asset ratio falls to less than 20%, any new extension of credit is prohibited.

Total assets and RHFAs are generally determined from the most recently completed and finalized quarterly filing with an institution's regulatory agency. Institutions may be able to identify additional RHFAs that can be used to increase long-term borrowing capacity. Visit *Members Only* to access the document outlining how to identify these additional RHFAs.

### CREDIT STANDARDS

FHLBank officers are authorized to make new advances or restructure outstanding advances with due regard for the safety of FHLBank's financial position after carefully considering an institution's financial condition and the availability of funds at FHLBank or in the capital markets.

### REQUIRED DOCUMENTS

Before granting a credit request, FHLBank must have on file the following documents:

— **Advance, Pledge and Security Agreements** These are the master legal documents governing all credit transactions between the member or housing associate and FHLBank.

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- **Master Transaction Agreement & Enrollment Form (collectively, MTA)**
  The MTA authorizes the member or housing associate to enter into credit agreements with FHLBank and grants authority to member administrators to designate individuals authorized to borrow on behalf of the member or housing associate and transact business with FHLBank. The Advances role on Members Only is used to identify individuals authorized to borrow on behalf of the member or housing associate. Members Only roles should be reviewed and updated periodically to reflect changes in personnel authorized to borrow and transact business with FHLBank.

- **Qualifying Collateral Determination (QCD) Form**
  The QCD form identifies the institution's eligible loan collateral available to cover outstanding credit obligations. This form must be updated on a quarterly basis by each institution with outstanding credit obligations. Please refer to the *Collateral Guidelines* section of this Guide regarding the specific procedures.

### TAKEDOWN OPTIONS

While FHLBank makes every reasonable effort to meet the funding needs of its members and housing associates, it reserves the right to deny any advance request, especially those made late in the day.

On advances other than regular fixed rate and amortizing fixed rate, pricing and disbursement procedures are determined on a case-by-case basis. Takedown provisions and rate-setting procedures may vary if the advances are funded directly from the issuance of Federal Home Loan Bank consolidated obligations. Advance proceeds are automatically deposited in the institution's DDA on the funding date.

### PRINCIPAL AND INTEREST PAYMENTS

Payments (principal and interest) should be received by FHLBank no later than 4:30 p.m. CT. or may be subject to a late wire fee. Please refer to the *Fees* section of this Guide.

### PRINCIPAL REPAYMENTS

Formal notification (by email or phone) to execute a term advance prepayment must be received by

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the FHLBank Lending department before 2 p.m. CT. Any notification of term advance prepayment received after 2 p.m. CT will be processed the following business day. Repayment requests (made either online or by calling the FHLBank Lending department) on the overnight line of credit must be received by 4 p.m. CT.

### TRANSFER OF ADVANCES AND LETTERS OF CREDIT

With prior approval from FHLBank, a member or housing associate may transfer an advance, letter of credit or forward settling advance (FSA) commitment to another Tenth District institution. The receiving entity is subject to FHLBank's normal credit guidelines, and a $100 transfer fee will be charged to the transferor.

### INVESTMENT AND CONSULTING ADVICE DISCLAIMER

The information in this Guide and in FHLBank's promotional and educational materials (including, without limitation, FHLBank website content and FHLBank-supplied financial models) is not intended to be investment or consulting advice.

In marketing efforts involving advances and other programs designed to match or offset a specific asset or group of assets, FHLBank is offering only its products and programs and is not offering, selling or soliciting the purchase of any assets.

FHLBank is not, and shall not be deemed a) a partner, joint venturer or otherwise associated in any way with any issuer, underwriter or broker/dealer; b) responsible for any representations made by any issuer, underwriter, broker/dealer or any of their representatives; or c) a fiduciary, agent or otherwise acting in any capacity on behalf of any institution.

FHLBank does not guarantee the accuracy of, or methods used in, its analysis of how certain assets may perform. FHLBank assumes no responsibility for ensuring that the terms of advances match the terms of a specific asset or group of assets. FHLBank is not responsible if the characteristics of assets differ from any projections, resulting in a lower return or loss to the institution, nor is FHLBank responsible for any loss that may otherwise be incurred as a result of the institution's purchase of any asset.

The decision to obtain advances and other products, and the analysis of how they may complement an institution's financial or business strategy, remains the institution's sole responsibility.

## CAPITAL STOCK REQUIREMENTS

The Gramm-Leach Bliley Act specifies that FHLBank must meet certain minimum regulatory capital requirements, including the maintenance of a minimum level of permanent capital as a cushion against a loss.

FHLBank's regulatory capital requirements are:

— to maintain a total capital ratio of at least 4%. This ratio is FHLBank's total capital to total assets. Total capital is the sum of (a) Capital Stock (both Class A and Class B Common Stock); (b) retained earnings, which are determined in accordance with generally accepted accounting principles; (c) the amount of FHLBank's general allowance for losses (if any); and (d) such other amounts (if any) as may be approved by the Federal Housing Finance Agency.

— to maintain a leverage capital ratio of at least 5%. This ratio is 1.5 times the sum of FHLBank's Class B Common Stock and retained earnings (plus the other components of the total capital detailed above) to its total assets; and

— to maintain permanent capital in an amount equal to or greater than the Risk-Based Capital Requirement, which is equal to the sum of FHLBank's credit risk, market risk and operations risk capital requirements. Permanent capital is defined as the sum of FHLBank's Class B Common Stock and retained earnings.

Under FHLBank's capital plan, two classes of stock are issued to members: Class A Common Stock (six-month redemption period) and Class B Common Stock (five-year redemption period). Minimum stock purchase requirements for members have been established for each class of stock. All issuances, redemptions and repurchases of stock by FHLBank are completed at a par value of $100.

### MINIMUM STOCK PURCHASE REQUIREMENT

Each member must maintain a certain minimum amount of capital stock to (1) become and remain a member of FHLBank (Asset-based Stock Purchase Requirement, which is met only with Class A Common Stock); and (2) to enter into specified activities with FHLBank (Activity-based Stock Purchase Requirement, which is met with Class A Common Stock up to a member's Asset-based Stock Purchase Requirement and then with Class B Common Stock to the extent that the Activity-based Stock Purchase Requirement exceeds a member's Asset-based Stock Purchase Requirement). The minimum capital stock purchase is the sum of the Asset-based Stock Purchase Requirement and the Activity-based Stock Purchase Requirement.

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### ASSET-BASED REQUIREMENT

The amount of Class A Common Stock a member must maintain is referred to as the Asset-based Stock Purchase Requirement. The current requirement is 0.10% of a member's total assets as of December 31 of the preceding calendar year, with a minimum of $1,000 and a maximum of $500,000. The Asset-based Stock Purchase Requirement is recalculated in April of each year with any necessary purchases made on the last business day of April.

### ACTIVITY-BASED REQUIREMENT

The amount of Class B Common Stock a member must maintain is referred to as the Activity-based Stock Purchase Requirement. The current requirement is equal to the sum of the following less the member's Asset-based Stock Purchase Requirement:

— 4.5% of the principal amount of advances outstanding to the member;

— 3.0% of the unpaid balance of loans sold under traditional, on-balance sheet MPF products capped at 3.0% of the institution's prior year-end total assets;

— 0.25% of letters of credit balances outstanding to the member;

— The Activity-based Stock Purchase Requirement is recalculated with any change in member activity. Any necessary purchases are charged to the member's DDA at the end of each business day. Excess Class A Common Stock will be automatically swept for Class B Common Stock before purchasing additional Class B Common Stock.

### CHANGE IN MINIMUM STOCK PURCHASE REQUIREMENT

FHLBank, in its discretion, has the right to adjust the above percentages and to adjust the cap on the dollar amount of Capital Stock a member must purchase as a result of the Asset-based Stock Purchase Requirement or the Activity-based Stock Purchase Requirement. This is so that FHLBank can continue to comply with the federal requirements to maintain capital levels at or above the minimum regulatory capital requirements while also prudently managing the risks associated with product-related assets held on balance sheet. Please refer to the *capital plan* for more information on the allowable ranges.

## DIVIDENDS

FHLBank may declare and pay non-cumulative dividends, expressed as a percentage rate per annum, in either cash or Class B Common

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Stock. Class A Common stockholders and Class B Common stockholders will share equally in dividend payments up to the Dividend Parity Threshold (DPT). The DPT is determined by FHLBank's board of directors. To obtain the current DPT, visit the *Members Only* section of FHLBank's website.

FHLBank will notify members of any changes to the DPT at least 90 days prior to any dividend payment to which the change would apply. Dividends in excess of the DPT may be paid on Class A Common Stock or Class B Common Stock at the discretion of the board of directors provided, however, that the dividend rate per annum paid on Class B Common Stock must equal or exceed the dividend rate per annum paid on Class A Common Stock.

## EXCESS STOCK INVESTMENT

A member may hold capital stock in excess of its Minimum Stock Purchase Requirement to the extent it has the legal authority under applicable statutes and regulations, subject to the following:

### REDEMPTION REQUESTS

A member may make a written request to redeem excess Class A Common Stock or excess Class B Common Stock. The redemption period for Class A Common Stock is six months, and the redemption period for Class B Common Stock is five years. The redemption period(s) commence(s) upon FHLBank's receipt of a member's written redemption request. FHLBank will notify the member within five business days of the receipt of a redemption request if it does not intend to, or cannot immediately, repurchase the stock subject to the request.

A member may cancel any request to redeem capital stock. Pertaining to a redemption request made of FHLBank, an automatic cancellation of a member's stock redemption request will occur five business days from the end of the redemption period if FHLBank is prevented from redeeming a member's stock during this five-day period because the redemption would cause the member to fail to meet its Minimum Stock Purchase Requirement. A member's DDA will be charged a Redemption Request Cancellation fee of 1.0% of the par value of Class A Common Stock plus an increasing percentage of the par value of Class B Common Stock equal to 1.0% if cancelled in the first year of the redemption period, 2.0% if cancelled in the second year, 3.0% if cancelled in the third year, 4.0% if cancelled in the fourth year, and 5.0% if cancelled in the fifth year.

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### REPURCHASE OF EXCESS STOCK

FHLBank may, in its sole discretion, repurchase excess stock held by its members. In initiating a repurchase, FHLBank will provide members not less than five business days' written notice of its intent to repurchase excess stock.

### EXCHANGE OF EXCESS STOCK

FHLBank may, in its sole discretion, elect to exchange all or a portion of excess Class B Common Stock for Class A Common Stock at any time FHLBank determines that members hold excess stock. Prior to an exchange, other than under a regular exchange program (referenced below), FHLBank will provide members not less than five business days' written notice. Likewise, in its discretion, FHLBank may exchange excess shares of Class A Common Stock for shares of Class B Common Stock (or vice versa) per a member's request, provided that FHLBank can continue to meet its regulatory capital requirements.

A regular exchange program may be initiated by FHLBank, in its sole discretion, with 30 calendar days' written notice to members prior to the first scheduled exchange. If FHLBank will not exchange all excess stock of a member or changes the interval of a regular exchange program, it will provide not less than five business days' written notice of such intent.

A member may request cash in lieu of Class A Common Stock in any such exchange by providing written notice more than 30 calendar days prior to the exchange. Such notice will serve to direct FHLBank to pay cash in lieu of Class A Common Stock for all future exchanges until the member provides a written request to terminate the directive and FHLBank, in its sole discretion, allows such directive to be terminated.

### REQUIRED DOCUMENTS

- Capital Stock Redemption Request Form
- Capital Stock Redemption Request Cancellation Form
- Capital Stock Exchange Request Form
- Capital Stock Cash in Lieu of Class A Common Stock Request and Cancellation Form

To obtain the documents listed above, visit the *Members Only* section of FHLBank's website.

### AVAILABILITY

Capital stock requests on the forms listed above may be made until 4 p.m. CT.

## APPLYING FOR MEMBERSHIP

### ELIGIBILITY

To be approved as a member of FHLBank, applicants must satisfy the regulatory requirements of regulation *12 CFR Part 1263* of the Federal Housing Finance Agency, as successor to the Federal Housing Finance Board. Any building and loan, savings and loan, cooperative bank, homestead association, insurance company, savings bank, community development financial institution (CDFI – including a CDFI credit union) or insured depository institution, upon application and satisfaction of the requirements of the Act and the following parameters, shall be eligible to become a member of FHLBank.

— The institution is duly organized under federal or state laws, including tribal laws for non-depository CDFIs.

— The institution is subject to inspection and regulation by the FDIC, Federal Reserve Board, NCUA or OCC, or in the case of an insurance company, subject to inspection and regulation by an appropriate state regulator accredited by the National Association of Insurance Commissioners (NAIC). CDFIs, other than CDFI credit unions, must be certified by the CDFI Fund.

— The institution purchases or originates long-term home mortgage loans (with a maturity of five years or more). An institution may also qualify through a mortgage banking operation or by purchasing and holding mortgage-backed securities (MBS) (including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs)). For purposes of this criterion, the MBS must represent (1) a right to receive a portion of the cash flows from a pool of long-term home mortgage loans, or (2) an interest in other securities that meet the requirements of (1).

— The institution has at least 10% of its total assets in residential mortgage loans based on the applicant's most recent regulatory financial report filed with its appropriate regulator. Residential mortgage loans may include: first and junior lien mortgage loans, multifamily mortgage loans, manufactured housing loans, home equity loans, MBS (including CMOs and REMICs), residential construction loans, and dormitory, retirement home, nursing home and single-room occupancy loans. Mortgage assets held under a repurchase agreement are not eligible. An alternative to the 10% requirement has been developed

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for insurance company and non-depository CDFI qualification. Insurance companies and non-depository CDFIs can demonstrate their commitment to housing finance, as reported in their financial statements that are either filed with the NAIC or in the case of non-depository CDFIs, audited by an independent firm, by having an investment in mortgage-related assets that equals or exceeds five percent of total assets. Mortgage-related assets include: (1) Residential mortgage loans as defined in 12 C.F.R. §1263.1, which includes single family and multi-family mortgages, MBS (including CMOs and REMICs) and home equity loans. For purposes of this criterion, the MBS must represent (a) a right to receive a portion of the cash flows from a pool of residential mortgage loans, or (b) an interest in other securities that meet the requirements of (a); (2) GSE debt; (3) GSE equity securities; (4) State housing agency bonds; (5) The multi-family portion of CMBS; (6) Housing tax credits (equity or mortgages); (7) Residential real estate joint ventures, equity in residential and multi-family properties; and (8) Any other mortgage-related asset as determined by FHLBank.

Community Financial Institutions (CFIs) are exempt from the 10% rule. CFIs are FDIC-insured depository institutions whose average total assets over the last three years (as of Dec. 31) are less than a specific asset size. To obtain the current asset cap, visit the *Members Only* section of FHLBank's website.

— The institution: (1) maintains its home or principal office in the Tenth District as designated in its chartering documents as required by applicable state or Federal laws; (2) redesignated its principal place of business to a state in the Tenth District other than the state where its home office is designated or maintained under 12 C.F.R. §1263.18(c); or (3) maintains a physical presence, an executive presence, or other in-state business activities in the Tenth District, as required by FHFA regulations.

— The institution's latest regulatory examination and results of a financial analysis performed by FHLBank staff indicate the institution's financial condition is such that advances may be safely made. FHLBank will assess the applicant's financial condition as a standalone entity without taking into account any support that may be provided by parents or other affiliates.

With respect to a CDFI applicant, per 12 C.F.R. §1263.16(b)(1)(i), independently

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audited year-end financial statements from the prior year as well as year-end financial statements for each of the immediately preceding two years (which need not be audited) must be submitted.

Insurance companies must provide the institution's most recently audited financial statements for the last three years as prepared by a certified public accountant, or in absence thereof, the most recently published financial statements.

— The institution's management history and home financing policy are consistent with sound and economical home financing. Institutions not subject to the Community Reinvestment Act must maintain and submit to FHLBank a home financing policy or equivalent (or a written statement describing its home financing practices), accompanied by a written justification describing how its home financing policy or statement is consistent with sound and economical home financing and with the FHLBank System's housing finance mission.

Institutions interested in applying for membership in FHLBank should contact the *Member Engagement and Solutions department*.

### TRANSFERS OF MEMBERSHIP

Any member of another Federal Home Loan Bank that relocates its principal place of business to FHLBank's district or that redesignates its principal place of business to FHLBank's district pursuant to §1263.18(c) automatically shall become a member of FHLBank upon the successful completion of due diligence by FHLBank with respect to its business model, including validating it continues to be an eligible member type, as set forth in 12 C.F.R. §1263.6., and the purchase of the minimum amount of FHLBank stock required for membership in FHLBank, as required by §1263.20.

### CORPORATE CHANGES

Members involved in a merger, acquisition, consolidation, charter conversion, legal name change or home office relocation should contact FHLBank's *Product Administration department* to evaluate the potential impact on their membership status and credit availability.

### TERMINATION OF MEMBERSHIP

If any membership in FHLBank is terminated, the indebtedness of such member to FHLBank shall be liquidated in an orderly manner, as determined by FHLBank. Any such liquidation of advances or cancellation of FSA commitments prior to maturity shall be deemed a prepayment and shall be subject to the applicable prepayment fees. In such instances, FHLBank will establish appropriate arrangements with respect to the orderly redemption of FHLBank stock held by the member.

## PRICING METHODOLOGY

Interest rates charged by FHLBank on advances are generally a function of market conditions and the following:

— FHLBank's marginal cost of funds for matching maturities and types of funding required;

— FHLBank's cost of delivering and customizing products (general and administrative expenses and various interest rate risks);

— Rates on competing sources of funds for members and housing associates; and

— FHLBank's marginal and overall profitability objectives.

## DIFFERENTIAL PRICING

The following pricing programs do not apply to overnight line of credit, affordable housing or advances under FHLBank's Housing and Community Development programs. Only one of the following pricing programs may apply to a single advance:

### ADVANCE-TO-ASSET RATIO DISCOUNT

If an institution's advance-to-total asset ratio (advance-to-admitted asset ratio for insurance company members) is at least 10%, the advance rate will be 5 basis points (.05%) lower than the regularly posted advance rate (Standard Pricing) for fixed rate advances with terms greater than 12 months. To determine eligibility for the discount, the ratio is calculated by taking the average advance balance for the previous calendar month divided by total assets as indicated by the applicable regulator.

### SPECIAL ADVANCE OFFERINGS

Special advance offerings may be posted from time to time. All members and housing associates are eligible to participate in special advance offerings. Initially, FHLBank may limit the dollar amount of each advance request to encourage broad participation in these offerings.

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### ACCESSING ADVANCE RATES

Opening morning Standard Pricing rates (no discounts applied) are generally posted by 9 a.m. CT and may be obtained via the *Members Only* section of FHLBank's website or by calling the Lending department at 800.809.2733. Advance rates throughout the day will be established at the time of the advance request.

# Borrowing by Housing Associates

▸ The Housing and Community Development Act of 1992 amended Section 10(b) of the Federal Home Loan Bank Act to facilitate borrowing from the Federal Home Loan Banks by housing associates. FHLBank's Member Products Policy governs the extension of credit by FHLBank to a housing associate, including those that qualify as State Housing Finance Agencies. A summary of the requirements are shown at right.

## ELIGIBILITY

To qualify as an eligible housing associate, an entity must:

— Be chartered under law and have succession;

— Be subject, pursuant to statute or regulation, to inspection and supervision of a government agency;

— Lend its own funds as its principal activity in the mortgage field; and

— Be approved by HUD as a mortgagee pursuant to HUD regulations adopted under Title II of the National Housing Act.

## CREDIT UNDERWRITING

Extensions of credit must be in compliance with the Federal Home Loan Bank Act and regulations of the Federal Housing Finance Agency, as successor to the Federal Housing Finance Board. Extensions of credit must also conform to the *Credit Guidelines* section of this Guide. A housing associate must submit an advance certification with each request to borrow. The advance certification will identify the purpose of the advance and the type of collateral being used for security.

## COLLATERAL REQUIREMENTS

Housing associates are required to deliver collateral to FHLBank.

## ADVANCE, PLEDGE AND SECURITY AGREEMENTS

All members and housing associates must execute an Advance, Pledge and Security Agreement and have collateral coverage in place to use FHLBank's products and other programs. The institution's level of collateral coverage is the sum of the lending values of all eligible collateral pledged to FHLBank. The lending values for each type of eligible asset can be found in the *Schedule of Eligible Collateral Guidelines* section of this Guide.

The collateral coverage level establishes the greatest amount of credit FHLBank will extend to an institution, subject to any other regulatory or policy limitations. FHLBank maintains two types of Advance, Pledge and Security Agreements – a Blanket Pledge and a Specific Pledge.

### BLANKET PLEDGE

Every member must enter into a blanket pledge agreement, unless other arrangements are authorized by FHLBank due to legal conflict or impediment. Other arrangements are typically authorized for insurance companies and housing associates. Under this agreement, each member must report quarterly on the composition of its pool of eligible loan assets using a *Qualifying Collateral Determination (QCD) form*. FHLBank uses the QCD form in determining the maximum amount of credit available to the member. Approval for changes in the pool of loan assets pledged is not necessary, and all documents, files, certificates, etc., remain in the member's possession. Members may expand their collateral coverage by delivering and pledging securities to FHLBank or by delivering securities to an FHLBank-approved third-party custodian acting on behalf of FHLBank.

In addition, FHLBank will automatically file financing statements (UCC-1) on each member utilizing a blanket pledge agreement.

Members (excluding Community Development Financial Institutions (CDFIs)) that have executed a Blanket Pledge reporting loan collateral on the QCD Form may be required to provide supporting loan data detail using the Collateral Loan Listing - QCD Loan Support template. Members required to deliver and pledge collateral to FHLBank may use the Collateral Loan Listing - Limited Reporting template or the Collateral Loan Listing - Expanded Reporting template.

Non-depository CDFIs that enter into a Blanket Pledge agreement will be required to deliver and pledge collateral to FHLBank using the Collateral Loan Listing – Expanded template. In addition, non-depository CDFIs will be required to pledge

- Each member or housing associate of FHLBank is required to pledge sufficient eligible collateral to secure all extensions of credit, including advances, letters of credit and MPF Program Credit Enhancement obligations.

If you have any questions about FHLBank's Collateral requirements contact the *Collateral and Safekeeping Operations department.*

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eligible collateral to fully secured any estimated prepayment fees on advances issued on or after April 1, 2008, that have maturities or call dates in excess of three months, and the termination fee on any outstanding FSA commitments. We recognize that members may need to establish contingent liquidity sources based on limited credit capacity with FHLBank. A subordination agreement will need to be executed and may subject the member to additional collateral reporting requirements or restrictions on the maximum credit available.

### SPECIFIC PLEDGE

Members, housing associates and non-depository CDFIs may be authorized by FHLBank to enter into a Specific Pledge agreement. Under the Specific Pledge, the member, housing associate or non-depository CDFI is not required to give FHLBank a blanket floating lien, but must deliver qualifying collateral to FHLBank in an amount that provides a collateral coverage level sufficient to cover its extensions of credit with FHLBank.

In addition, members, housing associates and non-depository CDFIs that enter into a Specific Pledge Agreement will be required to pledge eligible collateral to fully secure any estimated prepayment fees on advances issued on or after April 1, 2008, that have maturities or call dates in excess of three months, and the termination fee on any outstanding FSA commitments.

Financing statements (UCC-1) will be filed on each member that executes a Specific Pledge Agreement. The UCC-1 filing will be of a specific nature, referencing the assets pledged and delivered to FHLBank by the member or housing associate.

Members or housing associates executing a Specific Pledge agreement or non-depository CDFIs executing a Blanket Pledge agreement are required to submit loan collateral using the Collateral Loan Listing – Expanded template and are limited to the eligible collateral assets identified under the Delivered (Expanded) Lending Value as identified on the Schedule of Eligible Collateral.

## COLLATERALIZING WITH SECURITIES

Members or housing associates collateralizing their FHLBank credit obligations with securities must deliver and pledge the securities to FHLBank or deliver securities to an FHLBank-approved third-party custodian acting on behalf of FHLBank.

## ANTI-PREDATORY LENDING

FHLBank supports the expansion of fair and equitable home ownership opportunities. To discourage predatory lending practices, which are inconsistent with such opportunities, and to protect FHLBank from potential liabilities,

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FHLBank adopts the Anti-Predatory Lending (APL) Policy with respect to residential mortgage loans and securities backed by residential mortgage loans pledged to it as collateral and residential mortgage loans purchased by it under the MPF Program. The complete APL Policy can be found in the *Anti-Predatory Lending* section of this Guide.

### PLEDGING AND RELEASING INSTRUCTIONS

When a member or housing associate wants to add to its collateral capacity using securities delivered to FHLBank, the member or housing associate must first pledge the securities to FHLBank. To pledge and/or release security collateral, a member or housing associate must execute and email the *Collateral Activity Report* for securities held by FHLBank, or an Exhibit A of the Third-party Custodial Agreement, for securities held by an approved third-party custodian to FHLBank's Collateral and Safekeeping Operations department. This report will serve as written notification of a member's or housing associate's intent to pledge and/or release securities that will be, or are being, used to secure outstanding credit obligations with FHLBank.

To ensure that a pledge and/or a release request will be processed the same day, FHLBank must receive the *Collateral Activity Report* before 3 p.m. CT. Requests that would result in the member or housing associate not being sufficiently collateralized will be denied until additional collateral is delivered to FHLBank.

### ADDITIONAL SECURITY MEASURES

From time to time, FHLBank may have additional credit concerns for reasons including, but not limited to, deterioration in a member's financial performance. In such cases, FHLBank may, in its discretion, require additional steps or measures to protect its credit exposure and security interest, including taking possession of collateral being used to support a member or housing associate's outstanding credit obligations. Factors considered include:

- capital levels;
- balance sheet size;
- operating ratios and trends;
- asset quality;
- asset/liability management;
- internal operations and controls;
- management policies;
- outstanding supervisory actions or agreements;
- other borrowing arrangements that the institution has outstanding; and
- type of credit agreements being used with FHLBank.

Examples of additional security measures include:

- Restricting the term of new advances;
- Restricting the type of advances available;

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- — Higher required collateral amounts;
- — Increased reporting requirements;
- — Filing of financing statements;
- — Delivery of original documents to FHLBank;
- — Assignment of assets to FHLBank; and
- — The use of a lockbox for receipt of payment on collateral.

## DELIVERY OF COLLATERAL

The delivery of collateral may be required based on the factors noted above, but is mandatory under the following conditions:

### BLANKET PLEDGE MEMBERS

- — Composite CAMELS rating of 5; or
- — Composite CAMELS rating of 4 combined with a component rating of 5 for asset quality or management; or
- — Undercapitalized, as defined below:
  - ■ Banks and Thrifts:
    - i. Institutions using the Risk-Based Capital framework: Total Risk-Based Capital under 8 percent or Tier 1 (Core) Leverage Ratio under 4 percent; or
    - ii. Institutions using the Community Bank Leverage framework: Tier 1 (Core) Leverage Ratio under 4 percent; or
  - ■ Credit unions: Net Worth ratio less than 6.5%; or
- — Non-performing Assets:
  - ■ Banks and Thrifts: Non-Performing Assets (excluding government guaranteed loans) to Tier 1 Capital plus Loan Loss Reserves greater than 100%; or
  - ■ Credit Unions: Non-Performing Assets to Net Worth plus Loan Loss Reserves greater than 75%.
- — Total Assets:
  - ■ Banks and Thrifts: Total Assets of $20 million or less with Total Credit Obligations to Unsubordinated Assets greater than 10 percent; or
  - ■ Credit Unions: Total Assets of $50 million or less with Total Credit Obligations to Unsubordinated Assets greater than 10 percent.

When a mandatory delivery of collateral condition is met, blanket pledge members will be limited to Overnight Line of Credit and Short-Term Fixed Rate advances with a term of 30 days or less. Exceptions require the pre-approval of FHLBank senior management.

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FHLBank will require Blanket Pledge members to report their loan collateral to FHLBank using the Collateral Loan Listing – Limited template if the following condition is met:

- Non-performing Assets:
  - Banks and Thrifts: Non-Performing Assets (excluding any government guaranteed loans) to Tier 1 Capital plus Loan Loss Reserves greater than 75%; or
  - Credit Unions: Non-Performing Assets to Net Worth plus Loan Loss Reserves greater than 55%.

### VERIFICATION OF COLLATERAL

All members using FHLBank's credit products and other programs will be subject to a periodic collateral verification. This verification will be completed by FHLBank staff or one of its agents. The verification indicates that the member is maintaining and reporting adequate qualifying collateral balances with respect to all extensions of credit with FHLBank. The frequency of this verification will be based on FHLBank's evaluation of various risk factors including, but not limited to:

- The dollar amount of the member's outstanding credit obligations;
- The member's ratio of credit obligations to unsubordinated assets;
- Potential concerns regarding the member's financial condition;
- Other borrowing arrangements that the member has outstanding; and
- The member's prior collateral verification results.

The verification of collateral will be waived for any member that has delivered to FHLBank or to an FHLBank-approved third-party custodian qualifying collateral with a collateral coverage level adequate to cover all extensions of credit with FHLBank.

At FHLBank's discretion, and in addition to the verification process described previously, a member or housing associate may be visited at any time by FHLBank staff for review of documents representing or evidencing pledged assets. A member or housing associate must make all documents representing or evidencing pledged assets available for inspection by FHLBank staff. FHLBank may, in its discretion, reduce a member or housing associate's collateral lending value as a result of excessive exceptions detected in a collateral verification. Reductions in collateral lending value are a temporary measure designed to protect FHLBank until exceptions are brought to a reasonable level.

FHLBank may require delivery of eligible collateral to secure total FHLBank indebtedness from

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those members with excessive collateral verification exceptions.

### SPECIFIC LIMITATIONS

Specific limitations on advances apply to members that are not in compliance with their minimum capital requirements.

#### NEW ADVANCES TO MEMBERS WITHOUT POSITIVE TANGIBLE CAPITAL

FHLBank will not make a new advance for a member without positive tangible capital unless the member's federal banking regulatory agency or insurer requests in writing that FHLBank make such an advance and FHLBank determines that it can safely do so.

#### RENEWALS OF ADVANCES TO MEMBERS WITHOUT POSITIVE TANGIBLE CAPITAL

FHLBank may renew outstanding advances for successive terms of up to 30 days each to a member without positive tangible capital, provided that FHLBank first honors any written request from the federal banking regulatory agency or insurer that FHLBank not renew such advances. FHLBank may renew outstanding advances to a member without positive tangible capital for terms greater than 30 days at the written request of the federal banking regulatory agency or insurer.

#### ADVANCES TO CAPITAL DEFICIENT BUT SOLVENT MEMBERS

FHLBank, in its discretion, may make a new advance or renew an outstanding advance for a capital deficient member that has positive capital provided FHLBank has not received written notice from the federal banking regulatory agency or insurer that the member's use of FHLBank credit has been prohibited.

### TEMPORARY WAIVERS

In an emergency, FHLBank senior management may waive FHLBank's normal borrowing standards with the exception of policy limits on extensions of credit or collateral provisions and any prepayment fee resulting in an economic loss to an institution provided that the term of any extension of credit granted pursuant to the waiver is 60 days or less and that such credit is not renewed. A waiver can be granted only if:

1. The circumstances warranting a need for an extension of credit were not reasonably foreseeable or avoidable;
2. No alternative sources of funding were reasonably available to the institution;
3. The extension of credit will not expose FHLBank to significantly greater risk than

extensions of credit made under normal borrowing standards and limitations;

4. The extension of credit does not violate the Federal Home Loan Bank Act or the regulations of the Federal Housing Finance Agency, as successor to the Federal Housing Finance Board; and

5. The prepayment fee waiver will not result in an economic loss to FHLBank.

### THIRD-PARTY CUSTODIANS

Members that have executed a blanket pledge may pledge securities that are safekept with an FHLBank-approved third-party custodian, which is generally defined as a custodian that is:

— FDIC-insured;
— well capitalized as defined by its regulatory agency (at all levels);
— unaffiliated to the institution requesting safekeeping services; and
— annually audited by a certified public accountant who conducts the audit in accordance with generally accepted auditing standards.

FHLBank must pre-approve all third-party custodians. If approved, FHLBank will provide the member with a Third-party Custodial Agreement. All parties (member, custodian and FHLBank) must execute this agreement. Upon execution, FHLBank staff will schedule a conference call with the member and the custodian to discuss procedures for pledging and releasing securities.

### COLLATERAL FEES

The costs for collateral services are reviewed periodically. Please refer to the *Fees* section of this Guide.

# Schedule of Eligible Collateral

If you have any questions about the eligibility of a particular asset, please contact the *Collateral and Safekeeping Operations* department.

The following Schedule of Eligible Collateral provides a list of acceptable, eligible assets as well as the underwriting requirements and lending values associated with those assets. Lending values are expressed as a percentage of market value unless otherwise specified. FHLBank reserves the right to reject certain collateral or adjust the collateral requirements based on its ability to price or determine the marketability of such collateral.

## DEFINITIONS

### BLANKET (QCD) LENDING VALUE

Lending value applicable for collateral reported via the Qualifying Collateral Determination (QCD) form (applicable to Members that have executed an Advance, Pledge and Security Agreement – Blanket Pledge (excluding non-depository CDFI Members)). The lending values are expressed as a percentage of unpaid principal balance unless otherwise specified.

### CARRYOVER DEBT

Debt in which repayment has been extended beyond the loan's original term because of the debtor's inability to generate sufficient cash flows to service the obligation as it is originally structured. Examples of Carryover Debt would include (1) production or feeder livestock loans that are unable to be paid at their initial, short-term maturity, and are rescheduled into an intermediate or long-term amortization; or (2) already-existing term debt whose repayment terms or maturities need to be rescheduled because of inadequate cash flows to meet existing repayment requirements.

### CASE-BY-CASE

The phrase "Case-by-Case" means that FHLBank's senior management, at their discretion, will determine the acceptability and lending value of such collateral.

### COMMUNITY FINANCIAL INSTITUTION (CFI)

An institution that has its deposits insured by the FDIC and whose average total assets over the last three years (as of Dec. 31) is less than the most recent asset cap amount published by the Federal Housing Finance Agency (FHFA). This asset cap shall be adjusted annually by the FHFA to reflect any percentage increase in the preceding year's Consumer Price Index for all urban consumers, as published by the U.S. Department of Labor.

### CONSTRUCTION-TO-PERMANENT MORTGAGE LOAN

There are two types of construction-to-permanent mortgage loan transactions: (1) A Single-Closing Construction-to-Permanent mortgage loan is a transaction where the interim construction loan and the permanent financing uses one set of closing documents and the mortgage loan auto-

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matically converts to the permanent long-term mortgage loan upon completion of the property's construction; or (2) A Two-Closing Construction-to-Permanent mortgage loan is a transaction where the construction loan and the permanent financing uses two sets of closing documents and the interim construction loan converts to permanent long-term mortgage loan through modification or through refinance upon completion of the property's construction.

### DEBT SERVICE COVERAGE RATIO (DSCR)

The relationship of the property's annual net operating income to its annual mortgage debt service (interest-only payment or principal and interest payments). While there are various prudent underwriting and risk assessment methods used in creating and calculating DSCR within the real estate financing industry, FHLBank will not dictate a specific DSCR calculation, but will expect the method used by our Members to be well documented and readily available, if requested by FHLBank.

### DELIVERED (EXPANDED) LENDING VALUE

Lending value applicable for collateral that has been delivered to FHLBank or an FHLBank-approved third-party custodian utilizing the FHLBank's Collateral Loan Listing - Expanded Reporting template (Specific Pledge Members, non-depository CDFI Members and housing associates are required to use the Collateral Loan Listing – Expanded Reporting template). Class A is applicable to only those insurance company Members that are domiciled in a state in which the law exempts FHLBank from any applicable injunctions and stays, repudiation of agreements, fraudulent transfer provisions and preference provisions relating to any FHLBank security agreement or any similar arrangement or agreement relating to the security agreement. Class B is applicable to: (1) entities subject to Chapter 11 bankruptcy reorganization (i.e., non-depository CDFI Members or housing associates); and (2) insurance company Members that are domiciled in a state in which the law **does not exempt** FHLBank from any applicable injunctions and stays, repudiation of agreements, fraudulent transfer provisions and preference provisions relating to any FHLBank security agreement or any similar arrangement or agreement relating to the security agreement. The lending values are expressed as a percentage of market value unless otherwise specified, subject to the maximum lending values indicated for specific types of loans. Market values for loans are determined by taking the lower of: (1) current unpaid principal balance; or (2) the loan value as determined by FHLBank's third-party pricing vendor, as valued at the last quarterly update.

### DELIVERED (LIMITED) LENDING VALUE

Lending value applicable for collateral that has been

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delivered to FHLBank or an FHLBank-approved third-party custodian utilizing FHLBank's Collateral Loan Listing - Limited Reporting template (only applicable to Members that have executed an Advance, Pledge and Security Agreement – Blanket Pledge (excluding non-depository CDFI Members)). The lending values are expressed as a percentage of market value unless otherwise specified, subject to the maximum lending values indicated for specific types of loans. Market values for loans are determined by taking the lower of: (1) current unpaid principal balance; or (2) the loan value as determined by FHLBank's third party pricing vendor, if valued at the last quarterly update.

### EFFECTIVE FALLBACK LANGUAGE

(1) Language provided in a security-offering document, or otherwise agreed to by the borrower, that specifies how the replacement index rate will be determined in the event of the permanent cessation of the current index rate; (2) language granting the member with unilateral rights to make changes to the current index rate, including but not limited to, substituting a replacement index rate and setting the appropriate spread adjustment as necessary; or (3) covered under the Adjustable Interest Rate (LIBOR) Act enacted by Congress and implemented by regulations of the Federal Reserve Board of Governors.

### eNOTE

An electronic promissory note that is a "transferrable record" under the Electronic Signatures in Global and National Commerce Act (codified at 15 U.S.C. §7001 et seq.) ("ESIGN") and is secured by real property.

### FHLBANK

FHLBank Topeka

### FULLY DISBURSED

A loan in which the full face amount of the loan has been advanced to the borrower or on the borrower's behalf.

### FULLY SECURED

A loan in which the fair market value of the asset or assets pledged as security for the loan exceeds the outstanding principal balance of the loan.

### INTERBANK OFFERED RATES (IBORs), including the London Interbank Offered Rate ( LIBOR®)

As referenced in the Adjustable Interest Rate (LIBOR) Act, any tenor of U.S. dollar currency rates formerly known as the London interbank offered rate as administered by ICE Benchmark Administration Limited (IBA) (or any predecessor or successor administrator thereof), and any other

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interbank offered rates that are expected to cease.

#### LEASE LOANS

A financing transaction in the form of a lease (i.e., a lease structured such that the lessee effectively has purchased the asset and the lessor/institution is effectively providing financing secured by the purchased asset).

#### MEMBER

A financial institution that has been approved for membership and owns the required amount of stock in FHLBank.

#### NON-LEAD LENDER PARTICIPATION LOAN

A loan in which the institution is not the sole owner. The institution has purchased a participation interest of less than 100% of the loan from another institution (lead lender).

#### PRIVATE TRANSFER FEE

A charge or payment, imposed by a covenant, restriction, or other similar document and required to be paid in connection with or as a result of a transfer of title to real estate, and payable on a continuing basis each time a property is transferred for a period of time or indefinitely. A Private Transfer Fee does not include fees, charges, payments, or other obligations: (1) imposed by or payable to the Federal government or a State or local government; or (2) that defray actual costs of the transfer of the property, including transfer of membership in the relevant covered association. For purposes of this definition, a Private Transfer Fee also excludes “excepted transfer fee covenants” that: (1) require payment of a Private Transfer Fee to a covered association and limits the use of such transfer fees exclusively to purposes which provide a direct benefit to the real property encumbered by the Private Transfer Fee covenants; or (2) require payment of a Private Transfer Fee under a program meeting the Duty to Serve shared equity loan program criteria for resale restriction programs in §1282.34(d)(4)(i)(A) and (d)(4)(ii), except that no household income limit shall apply.

#### QUALIFYING LEASEHOLD

A leasehold on one-to-four family property or multifamily property under a lease of not less than 99 years that is renewable, or under a lease having a period of not less than 50 years to run from the date the mortgage was executed.

#### SPECIAL PURPOSE PROPERTY

A limited market property with a unique physical design, special construction materials, or a special-purpose layout that restricts its utility to the use for which it was built. Such property has relatively few potential buyers at a particular time, and the property cannot be converted to another use without a large capital investment.

SUB-PRIME LOANS

Extensions of credit to borrowers who, at the time of the loan's origination, exhibit characteristics indicating a significantly higher risk of default than traditional bank lending customers. Sub-prime borrowers typically have weakened credit histories that may include payment delinquencies, charge-offs, judgments and bankruptcies. These borrowers may also display reduced repayment capacity as measured by low credit scores (i.e., FICO score below 660) and high debt-to-income ratios (i.e., debt ratio of greater than 50%). In addition, sub-prime borrowers normally have few, if any, borrowing alternatives. Because of the inherent higher credit risk, Sub-Prime Loans command higher interest rates and loan fees than traditional loans. Any loan pledged to FHLBank where the borrower has a weakened credit history or reduced repayment capacity as measured by a FICO score of less than 620, or a monthly debt-to-income ratio of greater than 55 percent, will be considered to have sub-prime characteristics, unless the Member or housing associate has documented compensating factors that FHLBank determines supports the Member's or housing associate's position that the borrower does not have a weakened credit history or have reduced repayment capacity.

WHOLLY OWNED

A loan of which the institution is the sole owner. For Blanket Pledge Members, this also includes: (1) the retained portion of a loan where the institution originated the loan and services the loan as lead lender but has sold a participating interest in the loan to a third party; or (2) a loan where the institution purchased 100% of the loan and the Member has received written approval from the lead lender to assign and pledge the asset to FHLBank. (Note: Non-lead lender participations of less than 100% are not considered Wholly Owned.)

**ADDITIONAL CLARIFICATIONS**

**Small Business Administration (SBA) Loans –** Members may pledge loans that are guaranteed under the SBA 7(a) program to the applicable collateral type. However, FHLBank disregards the SBA guarantee when assigning a lending value. SBA 7(a) program loans will receive the lending value assigned to the underlying loan collateral type and are subject to the underwriting requirements of the underlying loan collateral type. For example, SBA 7(a) program loans for equipment or fixed assets will receive the applicable lending value and are subject to the underwriting requirements under Section V. Other Collateral, 2. Equipment loans.

Property held by wholly owned subsidiaries may be accepted to the extent allowed by regulation after providing documentation acceptable to FHLBank in its discretion.

A **cross collateralized** loan's eligibility and lending value will be determined based upon the assets used in collateralizing the loan. If the loan is **Fully** Secured (supported) by multiple types of assets that would make the loan eligible as collateral under this policy, the loan would be eligible. A loan would be eligible as collateral as long as the institution can demonstrate that the loan is Fully Secured by eligible collateral, while excluding any ineligible collateral during this determination. Collateral values for the cross collateralized loan will be determined based upon the lending value applied to the lowest asset required to fully secure the loan. If a member is required to deliver collateral, FHLBank will require the delivery of all loans impacted by the cross collateralization to FHLBank.

Loans which have been paid off, sold or matured should not be included in eligible collateral. Members and housing associates should notify FHLBank immediately when any delivered loan is paid off, is sold or matures.

All eligible collateral must have a readily ascertainable value, be reliably discounted to account for liquidation and other risks, and be able to be liquidated in due course.

**REQUIREMENTS FOR ELECTRONIC LOAN MODIFICATIONS -** *Effective March 31, 2022*
Loan modifications executed before March 31, 2022, that meet these requirements will also be eligible.

The following additional requirements apply to electronically signed loan modifications of wet-inked promissory notes where permitted by Underwriting Requirements within the Schedule of Eligible Collateral:

1. The original, wet ink paper note is retained and available for FHLBank's review.

2. The electronically signed loan modification is an amendment to the paper note and is not a restatement of the note that purports to replace the paper note (for example, it is not being converted into an eNote) or changes the ownership of the note.

3. The electronically signed loan modification must be a valid and enforceable transferable record pursuant to the federal Electronic Signatures in Global and National Commerce Act, 15 U.S.C. §§ 7001 et seq. (E-SIGN), and the Uniform Electronic Transactions Act (UETA) or other applicable law without any defect that would cause FHLBank, or a subsequent transferor, to have less than full rights, benefits and defenses of control (as defined by E-SIGN, UETA, or applicable law) of the transferable record, and should include language to evidence compliance with E-SIGN and applicable UETA requirements.

4. The electronic signing of the loan modification must occur on, or prior to, the effective date of the change addressed by the loan modification. Scriveners' errors with effective dates prior to the date of the electronically signed

loan modification may be addressed.

5. A copy of the electronically signed loan modification must be maintained in a format that is accessible by FHLBank, stored with the related loan documentation, and be available for review by FHLBank.

6. Evidence of the borrower's affirmative consent to conduct the loan transaction electronically and evidence of the borrower's execution of the electronic signature for a specific document must be maintained in a format that is accessible by FHLBank, stored with the related loan modification, and available for review by FHLBank.

7. If the electronically signed loan modification requires an amendment to the mortgage as well as the note, the member must comply with all recording requirements for the jurisdiction in which the property is located and the original mortgage is recorded. FHLBank will accept eNotarization or remote online notarization if the subject state has enacted laws or regulations to allow for the same and the applicable county recording office accepts them. Members are responsible for knowing and complying with such laws; FHLBank will not provide guidance on a jurisdiction by jurisdiction basis.

8. Modifications executed by biometric means (such as fingerprint, voice, facial or retinal recognition) and video and/or audio recordings are not eligible.

**REQUIREMENTS FOR COPIES OF LOAN MODIFICATIONS** - *Effective March 31, 2022*
Loan modifications executed before March 31, 2022, that meet these requirements will also be eligible.

The following additional requirements apply to copies of loan modifications of wet-inked promissory notes where permitted by Underwriting Requirements within the Schedule of Eligible Collateral:

1. The original, wet ink paper note is retained and available for FHLBank's review.
2. The loan modification is an amendment to the paper note and is not a restatement of the note that purports to replace the paper note (for example, the paper note is not being replaced by a scanned or imaged loan modification) or changes the ownership of the note.
3. If the loan modification requires an amendment to the mortgage as well as the note, the member must comply with all recording requirements for the jurisdiction in which the property is located and the original mortgage is recorded.
4. The copy of the wet-inked loan modification must be maintained in a format that is accessible by FHLBank, stored with the related loan documentation, and be available for review by FHLBank.

   Note: FHLBank prefers copies of loan modifications to be certified copies or to meet the requirements for Electronic Loan Modifications.

# Temporary Coronavirus (COVID-19) Underwriting Requirements

## *Underwriting Requirements*

These underwriting requirements are available for use on the following Collateral Types:

- Conventional Mortgages on One-To-Four Family Residential Real Property;
- Mortgages on Multifamily Residential Real Property;
- Agricultural Real Estate;
- Commercial Real Estate;
- Second Mortgages on Residential One-To-Four Family Property;
- Home Equity Lines of Credit;
- Operating Loans; and
- Equipment Loans.

### FORBEARANCE PLANS AND MODIFICATIONS DESCRIBED BELOW CEASED ON DEC. 31, 2021:

a. A hardship is a temporary income interruption, where a COVID-19 hardship caused a decrease in the Borrower's income due to circumstances outside the Borrower's control.

i. Forbearance plans can defer contractual payments for no more than 6 months and modifications of an existing note can reduce the Borrower's monthly contractual payment for no more than 12 months;

ii. Modifications that reduce contractual payment can reduce contractual payment to a minimum monthly payment of interest-only payment;

iii. Borrower(s) can execute a forbearance plan or a modification with an electronic signature that is in compliance with the Electronic Signatures in Global and National Commerce Act (i.e. E-SIGN). The forbearance plan or modification must be accompanied by an original note that has a "wet" signature from all borrowers and the Member retains the original document;

iv. Forbearance plans must indicate the duration of the forbearance plan including the effective date, the expiration date of the forbearance plan, and the due date of the first payment and the amount of the payment;

v. The collateral type is not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member prior to the forbearance plan or the modification, with collateral performance continuing to meet FHLBank's delinquency eligibility standards (Internal Watchlist may be required to be submitted to FHLBank);

vi. If a modification requires an amendment to the mortgage as well as the note, you must comply with all current recording requirements for the jurisdiction in which the property is located and where the original mortgage is recorded to ensure lien position remains eligible for the asset category; and

vii. Original term to maturity cannot exceed 360 months; absent the forbearance plan or modification.

**Note:** Forbearance plans and modifications that borrowers entered into prior to the eligibility cessation date of December 31, 2021, that previously met the COVID-19 Temporary Underwriting Requirements will remain eligible for pledging for the remaining duration of the forbearance plan, modification period, or until the asset is paid-off, sold or reaches the maturity date. Other important information: For FHA-insured and VA-guaranteed Mortgages within the One-To-Four Family Residential Real Property category, with forbearance plans and modifications will remain eligible for pledging provided the mortgage loans comply with applicable laws and regaultions, including section 4022 of the Coronavirus Aid, Relief, and Economic Stability Act. This includes any and all FHA and Veteran's Benefits Administration's published requirements through the end of the COVID-19 nationally declared emergency.

The lending value assigned to eligible COVID-19 pledged assets, currently and previously utilized COVID-19 underwriting requirements, will be equal to the then current lending value established for the Collateral Type category as contained in FHLBank's Member Products and Services Guide until further notice. The mortgage loan collateral must otherwise continue to meet all other underwriting requirements for loan Collateral Type contained in the Member Products and Services Guide, specifically in this Schedule of Eligible Collateral. FHLBank's COVID-19 underwriting requirements for FHA-insured and VA-guaranteed Mortgage loans are available for use until further notice from FHLBank. FHLBank anticipates providing members with 10 business day written notice prior to further changes or full expiration of the remaining temporary COVID-19 underwriting requirements for FHA-insured and VA-guaranteed Mortgages.

# Collateral Type : **I. Loans**

| 1. ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| **A. CONVENTIONAL MORTGAGES ON ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY** | | | | |
| i. Amortizing mortgages | 75% (unpaid principal) | 75% (market value*) | 77% (market value*) | 76% (market value*) |
| ii. Interest-only mortgages | 67% (unpaid principal) | 67% (market value*) | 74% (market value*) | 69% (market value*) |

eNotes are eligible for pledging within this category; however, members will need prior approval from FHLBank prior to pledging, which will include the completion of the eNotes Readiness Checklist.

* Maximum lending value on individual loan is limited to $10 million.

## *Underwriting Requirements*

1. Loans must be secured by real estate:
   a. Loans must be secured by one-to-four family dwelling units located in the United States (U.S.); and
   b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;

2. Fully Secured:
   a. Loan-to-value ratio:
      i) Blanket Pledge Members' (excluding non-depository Community Development Financial Institution (CDFI) Members) loan-to-value ratios cannot exceed 100% (appraisals and evaluations are in compliance with or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines, as amended by final rule, with the exception of the results of an Automated Valuation Model (AVM), which are not eligible);
      ii) Specific Pledge Members', non-depository CDFI Members' and housing associates' loan-to-value ratios cannot exceed 80% and, if applicable, the combined loan-to-value ratios cannot exceed 90% (appraisals must be prepared by a licensed or certified appraiser, licensed or certified in the state which the subject property is located and the appraisal must comply with the Uniform Standards of Professional Appraiser Practices (USPAP));
   b. The mortgage amount must equal or exceed outstanding principal amount on note; and
   c. The mortgage and/or deed of trust and all subsequent assignments must show evidence of proper recording with the recorder's office;

3. First lien enforceability (as evidenced by title insurance policy, title opinion or by an independent third-party title search as permitted by state law). If lien search does not cite subject mortgage as first lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first lien position;

4. Fully Disbursed (closed-end loans only; no revolving lines of credit);

5. Wholly Owned;

6. No held-for-sale mortgage loans;

7. Term to maturity cannot exceed 360 months except for Single-Closing Construction-to-Permanent loans, where the term to maturity may extend beyond 360 months from the original note date but cannot exceed 360 months from the effective date of the converted permanent loan;

8. No reverse mortgage loans;

9. No residential land development loans (including vacant land);

10. No construction or rehabilitation loans;

11. No Sub-prime Loans;

12. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as Property Assessed Clean Energy (PACE) programs that takes priority over the first mortgage;

*(continued on next page)*

# Collateral Type : **I. Loans**

| 1. ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| **A. CONVENTIONAL MORTGAGES ON ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY** | | | | |
| i. Amortizing mortgages | 75% (unpaid principal) | 75% (market value*) | 77% (market value*) | 76% (market value*) |
| ii. Interest-only mortgages | 67% (unpaid principal) | 67% (market value*) | 74% (market value*) | 69% (market value*) |

eNotes are eligible for pledging within this category; however, members will need prior approval from FHLBank prior to pledging, which will include the completion of the eNotes Readiness Checklist.

* Maximum lending value on individual loan is limited to $10 million.

## *Underwriting Requirements* *(continued from previous page)*

13. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
14. No Lease Loans;
15. Loans on property subject to a leasehold must be on a Qualifying Leasehold;
16. Delinquency:
    a. Blanket Pledge Members' (non-depository CDFI Members) loans cannot be more than 90 days delinquent;
    b. Specific Pledge Members', non-depository CDFI Members' and housing associates' loans cannot be more than 60 days delinquent in the past 3 months; and
    c. Delinquency reports may be required to be submitted to FHLBank;
17. No loans that violate FHLBank's Anti-Predatory Lending Policy;
18. Loans originated or acquired after July 10, 2007, must comply with the Interagency Guidance on Nontraditional Mortgage Products Risks, the Statement on Subprime Mortgage Lending, and Addendum to Credit Risk Management Guidance for Home Equity Lending;
19. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
20. Amortization:
    a. No negative amortization;
    b. If note structure allows for interest-only payments, FICO scores must be equal to or exceed 680;
21. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;
22. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
23. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
24. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

# Collateral Type : **I. Loans**

| 1. ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| **B. FEDERAL HOUSING ADMINISTRATION (FHA)-INSURED MORTGAGES ON ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY** | | | | |
| i. Not more than 90 days delinquent | 82% (unpaid principal) | 82% (market value*) | 82% (market value*) | 79% (market value*) |
| ii. More than 90 days delinquent | 82% (guaranteed portion) | 82% (guaranteed portion*) | 82% (guaranteed portion*) | 79% (guaranteed portion*) |
| **C. VETERANS AFFAIRS (VA)-GUARANTEED MORTGAGES ON ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY** | | | | |
| i. Not more than 90 days delinquent | 79% (unpaid principal) | 79% (unpaid principal) | 79% (market value*) | 76% (market value*) |
| ii. More than 90 days delinquent | 79% (guaranteed portion) | 79% (guaranteed portion) | 79% (guaranteed portion*) | 76% (guaranteed portion*) |

eNotes are eligible for pledging within these categories; however, members will need prior approval from FHLBank prior to pledging, which will include the completion of the eNotes Readiness Checklist.

* Maximum lending value on individual loan is limited to $10 million.

## *Underwriting Requirements*

1. Loans must comply with the Agency's underwriting guidelines;
2. Wholly Owned;
3. No held-for-sale mortgage loans;
4. No reverse mortgage loans;
5. No residential land development loans (including vacant land);
6. No construction or rehabilitation loans;
7. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;
8. No Lease Loans;
9. Loans on property subject to a leasehold must be on a Qualifying Leasehold;
10. No loans that violate FHLBank's Anti-Predatory Lending Policy;
11. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
12. No negative amortization;
13. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;
14. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
15. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
16. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

# Collateral Type : **I. Loans**

| 1. ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| **D. HELD-FOR-SALE MORTGAGES ON ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY (HFS SF)** | | | | |
| i. HFS SF mortgages eligible to be sold to FNMA, FHLMC or GNMA | 81% (unpaid principal) | 81% (unpaid principal) | 81% (market value) | 78% (market value) |

eNotes are eligible for pledging within this category; however, members will need prior approval from FHLBank prior to pledging, which will include the completion of the eNotes Readiness Checklist.

## *Underwriting Requirements*

1. Maximum aggregate lending value applicable for institutions reporting HFS SF loans via the Qualifying Collateral Determination (QCD) form is limited to 15 percent of institution's total assets. Institutions wanting to exceed this amount will be required to submit loan data detail on a daily basis;
2. Wholly Owned;
3. No reverse mortgage loans;
4. No residential land development loans (including vacant land);
5. No construction or rehabilitation loans;
6. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;
7. No Lease Loans;
8. Loans on property subject to a leasehold must be on a Qualifying Leasehold;
9. Pipeline Limitations:
   a. Blanket Pledge Members' (excluding non-depository CDFI Members) loans cannot exceed 90 days from origination date of the mortgage;
   b. Specific Pledge Members' and non-depository CDFI Members' loans cannot exceed 45 days from origination date of the mortgage;
10. Delinquency:
    a. Loans cannot be more than 30 days delinquent;
    b. Delinquency reports may be required to be submitted to FHLBank;
11. No loans that violate FHLBank's Anti-Predatory Lending Policy;
12. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
13. No negative amortization or interest only loans;
14. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;

*(continued on next page)*

# Collateral Type : **I. Loans**

| 1. ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| **D. HELD-FOR-SALE MORTGAGES ON ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY (HFS SF)** | | | | |
| i. HFS SF mortgages eligible to be sold to FNMA, FHLMC or GNMA | 81% (unpaid principal) | 81% (unpaid principal) | 81% (market value) | 78% (market value) |

eNotes are eligible for pledging within this category; however, members will need prior approval from FHLBank prior to pledging, which will include the completion of the eNotes Readiness Checklist.

### *Underwriting Requirements*

15. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and

16. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

In addition to the general HFS SF underwriting requirements identified above, the loans must also comply with the following:

17. Loans must comply with Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) or Government National Mortgage Association (GNMA) underwriting guidelines;

18. Loans eligible to be sold to FNMA or FHLMC must be underwritten utilizing Desktop Underwriter® (DU) or Loan Product Advisor® (LP) and the documentation must be maintained that reflects a DU Approve/Eligible or an LP Accept/Eligible; and

19. Loans eligible to be sold to GNMA must be underwritten utilizing Technology Open To Approved Lenders (TOTAL) Mortgage Scorecard and documentation must be maintained that reflects a TOTAL Scorecard Accept or Refer (any Refer must also include the Direct Endorsement underwriter’s approval), except for VA-guaranteed Interest Rate Reduction Refinance Loans and FHA-insured Streamlined Refinance transactions, assumptions and mortgages made to nonprofit/Governmental Entity Borrowers.

# Collateral Type : **I. Loans**

| 1. ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| **D. HELD-FOR-SALE MORTGAGES ON ONE-TO-FOUR FAMILY RESIDENTIAL REAL PROPERTY (HFS SF)** | | | | |
| ii. HFS SF mortgages NOT eligible to be sold to FNMA, FHLMC or GNMA | 75% (unpaid principal) | 75% (unpaid principal*) | N/A | N/A |

eNotes are eligible for pledging within this category; however, members will need prior approval from FHLBank prior to pledging, which will include the completion of the eNotes Readiness Checklist.

* Maximum lending value on individual loan is limited to $10 million.

## *Underwriting Requirements*

In addition to the general HFS SF underwriting requirements (1-16 on pages 75-76), the loans must also comply with the following:

1. Loans must be secured by real estate:
   a. Loans must be secured by one-to-four family dwelling units located in the U.S.; and
   b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;
2. Fully Secured:
   a. The mortgage amount must equal or exceed the outstanding principal amount on the note; and
   b. The mortgage and/or deed of trust and all subsequent assignments must show evidence of submission to recorder's office for proper recording;
3. First lien enforceability (as evidenced by title insurance policy, title opinion or by an independent third-party title search as permitted by state law). If lien search does not cite subject mortgage as first lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first lien position;
4. Fully Disbursed (closed-end loans only, no revolving lines of credit);
5. Term to maturity cannot exceed 360 months;
6. No Sub-prime Loans;
7. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
8. Loans originated or acquired after July 10, 2007 must comply with the Interagency Guidance on Nontraditional Mortgage Products Risks, the Statement on Subprime Mortgage Lending, and Addendum to Credit Risk Management Guidance for Home Equity Lending; and
9. Loan-to-value ratios cannot exceed 100 percent (appraisals and evaluations are in compliance with or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines, as amended by final rule, with the exception of an AVM, which are not eligible); and
10. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;

# Collateral Type : **I. Loans** *Continued*

| 2. MORTGAGES ON MULTIFAMILY RESIDENTIAL REAL PROPERTY | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 67% (unpaid principal) | 67% (market value*) | 71% (market value*) | 68% (market value*) |

* Maximum lending value on individual loan is limited to $200 million.

## *Underwriting Requirements*

1. Loans must be secured by real estate:
   a. Loans must be secured by multifamily dwelling units located in the U.S.; and
   b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;

2. Fully Secured:
   a. Loan-to-value ratio:
      i) Blanket Pledge Members' (excluding non-depository CDFI Members) loan-to-value ratios cannot exceed 85% (appraisals and evaluations are in compliance with or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines, as amended by final rule);
      ii) Specific Pledge Members', non-depository CDFI Members' and housing associates' loan-to-value ratios cannot exceed 70% and, if applicable, the combined loan-to-value ratios cannot exceed 80% (appraisal prepared by an appraiser with Member Appraisal Institute (MAI) professional designation);
   b. Debt Service Coverage Ratio (DSCR):
      i) Blanket Pledge Members' (excluding non-depository CDFI Members) DSCR must equal or exceed 1.00;
      ii) Specific Pledge Members', non-depository CDFI Members' and housing associates' DSCR must equal or exceed 1.25 and updated no less than annually. Lower DSCRs may be accepted if loan is fully amortizing over a shorter time period (less than 20 years);
   c. The mortgage amount must equal or exceed outstanding principal amount on the note; and
   d. The mortgage and/or deed of trust and all subsequent assignments must show evidence of proper recording with the recorder's office.

3. First lien enforceability (as evidenced by title insurance policy, title opinion or by an independent third-party title search as permitted by state law). If lien search does not cite subject mortgage as first lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first lien position;

4. Fully Disbursed (closed-end loans only; no revolving lines of credit);

5. Wholly Owned;

6. Term to maturity cannot exceed 360 months;

7. No residential land development loans (including vacant land);

8. No construction or rehabilitation loans;

9. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;

10. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;

11. No Lease Loans;

*(continued on next page)*

# Collateral Type : **I. Loans** *Continued*

| 2. MORTGAGES ON MULTIFAMILY RESIDENTIAL REAL PROPERTY | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 67% (unpaid principal) | 67% (market value*) | 71% (market value*) | 68% (market value*) |

* Maximum lending value on individual loan is limited to $200 million.

### *Underwriting Requirements* *(continued from previous page)*

12. Loans on property subject to a leasehold must be on a Qualifying Leasehold;
13. Delinquency:
    a. Blanket Pledge Members' (excluding non-depository CDFI Members) loans can not be more than 60 days delinquent;
    b. Specific Pledge Members', non-depository CDFI Members' and housing associates' loans cannot be more than 60 days delinquent in the past 12 months; and
    c. Delinquency reports may be required to be submitted to FHLBank.
14. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
15. Amortization:
    a. No negative amortization;
    b. If note structure allows for interest -only loans;payment features, the interest-only period must be seven years or less;
16. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;
17. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
18. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
19. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

# Collateral Type : **II. Securities**

- For securities with cash flows derived from underlying collateral, i.e., Collateralized Mortgage Obligations (CMOs), excluding interest-only or principal-only securities.
- Prices must be readily available through the FHLBank's pricing vendors. FHLBank primarily uses one pricing vendor to value securities collateral each day, while completing a month-end review to validate consistent pricing amongst FHLBank's pricing vendors. For those securities experiencing greater price variability amongst FHLBank pricing vendors, FHLBank may adjust values to account for the additional security price risk.
- No IBOR-indexed (including LIBOR®) adjustable interest rate securities that remains IBOR-linked after June 30, 2023, and do not have Effective Fallback Language. Please refer to definition section for Effective Fallback Language.
- Prospectus may be required to determine security eligibility.
- Security ratings must be obtained from at least one of the following Nationally Recognized Statistical Rating Organizations (NRSROs): Standard & Poor's Financial Services LLC, Moody's Investors Service, Inc., or Fitch Ratings Inc.; and the lowest rating identified will be applied. A security rating under a negative watch will be assigned up to a full letter grade reduction until the current rating watch is resolved.

## 1. AGENCY RESIDENTIAL MORTGAGE PASS-THROUGH SECURITIES (INCLUDING UNIFORM MBS)

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | 92% (market value) | 92% (market value) | 81% (market value) |

### *Underwriting Requirements*

1. Securities issued and guaranteed by GNMA, FNMA or FHLMC only; and
2. Securities' underlying loan collateral cannot violate FHLBank's Anti-Predatory Lending Policy.

## 2. AGENCY CMOs

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | 96% (market value) | 96% (market value) | 88% (market value) |

### *Underwriting Requirements*

1. Securities issued and guaranteed by GNMA, FNMA or FHLMC only;
2. Securities' underlying cash flows must be derived from mortgages on one-to-four family residential real property;
3. This includes real estate mortgage investment conduits (REMICs) but excludes inverse floaters, residual, support, subordinated, junior, mezzanine, structured, complex and Z tranches; and
4. Securities' underlying loan collateral cannot violate FHLBank's Anti-Predatory Lending Policy.

# Collateral Type : **II. Securities**

| 3. AGENCY-STRUCTURED BONDS (STEP-UP, INVERSE FLOATER, MULTIPLE INDEX, DUAL INDEX, LEVERAGED INDEX, INDEX AMORTIZING PRINCIPAL, ETC.) | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | 91% (market value) | 91% (market value) | 79% (market value) |

| 4. OTHER AGENCY CMOs | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | 89-90% (market value*) | 89-90% (market value*) | 69-79% (market value*) |

* Lending value dependent upon underlying collateral and security structure.

| 5. U.S. TREASURY BILLS (T-BILLS) | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | 99% (market value) | 99% (market value) | 98% (market value) |

### *Underwriting Requirements*

1. Securities issued and guaranteed by GNMA, FNMA or FHLMC only;
2. Securities' underlying cash flows must be derived from mortgages on one-to-four family or multifamily residential real property or collateral identified under Category IV;
3. This includes inverse floaters, support, subordinated, junior, mezzanine, structured, complex and Z tranches; and
4. Securities' underlying loan collateral cannot violate FHLBank's Anti-Predatory Lending Policy.

# Collateral Type : **II. Securities**

| 6. FIXED RATE U.S. TREASURY PRINCIPAL-ONLY AND INTEREST-ONLY NOTES AND BONDS | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Final maturity one year or less | N/A | 99% (market value) | 99% (market value) | 97% (market value) |
| B. Final maturity greater than one year but not greater than five years | N/A | 96% (market value) | 96% (market value) | 89% (market value) |
| C. Final maturity greater than five years | N/A | 89% (market value) | 89% (market value) | 67% (market value) |

| 7. FIXED RATE U.S. TREASURY NOTES AND BONDS | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Final maturity one year or less | N/A | 98% (market value) | 98% (market value) | 94% (market value) |
| B. Final maturity greater than one year but not greater than five years | N/A | 96% (market value) | 96% (market value) | 90% (market value) |
| C. Final maturity greater than five years | N/A | 94% (market value) | 94% (market value) | 79% (market value) |

## *Underwriting Requirements*

1. Includes both original issue zero-coupon bonds and principal-only or interest-only STRIPS (Separate Trading of Registered Interest and Principal of Securities).

# Collateral Type : **II. Securities** *Continued*

| 8. FLOATING RATE U.S. TREASURY NOTES AND BONDS | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Reprices annually or more often | N/A | 98% (market value) | 98% (market value) | 94% (market value) |
| B. Reprices less often than annually | N/A | 98% (market value) | 98% (market value) | 94% (market value) |

| 9. FIXED RATE AGENCY PRINCIPAL-ONLY AND INTEREST-ONLY NOTES AND BONDS | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Final maturity one year or less | N/A | 99% (market value) | 99% (market value) | 98% (market value) |
| B. Final maturity greater than one year but not greater than five years | N/A | 98% (market value) | 98% (market value) | 92% (market value) |
| C. Final maturity greater than five years | N/A | 91% (market value) | 91% (market value) | 71% (market value) |

### *Underwriting Requirements*

1. Includes both original issue zero-coupon bonds and principal-only or interest-only STRIPS.

## Collateral Type : **II. Securities** *Continued*

| 10. FIXED RATE AGENCY NOTES AND NON-STRUCTURED BONDS | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Final maturity one year or less | N/A | 98% (market value) | 98% (market value) | 96% (market value) |
| B. Final maturity greater than one year but not greater than five years | N/A | 97% (market value) | 97% (market value) | 91% (market value) |
| C. Final maturity greater than five years | N/A | 94% (market value) | 94% (market value) | 81% (market value) |

| 11. FLOATING RATE AGENCY NOTES AND BONDS | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Reprices annually or more often | N/A | 98% (market value) | 98% (market value) | 96% (market value) |
| B. Reprices less often than annually | N/A | 98% (market value) | 98% (market value) | 96% (market value) |

# Collateral Type : **II. Securities** *Continued*

| 12. PRIVATE ISSUE CMOs | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Securities rated AAA | N/A | 92% (market value) | 92% (market value) | 85% (market value) |
| B. Securities rated AA | N/A | 90% (market value) | 90% (market value) | 83% (market value) |

## *Underwriting Requirements*

1. Securities' underlying cash flows must be derived from Fully Disbursed, whole first mortgages on one-to-four family residential real property.
2. This includes REMICs but excludes residual, support, subordinated, junior, inverse floaters, mezzanine, structured, complex or Z tranches;
3. Securities' underlying loan collateral cannot be secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
4. Securities' underlying loan collateral cannot violate FHLBank's Anti-Predatory Lending Policy;
5. Securities' underlying loan collateral must comply with the Interagency Guidance on Nontraditional Mortgage Products Risks, the Statement on Subprime Mortgage Lending, and Addendum to Credit Risk Management Guidance for Home Equity Lending subject to 5 percent of mortgages with FICO < 660 (an additional haircut will be applied); and
6. Securities must be successfully modeled by FHLBank, with no projected cash flow shortfalls produced from the modeling.

# Collateral Type : **II. Securities** *Continued*

| 13. PRIVATE ISSUE RESIDENTIAL MORTGAGE PASS-THROUGH SECURITIES | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Securities rated AAA | N/A | 92% (market value) | 92% (market value) | 85% (market value) |
| B. Securities rated AA | N/A | 90% (market value) | 90% (market value) | 83% (market value) |

## *Underwriting Requirements*

1. Securities' underlying cash flows must be derived from Fully Disbursed,, whole first mortgages on one-to-four family residential real property;
2. Securities' underlying loan collateral cannot be secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
3. Securities' underlying loan collateral cannot violate FHLBank's Anti-Predatory Lending Policy;
4. Securities' underlying loan collateral must comply with the Interagency Guidance on Nontraditional Mortgage Products Risks, the Statement on Subprime Mortgage Lending, and Addendum to Credit Risk Management Guidance for Home Equity Lending subject to 5 percent of mortgages with FICO < 660 (an additional haircut will be applied); and
5. Securities must be successfully modeled by FHLBank, with no projected cash flow shortfalls produced from the modeling.

# Collateral Type : **II. Securities** *Continued*

## 14. OTHER PRIVATE ISSUE CMOs

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | Case-by-Case | Case-by-Case | Case-by-Case |

### *Underwriting Requirements*

1. Securities must be rated AA or better;
2. Securities' underlying cash flows must be derived from mortgages on one-to-four family, multifamily residential real property or collateral identified under Category IV;
3. This includes support, inverse floaters and mezzanine tranches;
4. Securities' underlying loan collateral cannot be secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
5. Securities' underlying loan collateral cannot violate FHLBank's Anti-Predatory Lending Policy;
6. Securities' underlying loan collateral must comply with the Interagency Guidance on Nontraditional Mortgage Products Risk, the Statement on Subprime Mortgage Lending, and Addendum to Credit Risk Management Guidance for Home Equity Lending subject to 5 percent of mortgages with FICO < 660 (an additional haircut will be applied); and
7. Securities must be successfully modeled by FHLBank, with no projected cash flow shortfalls produced from the modeling.

## 15. COMMERCIAL MORTGAGE BACKED SECURITIES 100% DEFEASED

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | 92% (market value) | 92% (market value) | 79% (market value) |

### *Underwriting Requirements*

1. Securities must be rated at least equivalent to the U.S. Government;
2. Securities' underlying cash flows have been defeased by U.S. Treasury or Agency securities; and
3. Securities' underlying loan collateral cannot be secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant.

# Collateral Type : **II. Securities** *Continued*

| 16. COMMERCIAL MORTGAGE BACKED SECURITIES LESS THAN 100% DEFEASED | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Securities rated AAA | N/A | 92% (market value*) | 92% (market value*) | 86% (market value*) |
| B. Securities rated AA | N/A | 87% (market value*) | 87% (market value*) | 81% (market value*) |

* Maximum lending value on a single asset/single borrower CMBS is limited to $75 million.

## *Underwriting Requirements*

1. Securities must be rated AA or better;
2. Securities' underlying cash flows must be derived from mortgages on multifamily residential real property or collateral identified under Category IV;
3. This excludes residual, support, subordinated, junior, inverse floaters, mezzanine, structured, complex or Z tranches;
4. Securities' underlying loan collateral cannot be secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant.; and
5. Securities must be successfully modeled by FHLBank, with no projected cash flow shortfalls produced from the modeling.

| 17. COMMERCIAL MORTGAGE BACKED SECURITIES LESS THAN 100% DEFEASED | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Securities rated AAA | N/A | 87% (market value*) | 87% (market value) | 81% (market value*) |
| B. Securities rated AA | N/A | 87% (market value*) | 87% (market value*) | 81% (market value*) |

* Maximum lending value on a single asset/single borrower CMBS is limited to $75 million.

## *Underwriting Requirements*

1. Securities must be rated AA or better;
2. Securities' underlying cash flows must be derived from mortgages on multifamily residential real property or collateral identified under Category IV;
3. This includes support, inverse floaters and mezzanine tranches within a non-subordinated class;
4. Securities' underlying loan collateral cannot be secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant; and
5. Securities must be successfully modeled by FHLBank, with no projected cash flow shortfalls produced from the modeling.

# Collateral Type : **II. Securities** *Continued*

| 18. SECURITIES FULLY GUARANTEED BY THE SMALL BUSINESS ADMINISTRATION (SBA) | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| A. Final maturity one year or less | N/A | 98% (market value) | 98% (market value) | 96% (market value) |
| B. Final maturity greater than one year but not greater than five years | N/A | 97% (market value) | 97% (market value) | 91% (market value) |
| C. Final maturity greater than five years | N/A | 94% (market value) | 94% (market value) | 81% (market value) |

| 19. STUDENT LOAN ASSET BACKED SECURITIES | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | 97% (market value) | 97% (market value) | 94% (market value) |

## *Underwriting Requirements*

1. Securities must be rated AA by at least two independent rating agencies;
2. Securities underlying cashflows must be derived from Federal Family Education Loan Program (FFELP) loans which have at a minimum 97% guarantee under the FFELP; and
3. Securities underlying loan collateral must be Fully Disbursed, no revolving lines.

# Collateral Type : **II. Securities** *Continued*

## 20. STATE AND LOCAL GOVERNMENT SECURITIES

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | Case-by-Case | Case-by-Case | Case-by-Case |

### *Underwriting Requirements*

1. Securities must be rated AA or better;
2. Prospectus must provide a detailed breakdown on the amount of bond proceeds used for real estate related purposes; and
3. The amount eligible will be limited to the proportion of bond proceeds used for real estate related purposes.

## 21. MUTUAL FUNDS

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | N/A | Case-by-Case | Case-by-Case | Case-by-Case |

### *Underwriting Requirements*

1. Must be backed entirely by eligible loan or securities collateral, cash or cash equivalents.

# Collateral Type : **III. Deposits**

| FHLBANK OVERNIGHT DEPOSITS AND CDs | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | N/A | 100% (face amount) | 100% (face amount) | 100% (face amount) |

# Collateral Type : **IV. Other Real Estate-Related Collateral – Potential for Assets to Be Considered Restricted Collateral**

Restricted collateral includes Categories IV and V collateral for institutions pledging collateral via the Blanket (QCD) Lending Value Reporting template. The aggregate amount of restricted collateral is limited to 25% of an institution's total assets. Category IV and V collateral is NOT considered restricted collateral for institutions pledging collateral via the Delivered (Limited) Lending Value or Delivered (Expanded) Lending Value Reporting templates. Blanket Pledge Members must exhaust all other eligible loan collateral before pledging Category IV or V collateral even when delivering loan collateral to FHLBank.

| 1. AGRICULTURAL REAL ESTATE | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 72% (unpaid principal) | 72% (market value*) | N/A | N/A |

* Maximum lending value on individual loan is limited to $50 million.

## *Underwriting Requirements*

1. Loans must be secured by real estate:
   a. Loans must be secured by agricultural property located in the U.S.; and
   b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;
2. Fully Secured:
   a. Loan-to-value ratios cannot exceed 85% (appraisals and evaluations are in compliance with or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines, as amended by final rule);
   b. The mortgage amount must equal or exceed outstanding principal amount on the note;
   c. The mortgage and/or deed of trust and all other subsequent assignments must show evidence of proper recording with the recorder's office.
3. First lien enforceability (as evidenced by title insurance policy, title opinion or by an independent third-party title search as permitted by state law). If lien search does not cite subject mortgage as first lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first lien position;
4. Fully Disbursed (closed-end loans only; no revolving lines of credit);
5. Wholly Owned;
6. Term to maturity cannot exceed 360 months;
7. No land development loans;
8. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;
9. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
10. No loans secured by property to be used for any marijuana-related business;
11. No Lease Loans;
12. No leasehold estates;
13. Within legal lending limit;
14. Not more than 60 days delinquent (delinquency reports may be required to be submitted to FHLBank);

*(continued on next page)*

# Collateral Type : **IV. Other Real Estate-Related Collateral**

*Continued*

| 1. AGRICULTURAL REAL ESTATE | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 72% (unpaid principal) | 72% (market value*) | N/A | N/A |

* Maximum lending value on individual loan is limited to $50 million.

| 2. COMMERCIAL REAL ESTATE | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 65% (unpaid principal) | 65% (market value*) | 68% (market value*) | 65% (market value*) |

* Maximum lending value on individual loan is limited to $200 million.

### *Underwriting Requirements* *(continued from previous page)*

15. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
16. Amortization:
    a. No negative amortization;
    b. If note structure allows for interest-only payment features, annual financial statements are required, and the interest-only period must be 18 months or less;
17. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;
18. No loans guaranteed under any U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) Guaranteed Farm Loan Program;
19. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
20. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
21. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

### *Underwriting Requirements*

1. Loans must be secured by real estate;
    a. Loans must be secured by commercial property located in the U.S.; and
    b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;
2. Fully Secured:
    a. Loan-to-value ratio:
        i) Blanket Pledge Members' (excluding non-depository CDFI Members) loan-to-value ratios cannot exceed 85% (appraisals must be prepared by licensed or certified appraiser for loans with an original amount greater than $250,000 [$500,000 for loans originated on or after April 9, 2018] or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines);
        ii) Specific Pledge Members', non-depository CDFI Members' and housing associates' loan-to-value ratios cannot exceed 70% and, if applicable, the combined loan-to-value ratios cannot exceed 80% (appraisal prepared by an appraiser with MAI professional designation);
    b. Debt Service Coverage Ratio (DSCR):
        i) Blanket Pledge Members' (excluding non-depository CDFI Members) DSCR must equal or exceed 1.00;

*(continued on next page)*

# Collateral Type : **IV. Other Real Estate-Related Collateral**

*Continued*

| 2. COMMERCIAL REAL ESTATE | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 65% (unpaid principal) | 65% (market value*) | 68% (market value*) | 65% (market value*) |

* Maximum lending value on individual loan is limited to $200 million.

## *Underwriting Requirements* *(continued from previous page)*

ii) Specific Pledge Members', non-depository CDFI Members' and housing associates' DSCR must equal or exceed 1.25 and updated no less than annually. Lower DSCRs may be accepted if loan is fully amortizing over a shorter time period (less than 20 years);

c. Specific Pledge Members', non-depository CDFI Members' and housing associates' loans must be secured by properties that have a contractual payment stream (includes only office, retail and industrial, however excludes any Special Purpose Property);

d. The mortgage amount must equal or exceed outstanding principal amount of the note; and

e. The mortgage and/or deed of trust and all subsequent assignments must show evidence of proper recording with the recorder's office;

3. First lien enforceability (as evidenced by title insurance policy, title opinion or by an independent third-party title search as permitted by state law). If lien search does not cite subject mortgage as first lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first lien position;
4. Fully Disbursed (closed-end loans only; no revolving lines of credit);
5. Wholly Owned;
6. Term to maturity cannot exceed 360 months;
7. No commercial land development loans (including vacant land);
8. No construction or rehabilitation loans;
9. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;
10. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
11. No loans secured by property to be used for any marijuana-related business;
12. No loans secured by real estate that exhibit adverse environmental factors (i.e., gas/service stations, auto repair, auto dealerships or industrial sites that process or distribute toxic chemical substances or mixtures), unless supported, at a minimum, by a Phase I Environmental Site Assessment concluding that no further assessment is warranted;
13. No Lease Loans;
14. No leasehold estates;
15. Within legal lending limit for Blanket Pledge Members;
16. Delinquency:
    a. Blanket Pledge Members' (excluding non-depository CDFI Members) loans cannot be more than 60 days delinquent;
    b. Specific Pledge Members', non-depository CDFI Members' and housing associates' loans cannot be more than 60 days delinquent anytime in the past 12 months;
    c. Delinquency reports may be required to be submitted to FHLBank;

*(continued on next page)*

# Collateral Type : **IV. Other Real Estate-Related Collateral**

*Continued*

## 2. COMMERCIAL REAL ESTATE

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 65% (unpaid principal) | 65% (market value*) | 68% (market value*) | 65% (market value*) |

* Maximum lending value on individual loan is limited to $200 million.

### *Underwriting Requirements* (*continued from previous page*)

17. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);

18. Amortization:
    a. No negative amortization;
    b. If note structure allows for interest-only payment features, annual financial statements are required, and the interest-only period must be seven years or less;

19. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;

20. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;

21. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and

22. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

## 3. SECOND MORTGAGES ON RESIDENTIAL ONE-TO-FOUR FAMILY PROPERTY

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 60% (unpaid principal) | 60% (market value*) | N/A | N/A |

eNotes are eligible for pledging within this category; however, members will need prior approval from FHLBank prior to pledging, which will include the completion of the eNotes Readiness Checklist.

* Maximum lending value on individual loan is limited to $10 million.

### *Underwriting Requirements*

1. Loans must be secured by real estate;
    a. Loans must be secured by second mortgages on one-to-four family dwelling units located in the U.S.; and
    b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;

2. Fully Secured:
    a. Aggregate loan-to-value ratio of the first and second lien cannot exceed 100% (appraisals and evaluations are in compliance with or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines, as amended by final rule, with the exception of an AVM, which are not eligible);
    b. The mortgage amount must equal or exceed outstanding principal amount on the note; and
    c. The mortgage and/or deed of trust and all subsequent assignments must show evidence of proper recording with the recorder's office.

3. Second lien enforceability (as evidenced by title insurance policy or title opinion). If lien search does not cite subject mortgage as second lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first or second lien position;

4. Fully Disbursed (closed-end loans only, no revolving lines of credit);

*(continued on next page)*

# Collateral Type : **IV. Other Real Estate-Related Collateral**

*Continued*

| 3. SECOND MORTGAGES ON RESIDENTIAL ONE-TO-FOUR FAMILY PROPERTY | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 60% (unpaid principal) | 60% (market value*) | N/A | N/A |

eNotes are eligible for pledging within this category; however, members will need prior approval from FHLBank prior to pledging, which will include the completion of the eNotes Readiness Checklist.

* Maximum lending value on individual loan is limited to $10 million.

### *Underwriting Requirements* *(continued from previous page)*

5. Wholly Owned;
6. Term to maturity cannot exceed 360 months;
7. No Sub-prime loans;
8. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;
9. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
10. No Lease Loans;
11. Loans on property subject to a leasehold must be on a Qualifying Leasehold;
12. No loans that violate FHLBank's Anti-Predatory Lending Policy;
13. Loans originated or acquired after July 10, 2007 must comply with the Interagency Guidance on Nontraditional Mortgage Products Risks, the Statement on Subprime Mortgage Lending, and Addendum to Credit Risk Management Guidance for Home Equity Lending;
14. Not more than 60 days delinquent (delinquency reports may be required to be submitted to FHLBank);
15. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
16. No negative amortization loans;
17. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;
18. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
19. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
20. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

Collateral Type : **IV. Other Real Estate-Related Collateral**

*Continued*

| 4. HOME EQUITY LINES OF CREDIT (HELOCs) | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 60% (unpaid principal) | 60% (market value*) | N/A | N/A |

* Maximum lending value on individual loan is limited to $10 million.

## *Underwriting Requirements* *(continued from previous page)*

1. Loans must be secured by real estate:
   a. Loans must be secured by a first or second mortgage on one-to-four family dwelling units located in the U.S.; and
   b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;

2. Fully Secured:
   a. Aggregate loan-to-value ratio of the first and second lien cannot exceed 100% (maximum credit line shall be used in determining loan-to-value on HELOCs and appraisals and evaluations are in compliance with or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines, as amended by final rule, with the exception of an AVM, which are not eligible);
   b. The mortgage amount must equal or exceed outstanding principal amount on the note; and
   c. The mortgage and/or deed of trust and all subsequent assignments must show evidence of proper recording with the recorder's office.

3. First or second lien enforceability (as evidenced by title insurance policy or title opinion). If lien search does not cite subject mortgage as first or second lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first or second lien position;

4. Wholly Owned;

5. Term to maturity cannot exceed 360 months;

6. No Sub-prime loans;

7. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;

8. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;

9. No Lease Loans;

10. Loans on property subject to a leasehold must be on a Qualifying Leasehold;

11. No loans that violate FHLBank's Anti-Predatory Lending Policy;

12. Loans originated or acquired after July 10, 2007 must comply with the Interagency Guidance on Nontraditional Mortgage Products Risks, the Statement on Subprime Mortgage Lending, and Addendum to Credit Risk Management Guidance for Home Equity Lending;

13. Not more than 60 days delinquent (delinquency reports may be required to be submitted to FHLBank);

14. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);

15. No negative amortization loans;

*(continued on next page)*

## 4. HOME EQUITY LINES OF CREDIT (HELOCs)

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 60% (unpaid principal) | 60% (market value*) | N/A | N/A |

* Maximum lending value on individual loan is limited to $10 million.

## 5. RESIDENTIAL CONSTRUCTION MORTGAGES

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 58% (unpaid principal) | 58% (market value*) | N/A | N/A |

* Maximum lending value on individual loan is limited to $10 million.

16. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (over-night, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;
17. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive appli-cable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
18. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
19. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

## *Underwriting Requirements*

1. Single-Closing Construction-to-Permanent and Two-Closing Construction-to-Perma-nent loans must be secured by real estate;
   a. Loans must be secured by construction of one-to-four family dwelling units located in the U.S.; and
   b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;
2. Fully Secured:
   a. Loan-to-value ratios cannot exceed 100% (appraisals and evaluations are in compliance with or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines, as amended by final rule, with the exception of an AVM, which are not eligible);
   b. The mortgage amount must equal or exceed outstanding principal amount on the note; and
   c. The mortgage and/or deed of trust and all subsequent assignments must show evidence of proper recording with the recorder's office;
3. First lien enforceability (as evidenced by title insurance policy, title opinion or by an independent third-party title search as permitted by state law). If lien search does not cite subject mortgage as first lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first lien position;
4. Wholly Owned;
5. No spec loans (loans must have contract/commitment for sale or rent);
6. No residential land development loans (including vacant land);
7. No Sub-prime loans;

*(continued on next page)*

# Collateral Type : **IV. Other Real Estate-Related Collateral**

*Continued*

| 5. RESIDENTIAL CONSTRUCTION MORTGAGES | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 58% (unpaid principal) | 58% (market value*) | N/A | N/A |

* Maximum lending value on individual loan is limited to $10 million.

## *Underwriting Requirements* *(continued from previous page)*

8. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;
9. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
10. No Lease Loans;
11. Loans on property subject to a leasehold must be on a Qualifying Leasehold;
12. No loans that violate FHLBank's Anti-Predatory Lending Policy;
13. Loans originated or acquired after July 10, 2007, must comply with the Interagency Guidance on Nontraditional Mortgage Products Risks, the Statement on Subprime Mortgage Lending, and Addendum to Credit Risk Management Guidance for Home Equity Lending;
14. Not more than 60 days delinquent (delinquency reports may be required to be submitted to FHLBank);
15. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
16. Amortization:
    a. Note structure requires interest-only or principal payments;
    b. Negative amortization is not permitted;
    c. The maximum period of an initial advance may not exceed 12 months and the total term may not exceed 18 months;
    d. The loan requires an updated credit review after 12 months.
17. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;
18. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
19. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
20. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

*Continued*

| 6. MULTIFAMILY CONSTRUCTION MORTGAGES | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | Case-by-Case | Case-by-Case | N/A | N/A |

## *Underwriting Requirements*

1. Loans must be secured by real estate:
   a. Loans must be secured by construction of multifamily dwelling units located in the U.S.; and
   b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;
2. Fully Secured:
   a. Loan-to-value ratios cannot exceed 85% (appraisals and evaluations are in compliance with or qualify for exemptions identified in the Interagency Appraisal and Evaluation  Guidelines, as amended by final rule);
   b. The mortgage amount must equal or exceed outstanding principal amount on the note; and
   c. The mortgage and/or deed of trust and all subsequent assignments must show evidence of proper recording with the recorder's office;
3. First lien enforceability (as evidenced by title insurance policy, title opinion or by an independent third-party title search as permitted by state law). If lien search does not cite subject mortgage as first lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first lien position;
4. Wholly Owned;
5. No residential/commercial land development loans (including vacant land);
6. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;
7. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
8. No Lease Loans;
9. Loans on property subject to a leasehold must be on a Qualifying Leasehold;
10. Not more than 60 days delinquent (delinquency reports may be required to be submitted to FHLBank);
11. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
12. Amortization:
    a. If note structure allows for negative amortization or interest-only payments, annual financial statements are required, and the term is limited to 24 months or less; or
    b. If note structure requires at least an annual principal payment (no negative amortization), annual financial statements are not required, and there are no term limitations;

*(continued on next page)*

| 6. MULTIFAMILY CONSTRUCTION MORTGAGES | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | Case-by-Case | Case-by-Case | N/A | N/A |

## *Underwriting Requirements* *(continued from previous page)*

13. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;

14. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;

15. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and

16. Not pledged in whole or in part to other creditor(s) or in any other FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

| 7. COMMERCIAL CONSTRUCTION MORTGAGES | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | Case-by-Case | Case-by-Case | N/A | N/A |

## *Underwriting Requirements*

1. Loans must be secured by real estate:
    a. Loans must be secured by construction of commercial property located in the U.S.; and
    b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;

2. Fully Secured:
    a. Loan-to-value ratios cannot exceed 85% (appraisals must be prepared by licensed or certified appraiser for loans with an original amount greater than $250,000 [$500,000 for loans originated on or after April 9, 2018] or qualify for exemptions identified in the Interagency Appraisal and Evaluation Guidelines);
    b. The mortgage amount must equal or exceed outstanding principal amount on the note; and
    c. The mortgage and/or deed of trust and all subsequent assignments must show evidence of proper recording with the recorder's office;

3. First lien enforceability (as evidenced by title insurance policy, title opinion or by an independent third-party title search as permitted by state law). If lien search does not cite subject mortgage as first lien, loan documentation should confirm subordinations, releases or title insurance endorsement ensuring first lien position;

4. Wholly Owned;

*(continued on next page)*

# Collateral Type : **IV. Other Real Estate-Related Collateral**

| 7. COMMERCIAL CONSTRUCTION MORTGAGES | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | Case-by-Case | Case-by-Case | N/A | N/A |

## *Underwriting Requirements* *(continued from previous page)*

5. No residential/commercial land development loans (including vacant land);
6. No loans secured by property subject to a lien granted to a locality pursuant to an energy retrofit program, including programs denominated as PACE programs that takes priority over the first mortgage;
7. No loans secured by property subject to Private Transfer Fee covenants, unless the Private Transfer Fee covenants meet the definition of an excepted transfer fee covenant;
8. No loans secured by property to be used for any marijuana-related business;
9. No loans secured by real estate that exhibit adverse environmental factors (i.e. gas/service stations, auto repair, auto dealerships or industrial sites that process or distribute toxic chemical substances or mixtures), unless supported, at a minimum, by a Phase I Environmental Site Assessment concluding that no further assessment is warranted;
10. No Lease Loans;
11. No leasehold estates;
12. Not more than 60 days delinquent (delinquency reports may be required to be submitted to FHLBank);
13. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
14. Amortization:
    a. If note structure allows for negative amortization or interest-only payments, annual financial statements are required, and the term is limited to 24 months or less; or
    b. If note structure requires at least an annual principal payment (no negative amortization), annual financial statements are not required, and there are no term limitations;
15. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;
16. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
17. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
18. Not pledged in whole or in part to other creditor(s) or in any other FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

| 8. NON-LEAD LENDER PARTICIPATION LOANS | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | Applicable asset classification lending value decreased by an additional 10% | Applicable asset classification lending value decreased by an additional 10% | N/A | N/A |

## *Underwriting Requirements*

1. Loans must be secured by one-to-four family residential real property, multifamily residential real property, agricultural real estate or commercial real estate;
2. Loans must meet the underwriting requirements established for the asset classification as stated in the Member Products Policy, except for the underwriting requirements requiring the loan to be Wholly Owned and retention of the original note;
3. The Participation Agreement must have “wet” signatures from all parties and the original document must be retained;
4. Lead lender must be a Member of FHLBank Topeka; and
5. Prior to pledging, FHLBank must have on file an FHLBank Participation Security Agreement executed by the Member and an FHLBank Participation Acknowledgment of Custody executed by the Member and the lead lender.

| 9. OTHER REAL ESTATE-RELATED PROPERTY | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | Case-by-Case | Case-by-Case | Case-by-Case | Case-by-Case |

## *Underwriting Requirements*

Specific collateral will be reviewed on a Case-by-Case basis, and prior approval must be granted by FHLBank senior management.

# Collateral Type : V. Other Collateral – Potential for Assets to Be Considered Restricted Collateral

Restricted collateral includes Categories IV and V collateral for institutions pledging collateral via the Blanket (QCD) Lending Value Reporting template. The aggregate amount of restricted collateral is limited to 25% of an institution's total assets. Category IV and V collateral is NOT considered restricted collateral for institutions pledging collateral via the Delivered (Limited) Lending Value or Delivered (Expanded) Lending Value Reporting templates. Blanket Pledge members must exhaust all other eligible loan collateral before pledging Category IV or V collateral even when delivering loan collateral to FHLBank.

**1. OPERATING LOANS (CROPS AND LIVESTOCK) ELIGIBLE ONLY TO COMMUNITY FINANCIAL INSTITUTION (CFI) MEMBERS**

| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 64% (unpaid principal) | 64% (market value) | N/A | N/A |

## *Underwriting Requirements*

1. Loans must be Fully Secured:
   a. Loans must be secured by crops and/or livestock and/or in combination with Agriculture Real Estate located in the U.S.; Agriculture Real Estate must meet FHLBank's eligibility requirements and there must be sufficient equity in the Agriculture Real Estate loan transaction to permit cross collateralization; and
   b. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;
2. First lien enforceability (as evidenced by UCC filing and Search)
3. Wholly Owned;
4. No loans secured by property to be used for any marijuana-related business;
5. No Lease Loans;
6. No Carryover Debt;
7. Within legal lending limit;
8. Not more than 60 days delinquent (delinquency reports may be required to be submitted);
9. No loans guaranteed under any U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) Guaranteed Farm Loan Program;
10. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to: (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
11. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
12. Amortization:
    a. If note structure allows for negative amortization or interest-only payments, annual financial statements are required and the term is limited to 18 months or less; or
    b. If note structure requires at least an annual principal payment (no negative amortization), annual financial statements are not required, and there are no term limitations;
13. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or
    b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;

*(continued on next page)*

# Collateral Type: **V. Other Collateral** *Continued*

| 1. OPERATING LOANS (CROPS AND LIVESTOCK) ELIGIBLE ONLY TO COMMUNITY FINANCIAL INSTITUTION (CFI) MEMBERS | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 64% (unpaid principal) | 64% (market value) | N/A | N/A |

### *Underwriting Requirements* *(continued from previous page)*

14. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and

15. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

| 2. EQUIPMENT LOANS-ELIGIBLE ONLY TO CFI MEMBERS | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
|---|---|---|---|---|
| | | | CLASS A | CLASS B |
| | 57% (unpaid principal) | 57% (market value) | N/A | N/A |

### *Underwriting Requirements*

1. Loans must be Fully Secured;
2. Loans must be secured by equipment located in the U.S.; and
3. The note (including assumptions or endorsements) must have "wet" signatures from all borrowers and the original documents must be retained. Modifications and extensions may have electronic signatures provided any modification or extension complies with *FHLBank's Requirements for Electronic Loan Modifications or Requirements for Copies of Loan Modifications*;
4. First lien enforceability (as evidenced by UCC filing or lien on title);
5. Fully Disbursed (closed-end loans only; no revolving lines of credit);
6. Wholly Owned;
7. No loans secured by property to be used for any marijuana-related business;
8. No Lease Loans;
9. No Carryover Debt;
10. Within legal lending limit;
11. Not more than 60 days delinquent (delinquency reports may be required to be submitted to FHLBank);
12. Not classified as non-accrual, substandard, doubtful or loss by the Member or any regulator of the Member (Internal Watchlist may be required to be submitted to FHLBank);
13. No negative amortization or interest-only loans;
14. No IBOR-indexed (including LIBOR®) adjustable interest rate loans with:
    a. Note date after December 31, 2021; or

*(continued on next page)*

# Collateral Type : **V. Other Collateral** *Continued*

| 2. EQUIPMENT LOANS-ELIGIBLE ONLY TO CFI MEMBERS | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 57% (unpaid principal) | 57% (market value) | N/A | N/A |

## *Underwriting Requirements* *(continued from previous page)*

b. U.S. dollar LIBOR tenors of 1-week or 2-months or all remaining IBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) that remain IBOR-linked after June 30, 2023, without Effective Fallback Language. Please refer to definition section for effective fallback language;

15. No loans guaranteed under any U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) Guaranteed Farm Loan Program;
16. Servicing agreements, if applicable, must be submitted to FHLBank to ensure there are no contractual provisions that would impede FHLBank's ability to (a) receive applicable cash flows from the servicer; or (b) transfer ownership of the underlying loan(s) or servicing rights, if applicable, in the event FHLBank would become party to the agreement due to a Member's event of default;
17. Not originated to or assumed by any officer, director, attorney, employee or agent of the Member or FHLBank; and
18. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

| 3. STUDENT LOANS | | | | |
|---|---|---|---|---|
| | BLANKET (QCD) LENDING VALUE | DELIVERED (LIMITED) LENDING VALUE | DELIVERED (EXPANDED) LENDING VALUE | |
| | | | CLASS A | CLASS B |
| | 85% (guaranteed portion) | 85% (guaranteed portion | N/A | N/A |

## *Underwriting Requirements*

1. Approval must be obtained from FHLBank prior to pledging;
2. Loans must be originated under the FFELP;
3. Loans must have at least a 97% guarantee under FFELP;
4. Fully Disbursed (no revolving lines of credit);
5. Wholly Owned;
6. Servicer must provide a copy of their annual independent public accountant's examination as required under Section 3.8 of the FFELP Common Manual; and
7. Not pledged in whole or in part to other creditor(s) or in another FHLBank collateral category, nor can the loan share collateral with loan(s) pledged to other creditor(s).

# Anti-Predatory Lending

FHLBank supports the expansion of fair and equitable homeownership opportunities. To discourage predatory lending practices, which are inconsistent with such opportunities, and to protect FHLBank from potential liabilities, FHLBank has adopted the following Anti-Predatory Lending (APL) Policy with respect to residential mortgage loans and securities backed by residential mortgage loans pledged to it as collateral (Residential Mortgage Collateral) and residential mortgage loans delivered under the Mortgage Partnership Finance Program (MPF Program Loans).

FHLBank requires that Residential Mortgage Collateral and MPF Program Loans comply with applicable federal, state and local Anti-Predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, "Anti-Predatory Lending Laws"). For example, Anti-Predatory Lending Laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:

— Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;

— Requiring mandatory arbitration provisions with respect to dispute resolution in the loan documents; or

— Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.

Any Residential Mortgage Collateral or MPF Program Loan that does not comply with all applicable Anti-Predatory Lending Laws will be ineligible as collateral to support advances or other activity with FHLBank or for purchase under the Mortgage Partnership Finance Program. Additionally, FHLBank will not give collateral value for any Residential Mortgage Collateral or purchase any MPF Program Loan that meets one or more of the following criteria:

— The annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Equity Ownership Protection Act of 1994 (HOEPA) and its implementing regulations (Federal Reserve Board Regulation Z).

— The loan has been identified by a member's primary federal regulator as possessing predatory characteristics.

— The loan includes prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance.

*Continued on next page*

— The loan is subject to a predatory lending law deemed by one or more of the major credit rating agencies (Standard and Poor's, Moody's Investors Service, and/or Fitch Ratings) to impose unacceptable risks on investors, such that a security (or securities) in which the underlying collateral pool contains such loan will not be rated.

— The loan includes penalties in connection with the prepayment of the mortgage beyond the early years of the loan.

— The loan requires mandatory arbitration to settle disputes.

— In the case of Residential Mortgage Collateral, if the loan is located in a jurisdiction as "not ratable" in the Anti-Predatory Lending category (Exhibit A) of the MPF Guides.

— In the case of MPF Program Loans, if the loan fails to comply with any requirement of the Mortgage Partnership Finance Program relating to predatory lending, including, without limitation, Section 7.6 of the Program Guide as well as the Anti-Predatory Lending category (Exhibit A) of the MPF Guides.

Members (and their affiliates) and housing associates are responsible for avoiding all unlawful practices and terms prohibited by applicable Anti-Predatory Lending Laws, regardless of whether they originate or purchase the Residential Mortgage Collateral being pledged or the MPF Program Loans being sold to FHLBank. FHLBank will take those steps it deems reasonably necessary in order to confirm or monitor members', affiliates' and housing associates' compliance with this policy.

In addition, FHLBank reserves the right to require evidence reasonably satisfactory to FHLBank that Residential Mortgage Collateral and MPF Program Loans do not violate applicable Anti-Predatory Lending Laws and this APL Policy. With respect to Residential Mortgage Collateral and MPF Program Loans purchased by the member, affiliate or housing associate, and then pledged or sold to FHLBank or otherwise delivered under the MPF Program, the member or housing associate is responsible for conducting due diligence that it deems sufficient to support its certification and indemnification agreements with FHLBank.

In addition to the terms and conditions of the FHLBank Advance, Pledge and Security Agreement and, for MPF Program Loans, the Participating Financial Institution Agreement ("PFI Agreement"), each member and housing associate must periodically execute a representa-

*Continued on next page*

tion and warranty agreement with FHLBank that: (1) certifies its understanding and compliance with FHLBank's APL Policy and all applicable Anti-Predatory Lending Laws; (2) certifies it will maintain qualifying collateral and will substitute eligible collateral for any Residential Mortgage Collateral, or repurchase any MPF Program Loan, that does not comply in all material respects with applicable Anti-Predatory Lending Laws or this APL Policy; and (3) agrees to indemnify, defend and hold FHLBank harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the pledge of any Residential Mortgage Collateral or the sale of any MPF Program Loan that does not comply in all material respects with applicable Anti-Predatory Lending Laws or this APL Policy.

FHLBank will not knowingly accept as eligible collateral or purchase any Residential Mortgage Collateral or MPF Program Loan that violates applicable Anti-Predatory Lending Laws or this APL Policy. If FHLBank knows or discovers that such Residential Mortgage Collateral or MPF Program Loan violates applicable Anti-Predatory Lending Laws or this APL Policy, FHLBank may, in addition to all available rights and remedies at law or in equity (1) require the member or housing associate to substitute eligible collateral, (2) value such Residential Mortgage Collateral at zero for collateral purposes, (3) require the member or housing associate to repurchase the affected loan, and (4) require the member or housing associate to undertake a review of its policies, practices and procedures for complying with Anti-Predatory Lending Laws and this APL Policy.

# Fees

## CREDIT PRODUCTS

### LETTERS OF CREDIT
*actual/365(6)-day basis, letter of credit amounts >$5 million may be billed quarterly*

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **SIMPLE** | 1/8%, min. $125.00 | Example use: Support public unit deposits |
| **OTHER, CONFIRMING** | min. 1/4% or $500.00 | Example use: Enhancing bond issues |
| **OTHER, CONFIRMING – CICA** | 1/5%, min. $500.00 | Example use: Enhancing bond issues to facilitate community lending |
| **DRAW PROCESSING FEE** | $100.00/draw | |

### ADVANCE OR LETTER OF CREDIT TRANSFERS
*to another Tenth District institution*

| | | |
|---|---|---|
| **TRANSFER FEE** | $100.00/transfer | Requires prior approval; charged to the transferor |

## DEPOSIT SERVICES

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **ACCOUNT MAINTENANCE** | $25.00/month | |
| **OVERDRAFTS** | overnight line of credit + 0.5%, min. $25.00 (+ any negative interest) | Overdrawn accounts must be resolved same day by wire, advance or transfer from another account. |

## WIRE SERVICES

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **INCOMING WIRES** | $6.00/wire | |
| **OUTGOING WIRES** | $10.00/wire | |
| **LATE WIRES** | Effective Federal Funds + 0.25% | Incoming wires received after 4:30 p.m. CT |

## SAFEKEEPING

### RECEIPT & DELIVERY

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **FEDERAL RESERVE BOOK-ENTRY SECURITIES** | $2.50/transaction | Including reclaims and DKs |
| **DTC SECURITIES** | $5.50/transaction | |
| **PHYSICAL SECURITIES** | $40.00/transaction | |
| **EURO/CEDEL SECURITIES** | $75.00/transaction | |

*Continued on next page*

# Fees

## SAFEKEEPING *(continued)*

### PAYMENT DISBURSAL

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **FEDERAL RESERVE SECURITY PAYMENTS** | | |
| **<100 SECURITIES** | $4.00/CUSIP | |
| **100-200 SECURITIES** | $3.50/CUSIP | |
| **>200 SECURITIES** | $3.00/CUSIP | |
| **DTC & PHYSICAL SECURITY PAYMENTS** | | |
| **<100 SECURITIES** | $6.50/CUSIP | |
| **100-200 SECURITIES** | $6.00/CUSIP | |
| **>200 SECURITIES** | $5.50/CUSIP | |

### MONTHLY ACCOUNT MAINTENANCE

*includes claim processing, audit verifications and access to account information via the internet at no additional cost*

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **FEDERAL RESERVE BOOK-ENTRY SECURITIES** | | |
| **<100 SECURITIES** | $5.00/CUSIP | |
| **100-200 SECURITIES** | $4.75/CUSIP | |
| **>200 SECURITIES** | $4.50/CUSIP | |

### MONTHLY ACCOUNT MAINTENANCE *(continued)*

*includes claim processing, audit verifications and access to account information via the internet at no additional cost*

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **OTHER (DTC & PHYSICAL SECURITIES)** | | |
| **<100 SECURITIES** | $6.00/CUSIP | |
| **100-200 SECURITIES** | $5.75/CUSIP | |
| **>200 SECURITIES** | $5.50/CUSIP | |
| **IN-HOUSE** | $0.25/CUSIP | |

### OTHER SAFEKEEPING

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **SEGREGATION AND PLEDGE ACTIVITY** | $10.00/transaction | Including joint custody, pledges to third parties, repo pledges, segregation and pledge releases; members pledging securities to support outstanding credit obligations not charged |
| **PORTFOLIO SECURITY TRANSFER** | $1.50/transaction | |
| **OTHER EXPENSES AS INCURRED** | at cost | Including registration, deregistration, postage, insurance |

*Continued on next page*

# Fees

## COLLATERAL

*Reasonable costs incurred to review, appraise and perfect pledged collateral may be charged, including travel to inspect property outside the Tenth District*

### DELIVERED COLLATERAL

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **INITIAL LOAN REVIEW** | $4.00/loan | Loans safekept at FHLBank, excluding SFRE |
| **MONTHLY MAINTENANCE** | $0.25/loan | Loans safekept at FHLBank, excluding SFRE |
| **LOAN RELEASE** | $4.00/loan | Loans safekept at FHLBank, excluding SFRE |
| **LOAN PRICING** | | |
| **CRE & MF LOANS** | $13.50/loan per quarter | Loans safekept at FHLBank or an approved third party custodian and priced by FHLBank's third party vendor; required for reporting collateral under the Delivered (Expanded) Lending Value |
| **SFRE LOANS** | $3.00/loan per quarter | Loans safekept at FHLBank or an approved third party custodian and priced by FHLBank's third party vendor; required for reporting collateral under the Delivered (Expanded) Lending Value |
| **SFRE HFS LOANS** | $0.50/loan per day (processed monthly) | Loans safekept at FHLBank or an approved third party custodian and priced by FHLBank's third party vendor; required for reporting collateral under the Delivered (Expanded) Lending Value |

## CASE-BY-CASE COLLATERAL REVIEWS

*will be charged regardless of the decision to accept the collateral as eligible*

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **UP-FRONT LOAN REVIEW** | $500.00/asset request | |
| **LOAN DOCUMENTATION REVIEW** | additional $125.00/hour | |
| **SECURITIES COLLATERAL** | $125.00/security | State and local securities issued to refund previously issued securities charged based on total number of refunded securities |
| **COLLATERAL VERIFICATION** | | |
| **FIRST 20 HOURS** | no charge | |
| **AFTER 20 HOURS** | $125.00/hour per reviewer | |

## CAPITAL STOCK

| | FEE SCHEDULE | ADDITIONAL INFORMATION |
|---|---|---|
| **REDEMPTION CANCELLATION** | | |
| **CLASS A** | 1% of par | |
| **CLASS B** | 1% of par in year 1, 2% in year 2, 3% in year 3, 4% in year 4, 5% in year 5 | |

# Department Directory

| | |
|---|---|
| **LENDING**<br>*FHLB.Lending@fhlbtopeka.com* | 800.809.2733 \| FAX: 785.234.1723 |
| **PRODUCT ADMINISTRATION**<br>*FHLB_ProdAdmin@fhlbtopeka.com* | 785.438.6049 \| FAX: 785.438.6181 |
| **MORTGAGE PARTNERSHIP FINANCE® PROGRAM**<br>*mpfmail@fhlbtopeka.com* | 866.571.8171 \| FAX: 785.438.6181 |
| **MPF HELPDESK**<br>*mpf-help@fhlbc.com* | 877.463.6673 |
| **HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS** | 866.571.8155 \| FAX: 785.234.1765 |
| **DEPOSIT SERVICES/ CAPITAL STOCK** | 800.809.2733 \| FAX: 785.234.1723 |
| **COLLATERAL & SAFEKEEPING OPERATIONS**<br>*CSO@fhlbtopeka.com* | 877.933.7803 \| FAX: 785.234.1790 or 785.234.1794 |
| **MEMBER ENGAGEMENT & SOLUTIONS** | 800.933.2988 \| FAX: 785.234.1700 |
| **CAPITAL MARKETS** | 800.933.5427 \| FAX: 785.234.1796 |
| **FHLBANK'S WEBSITE MEMBERS ONLY**<br>*www.fhlbtopeka.com* | 800.809.2733 |

## Prepayment Calculation and Example for Fixed Rate Advances

Prepayment is permitted in full or in part. The prepayment fee is the present value (discounted at the reference rate) of the difference between (a) the scheduled interest payments to be paid on the advance through remaining maturity and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate. The reference rate is the effective yield of a Federal Home Loan Bank obligation having the closest remaining maturity and coupon to the advance being prepaid. If the reference rate is greater than the rate on the advance, no fee is charged.

### CALCULATION OF PREPAYMENT FEE

The prepayment fee will be computed as the present value of an annuity in the following manner:

$$PV = \frac{\left(1 - \frac{1}{(1+R/N_1)^{N_2}}\right)}{R/N_1} \text{ x Payment}$$

PV = Present value or prepayment fee

Payment = Difference between (a) the scheduled interest payments to be paid on the advance through remaining maturity and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate

R = Reference rate, which is the effective yield of an FHLBank obligation having the closest remaining maturity and coupon to the advance being prepaid. If the reference rate is greater than the rate on the advance, no fee is charged.

$N_1$ = Number of times interest is paid per year

$N_2$ = Number of interest payments remaining to maturity

*An example follows on the next page.*

*Continued on next page*

### Prepayment Example for Fixed Rate Advances

**SPECIFIC BORROWING INFORMATION**

| | |
|---|---|
| Dollar amount borrowed: | $1,000,000 |
| Advance rate: | 3.25% |
| Original term: | 60 months |
| Remaining term on prepayment date: | 24 months |
| Effective yield on two-year FHLBank obligation: | 2.797% |
| Prepayment frequency (N1): | 12 (advance pay interest monthly) |
| Difference in rate: | .00453 (.0325 - .02797) |
| Term ($N_2$): | 24 months |
| Payment: | $377.75* |

$$*\$1{,}000{,}000 \times \frac{(.0325 - .02797)}{12} = \$377.75$$

$$PV = \frac{1 - \dfrac{1}{\left(1 + \dfrac{.02797}{12}\right)^{24}}}{\dfrac{.02797}{12}} \times \$377.75$$

Present Value (fee paid to FHLBank): $8,807.14

## Estimation of Prepayment Calculation and Example for Symmetrical Fixed Rate Advances

Prepayment is permitted in full (but not in part unless FHLBank is able to terminate the portion of the underlying swap used to hedge the advance that applies directly to the amount of the advance being prepaid) and equals the present value of the advance spread of 0.XX% (held constant over the remaining life of the advance) plus or minus the cost (plus) or benefit (minus) resulting from the termination of the underlying swap used to hedge the advance. Any net benefit associated with prepayment will be paid by FHLBank and will be limited to 10 percent of the advance principal balance.

### CALCULATION OF PREPAYMENT FEE (ESTIMATION ONLY)

The prepayment fee will be computed based on the actual cost or benefit of unwinding the underlying swap as well as the present value of the spread on the advance. The examples below illustrate an estimate of the prepayment fee in both a decreasing and rising rate environment.

$$PV = \frac{\left(1 - \frac{1}{(1+R/N_1)^{N_2}}\right)}{R/N_1} \times \text{Payment}$$

PV = Present value or prepayment fee estimate

Payment = Difference between (a) the scheduled interest payments to be paid on the advance through remaining maturity and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate

R = Reference rate, is the effective yield of the current swap rate having the closest remaining maturity to the advance that is being prepaid. If the reference rate is greater than the rate on the advance, a potential gain could be realized.

$N_1$ = Number of times interest is paid per year

$N_2$ = Number of interest payments remaining to maturity

*An example follows on the next two pages.*

*Continued on next page*

## Prepayment Example for Symmetrical Fixed Rate Advances

### DECREASING RATE ENVIRONMENT

| | |
|---|---|
| Dollar amount borrowed: | $2,500,000 |
| Advance rate: | 2.00% |
| Original term: | 60 months |
| Remaining term on prepayment date: | 24 months |
| Effective yield on two-year swap rate (R): | 0.53% |
| Prepayment frequency (N1): | 12 (advance pay interest monthly) |
| Difference in rate: | 1.47% (2.00%-0.53%) |
| Term ($N_2$): | 24 months |
| Payment: | $3,062.50 |

$$*\$2,500,000 \times \frac{(.0200 - .0053)}{12} = \$3,062.50$$

$$PV = \frac{1 - \dfrac{1}{\left(1 + \dfrac{.0053}{12}\right)^{24}}}{\dfrac{.0053}{12}} \times \$3,062.50$$

Present Value (fee paid to FHLBank): $73,095.77

*Continued on next page*

**Prepayment Example for Symmetrical Fixed Rate Advances**

## RISING RATE ENVIRONMENT

| | |
|---|---|
| Dollar amount borrowed: | \$2,500,000 |
| Advance rate: | 2.00% |
| Original term: | 60 months |
| Remaining term on prepayment date: | 24 months |
| Effective yield on two-year swap rate (R): | 2.53% |
| Prepayment frequency (N1): | 12 (advance pay interest monthly) |
| Difference in rate: | -0.53% (2.00%-2.53%) |
| Term ($N_2$): | 24 months |
| Payment: | (\$1,104.17) |

$$*\$2{,}500{,}000 \times \frac{(.0200 - .0253)}{12} = (\$1{,}104.17)$$

$$PV = \frac{1 - \dfrac{1}{\left(1 + \dfrac{.0253}{12}\right)^{24}}}{\dfrac{.0253}{12}} \times (\$1{,}104.17)$$

Present Value (gain paid to borrower): (\$25,814.20)

Amount paid to the borrower is limited to 10% of the advance principal balance.

## Prepayment Calculation and Example for Amortizing Advances

Prepayment is permitted in full (but not in part) with a fee. The prepayment fee equals the present value (discounted at the reference rate) of the difference between (a) the scheduled interest payments to be paid on the advance through remaining maturity and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate. The reference rate is the internal rate of return which equates the principal balance of the advance with the future cash flows which would be due on the advance if each unpaid principal payment bore interest, payable monthly, at the effective yield of a Federal Home Loan Bank obligation having the closest remaining maturity and coupon to such principal payment. If the reference rate is greater than the rate on the advance, no fee is charged.

### CALCULATION OF PREPAYMENT FEE

The prepayment fee will be computed as the present value of an annuity in the following manner:

$$PV = \frac{\left(1 - \frac{1}{(1+R/N_1)^{N_2}}\right)}{R/N_1} \times \text{Payment}$$

PV = Present value or prepayment fee

Payment = Difference between (a) the scheduled interest payments to be paid on the advance through remaining maturity and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate

R = Reference rate, which is the internal rate of return that equates the principal balance of the advance with the future cash flows that would be due on the advance if each unpaid principal payment bore interest, payable monthly, at the effective yield of an FHLBank obligation having the closest remaining maturity and coupon to such principal payment. If the reference rate is greater than the rate on the advance, no fee is charged.

$N_1$ = Number of times interest is paid per year

$N_2$ = Number of interest payments remaining to maturity

*An example follows on the next page.*

*Continued on next page*

## Prepayment Example for Amortizing Advances

### SPECIFIC BORROWING INFORMATION

Dollar amount borrowed: $250,000

Advance rate: 4.231%

Original term: 10 years (issued 1/27/04)

Structure of principal payments: Equal semiannual principal payments in the amount of $12,500

Remaining term on prepayment date: Approximately 5 years (prepayment date 1/12/09)

Remaining unpaid principal balance on prepayment date: $125,000

Internal rate of return on FHLBank obligation: 2.208% (based on the remaining principal payments)

Interest payment frequency ($N_1$): 12

Maturity date: 1/27/14

| Principal Payment Dates | Principal Payment | Term (N1) | Payment* | Present Value |
|---|---|---|---|---|
| 07/01/09 | $ 12,500.00 | 5.58904 | $ 21.07 | $ 117.07 |
| 01/10/10 | $ 12,500.00 | 11.63836 | $ 21.07 | $ 242.43 |
| 07/01/10 | $ 12,500.00 | 17.58904 | $ 21.07 | $ 364.39 |
| 01/01/11 | $ 12,500.00 | 23.63836 | $ 21.07 | $ 487.01 |
| 07/01/11 | $ 12,500.00 | 29.58904 | $ 21.07 | $ 606.32 |
| 01/01/12 | $ 12,500.00 | 35.63836 | $ 21.07 | $ 726.26 |
| 07/01/12 | $ 12,500.00 | 41.62192 | $ 21.07 | $ 843.60 |
| 01/01/13 | $ 12,500.00 | 47.67123 | $ 21.07 | $ 960.93 |
| 07/01/13 | $ 12,500.00 | 53.62192 | $ 21.07 | $1,075.07 |
| 01/27/14 | $ 12,500.00 | 60.52603 | $ 21.07 | $1,205.95 |

*$$\$12{,}500 \times \frac{(.04231-.02208)}{12} = \$21.07$$

Present Value (fee paid to FHLBank): $6,629.03

## Prepayment Calculation for Adjustable Rate Advances

Prepayment is permitted in full or in part. Prepayment permitted on rate reset dates with one business day notice and equals the present value (discounted at the reference rate) of the difference between: (a) the scheduled interest payments to be paid on the advance through remaining maturity, assuming the advance rate remains constant, and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate, assuming the reference rate remains constant. The reference rate is the effective yield of a similarly indexed advance having the closest remaining maturity to the advance being prepaid on the date of prepayment. If the reference rate is greater than the rate on the advance, no fee is charged.

### CALCULATION OF PREPAYMENT FEE

The prepayment fee will be computed as the present value of an annuity in the following manner:

$$PV = \frac{\left(1 - \frac{1}{(1+R/N_1)^{N_2}}\right)}{R/N_1} \times \text{Payment}$$

PV = Present value or prepayment fee

Payment = Difference between (a) the scheduled interest payments to be paid on the advance through remaining maturity, assuming the advance rate remains constant, and (b) the interest payments that would be collected on the advance through remaining maturity if it bore interest at the reference rate, assuming the reference rate remains constant.

R = The reference rate for all adjustable rate advances is the effective yield of a similarly indexed advance having the closest remaining maturity to the advance being prepaid on the date of prepayment. If the reference rate is greater than the rate on the advance, no fee is charged.

$N_1$ = Number of times interest is paid per year

$N_2$ = Number of interest payments remaining to maturity

* In the event that an adjustable rate index, such as SOFR, is suspended or unreliable, FHLBank may substitute an alternative benchmark index or adjust the spread to maintain the current yield or make the new rate economically neutral. FHLBank will provide the member notice as soon as practically possible and the effective date of any substitutions, adjustments or other changes.

**Prepayment Example for Adjustable Advances**

## SPECIFIC BORROWING INFORMATION

| | |
|---|---|
| Dollar amount borrowed: | $1,000,000 |
| Advance rate: | 0.55% |
| Original term: | 24 months |
| Remaining term on prepayment date: | 18 months |
| Effective yield on 18 month similarly indexed advance: | 0.52% |
| Prepayment frequency (N1): | 12 (advance pay interest monthly) |
| Difference in rate: | .0003 (.0055-.0052) |
| Term ($N_2$): | 18 months |
| Payment: | $25.00* |

$$*\$1{,}000{,}000 \times \frac{(.0055 - .0052)}{12} = \$25.00$$

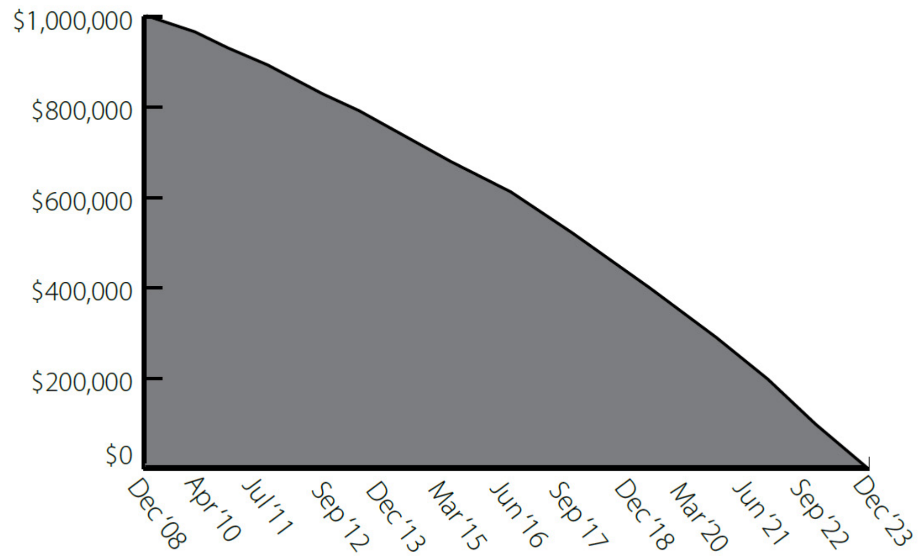
$$PV = \frac{1 - \dfrac{1}{\left(1 + \dfrac{.0052}{12}\right)^{18}}}{\dfrac{.0052}{12}} \times \$25.00$$

Present Value (fee paid to FHLBank): $447.75

## Amortizing Advance Funding Strategy

- Amortizing advances can be used to offset the interest rate risk of long-term loans made by member institutions. A match funding strategy matches the exact term, dollar amount, and principal payment schedule of the member's loan to their customer, with an amortizing advance. The amortizing advance allows the member to lock in their liability cost and their spread on the transaction. Match funding works well when the member is certain that the loan will not prepay prior to its contractual maturity.

### MATCH FUNDING

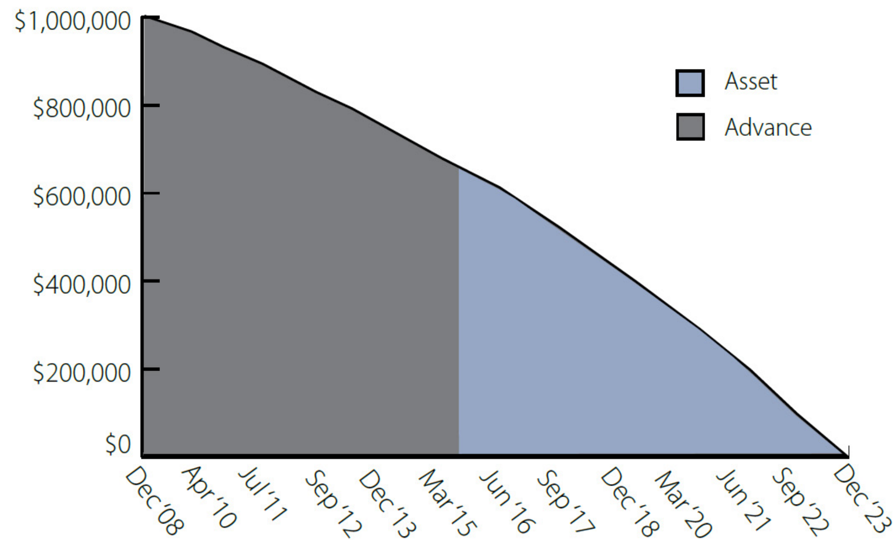



| ASSET | ADVANCE | DEPOSIT COF | SPREAD IN BPS |
|---|---|---|---|
| $1,000,000<br>Amort: 180 mo<br>CPR: 0.000 %<br>Maturity: 180 mo<br>Yield: 6.250 %<br>Principal: Monthly | $1,000,000<br>Amort: 180 mo<br>CPR: 0.000 %<br>Maturity: 180 mo<br>Rate: 4.225 %<br>Principal: Monthly | 2.000 % | 202 initial<br>202 adv life<br>202 asset life |

## Amortizing Advance Funding Strategy

Amortizing advances can be used to offset a portion of the interest rate risk of long-term loans made by member institutions. The short funding strategy matches the dollar amount of the member's loan to their customer, but the term of the advance is established based on the estimated average life of the customer's loan versus the loan's contractual maturity date. The short funding strategy decreases the member's cost of funding and increases the spread on the transaction, while increasing the member's exposure to funding costs in the latter term of the loan if the loan remained on their books until contractual maturity. The short funding strategy works well when members believe the loan will pay off prior to its contractual maturity.

### SHORT FUNDING

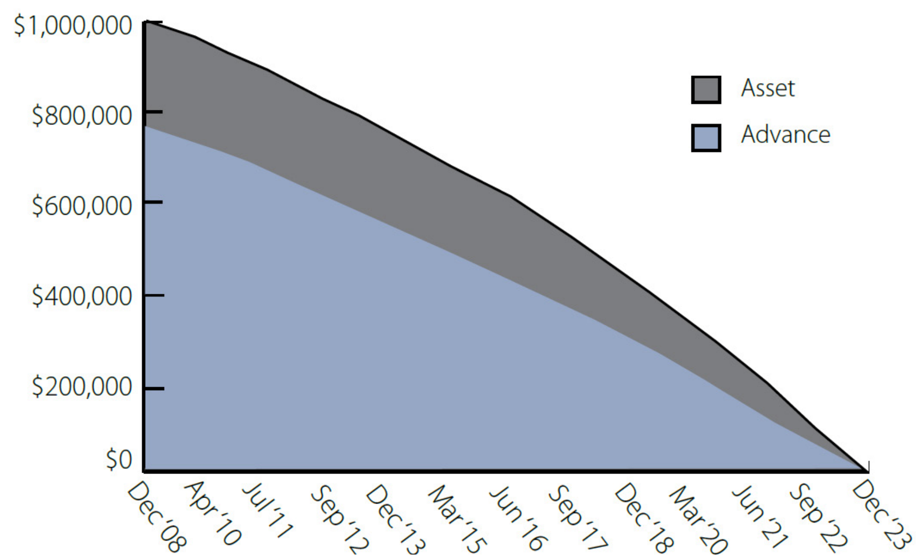



| ASSET | ADVANCE | DEPOSIT COF | SPREAD IN BPS |
|---|---|---|---|
| $1,000,000<br>Amort: 180 mo<br>CPR: 0.000 %<br>Maturity: 180 mo<br>Yield: 6.250 %<br>Principal: Monthly | $1,000,000<br>Amort: 180 mo<br>CPR: 0.000 %<br>Maturity: 84 mo<br>Rate: 3.864 %<br>Principal: Monthly | 2.000 % | 239 initial<br>239 adv life<br>298 asset life |

## Amortizing Advance Funding Strategy

Amortizing advances can be used to offset a portion of the interest rate risk of long-term loans made by member institutions. The blended funding strategy matches the exact term of the member's loan to their customer, but funds a portion of the loan with an amortizing advance and a portion with the member's deposits. The mix of funding depends upon the member's risk tolerance and spread requirements. By weighting the funding mix toward advance funding the member is exposed to less interest rate risk and less spread on the transaction. Weighting the funding mix more heavily toward the member's deposits increases the interest rate risk and spread, but provides a cushion to absorb early paydowns made on the loan.

### BLENDED FUNDING

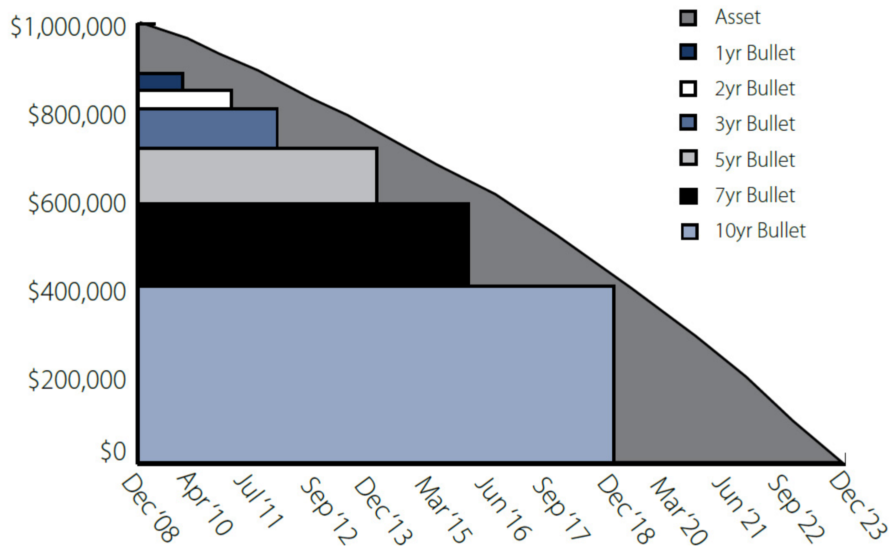



| ASSET | ADVANCE | DEPOSIT COF | SPREAD IN BPS |
|---|---|---|---|
| $1,000,000<br>Amort: 180 mo<br>CPR: 0.000 %<br>Maturity: 180 mo<br>Yield: 6.250 %<br>Principal: Monthly | $750,000<br>Amort: 180 mo<br>CPR: 0.000 %<br>Maturity: 180 mo<br>Rate: 4.225 %<br>Principal: Monthly | 2.000 % | 258 initial<br>258 adv life<br>258 asset life |

## Fixed Rate Funding Strategy

- Bullet advances, like amortizing advances, can be used to offset the interest rate risk of long-term loans made by member institutions. A bullet funding strategy uses strips of bullet advances to fund a large portion of the member's loan to their customer. The bullet strategy allows the member to lock in their liability costs and spread on the portion of the transaction funded with bullet advances. The portion of the customer's loan funded by deposits increases the overall spread on the transaction and provides a cushion to absorb additional or early principal paydowns by the customer. Additionally, members can incorporate call options on fixed rate bullet advances to further protect against prepayment risk.

### BULLET FUNDING




| ASSET | ADVANCE | DEPOSIT COF | SPREAD IN BPS |
|---|---|---|---|
| $1,000,000<br>Amort: 180 mo<br>CPR: 0.000 %<br>Maturity: 180 mo<br>Yield: 6.250 %<br>Principal: Monthly | Rate: 3.522 %<br>1yr: 1.72%, 276 adv life<br>2yr: 1.92%, 272 adv life<br>3yr: 2.34%, 268 adv life<br>5yr: 3.22%, 261 adv life<br>7yr: 4.01%, 258 adv life | 2.000 % | 279 initial<br>279 asset life |

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