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Community focused.

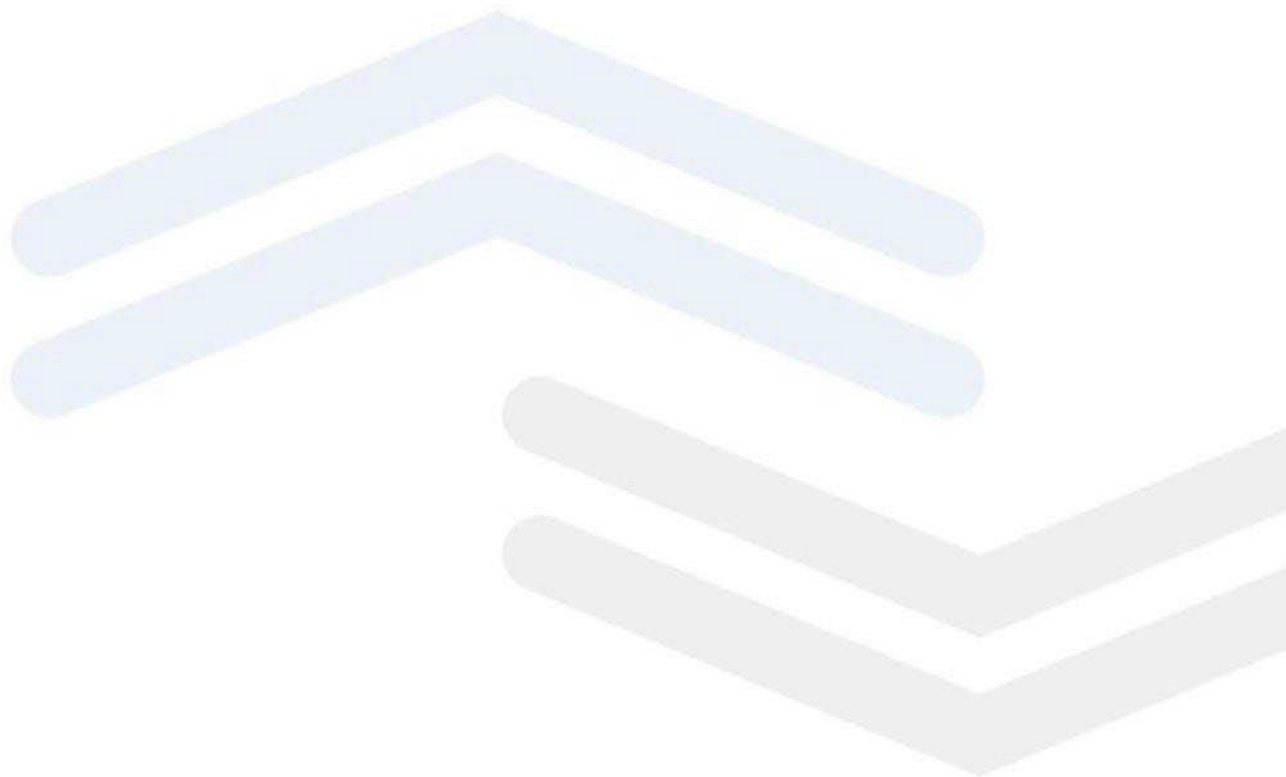
Collateral Valuation Guide

Federal Home Loan Bank of Dallas

Effective August 29, 2023

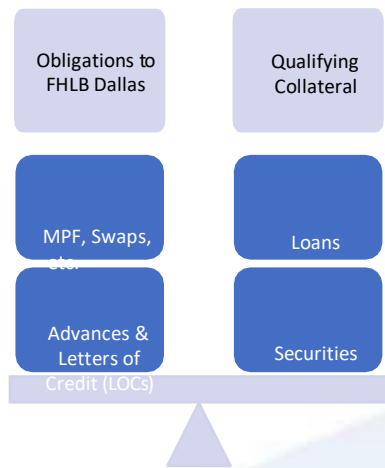
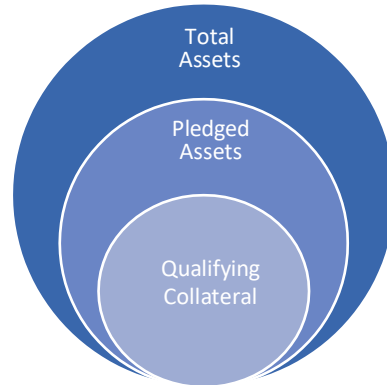
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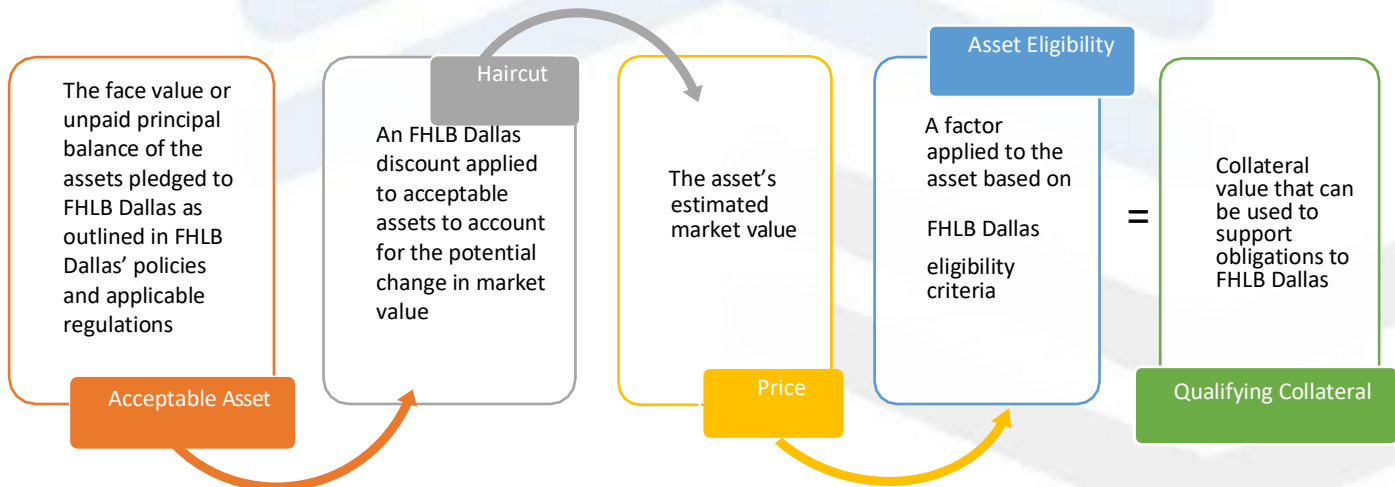
Federal Home Loan Bank of Dallas Collateral Valuation Guide

Upon membership approval, the Federal Home Loan Bank of Dallas (FHLB Dallas) places a lien on certain pledged assets. The asset valuation determines the member's available collateral as shown on their member profile. This guide is intended to help members understand how FHLB Dallas evaluates qualifying collateral and further explain factors that may cause a member's borrowing capacity to change.



FHLB Dallas members are required to maintain a level of qualifying collateral that fully secures FHLB Dallas credit extensions. Certain loans and securities (As detailed in the [Member Products and Credit Policy](#)) may be pledged as qualifying collateral to support these obligations

The following components will be discussed in detail as they relate to the valuation of qualifying collateral



Acceptable Assets

The collateral that FHLB Dallas may give lending value to depends on the institution charter type or designation as CFI or LFI institution as further described below. Every April, FHLB Dallas obtains the member's total assets reported for the three most recent year-end filings to determine a member's status as a community financial institution (CFI) or large financial institution (LFI). Members are notified if their institution status has changed. (See CFI/LFI discussion below.) The table below lists the collateral types that are acceptable assets for lending value purposes.

Collateral Type	CFI	LFI	Credit Union	Insurance Company	Housing Associate	CDFI
Single-Family Loans	Yes	Yes	Yes	Yes	Yes	Yes
Held-for-Sale Loans	Yes	Yes	Yes	No	Yes	No
Multifamily Loans	Yes	Yes	Yes	Yes	Yes	Yes
Commercial Loans	Yes	Yes	Yes	Yes	No	No
Commercial Construction Loans	Yes	Yes	Yes	No	No	No
Land Loans	Yes	Yes	Yes	No	No	No
Home Equity Loans	Yes	Yes	Yes	No	No	No
Small Business Loans	Yes	No	No	No	No	No
Small Farm Loans	Yes	No	No	No	No	No
U.S. Treasuries (Bills, Notes, Bonds, Strips)	Yes	Yes	Yes	Yes	Yes	Yes
Securities	Yes	Yes	Yes	Yes	Yes	Yes
Term Deposits	Yes	Yes	Yes	Yes	Yes	Yes

As defined in 12 CFR §1263.1, a **community financial institution (CFI)** is an institution: (a) insured by FDIC, and (b) that has a three-year average of total assets less than the CFI asset cap adjusted annually by Federal Housing Finance Agency (FHFA). Members that do not meet the definition of CFI are classified as **large financial institutions (LFIs)**. As defined in 12 CFR §1263.1, a **community development financial institution (CDFI)** is an institution that is certified as a community development financial institution by the CDFI Fund under the Community Development Banking and Financial Institutions Act of 1994. Note that if an institution is both a CDFI and one of the other institution types listed above it will be treated as the other type listed above for collateral purposes.

Methods for Obtaining Collateral Value

method by which members obtain possible lending value for their acceptable loan collateral depends on the member's institution type, collateral status and credit rating as described in the [Member Products and Credit Policy](#).

Methods	CFI	LFI	Credit Union	Insurance Company	Housing Associate	CDFI
Loans (Blanket)	Blanket Status	Blanket Status	Blanket Status	No	No	No
Loans (Listed)	A, B, C	A, B, C	A, B,	No	No	No
Loans (Delivered)	Yes	Yes	Yes	Yes	Yes	Yes
Securities	Yes	Yes	Yes	Yes	Yes	Yes

Loans

Members on Blanket Collateral Status

Certain types of members (see chart above) with a credit rating of A, B or C may be eligible for blanket collateral status. FHLB Dallas uses the member’s Call Report financials, which are provided by a third-party data feed, to set the member’s lending basis on which haircuts and exceptions will be applied as described below. This information is updated by FHLB Dallas about 45 days after each quarter end.

Listed Loans

Borrowers with a credit rating of A, B or C may submit loan-level data to FHLB Dallas utilizing an FHLB Dallas-provided template. Loan data is then updated on a monthly or daily basis as established by FHLB Dallas.

Delivered Loans

All borrowers can deliver physical loan files to FHLB Dallas or an approved third-party custodian. Members submit loan-level data on a monthly basis via an FHLB Dallas-provided template.

Combination of the Above

If a borrower on blanket collateral status receives blanket collateral value for loans, but also lists or delivers loans, then the listed and delivered loan value will be deducted from the blanket loan value.

Securities

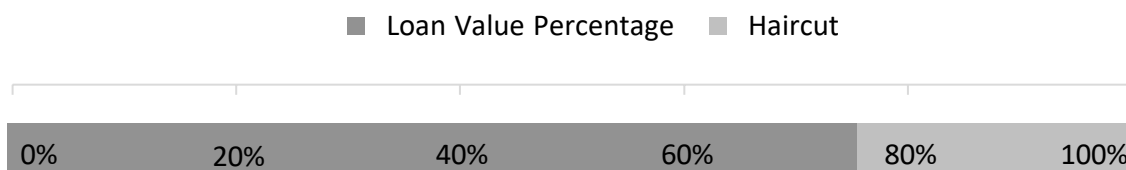
All borrowers can deliver acceptable securities to FHLB Dallas or an approved custodian to be considered for qualifying collateral value.

The submission of collateral data and reporting frequencies are outlined below for each pledging method.

	Loans (Blanket)	Loans (Listed)	Loans (Delivered)	Securities
Submission	Call Report	Loan data file	Loan data file & physical loan file	FHLB Dallas or approved custodian
Reporting frequency	Quarterly	Daily or Monthly	Monthly	Not applicable

Haircut

Regulations require that acceptable assets pledged to FHLB Dallas be discounted to protect FHLB Dallas against loss in adverse circumstances. These discounts are referred to as haircuts. The complement of the haircut, as it is applied to loan collateral, is called the loan value percentage and represents the collateral value of the asset after the haircut is applied.



Loan haircuts are assigned based on the member’s credit rating and institution type as described in the [Appendix of this guide](#).

The Bank reserves the right to assess an additional minimum haircut of 10% over the level of delivery requirement for: loss of original notes, credit profile, data quality and other quantitative or qualitative factors of the collateral. For example, if the haircut under delivery requirement is 25%, the haircut for such loss-of-original-note arrangement is 35% as the minimum.

Price

In addition to the haircut, FHLB Dallas applies a price to the acceptable asset. The price is indicative of the collateral’s estimated market value, not to exceed par for loans. FHLB Dallas uses a pricing model in conjunction with third-party vendors to determine and validate the price. Acceptable assets are priced according to the frequencies listed below.

Loans (Blanket)	Loans (Listed)	Loans (Delivered)	Securities
Quarterly	Monthly	Monthly	Daily*

*Securities prices are a day in arrears. No qualifying collateral value will be applied to securities for which the price cannot be determined.

Asset Eligibility

FHLB Dallas reviews loans and securities to ensure compliance with regulatory and FHLB Dallas eligibility requirements. Acceptable assets must meet these standards to become and remain eligible for qualifying collateral value.

Loans

Loans pledged to FHLB Dallas’ as collateral must meet all applicable requirements detailed in the Bank’s [Loan Collateral Eligibility Requirements \(LCER\)](#). The LCER outlines the criteria that loans in each category must satisfy to comply with:

- FHFA regulations,
- Other applicable regulations (ex. HOEPA, PACE, etc.),

- FHLB Dallas policies (i.e., Loan-to-Value (LTV) requirements, debt service coverage ratio, etc.) and
- Loan documentation requirements (recorded mortgage, appraisal, etc.)

Loans Pledged on Blanket

For members on blanket collateral status, blanket loan eligibility is established through the collateral verification process. FHLB Dallas calculates both a.) a data review exception rate and b.) a document review exception rate for each loan category pledged to FHLB Dallas.

Data Review Exception Rate

FHLB Dallas identifies ineligible loans through a loan data (“trial balance”) review using the information provided by the member. Ineligible loans are loans that do not meet regulatory requirements or the Bank’s policy to be considered eligible as collateral as described in the [Loan Collateral Eligibility Requirements](#) guide.

The data review exception rate is calculated for each loan type as follows:

Book Value of Ineligible Loans/Total Book Value of Loans

For example, if \$2,500,000 of \$36,500,000 single-family loans reported in RCON5367 are identified as ineligible, the data review exception rate for the single-family loan category would be 6.85 percent.

Document Review Exception Rate

During the onsite collateral verification process, FHLB Dallas selects a sample of loans from the remaining eligible population of loans after the data review. The sample of loans and related files are further reviewed for compliance with eligibility and documentation requirements. Based on the sample loans that fail to meet FHLB Dallas’ eligibility or documentation requirements during the onsite review, FHLB Dallas calculates an exception percentage, which is then applied to the entire portfolio of loans to determine overall ineligibility.

For example, a single-family loan reported in RCON5367 passes the trial balance review and is selected as one of 30 loan files to receive an onsite document review. The original promissory note for this loan cannot be located. All other single-family loans sampled pass the document inspection and meet the FHLB Dallas loan collateral eligibility requirements. Therefore, the document exception rate for single-family would be 3.33 percent.

In the event FHLB Dallas has not calculated a specific data review or document review exception rate for a member or certain loan type, FHLB Dallas will apply the appropriate default rate. Default rates are calculated using the results of all verifications performed the prior year in the district and establishing the average data review and document review exception rate for each loan category.

Listed Loans

Eligibility for listed loans is established in a two-step process. FHLB Dallas reviews the detailed loan information provided by the member to determine compliance with eligibility requirements on a loan-by-loan basis. To ensure the loan continues to meet the established eligibility criteria the Bank will routinely monitor data submitted by the member. A listed loan that met the eligibility requirements in the initial review may later be considered ineligible if and of the following actions occur:

- The loan is subsequently classified by the member or its regulator
- The loan becomes delinquent (beyond the established policy)
- The loan has matured
- The member does not submit the loan to FHLB Dallas by the established deadline

In addition, members with listed loans may be subject to an onsite collateral verification. During the onsite collateral verification process, FHLB Dallas selects a sample of loans that are reviewed for compliance with FHLB Dallas' eligibility and documentation requirements. Based on the sample loans that fail to meet FHLB Dallas' requirements during the onsite review, FHLB Dallas calculates a percentage that is then applied to the entire portfolio of listed loans. This determines overall ineligibility.

In the event FHLB Dallas has not calculated a specific data review or document review exception rate for a member or certain loan type, FHLB Dallas will apply the appropriate default rate. The default rates are calculated using the prior year verifications to determine the average for each rate.

Delivered Loans

Eligibility for delivered loans is established in a two-step process. FHLB Dallas reviews the detailed loan information provided by the member to determine compliance with eligibility requirements on a loan-by-loan basis. In addition, FHLB Dallas will review all loan documentation provided by the member as required in the Loan Delivery Instructions to ensure the loan meets the guidelines established in the LCER.

To ensure the loan continues to meet the established eligibility criteria, FHLB Dallas routinely monitors data submitted by the member. A delivered loan that met the eligibility requirements in the initial review may later be considered ineligible if the following actions occur:

- The loan is subsequently classified by the member or its regulator
- The loan becomes delinquent (beyond the established policy)
- The loan has matured
- The member does not submit the loan to FHLB Dallas by the established deadline

Delivered loans that fail to meet any of the eligibility requirements as outlined in the LCER will be assigned a 100 percent exception percentage resulting in zero collateral value for such loan. For loans pledged on a blanket listing, we apply exceptions on a portfolio basis. For delivered loans, we apply exceptions on a loan-by-loan basis using the data review rate and document review exception rate whereas exceptions on delivered loans are applied on a loan by loan basis.

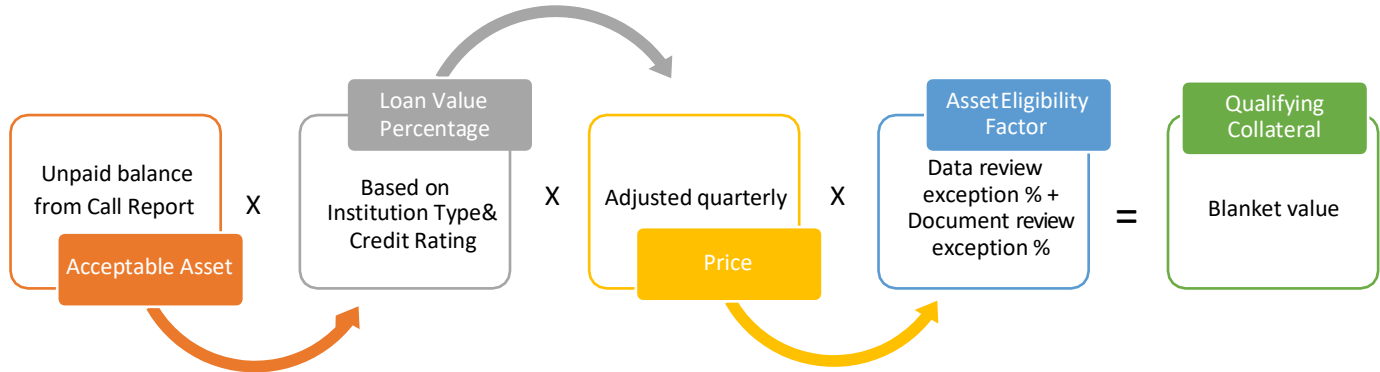
Securities

As permitted by FHFA regulations, FHLB Dallas will provide collateral value for the security types outlined in the Member Products and Credit Policy. In addition, Private label mortgage-backed securities and municipal bonds must meet FHLB Dallas' credit rating requirements. A security which is initially determined to be eligible collateral may later become ineligible if it experiences a decrease in credit rating (if one is required), is paid off or reaches maturity.

For municipal bonds and housing revenue bonds, members must provide adequate documentation to validate the bond's real estate related component.

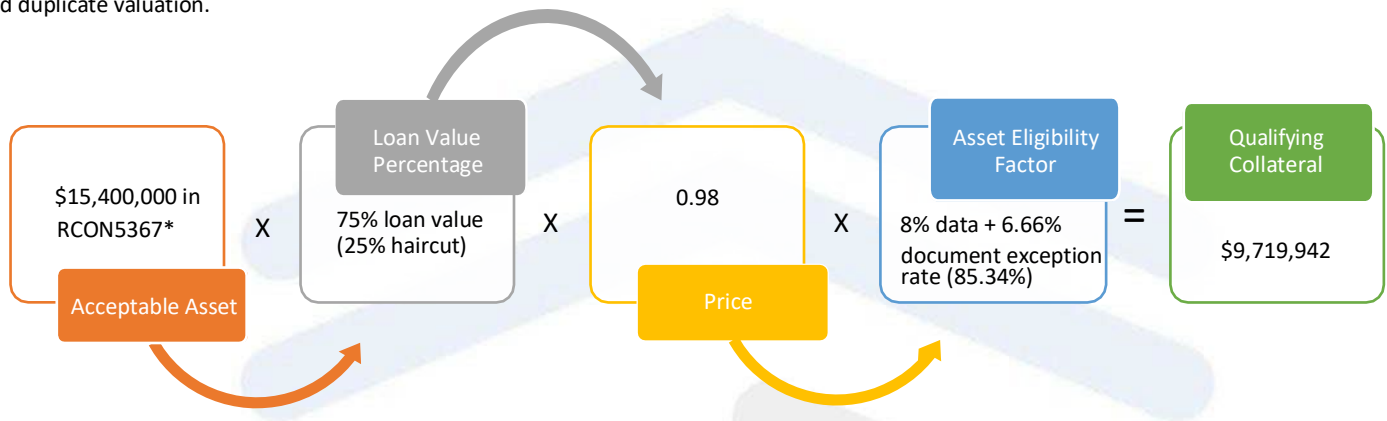
Valuation of Blanket Loan Types

For members on blanket collateral status, FHLB Dallas determines the qualifying collateral value for each collateral type based on the unpaid principal balance reported on the member's quarterly Call Report for the collateral type. The collateral type is adjusted based on the following formula:



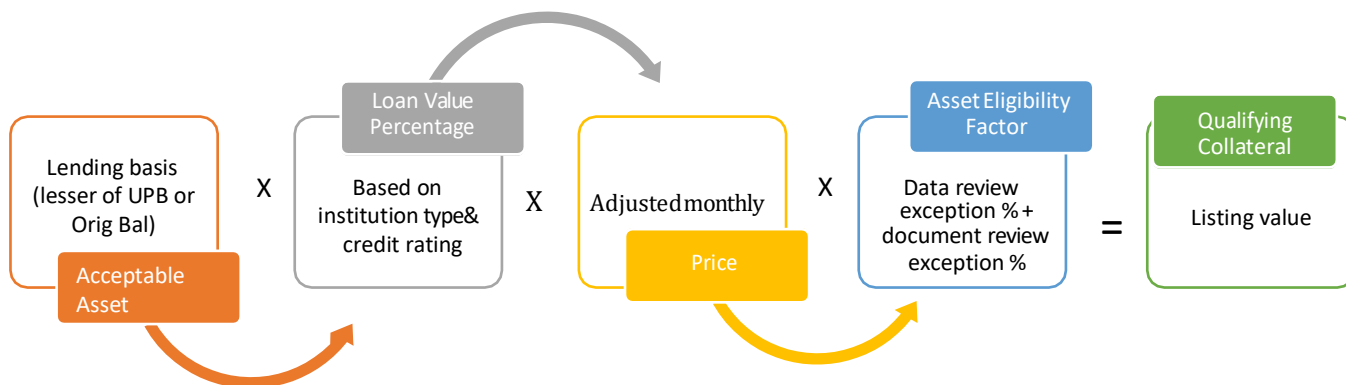
For example, a member bank reporting single family loans in RCON5367 on their call report with a book value (unpaid principal balance) of \$15,400,000, a loan value percentage of 75 percent (25 percent haircut), a Price of 0.98, an Ineligible Rate of 8 percent and document exception rate of 6.66 percent from its current collateral verification would receive a qualifying collateral value of \$9,719,942 for single-family loans.

**Note:* The unpaid principal balance of listed and delivered loans is deducted from the blanket calculation for the corresponding loan type to avoid duplicate valuation.

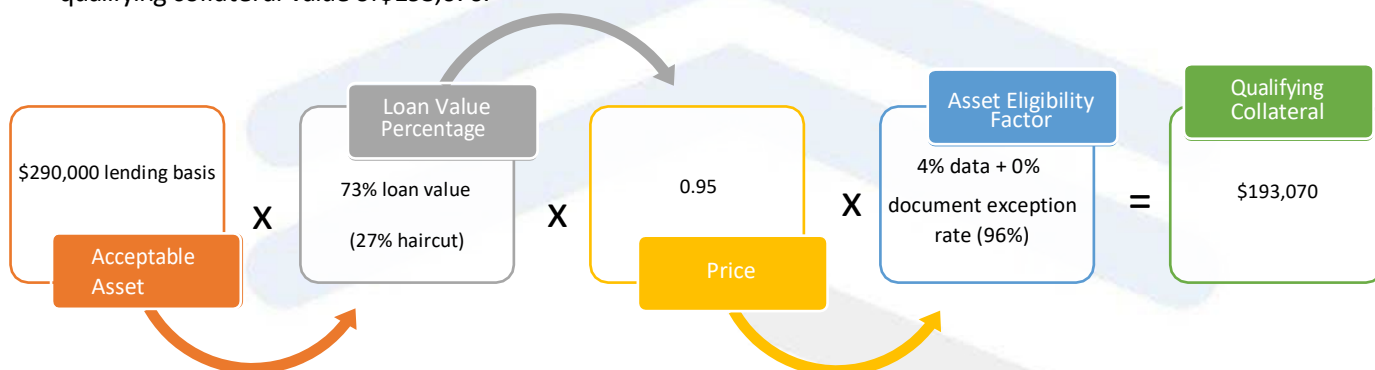


Valuation of Listed Loans

Members that qualify have the option to provide FHLB Dallas with a listing of loans that have value calculated on a loan-by-loan basis. The lending basis for each listed loan is considered to be the lesser of the unpaid principal balance, original balance, assessed value or appraised value. This data is provided by the member in a loan list acceptable to FHLB Dallas and is updated on a daily or monthly basis depending on the program selected. Note: FHLB Dallas may apply an additional asset eligibility adjustment to each loan based on the results of the collateral verification for the corresponding loan category. Qualifying collateral value for listed loans is calculated as follows:

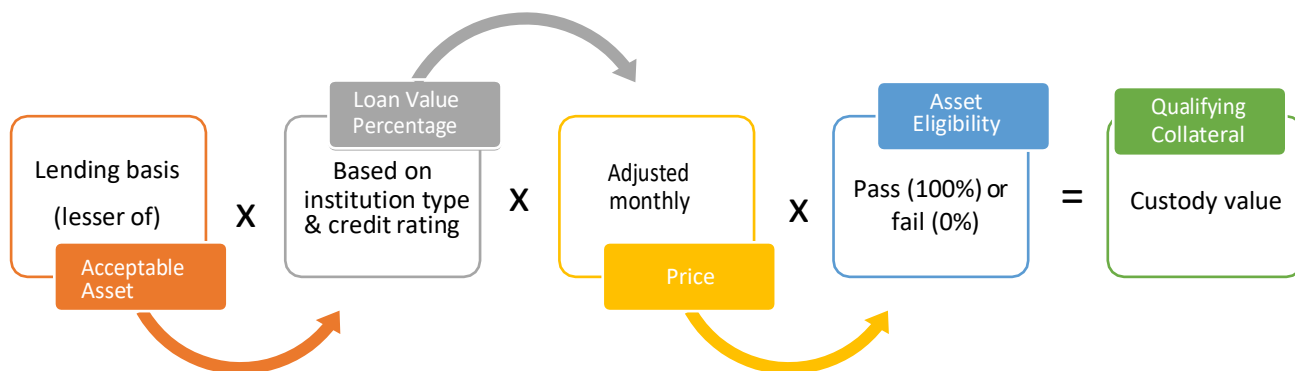


For example, a member banklisting a commercial loan in RCONF160 with an original balance of \$300,000, unpaid principal balance of \$290,000, appraised value of \$325,000, and assessed value of \$300,000 would have a lending basis of \$290,000. Assuming a loan value percentage of 73 percent (27 percent haircut), a price of 0.95, a data review exception rate of 4 percent and 0 percent document review exception rate, the loan would have a qualifying collateral value of \$193,070.

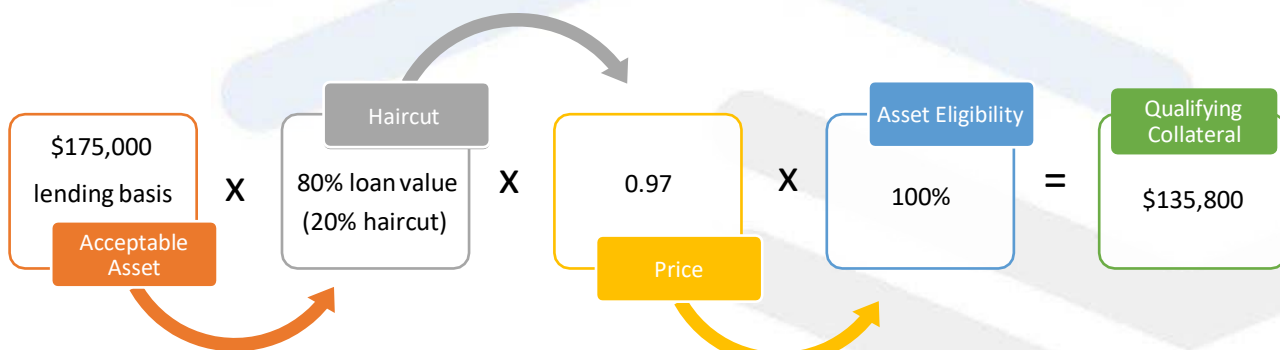


Valuation of Delivered Loans

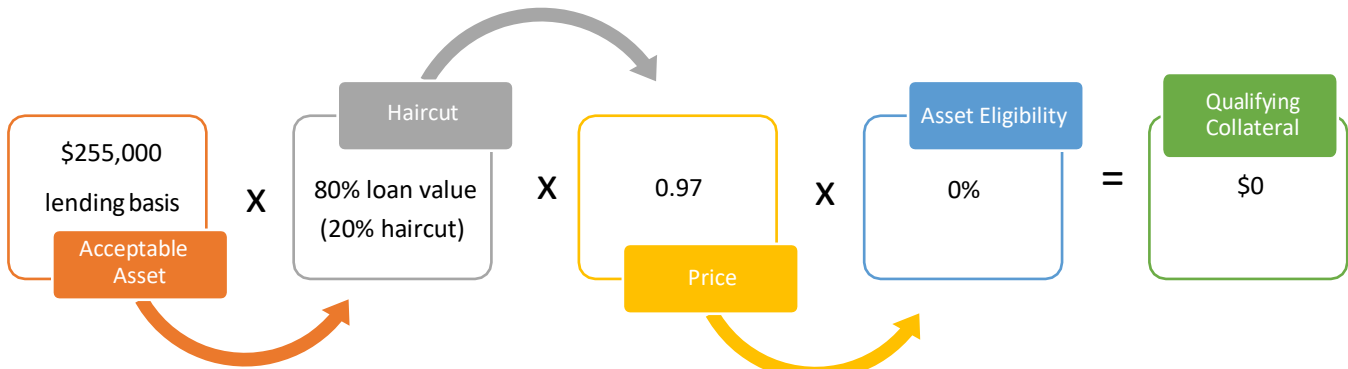
Members on blanket collateral status may choose to deliver loans if they want greater collateral value and a better haircut; members on custody status are required to deliver loan collateral. The lending basis for each listed loan is considered to be the lesser of the unpaid principal balance, original balance, assessed value or appraised value. Whether members choose to deliver or are required to deliver, in order to receive collateral value for delivered loans the member must update information relating to such collateral on a monthly basis, or more frequently if requested by FHLB Dallas. The qualifying collateral value on delivered loans is calculated as follows:



For example, a credit union that delivers an eligible single-family loan (RCONCU703) with an original balance of \$400,000, unpaid principal balance of \$175,000, assessed value of \$180,000, and an appraised value of \$450,000 would have a lending basis of \$175,000. Assuming a loan value percentage of 80 percent (20 percent haircut), a price of 0.97 and proper documentation that meets all eligibility standards, this loan would have a qualifying collateral value of \$135,800.

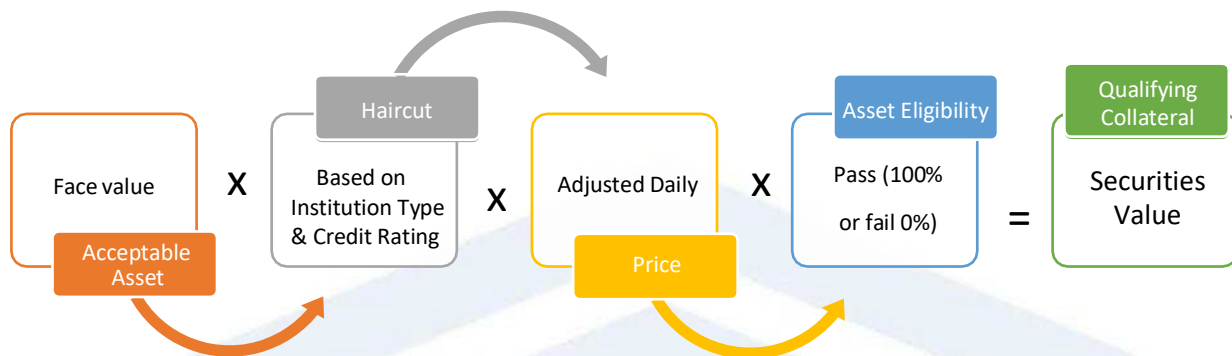


The same credit union delivers another single-family loan (RCON CU703) with a lending basis of \$255,000. However, the appraisal does not meet the loan collateral eligibility requirements. Therefore, this loan would provide no qualifying collateral value.

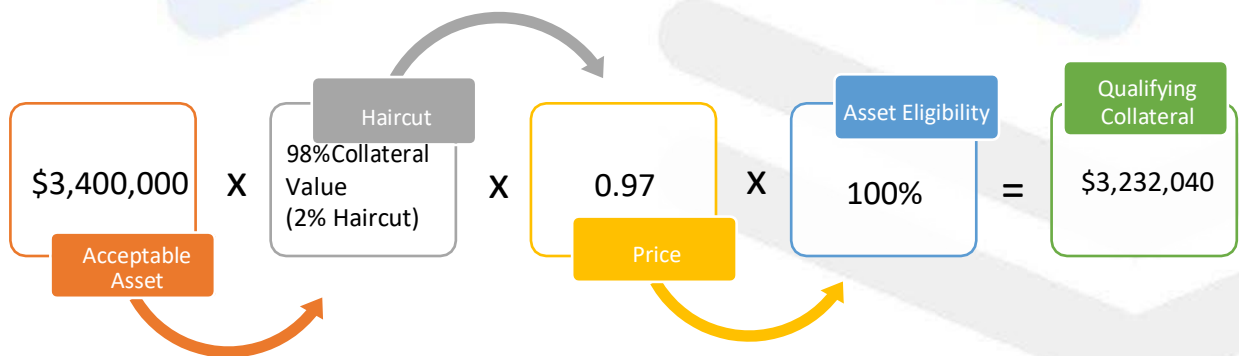


Valuation of Securities

The qualifying collateral value for a security is calculated as follows:



For example, an insurance company that delivers a security that FHLB Dallas determines is eligible with a current face of \$3,400,000 a haircut of 2% and Price of 0.97, would receive qualifying collateral value of \$3,233,333. [(((\$3,400,000*98%) x 0.97) x 100%]



Loan and Security Collateral Haircuts for Non-Insurance Company Customers

Federal Home Loan Bank of Dallas Collateral Haircuts Table				
Table 1A: Non-Insurance Company Customers				
Effective Date: July 1, 2023				
Securities	Minimum Haircuts for Securities			
	All Member Credit Ratings			
	Remaining Maturity (Years)			
	<5	5-10	10-20	>=20
01. U.S. Treasuries				
Bills	5%			
Notes	5%	6%		
Bonds	5%	6%	7%	9%
Strips	9%	10%	11%	13%
TIPS	8%	9%	10%	12%
02. Government Sponsored Enterprises Debt Securities				
NCUA Bonds	13%	13%	13%	13%
FHLB Debt Securities	5%	6%	7%	9%
Agency Debentures (FNMA, FHLMC, GNMA and other Federal Agencies)	5%	6%	7%	9%
Agency Debenture Strips (IO and PO)	7%	8%	9%	11%
03. Government Sponsored Enterprises Mortgage-Backed Securities				
Agency MBS (Pass-throughs)	6%	6%	6%	6%
Agency Pool ARM	6%	6%	6%	6%
Agency REMIC/CMO - including FHLB CMO*	6%	6%	8%	8%
Agency Z-Bond, IO and PO		13%-28% [Link to Table 2]		
Agency CMBS		7% [Link to Table 2]		
04. Non-Agency Commercial Mortgage-backed Securities Rated BBB or above				
Commercial & Non-Traditional		8% - 16% [Link to Table 2]		
05. Non-Agency Residential Mortgage-backed Securities Rated BBB or above				
Residential - including subprime and HELOC*		8% - 16% [Link to Table 2]		
06. SBA Securities				
SBA Pool	5%	5%	5%	10%
07. State or Municipal Securities				
Muni**	12%	12%	12%	12%
Housing Bonds***	12%	12%	12%	12%
Whole Loans	Minimum Haircuts for Loans			
	A, B or C-Rated (Listing or Delivery)	A, B or C-Rated (Blanket)	D or E-Rated	E*-Rated
Single Family Residential 1-4				
Prime		20%	25%	30%
Subprime/Nontraditional	20%	35%		
Multifamily and Commercial Mortgage Loans				
Home Equity Loans or Lines of Credit	40%	40%	Not Eligible	
Raw Land Loans	60%	60%	75%	75%
Construction Loans	60%	60%	80%	80%
Small Business Loans	50%	50%	70%	70%
Paycheck Protection Program (PPP) Loans with 100% SBA Guarantee	10%	10%	60%*****	90%*****
Small Farm Loans	55%	55%	75%	75%
Eligible Warehouse Line Mortgages (EWLM)	4%		Not Eligible	
Daily Held For Sale Loans (99% or greater participations)****	4%		Not Eligible	
Daily Held For Sale Loans (participations less than 99%)****	25%		Not Eligible	
Monthly Held For Sale Loans (99% or greater participations)****	25%	25%		
Monthly Held For Sale Loans (participations less than 99%)****	55%	55%		
FHA-Insured Loan Rehabilitation Program	15%			
FHA-Insured Loan Rehabilitation Program (with curtailment)	20%			

Notes:

*: may be subject to CUSIP-level evaluation

**.: eligible for only the real estate-related portion

***: Mortgage Revenue Bonds (MRB) and tax-exempt multifamily housing bonds (collectively, Housing Bonds) rated at least AA by a NRSRO issued by State Housing Finance Agencies to finance low-interest mortgages for low- and moderate-income home buyers and to acquire, construct, and rehabilitate multifamily housing for low-income renters. Housing Bonds do not include Private Activity Bonds.

****: Customers that fail to report within the established timelines are subject to increased haircuts. 100% for Daily reporting and 55% for Monthly reporting.

*****: only applicable to such collateral pledged when the member is rated A, B or C

Member Type	FHLB Dallas Member Credit Rating	Non-Agency CMBS/MBS*				Agency CMBS	Agency Z-Bond	Agency Interest-Only	Agency Principal-Only
		Securities Rating							
		AAA	AA	A	BBB				
Non-Insurance Company Customers	All Ratings	8%	10%	12%	16%	7%	23%	28%	13%

* All Non-Agency CMBS/MBS must be rated AAA at the time of issuance to be eligible.

Loan and Security Collateral Haircuts for Insurance Company Customers

Federal Home Loan Bank of Dallas Collateral Haircuts Table																
Table 1B: Insurance Company Customers																
Effective Date: July 1, 2023																
Securities	Minimum Haircuts for Securities															
	A, B or C-Rated								D or E-Rated				E*-Rated			
	Group A: States With Regular Liquidation Timeline****				Group B: States with Longer Liquidation Timeline****											
	Remaining Maturity (Years)				Remaining Maturity (Years)				Remaining Maturity (Years)				Remaining Maturity (Years)			
	<5	5-10	10-20	>=20	<5	5-10	10-20	>=20	<5	5-10	10-20	>=20	<5	5-10	10-20	>=20
01. U.S. Treasuries																
Bills	5%				5%				5%				5%			
Notes	5%	8%			5%	9%			5%	9%			6%	10%		
Bonds	5%	8%	9%	10%	6%	9%	10%	12%	6%	9%	10%	12%	9%	12%	14%	15%
Strips	9%	10%	11%	13%	10%	11%	12%	14%	10%	11%	12%	14%	12%	13%	14%	16%
TIPS	10%	13%	14%	15%	15%	19%	20%	24%	15%	19%	20%	24%	28%	31%	33%	34%
02. Government Sponsored Enterprises Debt Securities																
NCUA Bonds	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
FHLB Debt Securities	5%	6%	8%	11%	6%	8%	13%	17%	6%	8%	13%	17%	7%	11%	18%	26%
Agency Debentures (FNMA, FHLMC, GNMA and other Federal Agencies)	6%	9%	10%	11%	7%	10%	11%	13%	7%	10%	11%	13%	10%	13%	15%	19%
Agency Debenture Strips (IO and PO)	9%	12%	13%	14%	12%	15%	16%	18%	12%	15%	16%	18%	16%	19%	21%	25%
03. Government Sponsored Enterprises Mortgage-Backed Securities																
Agency MBS (Pass-throughs)	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	7%	7%	7%	7%
Agency Pool ARM	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	7%	7%	7%	7%
Agency REMIC/CMO - including FHLB CMO*	6%	6%	8%	8%	6%	6%	8%	8%	6%	6%	8%	8%	6%	6%	8%	8%
Agency Z-Bond, IO and PO	18%-53% [Link to Table 2]															
Agency CMBS	8%-18% [Link to Table 2]															
04. Non-Agency Commercial Mortgage-backed Securities Rated BBB or above																
Commercial & Non-Traditional	10% - 60% [Link to Table 2]															
05. Non-Agency Residential Mortgage-backed Securities Rated BBB or above																
Residential - including subprime and HELOC*	10% - 60% [Link to Table 2]															
06. SBA Securities																
SBA Pool	5%	5%	5%	10%	5%	5%	5%	10%	5%	5%	5%	10%	5%	5%	5%	10%
07. State or Municipal Securities																
Muni**	12%	12%	12%	12%	12%	12%	12%	15%	12%	12%	12%	15%	12%	12%	15%	20%
Housing Bonds***	12%	12%	12%	12%	12%	12%	12%	15%	12%	12%	12%	15%	12%	12%	15%	20%
Whole Loans																
Minimum Haircuts for Loans																
A, B or C-Rated																
Group A: States With Regular Liquidation Timeline****																
Group B: States with Longer Liquidation Timeline****																
D or E-Rated																
E*-Rated																
Single Family Residential 1-4	20%				20%				25%				30%			
Multifamily and Commercial Mortgage Loans	30%				30%				33%				36%			
Home Equity Loans or Lines of Credit																
Raw Land Loans																
Construction Loans																
Small Business Loans																
Small Farm Loans																
Eligible Warehouse Line Mortgages (EWLM)																
Daily Held For Sale Loans (99% or greater participations)	Not Eligible															
Daily Held For Sale Loans (participations less than 99%)																
Monthly Held For Sale Loans (99% or greater participations)																
Monthly Held For Sale Loans (participations less than 99%)																
FHA-Insured Loan Rehabilitation Program																
FHA-Insured Loan Rehabilitation Program (with curtailment)																

Notes:
 *: may be subject to CUSIP-level evaluation
 **: eligible for only the real estate-related portion
 ***: Mortgage Revenue Bonds (MRB) and tax-exempt multifamily housing bonds (collectively, Housing Bonds) rated at least AA by a NRSRO issued by State Housing Finance Agencies to finance low-interest mortgages for low- and moderate-income home buyers and to acquire, construct, and rehabilitate multifamily housing for low-income renters. Housing Bonds do not include Private Activity Bonds.
 ****: Insurance laws in Arkansas, Mississippi and Washington mandate longer liquidation timeline for Federal Home Loan Banks' collateral in case of member failures. All other states of the Bank's membership fall under "Regular Liquidation Timeline"

Member Type	FHLB Dallas Member Credit Rating	Non-Agency CMBS/MBS*				Agency CMBS	Agency Z-Bond	Agency Interest-Only	Agency Principal-Only	
		Securities Rating								
		AAA	AA	A	BBB					
Insurance Company Customers	A, B or C-Rated	Group A: Other States	10%	20%	30%	50%	8%	28%	33%	18%
		Group B: States with Longer Liquidation Timeline	20%	30%	40%	50%	11%	38%	43%	23%
	D or E-Rated	20%	30%	40%	50%	11%	38%	43%	23%	
	E*-Rated	60%	Not Eligible			18%	48%	53%	33%	

* All Non-Agency CMBS/MBS must be rated AAA at the time of issuance to be eligible.

Supplement for SBA Paycheck Protection Program (PPP) loans Collateral

Effective April 27, 2020, the Bank accepts loans made through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as eligible collateral under conditions stated in FHFA's Supervisory Letter DBR-2020-SYS-028.

Members who are SBA approved lenders and are rated A, B or C are eligible to pledge such collateral, subject to the limits prescribed in the Bank's Member Products and Credit Policy (MPCP) and the haircuts below:

Member's Credit Rating	Haircut
A, B or C	10%
D	60%*
E or E*	90%*

*: applicable only to such collateral pledged to the Bank when the member is rated A, B or C

Collateral Value will be calculated based on the Unpaid Principal Balance (UPB) of the loan.

For loan collateral questions, please contact:

[Collateral Services](#)

800.541.0597 or coll@fhfb.com