

Member Guidance for Desktop Collateral Review

Overview

A desktop collateral review encompasses a combination of automated and manual evaluation of a Member's loan data to establish loan eligibility exception rates by identifying collateral that is ineligible for blanket lien value. A desktop review also incorporates the Member's document exception rates derived from the previous (most recent) onsite collateral verification review if the onsite review occurred during the previous calendar year. If the most recent onsite review occurred earlier than the previous calendar year, the Bank's default document exception rates are applied.

Notification

Initial contact is made by phone to notify Member that a desktop review will be conducted by The Federal Home Loan Bank of Dallas (Bank). The initial phone contact is typically made to the Member's representative designated as the primary contact in the Bank's records. The communication is to advise the Member of the upcoming review and to obtain information regarding any mergers, acquisitions or charter changes that may have occurred. After the Member has been contacted, an automated email notification is generated directly to the Member. The email notification includes information on specific due dates, fees, Federal Home Loan Bank review contact and action required steps.

Member Loan Data Upload

Upon system-generated notification, Member will submit through the Bank's SecureConnect website the specific loan data to be reviewed and evaluated in the desktop verification process:

- Member prepares a current trial balance loan data file incorporating each applicable Call Report category as specified in the Collateral Verification Review Online Processing Instructions link available on SecureConnect.
- The Instructions document provides step-by-step guides for preparing the loan data, uploading the data, resolving upload errors and the additional interface functions that Member will perform once the loan data is successfully uploaded. Following the Instructions document closely will enable a much smoother process for the Member.
- Loan data is submitted from the Member electronically via a file upload into the SecureConnect portal. The ability to upload the trial balance into SecureConnect and to perform necessary interface functions while the review is in process is limited to Member's staff who hold Collateral Signature Card authority.
- New 2022 data Template - Be sure to download a fresh template from SecureConnect. The loan data is required to be submitted in the specific template that is available via a link in SecureConnect. Use of any other format other than the .csv template format indicated in the link will cause the data upload to fail.
- The trial balance loan data must include all information as specifically described in the Instructions available on SecureConnect.
- If the trial balance contains formatting or field errors preventing successful upload, an error message will display at the Member level, requiring correction(s) and re-upload.
- Your Collateral Verification Analyst is identified on the current verifications page. Collateral Verification staff is always available by phone to assist with any upload questions or issues.

Call Report Summary / Comparison - Report Review

Upon successful transmission of Member's loan data through SecureConnect, the Bank's automated system performs a comparison of the loan data to the Member's most recently-available Call Report. The Call Report Summary/Comparison report summarizes the Member's loan data by dollars associated with each category of collateral applicable to their blanket lien and calculates the percentage of change compared to the dollars reported in the Call Report.

Requiring the Member to review this Call Report Summary/Comparison provides an opportunity for the Member to realize errors or omissions in the data submitted. If errors or omissions are determined, Member should reject the Call Report Summary/Comparison, correct their data file and re-upload. The system will provide automated instructional

messages to the Member through this process.

A trial balance is “out of tolerance” in comparison to the Call Report if there is a variance equal to or exceeding +/-10% in any categories of collateral or an overall variance equal to or exceeding +/-5%.

Member must accept or reject the Call Report Summary/Comparison, and provide brief explanatory comments for accepting anytime the variances exceed the above thresholds. Member’s acceptance of variances that meet or exceed the

established thresholds require the Collateral Verification Analyst to review the Member comments and accept or reject the Summary/Comparison report during the review process.

However, if variances exceeding the threshold cannot be satisfactorily explained, the Collateral Verification Analyst will reject the trial balance data which resets the system, requiring the Member to re-upload a corrected loan data file.

Preliminary Ineligibility Report – Report Review

Based on the loan data provided, this report summarizes the dollars in each collateral category that the system has determined to be ineligible for blanket collateral value. Examples of such ineligibles include Director, Officer, Employee or Affiliate (DOEA) loans, Classified loans, loans for which the Bank has subordinated its lien position, etc.

In SecureConnect, a Detail Data report is presented for the Member which identifies ineligibility determinations on a loan-level basis. Member review of the preliminary ineligibility analysis requires the Member to affirm the accuracy of the loan data and/or provides opportunity for the Member to realize errors in the data submitted. If Member determines an error or oversight with the submitted data, Member may reject the trial balance data, correct the loan data and reupload.

Member acceptance of the Call Report Summary Comparison and Preliminary Ineligibility Report allows the system’s automated processing for FHLB Analyst review to proceed.

Analyst Review of Loan Data

When the Call Report Summary Comparison and Preliminary Ineligibility Summary reports have been accepted at the Member level, the assigned Collateral Verification Analyst performs a manual review of the trial balance loan data to validate the appropriateness of system-applied ineligible coding and to identify any additional ineligible collateral that falls outside the scope of the system-identification ineligibility measures. A Preliminary Exception Rate report and Trial Balance Loan Detail report are available to Member on SecureConnect as Analyst works through the loan data. Member may access those reports at any time to view the progress being made on the analysis of the loan data.

Audit & Publication

After validation of all ineligibles by the Collateral Verification Analyst and Member, management of the Collateral Verification department conducts an audit of the desktop review to confirm the accuracy of ineligible codings. An Estimated Blanket Lien Worksheet is available on SecureConnect. When audit is completed, the desktop collateral review results are published in the Bank’s records and made available to Member through SecureConnect.

Fee

Upon completion of a desktop collateral review, the Bank will debit Member’s DDA account for the review fee of \$500.

Contacts

Member will be provided the contact information (email and direct phone number) for the assigned Collateral Verification Analyst. Throughout all phases of the review, the Bank’s Collateral Verification staff is also available as a resource to Member for any questions or other assistance that may be needed. The Collateral Verification department phone number is 1-800-541-0597, option 1.