

# 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 FHLBDallas (Bank). The initial phone contact is typically made to the Member's representative designated as the primary contact in the Bank's records. The initial phone contact 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 initial phone contact, an automated email notification is generated directly to the Member. The email notification specifies the date the Member's trial balance loan data is to be received and specifies the fee that will be applicable for the desktop review.

## 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 site. Ability to upload the trial balance into Secure Connect and to perform necessary interface functions while the review is in process is limited to Member's staff who have been issued a virtual private network (VPN) token by the Bank, and who hold Collateral Signature Card authority.
- 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.
- Collateral Verification staff is always available by phone to assist with any upload questions or issues.

## Call Report Summary Comparison

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 balance” in comparison to the Call Report if there is a variance of +/-10% in any categories of collateral or an overall variance of +/-5%.

Member must accept or reject each 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. Typically, CV Analyst is able to accept the report based on the Member’s variance explanation. Analyst acceptance of a Call Report Summary/Comparison containing variance that meets or exceeds the thresholds allows the system’s automated processing to proceed.

However, if variances exceeding the threshold cannot be satisfactorily explained, CV Analyst will reject the Call Report Summary/Comparison which resets the system, requiring the Member to re-upload a corrected loan data file.

### **Categorization/Ineligibility Summary (Preliminary)**

When the Call Report Summary/Comparison has been accepted at the required Member and Analyst levels, a preliminary Categorization/Ineligibility Summary is automatically presented to the Member for review and approval. 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 preliminary Categorization/Ineligibility Summary, correct the loan data and re-upload.

Member acceptance of the Categorization/Ineligibility Summary allows the system’s automated processing to proceed.

### **Analyst Review of Loan Data**

When the preliminary Categorization/Ineligibility Summary has been accepted at the Member level, the assigned CV 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. An Estimated Exception Rate report and Detail Data 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 CV Analyst and Member, management of the Collateral Verification department conducts an audit of the desktop review to confirm the accuracy of ineligible codings. 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 800-541-0597, option 1.