

Federal Home Loan Bank of San Francisco

Credit Guide

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Table of Contents

| | |
|--|----|
| Detailed Table of Contents | 3 |
| Introduction | 6 |
| General Provisions for Members | 7 |
| Advance Prepayments and Cancellations..... | 15 |
| Early Termination of Interest Rate Swaps, Caps & Floors | 21 |
| Products and Programs | 22 |
| OFAC Policy | 63 |
| Anti-Money Laundering Policy | 64 |
| Privacy Practice..... | 65 |
| Appendix A: Index Pricing Sources for Advances | 66 |
| Appendix B: Standby Letter of Credit Prices and Fees | 67 |
| Appendix C: Wire Transfer and STA Fee Schedule..... | 68 |
| Appendix D: Funds Transfer Processing Deadlines | 69 |
| Appendix E: Prepayment Fees for Advances with a Trade Date Before January 1, 2002..... | 70 |
| Appendix F: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date On or After January 1, 2002, and Before October 1, 2008..... | 73 |
| Appendix G: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date on or After October 1, 2008, and Before October 1, 2009 | 75 |
| Appendix H: General Provisions for Housing Associates..... | 76 |
| Updates | 80 |

Detailed Table of Contents

| | |
|--|-----------|
| Introduction | 6 |
| General Provisions for Members | 7 |
| Forms and Agreements | 7 |
| Capital Stock..... | 7 |
| Financing Availability..... | 8 |
| Collateral | 9 |
| Pricing..... | 9 |
| Confirmation of Advance | 10 |
| Funding..... | 10 |
| Payments..... | 10 |
| Notice to the Bank About Material Adverse Events..... | 10 |
| Limits on Long-Term Advances..... | 11 |
| Community Support Requirement | 11 |
| Advances to Capital-Deficient Members..... | 11 |
| Modifications and Exceptions..... | 12 |
| Liquidation of Extensions of Credit..... | 12 |
| Availability of Credit and Prepayment; Credit Allocation Event | 12 |
| Access to Funding in an Emergency | 13 |
| Fees | 13 |
| Advance Prepayments and Cancellations..... | 15 |
| A. General Prepayment Requirements..... | 15 |
| 1. Effective Date..... | 15 |
| 2. Notification Requirements | 15 |
| B. Prepayment Fee Formula..... | 15 |
| 1. Standard Formula..... | 15 |
| 2. Callable and Putable Advances | 17 |
| 3. DN Auction-Indexed Advance | 17 |
| 4. Flexible Amortizing Advance | 18 |
| 5. Affordable Housing Program (AHP) Advance..... | 18 |
| 6. Advances with a Partially Symmetric Prepayment Credit Feature..... | 18 |
| C. Prepayment and Cancellation Limits..... | 19 |
| D. Advance Cancellation Fee and Cancellation Credit..... | 20 |
| E. Modifications and Restrictions..... | 20 |
| Early Termination of Interest Rate Swaps, Caps & Floors | 21 |
| Products and Programs | 22 |
| Fixed Rate Credit (FRC) Advance | 23 |
| Fixed Rate Credit (FRC) Advance with Embedded Cap..... | 24 |
| Amortizing Advance | 26 |
| Callable Advance | 27 |

| | |
|--|-----------|
| Putable Advance..... | 28 |
| Knockout Advance | 30 |
| Variable Rate Credit (VRC) Advance..... | 32 |
| Other Cash Needs (OCN) Advance | 33 |
| Adjustable Rate Credit (ARC) Advance | 34 |
| Adjustable Rate Credit (ARC) Advance with Embedded Options | 35 |
| Choice LIBOR Adjustable Rate Credit (ARC) Advance | 36 |
| DN Auction-Indexed Advance..... | 38 |
| Securities-Backed Credit (SBC) Program | 42 |
| Standby Letters of Credit | 44 |
| Interest Rate Swaps, Caps & Floors..... | 45 |
| Mortgage Partnership Finance® Program..... | 46 |
| Advances for Community Enterprise (ACE) | 48 |
| Community Investment Program (CIP) | 52 |
| Affordable Housing Program (AHP)..... | 55 |
| Individual Development and Empowerment Account (IDEA) Program..... | 57 |
| Workforce Initiative Subsidy for Homeownership (WISH) Program..... | 59 |
| Access to Housing and Economic Assistance for Development (AHEAD) Program | 61 |
| OFAC Policy | 63 |
| Anti-Money Laundering Policy | 64 |
| Privacy Practice..... | 65 |
| Appendix A: Index Pricing Sources for Advances | 66 |
| Appendix B: Standby Letter of Credit Prices and Fees | 67 |
| Appendix C: Wire Transfer and STA Fee Schedule..... | 68 |
| Appendix D: Funds Transfer Processing Deadlines | 69 |
| Appendix E: Prepayment Fees for Advances with a Trade Date Before January 1, 2002..... | 70 |
| Appendix F: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date On or After January 1, 2002, and Before October 1, 2008..... | 73 |
| Appendix G: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date on or After October 1, 2008, and Before October 1, 2009 | 75 |
| Appendix H: General Provisions for Housing Associates..... | 76 |
| Products and Programs | 76 |
| Collateral | 76 |
| Pricing..... | 77 |
| Confirmation of Advance | 77 |
| Funding..... | 77 |
| Payments..... | 77 |
| Limits on Long-Term Advances..... | 77 |
| Modifications and Exceptions..... | 78 |
| Liquidation of Extensions of Credit..... | 78 |
| Availability of Credit and Prepayment; Credit Allocation Event | 78 |

| | |
|--|-----------|
| Access to Funding in an Emergency..... | 79 |
| Fees..... | 79 |
| Updates | 80 |

“Mortgage Partnership Finance” is a registered trademark of the Federal Home Loan Bank of Chicago.

Introduction

The Federal Home Loan Bank of San Francisco (Bank) enables families and individuals of all income levels to obtain quality housing and become homeowners by providing wholesale products and services that help member financial institutions expand the availability of mortgage credit, compete more effectively in their markets, and foster strong and vibrant communities through community and economic development.

The Bank may also provide certain products and services to non-member entities certified by the Bank as “[housing associates](#).”

The Bank offers an array of credit [products and programs](#), with maturities ranging from 1 day to 30 years. Available products include fixed and adjustable rate advances, puttable and callable advances, and standby letters of credit. The Bank can customize certain credit products to meet an institution’s special funding needs using different interest calculations, cash flows, amortization schedules, embedded options, and other features.

The Bank also offers eligible members the opportunity to participate in the [Mortgage Partnership Finance Program](#), which provides a competitive alternative to traditional investors when selling loans into the secondary market.

Members may also access the Bank’s community grant and loan programs, which include the [Affordable Housing Program](#), [Individual Development and Empowerment Account Program](#), [Workforce Initiative Subsidy for Homeownership Program](#), [Access to Housing and Economic Assistance for Development Program](#), [Advances for Community Enterprise](#), and [Community Investment Program](#).

This Credit Guide provides general information on the Bank’s credit policies and products. The Bank’s [Collateral Guide](#) provides an overview of the Bank’s collateral policies and procedures. The specific terms and conditions of the Bank’s financing programs and collateral requirements are contained in the applicable Bank agreements, documents, and transaction confirmations.

The Bank may obtain credit and other information regarding a member from federal and state agencies with regulatory authority over the member. The Bank may also share credit and other information regarding a bank, savings institution, or credit union member with that member’s regulators pursuant to information sharing agreements between the Bank and those regulators. The Bank’s privacy practice addresses the Bank’s treatment of non-public personal information received from members. (See [Privacy Practice](#).)

The information about the Bank’s credit products provided in this Credit Guide is not intended as any solicitation or recommendation by the Bank regarding the use or suitability of any credit product by or for any particular borrower. The Bank is not a financial or investment advisor or fiduciary to any borrower. Each credit product may present certain risks to the borrower, which should be considered by the borrower prior to any transaction. The Bank assumes that each borrower (i) is fully capable of evaluating the merits and risks associated with any particular credit product; (ii) will independently review the merits, risks, and suitability of use of any particular credit product; and (iii) will obtain and rely upon the borrower’s own accounting, financial, legal, regulatory, and other advice and opinions, or that of qualified third parties independent from the Bank, regarding the borrower’s use of any particular credit product.

The Bank reserves the right to modify, revise, amend, or update this Credit Guide at any time.

In this Credit Guide, a “business day” is a day on which the Bank is open to conduct credit transactions with its members unless otherwise noted. All times referenced are California time, i.e., Pacific Standard Time or Pacific Daylight Time, as applicable in California for the time of year.

General Provisions for Members

The amount of credit available to a member depends on:

- the member's financing availability (as defined below),
- the borrowing capacity of collateral pledged by the member,
- the amount of capital stock held by the member,
- satisfaction by the member of the terms and conditions of specific Bank products and programs,
- the Bank's responsibility to preserve its financial integrity and long-term viability,
- the Bank's responsibility to be prudent and profitable, and
- other conditions established by the Bank.

All extensions of credit will be made on the terms and conditions that the Bank deems appropriate to protect the safety and soundness of the Bank. The Bank may deny, limit, or condition extensions of credit or require a reduction in or early termination of outstanding extensions of credit if:

- the Bank determines in its sole discretion that a member is engaging in unsafe or unsound practices or has other deficiencies that bear upon its creditworthiness,
- the extension of credit is not or will not be adequately collateralized in accordance with the Bank's credit and collateral requirements,
- there has been a default under any agreement between the Bank and the member, or
- the Bank is required to do so by applicable law or regulation.

In addition, insurance company members are required to notify the Bank if the member's total adjusted capital divided by its authorized control level (each as determined in accordance with statutory accounting principles) drops below 300%.

The primary legal agreement documenting the terms and conditions by which the Bank extends credit is the [Advances and Security Agreement](#).

Forms and Agreements

Before accessing any of the Bank's credit products and programs, a member must complete the following:

- Advances and Security Agreement
- Resolution and Authorization and related Certificates of Designated Persons
- Settlement/Transaction Account Agreement
- Other forms and agreements related to specific programs or products, including the Puttable Advance, advances with partial prepayment symmetry, Affordable Housing Program (AHP), and standby letters of credit, as appropriate

Capital Stock

For complete information on the Capital Plan, refer to the [Capital Plan](#) and the [Summary of the Capital Plan](#).

Capital Stock Purchase Calculation

Each member must purchase Bank capital stock upon joining the Bank. A member may also be required to purchase additional stock in connection with an increase in certain types of its assets or in its activities with the Bank.

A member is required to hold capital stock in the Bank equal to the greater of:

- A membership stock requirement, or
- An activity-based stock requirement.

The membership stock requirement is 1.0% of a member's "membership asset value." Membership asset value is determined by multiplying the amount of the member's membership assets by the applicable membership asset factors. Membership assets are assets, other than Bank capital stock, that could qualify as collateral to secure a member's indebtedness to the Bank whether or not the assets are pledged to the Bank or accepted by the Bank as eligible collateral. Membership asset factors are based on the typical borrowing capacity percentages generally assigned by the Bank to the same types of assets when pledged to the Bank. The membership stock requirement is capped at \$15 million.

The activity-based stock requirement is:

- 3.0% of the member's outstanding advances, plus
- 3.0% of the member's outstanding loans purchased and held by the Bank.

The Bank may adjust these requirements from time to time within limits established in the Capital Plan. For a complete discussion of the capital stock requirements, review the [Capital Plan](#) and the [Summary of the Capital Plan](#).

Repurchase of Excess Stock

The Bank may repurchase some or all of the excess capital stock and excess mandatorily redeemable capital stock held by its shareholders, at the Bank's discretion and subject to certain statutory and regulatory requirements. Excess capital stock is defined as any stock holdings in excess of a shareholder's minimum capital stock requirement, as established by the Bank's Capital Plan. On a quarterly basis, the Bank determines whether it will repurchase any excess capital stock, including excess mandatorily redeemable capital stock, and notifies shareholders of its intention to repurchase excess capital stock at least 15 calendar days before the repurchase date.

A shareholder may also request redemption of capital stock by submitting a Notice of Redemption of Capital Stock (FC 2238). This notice obligates the Bank to redeem capital stock at the end of the five-year redemption period, subject to the provisions of the Capital Plan. If a shareholder cancels a Notice of Redemption before the expiration of the redemption period, the shareholder must pay a cancellation fee.

Please note that the Bank will not redeem or repurchase any capital stock if, following the redemption or repurchase, the Bank would fail to meet its minimum regulatory capital requirement or the affected shareholder would fail to meet its minimum stock requirement.

Financing Availability

The Bank establishes a financing availability for each member, setting the total dollar amount, maximum maturity, and other terms for all credit products and other member obligations available. A member's financing availability is based on the Bank's assessment of the member's creditworthiness and financial condition as reported to the member's regulator and the results of periodic regulatory examinations, financial reports, and other relevant information. A member's financing availability is subject to review and change by the Bank at any time.

Members that qualify for the highest level of financing availability typically exhibit the following characteristics:

- A strong track record (in terms of strength and quality) of earnings that are fully sufficient to provide for loss absorption and capital formation.
- Excellent asset quality with minimal problem assets and loan loss reserves that are adequate given the member's risk profile.
- Capital that is in excess of regulatory requirements and is substantially higher than the level necessary to absorb present or anticipated losses.

- A balance sheet that is well insulated from sudden interest rate movements.
- A management team with depth and experience at all levels, a proven track record, a sound operating philosophy, and a sound strategic plan.
- Minimal regulatory concerns.
- For insurance company members, a risk-based capital ratio (total adjusted capital divided by company action level, each as determined in accordance with statutory accounting principles) that exceeds the minimum of 300%.

The Bank's ability to extend credit under a member's established financing availability is conditioned on the member's compliance with the Bank's Advances and Security Agreement (and other applicable agreements), credit considerations, other eligibility requirements established by the Bank, and regulatory limits on extensions of credit to the member.

If a financing availability has not been established for your institution, or if your institution requires credit in excess of its approved financing availability, you may submit a written request, which will be reviewed by the Bank. Please [contact your Relationship Manager](#) for information and assistance.

Collateral

Each member must pledge sufficient eligible collateral to secure all extensions of credit from the Bank and certain other member obligations to the Bank (except deposits with members and Federal funds sold to eligible members), including the member's credit enhancement obligation for loans sold under the Mortgage Partnership Finance (MPF) Program. If a member's financial condition deteriorates considerably, as determined by the Bank, the Bank, in its sole discretion, may increase a member's collateral maintenance level to include any potential prepayment fees on outstanding Bank credit, the amount of any loans sold under the MPF Program that are subject to repurchase, or amounts associated with indemnifications for loans identified as exceptions to MPF guidelines that the Bank has agreed to retain.

When establishing collateral requirements, the Bank will consider, among other factors, member creditworthiness, the estimated value and operational requirements relating to different types of collateral, the collateral status of the member (specific identification, blanket lien with summary reporting, blanket lien with detailed reporting, or delivery), the Bank's ability to perfect its security interest in pledged collateral and exercise its rights as a secured creditor, the Bank's responsibility to preserve its financial integrity and long-term viability, and its responsibility to be prudent and profitable. The Bank will establish from time to time the eligibility of various types of collateral, collateral valuation methods, collateral margins and maintenance levels, collateral monitoring and review procedures, and the Bank's collateral delivery policy.

The Bank may lend up to a specified percentage of the market value or unpaid principal balance of eligible collateral, as determined by the Bank, known as the "borrowing capacity." The borrowing capacity assigned to individual members varies according to several factors, including the collateral type, pledging method used, amount of loan data provided, data reporting frequency, value assigned to the collateral, the member's financial strength and condition, the results of the Bank's field review of the member's pledged collateral, and other factors, as determined by the Bank.

(See the [Collateral Guide](#) for a more complete description of the Bank's collateral policies and procedures.)

Pricing

All pricing criteria will be applied to all members consistently and without discrimination. Prices for most credit products are established daily and may change throughout the day. [Price indications](#) are posted daily on the members-only, password-protected section of the Bank's [website](#). Relative price indications are subject to change at any time depending on market conditions, the Bank's cost of funds, and other factors.

When pricing certain types of advances, such as Callable and Puttable Advances and advances with partial prepayment symmetry, the Bank may reference a matched contract (a derivative that the Bank transacts with another party) to the advance to hedge or facilitate specific features of the advance. Referenced matched contracts are identified on the Confirmation of Advance and may affect the prepayment fee for that advance.

Same-day pricing and/or funding for amounts up to \$200 million for Variable Rate Credit advances and up to \$100 million per posted maturity for all other advances with maturities up to 10 years are available according to your institution's financing availability, subject to market conditions. For advances with maturities greater than 10 years, same-day pricing and/or funding are subject to market execution.

For current quotes or more information about other maturities and customized offerings, please call the Member Services Desk at (800) 444-3452 between 7 a.m. and 2 p.m. Please note that Variable Rate Credit advances are available until 2 p.m., and all other advances are generally available until 12 noon. In addition to the standard structures listed on the Bank's daily [price indications](#), the Member Financial Services staff may be able to design and price special financing structures to meet your funding needs. For more information on credit products or special financing structures, please [call your Relationship Manager](#).

The Bank may change its pricing methodology at any time as it deems appropriate. For information on the pricing sources of the indices used by the Bank, see [Appendix A](#).

Confirmation of Advance

A Confirmation of Advance sets forth the specific terms of the advance, including the advance type, advance number, principal amount, funding date, maturity date, interest rate, interest payment frequency, interest payment convention, day count basis, rate reset frequency, repricing index, spread to repricing index, rate reset convention, and other advance terms and conditions, as appropriate. The confirmation is sent by fax to the member on or shortly after the trade date.

Funding

Advance proceeds will be disbursed directly to the member's Settlement/Transaction Account (STA) at the Bank. Funds can then be wired to a designated account. Please contact the Bank's Electronic Funds Management Department at (800) 284-4450 for wire transfer information.

Payments

Advances typically require interest payments monthly, quarterly, semiannually, at maturity and/or upon any prepayment. The Bank debits the member's STA for principal, interest, and other payments as they are due. If a member's STA has insufficient funds, the Bank will charge the member the overdraft charges in effect at the time.

Notice to the Bank About Material Adverse Events

The Advances and Security Agreement between the Bank and each of its members requires the member to promptly notify the Bank in writing of any event that may adversely affect, to a material extent, the member's financial condition or operations, the member's eligibility to remain a member of the Bank, the value of the member's pledged collateral, or the ability of the member to repay advances.

Information about what may constitute a material adverse event is included in the Advances and Security Agreement, particularly in the following two sections:

- Section V. Representations and Warranties of Member
- Section VI. Covenants of Member

If a member experiences a material adverse event or anticipates that a material adverse event will occur, the member must notify the Bank promptly by sending an email to its Relationship Manager and to membership@fhlbsf.com as soon as possible.

Limits on Long-Term Advances

By Finance Agency¹ regulation, the total amount of long-term advances (defined for this purpose as advances with an original term to maturity greater than 5 years) the Bank may extend to a member may not exceed the total amount of residential housing finance assets (RHFAs) held by the member.

RHFAs generally include:

- Loans secured by residential real property
- Participations in loans secured by residential real property
- Mortgage-backed securities
- Loans that may be financed by advances provided under one of the Bank's Community Investment Cash Advance (CICA) credit programs (i.e., Advances for Community Enterprise and Community Investment Program)
- Loans secured by manufactured housing

For community financial institution (CFI) members, RHFAs also include small business, small farm, and small agribusiness loans (as those terms are defined in Finance Agency regulations). A CFI is an FDIC-insured depository institution with average total assets for the preceding three yearends of less than \$1,123 million (as of January 1, 2015). This limit is adjusted each year by the Finance Agency according to the annual percentage increase in the Consumer Price Index.

Community Support Requirement

Bank members are required to submit a "Community Support Statement" to the Finance Agency approximately once every two years to maintain access to advances with an original term to maturity greater than one year and to the Bank's community programs, which include the following grant and credit programs:

- Affordable Housing Program (AHP)
- Individual Development and Empowerment Account (IDEA) Program
- Workforce Initiative Subsidy for Homeownership (WISH) Program
- Access to Housing and Economic Assistance for Development (AHEAD) Program
- Advances for Community Enterprise (ACE)
- Community Investment Program (CIP)

The Community Support Statement usually consists of a copy of the public portion of the member's Community Reinvestment Act performance evaluation (if applicable), evidence of its assistance to first-time homebuyers, and any additional information about its community support efforts.

The Bank's Community Investment Department provides technical assistance to help members meet this statutory requirement. The Bank's community programs may also help members that want to expand their involvement in affordable housing and economic development activities.

Advances to Capital-Deficient Members

All Bank advances and commitments to capital-deficient members are subject to Finance Agency restrictions on advances, which provide that:

- The Bank may renew an outstanding advance to a member without positive tangible capital for successive terms of up to 30 days each unless the member's appropriate federal regulator or insurer requests that the Bank not renew the advance.
- The Bank may not renew an outstanding advance for a term greater than 30 days or make any new advance to a member without positive tangible capital unless the member's appropriate federal regulator or insurer requests that the Bank renew or make the advance.

¹ References to the Finance Agency mean the Federal Housing Finance Agency, as successor to the Federal Housing Finance Board, or any successor agency to the Finance Agency.

- The Bank may make or renew an advance to a capital-deficient member that has positive tangible capital unless the Bank receives notice from the member's appropriate federal regulator or insurer that the member's use of Bank advances has been prohibited.

Modifications and Exceptions

The Bank may modify or waive requirements applicable to a specific product or extension of credit, provided that this action is consistent with applicable law and Finance Agency regulations. General exceptions that apply to all products or extensions of credit, or any entire category of products or extensions of credit, may only be made with the prior approval of the Bank's Board of Directors, and only if the exception is otherwise consistent with applicable law and Finance Agency regulations.

At the request of a member, the Bank may, in its sole discretion, agree to modify certain terms and conditions of an outstanding advance, subject in all cases to such terms, conditions, limits, and considerations as the Bank deems appropriate. A modification of an advance may not include any reduction in the outstanding principal balance of the advance. The Bank expressly reserves the right to deny for any reason any request by a borrower for modification of an outstanding advance.

Liquidation of Extensions of Credit

If an institution's membership in the Bank is terminated, all outstanding extensions of credit from the Bank to the member may be liquidated in an orderly manner as determined by the Bank in its sole discretion. Any liquidation requiring prepayment will be subject to any applicable prepayment fee.

Availability of Credit and Prepayment; Credit Allocation Event

The ability of the Bank to price and fund extensions of credit and to price and accept prepayments, cancellations, and requested modifications of outstanding advances is subject to market conditions, Bank liquidity, the primary obligation of the Bank to meet its existing financial obligations (including the obligation to repay maturing consolidated obligations and meet outstanding commitments for extensions of credit), and other factors. The Bank will set pricing and limits for extensions of credit and prepayments, cancellations, and modifications of outstanding advances as needed.

If it becomes evident on a particular day that the Bank may not have sufficient funds available to meet estimated customer needs or its capital markets commitments, the Bank will declare a Credit Allocation Event (CAE), which will be communicated to members by telephone, fax, or email to the best of the Bank's ability under the circumstances. Once a CAE is in effect, the Bank will accumulate all subsequent credit requests, up to one or more established cutoff times, and then allocate the available funds. To expedite member requests, the Bank may approve some requests immediately, providing available liquidity to members with maturing advances without waiting until the established cutoff time.

Allocation Process

In general, the Bank intends to allocate available funds according to the following priorities:

1. The Bank's commitments to settle capital markets transactions, which may include maturing consolidated obligations, swap payments, previously committed advances, MPF funding requests under existing delivery commitments, settlements of existing investment purchase commitments, letter of credit drawings, STA balances, maturing deposits, and other transactions.
2. Member requests to refinance maturing advances. If the Bank does not have sufficient liquidity to fund all refinance requests, the Bank intends to allocate the available funds in proportion to each member's share of the total amount of refinance requests.
3. Member requests for net new advances. If the Bank does not have sufficient liquidity to fund all requests for net new advances, the Bank intends to allocate the available funds in proportion to each requesting member's total Bank capital stock relative to the total Bank capital stock owned by all members requesting net new advances. Because some members may not request the full amount to which they are entitled under this calculation, the remaining funds may be allocated among members whose requests

have not been completely filled, using the same allocation method, until all available funds have been allocated.

4. Member requests for unsecured deposits and Federal funds.
5. Credit requests from housing associates.

Access to Funding in an Emergency

The Bank maintains a comprehensive Business Continuity Plan to ensure that people, processes, and technology are in place to respond to a disaster or other significant business disruption. In an event that renders the Bank's offices at 600 California Street in San Francisco inoperable or inaccessible or that impairs its computer network, the Bank is prepared to quickly transfer operations to one or both of two back-up facilities maintained for that purpose, one in San Francisco and the other located outside the Bay Area. Both sites allow for us to restore services that may have been interrupted and resume performing limited but critical business functions.

Once the Bank relocates to an alternate site, the Bank will use its best efforts to meet members' needs and restore critical services that have been interrupted. The Bank will also attempt to contact members regarding the Bank's operational status. Depending on the nature and severity of the disruption, the Bank may be able to provide, within two hours, services including:

- Overnight and short-term member advances, including rollover of maturing advances and Federal funds
- Draw-down of STA balances
- Settlement of securities transactions
- Acceptance of requests to prepay advances that are comparable to the terms of new advances that the Bank is offering to make at the time of the request.

As an added precaution, the Bank has separate, reciprocal back-up agreements with two other FHLBanks that provide a mechanism for each FHLBank to pay its obligations in a full and timely fashion through the assisting bank. Under these agreements, if one FHLBank were unable to fully implement its recovery plans for a period of time following a disruption, the other FHLBank would serve primarily as a payment agent, funding committed advances to the affected FHLBank's members if wire services were down or could not be adequately staffed.

In an emergency, you may reach the Bank at (800) 283-0700 for information about the Bank's status. The Bank will use its best efforts to provide updated information on its [website](#). For more information, see the Bank's [Notice of Business Continuity Preparedness](#).

Fees

From time to time, the Bank establishes fees relating to extensions of credit, loans sold to the Bank, and collateral services. Certain fees relating to extensions of credit can be found on the Bank's member website:

- [Standby Letter of Credit Prices and Fees](#)
- [Securities Services Fees](#)
- [Wire Transfer and STA Fees](#)

The following fees are included in this Credit Guide:

- [Advance Prepayments and Cancellations](#)
- [Early Termination of Interest Rate Swaps, Caps & Floors](#)
- [Appendix B: Standby Letter of Credit Fees](#)
- [Appendix C: Wire Transfer and STA Fee Schedule](#)
- [Appendix E: Prepayment Fees for Advances with a Trade Date Before January 1, 2002](#)
- [Appendix F: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date On or After January 1, 2002, and Before October 1, 2008](#)
- [Appendix G: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date On or After October 1, 2008, and Before October 1, 2009](#)

The Bank applies these fees consistently and without discrimination to all members. The Bank may also charge additional fees to accommodate requests for transactions involving special handling or exception processing. The Bank may revise its fees at any time.

Advance Prepayments and Cancellations

A. General Prepayment Requirements

All advance prepayments are subject to the terms and conditions of the applicable Confirmation of Advance. A borrower may prepay all or part of an advance only if expressly permitted by the confirmation.

The repayment of an advance in accordance with an established amortization schedule or the proper exercise of a call or put option, or the modification of an outstanding advance agreed to by the Bank pursuant to this Credit Guide, is not considered a prepayment for the purposes of this prepayment policy.

The borrower must pay the applicable prepayment fee at the time of any voluntary or involuntary payment of all or any part of any advance for any reason prior to the originally scheduled maturity date. This includes payments that are made as part of the reorganization or liquidation of a borrower or that become due as a result of an acceleration by the Bank of the maturity of the advance, whether the payment is made by the borrower; by a conservator, receiver, or liquidator for the borrower; by any successor to or assignee of the borrower; or by any other party.

If a member's membership in the Bank is terminated, the member's indebtedness to the Bank may be liquidated in an orderly manner, as determined by the Bank. Liquidation before the scheduled maturity date will be deemed a prepayment of the advance and will be subject to the applicable prepayment fee.

The Bank reserves the right to exercise its sole discretion in selecting the valuation methodology for each component of a specified prepayment fee formula and prepayment credit formula. The Bank also reserves the right to exercise its sole discretion in all circumstances relating to the application and interpretation of the Bank's prepayment requirements as set forth in this Credit Guide.

1. Effective Date

Except as the Bank may require as a condition to an advance modification, advances with a trade date before January 1, 2002, remain subject to the prepayment fees and related terms specified in the applicable confirmation and any written amendments to the confirmation. Please see [Appendix E](#) for a description of the Bank's prepayment fee policy with respect to these advances.

To prepay any advance (or portion of an advance) with a trade date on or after January 1, 2002, the borrower must pay the Bank a prepayment fee, determined by the Bank as described below and set forth in the confirmation. Certain advances with a trade date on or after January 1, 2002, may also include partially symmetric prepayment credit features as described in one of the following sections and set forth in the confirmation:

- Trade date on or after October 1, 2009: See section B.6 below.
- Trade date on or after January 1, 2002, and before October 1, 2008: See [Appendix F](#).
- Trade date on or after October 1, 2008, and before October 1, 2009: See [Appendix G](#).

2. Notification Requirements

To voluntarily prepay an advance, the borrower must notify the Bank of its commitment to prepay at least 1 business day but no more than 60 calendar days prior to the specified prepayment date, unless a different notice period is specified in the confirmation. Any commitment notice received on a non-business day or after 10:30 a.m. on a business day will be deemed to be received the next business day. The date the commitment notice is deemed to be received is the "notice date" for the purpose of the prepayment fee or prepayment credit calculation.

B. Prepayment Fee Formula

1. Standard Formula

The prepayment fee formula described here applies to all advances with a trade date on or after January 1, 2002, except those containing a partially symmetric prepayment credit feature. However, some of the specific

components of the prepayment fee formula are different from the components in the standard formula for certain advances with customized features and the following advance types:

- Callable Advance
- Putable Advance
- DN Auction-Indexed Advance
- Flexible Amortizing Advance
- Affordable Housing Program advance

Subject to the applicable confirmation, the prepayment fee will be the greater of: (i) zero or (ii) the amount calculated by the Bank as of the notice date that is equal to the sum of the following components:

- a. The present value of the change in the Bank's designated cost of funding the advance, plus
- b. The present value of 10 basis points per annum, plus
- c. The cost of terminating or offsetting any matched contract(s) identified in the confirmation.

The Bank will calculate each of these components as follows:

- a. The present value of the change in the Bank's designated cost of funding the advance: The sum of the present values of the future cash flows for the remaining scheduled payment periods from the prepayment date to the scheduled maturity date.

The cash flow for each payment period will be calculated as:

- (i) The Bank's cost of funds designated on the trade date minus the Bank's cost of funds designated on the notice date (expressed as a percentage per annum and adjusted for the term of that payment period using the interest day count basis designated in the confirmation), multiplied by
- (ii) The advance amount being prepaid (reduced pro rata for each scheduled remaining payment period in accordance with the amortization schedule, if any, described in the confirmation).

The Bank's "cost of funds designated on the trade date" will be determined by the Bank and stated in the confirmation as a specific interest rate, formula, or method. It may be based on the values for rates, formulas, or methods for dates specified in the confirmation other than the trade date.

The Bank's "cost of funds designated on the notice date" will be determined by the Bank as of the notice date. Although it will be stated using a rate, formula, or method comparable in form to the one used for the cost of funds designated on the trade date for the advance, it will be calculated using the method the Bank would use on the notice date to designate the cost of funds for a new advance of the same type and with the same characteristics as the advance being prepaid for a term equal to the remaining scheduled term to maturity of the original advance.

- b. The present value of 10 basis points per annum: The sum of the present values of the future cash flows for the remaining scheduled payment periods from the prepayment date to the scheduled maturity date.

The cash flow for each payment period will be calculated as:

- (i) 10 basis points per annum (expressed as a percentage per annum and adjusted for the term of that payment period using the interest day count basis designated in the confirmation), multiplied by
- (ii) The advance amount being prepaid (reduced pro rata for each scheduled remaining payment period in accordance with the amortization schedule, if any, described in the confirmation).
- c. The cost of terminating or offsetting any matched contract(s) identified in the confirmation: If the confirmation identifies any matched contract(s) (i.e., specific financial transaction(s) designated by the Bank that facilitate the advance), the Bank will determine, as of the notice date, the amount of the cost to terminate or offset the matched contract(s). This cost will equal (i) the total amount the Bank will pay or (ii) the negative of the total amount the Bank will receive (in either case, exclusive of accrued interest) to terminate or offset the matched contract(s) on an individual order basis. (If the

Bank cannot determine the amount in a commercially reasonable manner for any reason, the Bank will estimate the amount.) The amount may be based on the cost of a new financial contract, the assignment of an existing financial contract, or any other method that the Bank chooses at its discretion.

For the purpose of calculating these components, the Bank will use discount rates derived from the Bank's fixed rate cost of funds curve as of the notice date, as determined by the Bank in its sole discretion, for calculating present values. The Bank, not the borrower, bears the credit risk with respect to the matched contract counterparty. In the event of a counterparty default by such third party, the Bank will exercise its right to acquire an equivalent matched contract to be a substitute matched contract, and any prospective prepayment fee after such substitution will be based upon the prospective actual payments made with respect to a termination or assignment of the substitute matched contract.

2. Callable and Puttable Advances

Repayments of advances in accordance with the proper exercise of a call or put option are not considered prepayments. If a borrower prepays a callable advance without giving proper call notice or prepays a callable advance on a date other than a designated call date, the transaction will be considered a prepayment and will be subject to the applicable prepayment fee requirements. If a borrower prepays all or part of a Puttable Advance, the transaction will be considered a prepayment and will be subject to the applicable prepayment fee requirements.

Since Callable and Puttable Advances have uncertain actual maturity dates because of the embedded call or put options, prepayment fee components and calculations for these advance types will be based on the "expected maturity date," as determined by the Bank, rather than the "scheduled maturity date."

The prepayment fees for the following advance types will not include a change in cost of funds component:

- a. Fixed Rate Callable Advance with a trade date on or after October 1, 2008, and with multiple call option dates or a single call option date that is greater than three months from the scheduled maturity date
- b. Puttable Advance with a trade date on or after October 1, 2008

Instead, the prepayment fee for these advances will be calculated as the sum of these two components:

- a. The present value of 10 basis points per annum, plus
- b. The cost of terminating or offsetting any matched contract(s) identified in the confirmation.

The prepayment fees for the following advance types will include a change in cost of funds component, as described in [section B.1: Standard Formula](#):

- a. Fixed Rate Callable Advance with a trade date on or after October 1, 2008, and with a single call option that is three months or less from the scheduled maturity date
- b. Callable Advance with a trade date on or after January 1, 2002, and before October 1, 2008
- c. Puttable Advance with a trade date on or after January 1, 2002, and before October 1, 2008

3. DN Auction-Indexed Advance

For the purpose of calculating the prepayment fee for a DN Auction-Indexed Advance, the Bank will modify the components of the prepayment fee formula to account for the unique characteristics of the advance as follows:

- If there is one or more scheduled rate reset date(s) between the notice date and the prepayment date, the prepayment fee will be calculated on the most recent rate reset date prior to the prepayment date.
- The "cost of funds designated on the trade date" will be equal to the rate for the repricing index as of the most recent rate reset date prior to the prepayment date.
- The "cost of funds designated on the notice date" will be the Bank's estimated rate for a Federal Home Loan Bank (FHLBank) discount note with a term from the prepayment date to the first

scheduled call option date after the prepayment date or to the scheduled maturity date, whichever is earlier.

- The calculations of “the present value of the change in the Bank’s designated cost of funding the advance” and “the present value of 10 basis points per annum” will be based on the present values of the future cash flows for the remaining scheduled payment periods from the prepayment date to the first call option date after the notice date or to the scheduled maturity date, whichever is earlier.
- If there is a call option date after the prepayment date, the prepayment fee formula will include an additional component to compensate the Bank for the call option premium, which will be calculated as follows:
 - a. The present value of 5 basis points per annum: The sum of the present values of the future cash flows for the remaining scheduled payment periods from the first call option date after the prepayment date to the scheduled maturity date.
The cash flow for each payment period will be calculated as:
 - (i) 5 basis points per annum (expressed as a percentage per annum and adjusted for the term of that payment period using the interest day count basis designated in the confirmation), multiplied by
 - (ii) The advance amount being prepaid.

4. Flexible Amortizing Advance

For the purpose of calculating the prepayment fee for a Flexible Amortizing Advance, the “advance amount being prepaid,” which is used to calculate the cash flow for each payment period, will be reduced pro rata in accordance with the effective remaining “must pay” amortization schedule.

5. Affordable Housing Program (AHP) Advance

The prepayment fee for an AHP advance that is prepaid fully or in part for any reason will be subject to the applicable confirmation and will be calculated by the Bank according to the standard formula described above for the relevant advance type. However, the fee will be limited in amount to the Bank’s “economic loss” from the prepayment, in accordance with the Finance Agency’s AHP regulations, in the manner stated in the confirmation. Because the cost of using matched contracts for customized features of AHP advances is potentially greater than for other types of advances, the Bank may incorporate the valuations for customized features in the costs of funds designated on the trade and notice dates. The prepayment fee for any AHP advance is in addition to any subsidy amount to be repaid to the Bank in accordance with the Finance Agency’s AHP regulations.

6. Advances with a Partially Symmetric Prepayment Credit Feature

See [Appendix F](#) for a description of the Bank’s prepayment fee policies for advances with a partially symmetric prepayment credit feature with a trade date on or after January 1, 2002, and before October 1, 2008.

See [Appendix G](#) for a description of the Bank’s prepayment fee policies for advances with a partially symmetric prepayment credit feature with a trade date on or after October 1, 2008, and before October 1, 2009.

Prepayment fees and prepayment credits for advances with a partially symmetric prepayment credit feature will be calculated as described in this section only if the confirmation expressly designates the advance as one that has a partially symmetric prepayment credit feature. Flexible Amortizing Advances and DN Auction Indexed Advances will not be available with a partially symmetric prepayment credit feature. If the borrower makes a permissible prepayment of an advance with a partially symmetric prepayment credit feature, then the Bank will calculate as of the notice date the amount of the prepayment fee that is owed by the borrower, or, alternatively, the amount of the prepayment credit that is owed by the Bank, according to this section and the applicable confirmation.

In general, the prepayment fee or the prepayment credit will be the sum of the three components as set forth below in subsection B.6.a. If the amount is a positive number, the borrower will pay a prepayment fee in this amount to the Bank. If the amount is a negative number, the Bank will pay a prepayment credit in this amount to the borrower (provided that this prepayment credit payment is also subject to the Prepayment Credit Cap described below).

- a. For the prepayment of an advance with a partially symmetric prepayment credit feature, the Bank will calculate the sum of the following three components:

- (i) The present value of the change in the Bank's designated cost of funding the advance, plus
- (ii) The present value of 10 basis points per annum, plus
- (iii) The cost of terminating or offsetting any matched contract(s) identified in the confirmation.

For advances with a partially symmetric prepayment credit feature, the Bank will calculate these components according to the Standard Formula as described in section B.1, subject to any variances to these components, or other adjustments, for the specific advance types identified in subsections B.2 and B.5.

- b. The confirmation for an advance with a partially symmetric prepayment credit feature will contain a Prepayment Credit Cap as specified in the advance confirmation that establishes the maximum prepayment credit that may be paid by the Bank to the borrower. At a minimum, the Prepayment Credit Cap will limit the prepayment credit to no more than the absolute value of any negative amount calculated according to subsection B.6.a.(iii) above for terminating or offsetting a matched contract. The Prepayment Credit Cap specified in the confirmation may include additional limitations on the prepayment credit to be paid by the Bank.
- c. The Bank will pay any prepayment credit to the borrower by crediting the borrower's STA with the Bank in the appropriate amount on the business day on which the Bank receives the prepayment from the borrower.
- d. The sum of the three components set forth in subsection B.6.a for a prepayment fee or prepayment credit for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature will be calculated with the following additional adjustments, which generally are not applicable to the prepayment fee for a standard Fixed Rate Credit Advance without a partially symmetric prepayment credit feature. The cost of funds designated on the trade date and the cost of funds designated on the notice date, each as specified in the confirmation, for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature will be based on a variable rate. The confirmation will also designate an interest rate swap as a matched contract for this type of advance. The variable rate cost of funds designated on the trade date, the variable rate cost of funds designated on the notice date, and the matched contract(s), each as specified in the confirmation, will be used by the Bank to determine any prepayment fee or prepayment credit for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature.

C. Prepayment and Cancellation Limits

A borrower may not give notice on a given business day to prepay or cancel any advance or portion of an advance if the total amount of all prepayment notices and cancellation notices given by that borrower on that business day would exceed \$250 million.

A borrower may not give notice to prepay or cancel an advance or portion of an advance with a trade date on or after January 1, 2002, for prepayment settlement or cancellation settlement in any given calendar month if the total amount of all prepayments or cancellations by that borrower settling during that calendar month for advances with a trade date on or after January 1, 2002, would exceed the greater of:

- The amount of Bank stock owned by the borrower as of the last business day of the calendar month prior to the notice date, or
- \$250 million.

The Bank may waive one or both of these limits upon request and at its discretion, provided that the waiver is in writing and the borrower pays a waiver fee that will compensate the Bank for any actual and estimated risks and costs to the Bank associated with allowing a prepayment exceeding the limit(s) being waived. The waiver fee will be determined by the Bank and is in addition to the prepayment or cancellation fee.

The Bank will consider waiver requests and determine waiver fees on an order basis. In waiving a prepayment or cancellation limit and determining a waiver fee, the Bank may consider, without limit, current fixed and variable costs associated with making or funding advances, its asset and liability position, its balance sheet liquidity, its regulatory requirements and limits for capital and liquidity, the actual and estimated risks and costs associated with allowing a prepayment or cancellation that exceeds one or both limits, and other market conditions. The “actual and estimated risks and costs associated with allowing a prepayment or cancellation that exceeds one or both limits” may include, without limit, the cost of terminating, offsetting, modifying, or entering into any liabilities or contracts (including any consolidated obligations, interest rate contracts or other financial transactions used by the Bank) to manage the financial, operational, and market risks associated with the proposed prepayment. “Other market conditions” may include, without limit, interest rates, liquidity in the capital markets and agency debt markets, concessions charged by underwriters, bid-ask spreads for consolidated obligations, option and financial contract liquidity and costs, counterparty credit status, and the Bank’s operating constraints and considerations.

The Bank may also waive one or both limits and require prepayments or cancellations exceeding one or both limits in accordance with the Advances and Security Agreement (as well as any other relevant agreement) between the Bank and the borrower. In that case, the borrower must pay the waiver fee determined by the Bank, as described above, in addition to the applicable prepayment and cancellation fees.

D. Advance Cancellation Fee and Cancellation Credit

Once the Bank has made a commitment to make an advance to a borrower, the borrower may cancel all or part of the advance after the trade date but before the funding date by providing written notice of cancellation to the Bank and paying the Bank a cancellation fee. Changes and/or cancellations requested by the borrower on the trade date may be permitted by the Bank without a cancellation fee, provided the Bank is financially indifferent to the change or cancellation as determined by the Bank in its sole discretion. The cancellation fee will be determined by the Bank and will be equal to the prepayment fee for the advance, calculated as if the advance had not been cancelled but had been prepaid on the scheduled funding date. For advances with a partially symmetric prepayment credit feature, the Bank will also calculate a cancellation credit equal to the prepayment credit for the advance, calculated as if the advance had not been cancelled but had been prepaid on the scheduled funding date. Unless expressly stated otherwise in this Credit Guide, all other requirements of this section that apply to advance prepayments will also apply to advance cancellations.

E. Modifications and Restrictions

The Bank may from time to time:

- Modify the components of the standard prepayment fee formula, as appropriate, for new advance types developed by the Bank.
- Revise the Bank’s prepayment fee formulas and limits for new and existing advances.
- Deny or restrict prepayments if at any time, and for any reason, the Bank is unable to determine a prepayment fee in accordance with the formulas established in this Credit Guide, or the Bank determines that such restrictions are otherwise necessary for the safety and soundness of the Bank.

Early Termination of Interest Rate Swaps, Caps & Floors

In the event of the early termination of an interest rate swap, cap, or floor, the Bank will calculate the required final payments in accordance with the terms of the Bank's International Swaps and Derivatives Association (ISDA) Master Agreement and related ISDA Schedule to the Master Agreement between the Bank and the member and with the terms of the Bank confirmation for that transaction.

Products and Programs

The Bank offers the following products and programs to its members:

- [Fixed Rate Credit Advance](#)
- [Fixed Rate Credit Advance with Embedded Cap](#)
- [Amortizing Advance](#)
- [Callable Advance](#)
- [Putable Advance](#)
- [Knockout Advance](#)
- [Variable Rate Credit Advance](#)
- [Other Cash Needs Advance](#)
- [Adjustable Rate Credit Advance](#)
- [Adjustable Rate Credit Advance with Embedded Options](#)
- [Choice LIBOR Adjustable Rate Credit Advance](#)
- [DN Auction-Indexed Advance](#)
- [Securities-Backed Credit Program](#)
- [Standby Letters of Credit](#)
- [Mortgage Partnership Finance Program](#)

The Bank also provides below-market-rate financing to support its members' involvement in community revitalization and economic development activities through the following Community Investment Cash Advance (CICA) credit programs:

- [Advances for Community Enterprise](#)
- [Community Investment Program](#)

In addition, the Bank sets aside 10% of its net income each year to fund affordable housing for very low-, low-, and moderate-income households. The majority of the subsidy is made available through a competitive application program, the [Affordable Housing Program](#). A portion of the funds are allocated to the Bank's homeownership set-aside programs, the [Individual Development and Empowerment Account Program](#), and the [Workforce Initiative Subsidy for Homeownership Program](#).

Through its recoverable grant program, the [Access to Housing and Economic Assistance for Development Program](#), the Bank provides grants to support targeted economic development and housing initiatives during the conception and early development stages.

At this time, the Bank is not offering stand-alone interest rate swaps, caps, and floors to members. For more information, see [Interest Rate Swaps, Caps, and Floors](#).

Fixed Rate Credit (FRC) Advance

Use the FRC Advance to achieve a wide variety of financial management goals, taking advantage of maturities up to 30 years.

Uses

- Meet short-term liquidity needs
- Match-fund long-term assets
- Fund residential, consumer, and commercial loans
- Achieve asset/liability management goals

Key Advantages

- Immediate access to liquidity
- Access to long-term funds
- Guaranteed rates can be locked in for future funding purposes
- Generally less expensive than other long-term liabilities

Key Features

Term

Up to 30 years (for advances with partial prepayment symmetry, 1 to 10 years)

Interest Rate

Fixed for the entire term of the advance. You may request immediate or forward funding.

- Spot rate/market rate: The interest rate is determined for the applicable term with same-day, next-day, or skip-day funding.
- Forward rate/guaranteed rate: The interest rate is determined on the day of the request for the applicable term and commitment period (up to 180 days forward for most maturities).

Interest Day Count

Actual/Actual (Actual/360 for [Securities-Backed Credit Program](#) and for advances with partial prepayment symmetry)

Interest Payment Frequency

At monthend and at repayment (semiannually and at repayment for [Securities-Backed Credit Program](#); quarterly and at repayment for advances with partial prepayment symmetry)

Prepayment Features

When the advance is made, the borrower may have the option of selecting one of two prepayment alternatives: the standard prepayment formula or the prepayment formula for advances with a partially symmetric prepayment feature. The borrower must submit to the Bank the [Statement of Authority: Advances with Partial Prepayment Symmetry](#) signed by an authorized officer before any advances with partial prepayment symmetry may be executed.

Fixed Rate Credit (FRC) Advance with Embedded Cap

Available on an order-only basis, the FRC Advance with Embedded Cap is a fixed rate advance with an embedded interest rate cap that provides a benefit to the borrower when the cap index exceeds a specified strike rate on a cap observation date. When the cap index exceeds the strike rate, the borrower's interest rate for the next accrual period is lowered by the difference between the index rate and the strike rate (subject to a minimum interest rate of 0.00%). Partial prepayment symmetry is available for this advance.

Uses

- Achieve asset/liability management goals
- Manage interest rate risk of balance sheet in rising rate environments
- Fund long-term fixed rate assets

Key Advantages

- Protect against rising interest rates
- Guaranteed rates can be locked in for future funding purposes
- Meet long-term funding needs

Key Features

The Bank offers this product only to preapproved borrowers on an order-only basis. The actual terms and conditions of the advance are determined when the advance is made and are set forth in the Confirmation of Advance for each FRC Advance with Embedded Cap. General features of the advance are as follows:

Term

1 to 10 years

Interest Rate as of Each Rate Reset Date

Fixed interest rate less the cap value

Minimum Interest Rate

The minimum interest rate at each rate reset date will be 0.00%.

Interest Rate Reset Dates/Cap Observation Dates

Monthly, quarterly, or semiannually. The interest rate reset dates are established at the time the advance is made. The cap observation dates are two London business days prior to each rate reset day.

Cap Index Rate/Cap Strike Rate

The cap index rate and cap strike rate are established at the time the advance is made. The cap index rate is LIBOR (1, 3, or 6 months).

Cap Value

If the cap index rate exceeds the cap strike rate on the cap observation date, the cap value is the difference between the cap index rate and the cap strike rate.

Interest Day Count

Actual/360

Interest Payment Dates

Same as the rate reset dates

Prepayment Features

Before the advance is made, the borrower may have the option of selecting one of two prepayment alternatives: the standard prepayment formula or the prepayment formula for advances with a partially symmetric prepayment feature. The borrower must submit to the Bank the [Statement of Authority: Advances with Partial Prepayment Symmetry](#) signed by an authorized officer before any advances with partial prepayment symmetry may be executed.

Amortizing Advance

Use the Amortizing Advance to match the scheduled amortization characteristics of any fixed rate asset.

Uses

- Match-fund newly originated or seasoned fixed rate mortgage loans
- Finance other assets that amortize

Key Advantages

- Advance parameters that best suit the precise characteristics of your portfolio
- Uniquely structured to finance mortgages and other amortizing assets

Key Features

Maximum Term

30 years

Interest Rate

Fixed for the entire term of the advance

Interest Day Count

30/360

Principal and Interest Payment Frequency

Monthly and at repayment

Amortization Schedule

Can be designed to match most amortization schedules for a variety of fixed rate loans. The borrower specifies the amortization rate of the advance, which determines the amortization schedule.

Callable Advance

Use the Callable Advance—with built-in prepayment options—to reduce interest rate risk and prepayment risk at minimal added cost. You may “call” (repay) the advance at predetermined dates without paying the standard prepayment fee.

Uses

- Match-fund fixed rate mortgages
- Match-fund short-term loans
- Address the problem of uncertain principal repayments
- Manage prepayment risk of your assets

Key Advantages

- No prepayment fee with notification on predetermined dates
- Hedge against asset prepayment risk
- Reduce risks associated with declining interest rate environments
- Built-in long-term flexibility

Key Features

Maximum Term

10 years

Interest Rate

Fixed for the entire term of the advance

Interest Day Count

Actual/360

Interest Payment Frequency

Quarterly and at repayment

Call Dates

You specify the initial call date, with quarterly call dates thereafter

Call Feature

The advance may be repaid on any call date without a prepayment fee, provided that the Bank receives proper call notice. The Bank will charge a prepayment fee if proper call notice is not received by the Bank or for prepayment on a date other than a designated call date.

Call Notice

At least 9 business days but no more than 60 calendar days before the specified call date

Prepayment Features

When the advance is made, the borrower may have the option of selecting one of two prepayment alternatives: the standard prepayment formula or the prepayment formula for advances with a partially symmetric prepayment feature. The borrower must submit to the Bank the [Statement of Authority: Advances with Partial Prepayment Symmetry](#) signed by an authorized officer before any advances with partial prepayment symmetry may be executed.

Putable Advance

The Putable Advance is a specially priced term advance in which the Bank retains the right to “put” (terminate) the advance at the Bank’s discretion. This structure allows the Bank to offer the member a rate that may be significantly lower than the rate for a comparable Fixed Rate Credit Advance.

The Putable Advance has a fixed rate that is below the market rate for a comparable Fixed Rate Credit Advance. The Bank is able to offer this lower rate because with the Putable Advance, the Bank retains the right to terminate, at the Bank’s discretion, the advance before its originally scheduled maturity on any predetermined Put Date. If the Bank exercises its right to terminate before maturity, the Bank will offer the borrower the opportunity to replace the funding with another advance at the market rate in effect on the Put Date when the Bank exercises its right, provided that the borrower meets all requirements for obtaining advances from the Bank at that time. The maturity date of the replacement funding will be either the originally scheduled maturity date of the Putable Advance or a maturity date that is agreed upon by the Bank and the borrower. The borrower is not obligated to accept this replacement funding. A borrower that accepts the replacement funding may borrow under any of the regular credit options available to the borrower.

Use

- Lower your cost of funds

Key Advantage

- Take advantage of a lower interest rate

Key Features

Because of the special risk characteristics of the Putable Advance, the Bank offers this product only to preapproved borrowers on an order-only basis. The actual terms and conditions of the advance are determined when the advance is made and are set forth in the Confirmation of Advance for each Putable Advance. General features of the advance are as follows:

Eligibility

Members that are well capitalized, have a consistent record of good earnings, and have minimal problem assets are generally eligible to use the Putable Advance. A [Statement of Authority: Putable Advances](#) signed by an authorized officer must be submitted to the Bank before any transactions may be executed.

Bank’s Right to Terminate

The Bank will have the right to terminate only the entire Putable Advance (no partial terminations) on any Put Date and will provide at least 2 business days’ prior notice, by telephone and in writing by confirmed fax, using the modified following business day convention¹. If the Bank exercises its right to terminate, the member must repay the entire advance on the Put Date selected by the Bank. The Bank will offer to make available replacement funding, subject to the conditions described above.

Total Maximum Amount Per Borrower

The total maximum amount per borrower that may be available is equal to: three times the borrower’s current Tier 1 capital for FDIC-insured institutions, three times the borrower’s current net worth for NCUA-insured institutions, or a comparable amount for other borrowers, as determined by the Bank.

Maximum Term

10 years

1. If the period end date falls on a non-business day, the period end date will be the first following business day, unless that day falls in the next calendar month, in which case the period end date will be the first preceding business day.

Interest Day Count

Actual/360

Interest Payment Frequency

Quarterly and at repayment

Put Lockout Period

Typically 3 months, 6 months, or 1 year (Other lockout periods may be available.)

Put Dates

Typically the Put Dates are the same as the interest payment dates, after the put lockout period.

Prepayment Features

Before the advance is made, the borrower may have the option of selecting one of two prepayment alternatives: the standard prepayment formula or the prepayment formula for advances with a partially symmetric prepayment feature. The borrower must submit to the Bank the [Statement of Authority: Advances with Partial Prepayment Symmetry](#) signed by an authorized officer before any advances with partial prepayment symmetry may be executed.

Special Notice

The Putable Advance has a complex risk profile and may be an inappropriate product for some institutions. The expected maturity of the Putable Advance may contract or extend adversely to market movements, and the Bank makes no representations as to (i) the expected life of the advance or (ii) the criteria behind the exercise of the Bank's right to terminate the Putable Advance. This information is not intended as investment advice. The decision to obtain a Putable Advance and the analysis of how it may fit into a borrower's financial or business strategy remain solely the borrower's responsibility.

Notwithstanding any lockout period for exercising its right to terminate the Putable Advance, the Bank reserves all of its rights under the Advances and Security Agreement, including, without limitation, its right to terminate the Putable Advance and accelerate repayment of the advance and its right to liquidate collateral pledged by the borrower as security for the Putable Advance at any time upon the occurrence of an event of default described in the Advances and Security Agreement.

Knockout Advance

The Knockout Advance is a specially priced term advance that is automatically terminated if the specified index rate reaches or exceeds a predetermined strike rate on a specified date. This structure allows the Bank to offer the member a rate that may be significantly lower than the rate for a comparable Fixed Rate Credit Advance, but with more certainty as to when the advance will be terminated than with a Putable Advance.

The Knockout Advance has a fixed rate that may be below the market rate for a comparable Fixed Rate Credit Advance, depending on the selected strike rate. The Bank is able to offer this lower rate because the Knockout Advance will be terminated automatically on any predetermined Knockout Date without a prepayment fee or prepayment credit, if the specified index rate is greater than or equal to the predetermined strike rate on a specified observation date.

If the advance is terminated before the original maturity date, the Bank will offer the borrower the opportunity to replace the funding with another advance at the market rate in effect on the date the advance is terminated, provided that the borrower meets all requirements for obtaining advances from the Bank at that time. The maturity date of the replacement funding will be either the originally scheduled maturity date of the Knockout Advance or a maturity date that is agreed upon by the Bank and the borrower. The borrower is not obligated to accept this replacement funding. A borrower that accepts the replacement funding may borrow under any of the regular credit products available to the borrower.

Uses

- Lower your cost of funds
- Link the maturity of your advance to a designated index rate

Key Advantages

- Take advantage of a lower interest rate
- Greater transparency as to when the advance will be terminated early compared to the Putable Advance

Key Features

Because of the special risk characteristics of the Knockout Advance, the Bank offers this product only to preapproved borrowers on an order-only basis. The actual terms and conditions of the advance are determined when the advance is made and are set forth in the Confirmation of Advance for each Knockout Advance. General features of the advance are as follows:

Eligibility

Members that are well capitalized, have a consistent record of good earnings, and have minimal problem assets are generally eligible to use the Knockout Advance. A [Statement of Authority: Putable Advances](#) signed by an authorized officer must be submitted to the Bank before any transactions may be executed.

Early Termination

If the index rate is greater than or equal to the strike rate on an Observation Date, the entire advance will be terminated (no partial terminations) and the member must repay the entire advance on the Knockout Date. When terminating the advance, the Bank will provide at least 2 business days' prior notice, by telephone and in writing by confirmed fax, using the modified following business day convention. The Bank will offer to make available replacement funding subject to the conditions described above.

Total Maximum Amount Per Borrower

The total maximum amount per borrower (including outstanding Putable Advance balances) that may be available is equal to three times the borrower's current Tier 1 capital for FDIC-insured institutions, three times the borrower's current net worth for NCUA-insured institutions, or a comparable amount for other borrowers, as determined by the Bank.

Maximum Term

10 years

Interest Day Count

Actual/360

Interest Payment Frequency

Quarterly and at repayment

Lockout Period

Typically 3 months, 6 months, or 1 year (Other lockout periods may be available.)

Knockout Dates/Observation Dates

Typically the Knockout Dates are the same as the interest payment dates, after the lockout period. The Observation Dates are typically five business days before the Knockout Dates.

Index Rate and Strike Rate

The index rate and strike rate are established at the time the advance is made. The index rate is typically 3-month LIBOR.

Prepayment Features

Before the advance is made, the borrower may have the option of selecting one of two prepayment alternatives: the standard prepayment formula or the prepayment formula for advances with a partially symmetric prepayment feature. The borrower must submit to the Bank the [Statement of Authority: Advances with Partial Prepayment Symmetry](#) signed by an authorized officer before any advances with partial prepayment symmetry may be executed.

Special Notice

The Knockout Advance has a complex risk profile and may be an inappropriate product for some institutions. The expected maturity of the Knockout Advance may contract or extend adversely to market movements, and the Bank makes no representations as to the expected life of the advance. This information is not intended as investment advice. The decision to obtain a Knockout Advance and the analysis of how it may fit into a borrower's financial or business strategy remain solely the borrower's responsibility.

Notwithstanding any lockout period for the knockout option, the Bank reserves all of its rights under the Advances and Security Agreement, including, without limitation, its right to terminate the Knockout Advance and accelerate repayment of the advance and its right to liquidate collateral pledged by the borrower as security for the Knockout Advance, at any time upon the occurrence of an event of default described in the Advances and Security Agreement.

Variable Rate Credit (VRC) Advance

Use the VRC Advance to obtain overnight funding for daily cash needs. The VRC Advance may be renewed on a daily basis at prevailing rates, at the Bank's discretion. Funds may be repaid at any time, without a fee, with one business day's notice.

Uses

- Manage liquidity
- Obtain low-cost, market-rate funding
- Access immediate funds for short-term cash needs
- Offset temporary deposit outflows

Key Advantages

- Same-day access
- Flexible maturity

Key Features

Maturity

Overnight or open

Interest Rate

The initial interest rate is set on the funding date. VRC Advances are repriced daily.

Interest Day Count

Actual/Actual (Actual/360 for Securities-Backed Credit Program)

Interest Payment Frequency

Overnight: At maturity

Open: At monthend and at repayment

Repayment

The Bank must receive notice of intention to repay by 2 p.m. on the preceding business day.

Other Cash Needs (OCN) Advance

The OCN Advance is a VRC Advance option for members that, as a result of an unexpected development, need a short-term advance and either do not have a financing availability or have used it fully. In addition, the Bank, in its sole discretion, may fund an OCN Advance to cover the amount of any STA overdraft.

Use

- To meet funding needs that exceed a member's financing availability

Key Advantages

- Fund unexpected cash needs
- Same-day access if notice received by 10 a.m.

Key Features

Eligibility

The Bank will determine member eligibility for an OCN Advance on a case-by-case basis. The member must identify the need for the OCN and the repayment sources.

Maximum Amount

5% of member's total assets

Maximum Term

45 days

Interest Rate

The initial interest rate is the rate set for VRC Advances on the date of funding. OCN Advances are repriced daily.

Interest Day Count

Actual/Actual (Actual/360 for Securities-Backed Credit Program)

Interest Payment Frequency

At monthend and at repayment

Repayment

The Bank must receive notice of intention to repay by 2 p.m. on the business day preceding the repayment date.

Renewal

OCN advances may not be renewed.

Adjustable Rate Credit (ARC) Advance

Use ARC Advances to match the interest rate and payment characteristics of your adjustable rate loan portfolio.

Uses

- Finance adjustable rate mortgage loan portfolios
- Fund other adjustable rate loans and other interest-rate-sensitive assets
- Manage interest rate risk
- Reduce basis risk by funding assets with financing tied to the same repricing index
- Lock in current spreads for extended terms
- Shorten the liability structure of your balance sheet

Key Advantages

- Broad spectrum of interest rate indices
- Wide range of maturities
- Can be tailored to meet your specific financing needs

Key Features

Maximum Term

10 years

Interest Rate

The interest rate may be indexed to:

- LIBOR (1, 3, and 6 months)
- Prime Rate
- Constant Maturity Treasuries (1 year)
- A variety of other indices, subject to market execution

At the time the advance is made, the interest rate index, spread, and rate reset interval are established. At the specified interval, the interest rate is determined by adding the established spread to the new index value. See [Appendix A](#) for information on index pricing sources.

If a specified index is unavailable or is fundamentally altered, the Bank will designate a replacement index that is based upon comparable information, as determined by the Bank in its sole discretion.

Interest Payments

| Index | Day Count | Rate Reset | Payment Frequency |
|---------------|---------------|--------------|-------------------------------|
| Prime Rate | Actual/360 | Daily | Quarterly and at repayment |
| 1-Month LIBOR | Actual/360 | Monthly | Monthly and at repayment |
| 3-Month LIBOR | Actual/360 | Quarterly | Quarterly and at repayment |
| 6-Month LIBOR | Actual/360 | Semiannually | Semiannually and at repayment |
| 1-year CMT | Actual/Actual | Annually | Semiannually and at repayment |

Negative Interest Rate Convention

If the interest rate determined on any rate reset date or, if applicable, on the scheduled funding date, is a negative value, the interest rate for the accrual period that begins on that rate reset date will be equal to zero. The Bank will not be obligated under any circumstances to pay the borrower any amount relating to the application of a negative interest rate to the remaining principal amount of the advance.

Adjustable Rate Credit (ARC) Advance with Embedded Options

Use ARC Advances with Embedded Options to match the interest rate and payment characteristics of your adjustable rate loan portfolio while managing your interest rate risk exposure.

Uses

- Finance adjustable rate mortgage loan portfolios
- Fund other adjustable rate loans and other interest-rate-sensitive assets
- Manage interest rate risk in rising or falling rate environments
- Lock in current spreads for extended terms
- Shorten the liability structure of your balance sheet

Key Advantages

- Wide range of maturities
- Can be tailored to meet your specific financing or hedging needs

Key Features

Maximum Term

10 years

Interest Rate

The interest rate may be indexed to:

- LIBOR (1, 3, and 6 months)
- A variety of other indices, subject to market execution

At the time the advance is made, the interest rate index, spread, and rate reset interval are established. At the specified interval, the interest rate is determined by adding the established spread to the new index value.

If a specified index is unavailable or is fundamentally altered, the Bank will designate a replacement index that is based upon comparable information, as determined by the Bank in its sole discretion.

Option Types

- Interest rate caps (levered and unlevered)
- Interest rate collars
- Interest rate corridors
- Interest rate collar-corridors
- Interest rate floors
- A variety of other types may be developed, subject to market execution and product approval

Minimum Interest Rate Convention

If the interest rate determined on any rate reset date or, if applicable, on the scheduled funding date, is less than the amount of the unamortized premium (the annuitized value of the option premium, if not paid upfront), the interest rate for the accrual period that begins on that rate reset date will be equal to the unamortized premium. The Bank will not be obligated to pay the borrower any amount relating to the application of a negative interest rate to the remaining principal amount of the advance.

Prepayment Features

Before the advance is made, the borrower may have the option of selecting one of two prepayment alternatives: the standard prepayment formula or the prepayment formula for advances with a partially symmetric prepayment feature. The borrower must submit to the Bank the [Statement of Authority: Advances with Partial Prepayment Symmetry](#) signed by an authorized officer before any advances with partial prepayment symmetry may be executed.

Choice LIBOR Adjustable Rate Credit (ARC) Advance

Use Choice LIBOR ARC Advances to lock in the ability to repay the advance on a specified date prior to the maturity date without paying a prepayment fee.

Uses

- Fund adjustable rate loans and other interest-rate-sensitive assets
- Lock in current spreads for extended terms
- Increase long-term liquidity
- Meet regulatory liquidity requirements

Key Advantages

- No prepayment fee with proper notification and with repayment on the specified date
- Built-in long-term flexibility
- Wide range of maturities
- Built-in termination option may help in managing compliance with Basel and regulatory liquidity standards

Key Features

Minimum Term

2 years

Maximum Term

10 years

Interest Rate

The interest rate may be indexed to 1-month or 3-month LIBOR.

At the time the advance is made, the interest rate index, spread, and rate reset interval are established. At the specified interval, the interest rate is determined by adding the established spread to the new index value.

If a specified index is unavailable or is fundamentally altered, the Bank will designate a replacement index that is based upon comparable information, as determined by the Bank in its sole discretion.

Interest Day Count

Actual/360

Interest Payment Frequency

Same as repricing index

Termination Option

The advance may be repaid on the termination option date without a prepayment fee, provided that the Bank receives proper notice. The Bank will charge a prepayment fee if proper notice is not received by the Bank or for prepayment on a date other than the designated termination option date.

Termination Option Date

The termination option date will be one year prior to the maturity date of the advance.

Termination Option Notice

At least 5 business days

Minimum Interest Rate Convention

The Bank will not be obligated to pay the borrower any amount relating to the application of a negative interest rate to the remaining principal amount of the advance.

Prepayment Features

The prepayment fee will be determined using the Bank's standard prepayment formula.

Availability

Choice LIBOR ARC Advances are available on an order basis only, subject to the Bank's ability to price a particular advance structure in the market.

DN Auction-Indexed Advance

The DN Auction-Indexed Advance is an adjustable rate advance that is indexed to the auction rate for Federal Home Loan Bank System (System) discount notes with a specified maturity. The advance may be repaid, in full or in part, on specified call dates for a premium.

Key Advantages

- Use of an alternative market-rate index helps you diversify the basis risk of your liabilities
- Call option gives you added flexibility in managing changes in your balance sheet

Background

The Federal Home Loan Banks (FHLBanks) raise the funds they lend to borrowers primarily through consolidated obligations issued through the Office of Finance. Discount notes are the primary short-term debt instruments used by the System and are issued using a variety of methods, including periodic auctions. The Office of Finance currently issues discount notes with maturities of 4, 9, 13, and 26 weeks via the auction method. The discount note auctions are usually held twice a week, on Tuesdays and Thursdays. Settlement of the discount notes sold at auction is usually the business day following the auction date. However, the discount note auctions are subject to change at any time without notice, as determined by the Office of Finance.

Product Description

Described below are some of the DN Auction-Indexed Advance features. The actual terms and conditions are set forth in the Confirmation of Advance for each DN Auction-Indexed Advance.

Total Amount Available

The total amount available under this product is \$2.5 billion. The Bank may change the total amount available at any time without further notice.

Maximum Amount Per Auction

The Bank limits the aggregate amount of DN Auction-Indexed Advances that may be priced and repriced in a single auction to \$250 million.

- If the total amount of outstanding DN Auction-Indexed Advances being repriced in an auction equals \$250 million, the Bank will not make available any new DN Auction-Indexed Advances to be priced in that auction.
- If the total amount of outstanding DN Auction-Indexed Advances being repriced in an auction is less than \$250 million, the Bank will allocate the amount remaining after repricing those outstanding advances. The Bank will allocate the remaining amount equally among members requesting new DN Auction-Indexed Advances until the available amount has been allocated. The Bank intends to notify members of the amount they have been allocated by 2 p.m. on the request date.

Minimum Amount Per Auction

If no outstanding DN Auction-Indexed Advances are being repriced in an auction, the Bank will only make available new DN Auction-Indexed Advances priced in that auction if the auction occurs as scheduled and if the aggregate demand from all members for new DN Auction-Indexed Advances is at least \$100 million.

- Individual members may request less than \$100 million in new DN Auction-Indexed Advances to be priced in a particular DN auction, and the members' requests will be pooled to determine the aggregate demand for that auction.
- If the aggregate demand is less than \$100 million, the Bank intends to notify members by 2 p.m. on the request date that their requests cannot be filled.

If outstanding DN Auction-Indexed Advances are being repriced in an auction, to the extent permitted under applicable laws, rules, and policies, the Bank will request issuance of a sufficient amount of discount notes so

that the aggregate amount of requests by all FHLBanks in the auction is at least \$100 million.

- The Bank may make available new DN Auction-Indexed Advances priced in that auction if the auction occurs as scheduled even if the new advances and the outstanding advances being repriced would total less than \$100 million.

Maximum Term

5 years

Interest Rate

The initial interest rate will be calculated by adding a specified spread to the initial index value. At each rate reset, the interest rate will be adjusted by adding the established spread to the new index value.

Index

The auction rate for System discount notes with a specified maturity (the money market weighted average all-in rate of the System discount note auction for a specified maturity, rounded to the third decimal place) as transmitted by the Office of Finance to the Bank (DN auction rate)

If a scheduled auction is cancelled, postponed, or rescheduled by the Office of Finance or does not occur for any other reason, the Bank may select an alternate repricing index and the Bank may also select an alternate rate reset date, as described below. In addition, if the Bank's request for issuance of discount notes is only partially filled in an auction, the Bank may select an alternate index for the initial index value and for the repricing index, as described below.

Rate Reset

The rate for DN Auction-Indexed Advances will be reset according to the specific maturity of the discount notes, subject to the observance of holidays by the Office of Finance (scheduled rate reset date). If a scheduled auction is cancelled, postponed, or rescheduled by the Office of Finance or does not occur as scheduled for any other reason, the Bank may select an alternate rate reset date and the Bank may also select an alternate repricing index, as described below.

Alternate Initial Index

If the Bank has made a request for issuance of System discount notes in an auction but the Bank's request is only partially filled in the auction, then the initial index value will be an alternate index that will be an interest rate as determined by the Bank in its sole discretion.

Alternate Repricing Index and Alternate Rate Reset Date

The Bank intends to follow these general guidelines in establishing an alternate repricing index and/or alternate rate reset date:

If, on the business day immediately preceding any scheduled rate reset date, the System discount note auction for the specified maturity occurs as scheduled, the repricing index for that scheduled rate reset date will be set as follows:

- If the Bank has made a request for issuance of System discount notes in the auction and its request is completely filled, then the repricing index will be the DN Auction-Indexed Advance rate from that auction.
- If the Bank has made no request for issuance of System discount notes in the auction, but the aggregate requests of all other FHLBanks in the auction for System discount notes maturing on the next scheduled rate reset date is at least partially filled in the auction, then the repricing index will be the DN Auction-Indexed Advance rate from that auction.
- If the Bank has made a request for issuance of System discount notes in the auction but the Bank's request is only partially filled in the auction, then the repricing index will be an alternate index that will be an interest rate as determined by the Bank in its sole discretion.

If, on the business day immediately preceding any scheduled rate reset date, the System discount note auction for the specified maturity does not occur as scheduled for any reason, then the Bank will select an alternate

index for the repricing index, and the Bank may, in its sole discretion, select an alternate date for the actual rate reset date. In selecting an alternate index when the discount note auction has not occurred as scheduled for any reason, the Bank, in its sole discretion, may select as a repricing index any of the following:

- an interest rate from any other auction of System discount notes designated by the Office of Finance as a substitute auction for the discount note auction that did not occur; or
- an interest rate from any other issuance of System discount notes for the designated maturity issued by the Office of Finance on the actual rate reset date; or
- an interest rate equal to the Bank's estimated cost of alternate funding for the designated maturity as determined by the Bank in its sole discretion.

Request Deadline

Requests for DN Auction-Indexed Advances must be received by the Bank by noon on the business day immediately preceding the designated auction date. A member may cancel or change its request after this deadline only if the Bank agrees in writing to the cancellation or change.

Pricing and Settlement

Advances will be priced on the designated auction date for settlement the following business day, subject to the observance of holidays by the Office of Finance. The Bank intends to notify all participants of the initial interest rate on the advances by 2 p.m. on the designated auction date.

Blacked-out Auctions

The Bank reserves the right not to accept requests for new DN Auction-Indexed Advances priced in any auction for which the discount notes would mature during illiquid periods, as determined by the Bank, such as quarter-ends, yearends, and known holidays. Please contact your Relationship Manager for a list of the dates that may be available.

Interest Payment Frequency

Every scheduled rate reset date, subject to the observance of holidays by the Office of Finance

Interest Day Count

Actual/360

Call Feature

The advance may be repaid, in full or in part, on specified call dates without a prepayment fee, provided that proper call notice is received by the Bank and the call option premium is paid.

Call Option Dates

Every scheduled rate reset date, subject to the observance of holidays by the Office of Finance.

Call Notice

At least 5 but no more than 10 business days before a call option date. The Bank must receive the call notice by 10:30 a.m. California time. Call notice may be verbal, but the verbal notification must be confirmed in writing by the borrower and received by the Bank within 2 business days after the borrower's verbal notice. A borrower may not cancel a call notice unless the Bank agrees in writing to the cancellation.

Call Option Premium

The present value of 5 basis points per annum for the remaining term to maturity applied against the principal amount of the advance being repaid. The Bank's cost of funds, as determined by the Bank in its sole discretion, will be used to determine present values.

Special Notice

The DN Auction-Indexed Advance has a risk profile that may be inappropriate for some institutions. The availability of the index to which this product is tied is subject to uncertainty, and the actual interest rate charged for this advance initially and at repricing may be based on an estimated cost of alternate funding

depending on market conditions and the actual results of the System discount note auction. In addition, there is no limit to the size of the Bank's request or other FHLBanks' requests for System discount notes in the auctions, and large participation by the Bank or by other FHLBanks could increase the average cost of System discount notes sold (compared to a lower participation amount).

This information is not intended as investment advice. The decision to obtain an DN Auction-Indexed Advance and the analysis of how it may fit into a borrower's financial or business strategy remain solely the borrower's responsibility.

Securities-Backed Credit (SBC) Program

Under the SBC Program, you can pledge your high-grade securities as collateral to the Bank. Interest rates on SBC advances may be lower than rates on advances offered under the Bank's Standard Credit Program and competitive with rates in the securities repurchase market.

Uses

- Secure short- and long-term borrowings with a variety of securities collateral
- Access an attractive alternative to securities repurchase transactions with dealers
- Leverage securities collateral more effectively

Key Advantages

- Pricing may be competitive with Agency securities repurchase transactions
- You may be able to hold a smaller number of securities in portfolio to meet margin calls
- Substitute like or better securities collateral at any time

Key Features

Maximum Term

Depends on the type of credit product

Credit Products Available

- [Fixed Rate Credit \(FRC\) Advance](#)
- [FRC Advance with Embedded Cap](#)
- [Amortizing Advance](#)
- [Callable Advance](#)
- [Putable Advance](#)
- [Knockout Advance](#)
- [Variable Rate Credit Advance](#)
- [Adjustable Rate Credit \(ARC\) Advance](#)
- [ARC Advance with Embedded Options](#)
- [Choice LIBOR ARC Advance](#)

Interest Rate

Interest rates may be lower than rates on advances under the Bank's Standard Credit Program and competitive with rates in the securities repurchase market.

Interest Day Count

Actual/360 for most credit products and 30/360 for [Amortizing Advances](#).

Interest Payment Frequency

For fixed rate advances with terms of 180 days or less, interest is payable at maturity. For fixed rate advances with terms of more than 180 days, interest is payable semiannually and at maturity. For adjustable rate advances, interest is payable at repricing and at maturity.

Eligible Securities and Borrowing Capacity

Please refer to the eligible securities and borrowing capacity table in the [SBC Program product profile](#) for a list of eligible securities types and borrowing capacities under the SBC Program.

Market Value

The market value for securities pledged as collateral under the SBC Program is determined by the Bank on the basis of market prices (bid side) for the same or comparable securities, if available, or as otherwise determined by the Bank. A readily available price is a precondition for acceptance of a security as collateral. This means, in general, that the security is either priced by a third-party pricing service or that its cash flow is

modeled on Bloomberg or Yield Book.

Private Label Non-Agency MBS

If the custodian of the notes supporting a non-Agency MBS transaction is the Issuer or a related party and the notes have not been endorsed to the trustee by name, the Bank requires that the party that has control over the notes (as determined by the Bank) must have a long-term debt rating of at least BBB. The Bank will monitor the creditworthiness of the entity that has control over the notes; if the entity's credit rating falls below BBB, the Bank will require the member to substitute collateral in place of the MBS unless the underlying notes have been endorsed or delivered to the trustee.

Review of Ratings

The Bank will periodically re-evaluate non-Agency securities and municipal bonds to validate or establish the ratings at intervals deemed appropriate by the Bank.

100% Borrowing on the Market Value of Securities

If a member pledges loan collateral to the Bank, the member may be able to borrow up to 100% of the current market value of its eligible securities pledged under the SBC Program by using the borrowing capacity of that loan collateral to meet its margin requirements. If a member pledges only securities collateral, the member may borrow an amount equal to the borrowing capacity assigned to its pledged securities collateral.

- The Bank manages the margin calls for SBC securities collateral on an aggregate basis for each borrower.
- Loan collateral may be used to secure up to 10% of the amount of all SBC advances outstanding. The borrower will be required to pledge additional eligible securities if:
 - the borrower's borrowing capacity for securities pledged under the SBC Program falls below 90% of the current amount of the borrower's total SBC advances outstanding, or
 - the borrower's loan collateral does not have sufficient excess borrowing capacity.
- When the current borrowing capacity of a borrower's SBC securities collateral falls below 90% of its SBC advances outstanding, the borrower is required to pledge additional eligible securities under the SBC Program to increase the current borrowing capacity of SBC securities collateral to 95% or greater of the total amount of the borrower's SBC advances outstanding.
- Loan collateral that is being used to meet a borrower's margin requirement under the SBC Program is not available to collateralize other Bank credit.
- The Bank will not release securities collateral pledged under the SBC Program if the borrower is using loan collateral to meet the margin requirements.

Delivery

All securities pledged to the Bank must be delivered to the Bank's securities custodian, Citibank N.A. (Citibank).

Substitution

Borrowers may substitute like or better securities collateral, in the Bank's discretion, subject to the Bank's standard [securities services fees](#).

Standby Letters of Credit

Use standby letters of credit to facilitate a variety of transactions with third parties. A standby letter of credit is an obligation of the Bank to make payment to a third party if a member or housing associate does not perform its underlying obligation to that third party.

Eligible Uses

- Facilitate residential housing finance and community lending
- Assist with asset/liability management
- Provide liquidity or other funding

Key Advantages

- The credit enhancement provided by the Bank's standby letters of credit may reduce your financing costs.
- Because the Bank is rated Aaa by Moody's and AA+ by Standard & Poor's, Bank letters of credit may enable you to obtain an Aaa or AA+ rating on tax-exempt bond and note transactions that you support.
- You may also be able to use Bank letters of credit to obtain an Aaa or AA+ rating on your issuance of commercial paper or medium-term notes.
- Bank letters of credit may be used to collateralize interest rate swap transactions. (Please check with your counterparty for eligibility.)
- In Arizona, Bank letters of credit may be used to collateralize public deposits through the Arizona Pooled Collateral Program. (Contact the Arizona State Treasurer's Office for program requirements.)
- In California, Bank letters of credit may be used to collateralize Local Agency or State deposits. (Contact the Local Agency Administrator or the California State Treasurer's Office for program requirements.)
- In Nevada, Bank letters of credit may be used to collateralize public deposits through the Nevada Collateral Pool. (Contact the office of the State Treasurer of Nevada for program requirements.)
- Bank letters of credit are competitively priced.

Key Features

Purpose

The purpose of the letter of credit and the underlying transactions must meet the Bank's guidelines for eligible uses described above.

Maximum Term

15 years

Collateral Requirements

The letter of credit amount must be fully secured with eligible collateral at all times.

Stock

No Bank stock purchase is required.

Payment Reimbursements

If the Bank makes a payment to a beneficiary under a letter of credit, the Bank will charge the member or housing associate's STA for the amount of the payment. The member or housing associate must make a deposit to its STA the same day or arrange for an advance to do so.

Fees

The Bank will charge applicable [prices and fees](#) for standby letters of credit, which may include an issuance fee, annual maintenance charge, processing fee for each drawing, and amendment fee. See [Appendix B](#).

Interest Rate Swaps, Caps & Floors

At this time, the Bank is not offering stand-alone interest rate swaps, caps, and floors. This information is provided for members that have already purchased interest rate swaps, caps, and floors from the Bank.

Payment

The Bank will determine the net payment due on the scheduled payment dates of a swap. Only the net amount due will be credited to or debited from your STA.

The Bank will make payment on an interest rate cap or floor according to the terms of the Bank's confirmation for that transaction.

Specific Collateral Requirements

The minimum collateral requirement on any interest rate swap, cap, or floor with the Bank can never fall below zero, and the Bank will not post collateral with the member.

There are no collateral requirements for interest rate caps and floors purchased by a member.

The collateral requirement for interest rate swaps and for interest rate caps and floors sold by a member to the Bank is the sum of the gross current exposure and the gross potential exposure.

Gross current exposure is calculated as the greater of:

- zero, or
- the fair value of the derivative plus accrued interest receivable and minus accrued interest payable.

Gross potential exposure is calculated based on the original term for new transactions (from the trade date to the maturity date) or the remaining term to maturity for existing transactions (from the reporting date to the maturity date), as follows:

| Original or Remaining Term | Gross Potential Exposure |
|----------------------------|---------------------------------|
| ≤ 1 year | Zero |
| > 1 year and ≤ 5 years | 0.005 times the notional amount |
| > 5 years | 0.015 times the notional amount |

Early Termination

In the event of the early termination of an interest rate swap, cap, or floor, the Bank will calculate the required final payments in accordance with the terms of the Bank's International Swaps and Derivatives Association (ISDA) Master Agreement and related ISDA Schedule to the Master Agreement between the Bank and the member and with the terms of the Bank confirmation for that transaction.

Mortgage Partnership Finance® Program

The Mortgage Partnership Finance (MPF®) Program offers members a competitive alternative to traditional investors when selling loans in the secondary market. The Bank is offering the following MPF products:

- **Original MPF:** The Bank will purchase conventional, conforming fixed rate mortgage loans and hold them in the Bank's portfolio.
- **MPF Government:** The Bank will purchase FHA/VA-insured mortgage loans and hold them in the Bank's portfolio.
- **MPF Xtra®:** The Bank will facilitate the purchase of conventional, conforming fixed rate mortgage loans for concurrent sale to Fannie Mae.

Member Eligibility

To participate in the MPF Program, a member must be approved as a Participating Financial Institution (PFI) by the Bank. To be eligible for approval, a member must meet the loan origination, servicing, reporting, credit, and collateral standards established for the MPF Program.

MPF Participating Financial Institution Agreement

Members approved by the Bank to participate in the MPF Program will be required to execute an MPF Participating Financial Institution Agreement (PFI Agreement). The PFI Agreement sets forth the basic terms and conditions governing the PFI's participation in the MPF Program through the Bank and incorporates additional program terms and requirements that the PFI must follow, including those established in the MPF Origination Guide and the MPF Servicing Guide. These program guides are available through the eMPF® website or All-Regs®.

Credit Enhancement: Original MPF

Under the Original MPF product, the Bank and the PFI share in the credit risk of loans purchased by the Bank. Loans sold into Original MPF are credit enhanced by the PFI, with credit enhancement fees generally paid to the PFI based on the performance of the loans. The Bank manages the liquidity, interest rate, and prepayment risks of the loans while the PFI manages the credit risk of the loans. The credit risk sharing feature of Original MPF allocates future loan losses, if any, between the PFI and the Bank after borrower equity and private mortgage insurance are depleted.

Collateral Requirements

The credit enhancement obligation under Original MPF must be fully secured by eligible collateral.

For all MPF products, the Bank may require loans sold that become subject to repurchase or subject to an indemnification agreement to be secured by eligible collateral.

Capital Stock Requirements

PFI's are required to hold Bank capital stock in connection with loans sold to and held by the Bank under Original MPF and MPF Government in accordance with the Bank's capital stock requirements. A PFI is required to maintain Bank capital stock in connection with its outstanding MPF loans at least as long as the Bank retains any interest in any of the loans sold by the PFI to the Bank and held by the Bank, even if the PFI's membership in the Bank is terminated.

For a more complete discussion of the Bank's capital stock requirements, see pages 7-8.

Servicing of MPF Loans

Under all MPF product types, the PFI may sell loans servicing retained or servicing released.

Remittance Options

Remittance options for MPF loans may include actual/actual, actual/actual single remittance, and scheduled/scheduled.

Training

After a member is approved as a PFI, the Bank contacts the member to schedule training on MPF products, pricing, and master commitments; MPF loan delivery; use of eMPF and the MPF Guides; and MPF servicing and reporting. In addition, a representative of the PFI is required to take and pass a one-hour online tutorial on MPF Pre-Closing Quality Control offered through AllRegs. Fannie Mae Desktop Underwriter® (DU) training is also required for MPF Xtra.

Ongoing Requirements

Outstanding loans sold to the Bank under the MPF Program and held by the Bank, including loans sold under the Original MPF and MPF Plus Products between 2002 and 2006, remain subject to the credit enhancement requirements in effect when the loans were sold to the Bank and to the Bank's current collateral and capital stock requirements.

Additional Information

For more information on the MPF Program, including access to the MPF guides, visit the [MPF website](#).

"Mortgage Partnership Finance," "MPF," and "MPF Xtra" are registered trademarks of the Federal Home Loan Bank of Chicago.

Advances for Community Enterprise (ACE)

ACE credit may be used to provide funds for projects and activities that result in the creation or retention of jobs or provide services or other benefits for low- and moderate-income people and communities. ACE funds may be used to support community lending and economic development, including small business, community facilities, and public works projects.

Uses

- Finance commercial, industrial, and manufacturing activities, including small business and microenterprise lending
- Finance social service and other community or public facility projects
- Finance public or private infrastructure projects, such as roads, utilities, and sewers

Key Advantages

- Interest rates and fees are generally lower than rates and fees on regular Bank advances
- Prices and fees are generally lower than prices and fees on regular Bank letters of credit
- Available in a variety of maturities for a wide array of credit products
- ACE applications may be submitted at any time
- ACE advances and letters of credit may help you meet your CRA goals
- ACE credit may be used to finance SBA lending

Key Features

Maximum Term

Varies according to type of credit product

Credit Products Available

- [Fixed Rate Credit \(FRC\) Advance](#)
- [FRC Advance with Embedded Cap](#)
- [Callable Advance](#)
- [Amortizing Advance](#)
- [Adjustable Rate Credit \(ARC\) Advance](#)
- [ARC Advance with Embedded Options](#)
- [Choice LIBOR ARC Advance](#)
- [Standby Letters of Credit](#)

Interest Rate/Price

The interest rate on an ACE advance will vary according to credit product and maturity. Interest rates on ACE credit are generally lower than the rates offered under the Bank's regular advance programs, and the prices for ACE letters of credit are generally lower. Members are encouraged to provide favorable prices and terms to borrowers on ACE-qualifying activities in consideration of the preferential rates or prices on ACE credit.

If the Bank determines that a participating member has not complied with the qualifying terms of the program or has not provided acceptable documentation to verify compliance, the Bank may change the interest rate on each outstanding ACE advance, retroactive to its funding date, to the rate in effect on the funding date for a comparable advance under the Bank's regular advance programs. Prices for an ACE letter of credit may be similarly revised.

Eligible Projects and Activities

ACE credit may be used to finance specific loans or other financing activities that meet the eligible use criteria (specified below) and that serve targeted beneficiaries (also specified below).

Eligible Uses:

ACE funds must be used for economic development projects that either:

- Result in the creation or retention of jobs (other than construction jobs) for low- and moderate-income people and communities, or
- Provide services or other benefits to low- and moderate-income people and communities.

Specific eligible economic development projects may include:

- Commercial, industrial, and manufacturing activities, including small business and microenterprise lending
- Social service and other community or public facility projects
- Public or private infrastructure projects, such as roads, utilities, and sewers

ACE credit may be used in a variety of financial transactions, including:

- Originating loans
- Purchasing a participation interest, or providing financing to participate, in an economic development loan consortium or other financial intermediary
- Making loans to entities that, in turn, make loans for economic development projects
- Supporting a secondary market for ACE-eligible loans
- Purchasing New Markets Tax Credits

ACE may be used for eligible financing originated up to 3 months before the ACE funding date or up to 12 months after the ACE funding date (but before the advance maturity date, if the advance has a term of less than 1 year).

Targeted Beneficiaries:

To qualify for ACE credit, the above eligible uses must serve targeted beneficiaries. These include beneficiaries defined by a targeted area, targeted activity, or targeted income levels for individual beneficiaries in rural and urban areas.

Targeted Areas:

The project or activity is located in one or more of the following targeted areas:

1. As designated by the U.S. Department of Housing and Urban Development (HUD):
 - Urban Empowerment Zone
 - Urban Enterprise Community
 - Urban Champion Community
2. As designated by the U.S. Department of Agriculture:
 - Rural Empowerment Zone
 - Rural Enterprise Community
 - Rural Champion Community
3. An “Indian area,” as defined by the Native American Housing Assistance and Self Determination Act
4. A property that is eligible for a federal brownfield tax incentive
5. An area affected by a military base closing in a community in the vicinity of the installation, as defined by the U.S. Department of Defense
6. A community affected by the North American Free Trade Agreement as designated under the Community Adjustment and Investment Program
7. A federally declared disaster area or an area eligible for federal economic development assistance
8. A state-declared disaster area or an area eligible for state economic development assistance (approved by the Finance Agency)
9. A rural neighborhood or community with average median incomes at or below 115% of the HUD area

median income (AMI)

10. An urban neighborhood or community with average median incomes at or below 100% of the HUD AMI

Targeted Activity:

1. The project qualifies as a small business as defined by the Small Business Administration.

Targeted Income Levels for Individual Beneficiaries in Rural and Urban Areas:

1. In rural areas, at least 51% of the jobs created or retained by the project or activity (excluding construction jobs) have annual salaries that pay up to 115% of the HUD AMI.
2. In rural areas, at least 51% of the families that benefit from the project or activity have incomes up to 115% of the HUD AMI.
3. In urban areas, at least 51% of the jobs created or retained by the project or activity (excluding construction jobs) have annual salaries that pay up to 100% of the HUD AMI.
4. In urban areas, at least 51% of the families that benefit from the project or activity have incomes up to 100% of the HUD AMI.

Documentation Requirements

To request ACE credit, the member must complete the [Community Investment Program \(CIP\) and Advances for Community Enterprise \(ACE\) Credit Application](#) or the [Advances for Community Enterprise \(ACE\) Application for SBA Lenders](#). Within 12 months of the ACE funding date or, if the advance has a term of less than 1 year, prior to the maturity date of the ACE advance, the member must demonstrate its ACE-eligible lending activity in the full amount of the ACE credit by providing the Bank with a certification that:

1. The funds were used to benefit targeted beneficiaries (defined by a targeted area, a targeted activity, or targeted income levels for individual beneficiaries in rural and urban areas) and the use of the funds is consistent with the ACE application, the criteria for eligible projects and activities, and the other terms and conditions of ACE. The certification must include a description of how the ACE advance (or letter of credit) meets the requirements, and, as appropriate, a summary list, or other documentation showing the number and salaries of jobs created or retained.
2. Qualifying loans were originated no more than 3 months before the date of the ACE funding and no later than 12 months following the ACE funding date or, if the advance has a term of less than 1 year, prior to the advance maturity date. If the eligible project was financed up to 3 months prior to the submission of the ACE application, the certifications and accompanying documentation may be submitted with the application.

If the eligible project is receiving funds from another targeted federal economic development program with the same or more restrictive eligibility targets, certification that the project is in compliance with those requirements is sufficient.

Limit Per Member

The Bank has established an aggregate limit on the amount of advances that an individual member may borrow each year under the Bank's CICA credit programs: ACE and the [Community Investment Program \(CIP\)](#). The member may borrow up to the maximum amount under just one program or under both programs until it reaches the aggregate limit.

The maximum amount of CICA credit that an individual member may borrow in aggregate each year will depend on the member's total assets as of the previous yearend, as follows:

| Total Assets | Annual CICA Credit Limit |
|----------------------------------|---|
| Up to \$20 million | \$1 million |
| From \$20 million to \$4 billion | 5% of total assets as of previous yearend |
| \$4 billion and over | \$200 million |

Total Funding Limit

The Bank may limit the total amount of ACE credit to be made available to all members in a calendar year on a first-come, first-served basis. Once the limit is reached, a member may not obtain additional ACE credit even if the member has not reached its individual limit.

Collateral

All ACE advances and letters of credit must be fully collateralized. ACE-eligible loans may or may not be eligible to be pledged to the Bank as collateral. Please refer to the Bank's [Collateral Guide](#) for a detailed description of the Bank's collateral eligibility requirements.

Other Terms and Conditions

Other terms and conditions for ACE credit are the same as for other Bank advances and letters of credit.

Community Investment Program (CIP)

CIP credit may be used to fund affordable housing development for low- and moderate-income individuals and families and to help develop and revitalize their communities. Members may access CIP credit in the form of advances and letters of credit.

Uses

- Finance the purchase, construction, or rehabilitation of single-family and multifamily housing by and for low- and moderate-income individuals and families
- Finance mortgage lending to eligible first-time homebuyers
- Support the development of innovative and effective affordable housing projects

Key Advantages

- Interest rates and fees are generally lower than rates and fees on regular Bank advances
- Prices and fees are generally lower than prices and fees on regular Bank letters of credit
- Available in a variety of maturities for a wide array of credit products
- CIP applications may be made at any time
- CIP advances and letters of credit may help you meet your CRA goals

Key Features

Maximum Term

Varies according to type of credit product

Credit Products Available

- [Fixed Rate Credit \(FRC\) Advance](#)
- [FRC Advance with Embedded Cap](#)
- [Callable Advance](#)
- [Amortizing Advance](#)
- [Adjustable Rate Credit \(ARC\) Advance](#)
- [ARC Advance with Embedded Options](#)
- [Choice LIBOR ARC Advance](#)
- [Standby Letters of Credit](#)

Interest Rate/Price

The interest rate on a CIP advance will vary according to credit product and maturity. Interest rates on CIP advances are generally lower than the rates offered under the Bank's regular advance programs, and the prices for CIP letters of credit are generally lower. Members are encouraged to provide favorable rates and terms to borrowers on CIP-qualifying activities in consideration of the preferential rates or prices on CIP credit.

If the Bank determines that a participating member has not complied with the qualifying terms of the program or has not provided acceptable documentation to verify compliance, the Bank may change the interest rate on each outstanding CIP advance, retroactive to its funding date, to the rate in effect on the funding date for a comparable advance under the Bank's regular advance programs. Prices for a CIP letter of credit may be similarly revised.

Eligible Projects and Activities

CIP credit may be used on a passthrough basis to finance specific projects and lending activities that involve the construction, rehabilitation, or acquisition of residential property that meet the eligible use criteria (specified below) and that serve targeted beneficiaries (also specified below).

Eligible Uses

CIP credit must be used to finance home purchase, construction, or rehabilitation projects or activities by or for low- and moderate-income individuals or families.

CIP credit may be used in a variety of financial transactions, including:

- Originating loans
- Purchasing a participation interest, or providing financing to participate, in a loan consortium for CIP-eligible housing
- Making loans to entities that, in turn, make loans for CIP-eligible housing
- Purchasing mortgage revenue bonds or mortgage-backed securities that finance CIP-eligible activities
- Supporting a secondary market for CIP-eligible loans
- Purchasing low-income housing tax credits

CIP credit may be used for eligible financing originated up to 3 months before the CIP funding date or up to 12 months after the CIP funding date (but before the advance maturity date, if the advance has a term of less than 1 year).

Targeted Beneficiaries

To qualify for CIP funds, the above eligible uses must serve targeted beneficiaries. These include beneficiaries defined by a targeted area or targeted income levels for individual beneficiaries.

Targeted Areas:

The project or activity is located in one or more of the following targeted areas:

1. As designated by the U.S. Department of Housing and Urban Development (HUD):
 - Urban Empowerment Zone
 - Urban Enterprise Community
 - Urban Champion Community
2. As designated by the U.S. Department of Agriculture:
 - Rural Empowerment Zone
 - Rural Enterprise Community
 - Rural Champion Community
3. An “Indian area,” as defined by the Native American Housing Assistance and Self Determination Act
4. A neighborhood or community with average median incomes at or below 115% of the HUD area median income (AMI)

Targeted Income Levels for Individual Beneficiaries:

The project or activity benefits individuals or families earning up to 115% of the HUD AMI.

Documentation Requirements

To request CIP credit, the member must complete the [Community Investment Program \(CIP\) and Advances for Community Enterprise \(ACE\) Credit Application](#) or the [Advances for Community Enterprise \(ACE\) Application for SBA Lenders](#). Within 12 months of the CIP funding date or, if the advance has a term of less than 1 year, prior to the maturity date of the CIP advance, the member must demonstrate its CIP-eligible lending activity in the full amount of the CIP credit by providing the Bank with a certification that:

1. The funds were used to benefit targeted beneficiaries (defined by a targeted area or targeted income level for individual beneficiaries) and the use of the funds is consistent with the CIP application, the criteria for eligible projects and activities, and the other terms and conditions of the CIP. The certification must include a description of how the CIP advance (or letter of credit) meets the requirements.
2. Qualifying loans were originated no more than 3 months before the date of the CIP funding and no later than 12 months following the CIP funding date or, if the advance has a term of less than 1 year, prior to the advance maturity date. If the eligible project was financed up to 3 months prior to the submission of the CIP application, the certifications and accompanying documentation may be submitted with the application.

If the eligible project is receiving funds from another targeted federal housing or economic development

program with the same or more restrictive eligibility targets, certification that the project is in compliance with those requirements is sufficient.

Limit Per Member

The Bank has established an aggregate limit on the amount of advances that an individual member may borrow each year under the Bank's CICA credit programs: [Advances for Community Enterprise \(ACE\)](#) and the CIP. The member may borrow up to the maximum amount under just one program or under both programs until it reaches the aggregate limit.

The maximum amount of CICA credit that an individual member may borrow in aggregate each year will depend on the member's total assets as of the previous yearend, as follows:

| Total Assets | Annual CICA Credit Limit |
|----------------------------------|---|
| Up to \$20 million | \$1 million |
| From \$20 million to \$4 billion | 5% of total assets as of previous yearend |
| \$4 billion and over | \$200 million |

Total Funding Limit

The Bank may limit the total amount of CIP credit to be made available to all members in a calendar year on a first-come, first-served basis. Once the limit is reached, a member may not obtain additional CIP credit even if the member has not reached its individual limit.

Collateral

All CIP advances and letters of credit must be fully collateralized. CIP-eligible loans may or may not be eligible to be pledged to the Bank as collateral. Please refer to the Bank's [Collateral Guide](#) for a detailed description of the Bank's collateral eligibility requirements.

Other Terms and Conditions

Other terms and conditions for CIP credit are the same as for other Bank advances and letters of credit.

Affordable Housing Program (AHP)

The AHP facilitates the development of affordable rental housing and homeownership opportunities for very low-, low-, and moderate-income households. Through a competitive application process, the Bank provides grants or subsidized interest rates on advances to members to finance their affordable housing initiatives.

Uses

- Finance the purchase, construction, or rehabilitation of owner-occupied housing by or for very low-, low-, and moderate-income households
- Finance the purchase, construction, or rehabilitation of rental housing in which at least 20% of the units are occupied by and affordable for very low-income households

Key Advantages

- Achieve your community investment goals
- Develop lending partnerships with housing developers, community representatives, and government agencies

Key Features

Funding

Each year, the Bank contributes 10% of its net income for the preceding year, after assessments for the Resolution Funding Corporation, to the AHP. The majority of the funds are made available through the competitive application program. In addition, a portion of the funds are allocated to the Bank's homeownership set-aside programs, which provide matching grants for very low-, low-, and moderate-income homebuyers.

Eligibility Requirements

The [application package](#) that the Bank makes available before each round includes a complete list of the eligibility standards a project must meet to be considered for an AHP award, including any limits on the amount of subsidy available on a per project or per member basis.

Application Review and Ranking

For each project that meets all eligibility standards, the Bank evaluates the application based on the extent to which the project meets the priorities and objectives of the program relative to the other applications submitted in that round. The Bank scores the applications on the basis of pre-established criteria, which are described in the application package. The Bank ranks all applications based on this scoring process and awards funds to the highest-ranking projects, in order, until all funds available in the round have been awarded.

Guidelines

The AHP is administered in accordance with the Federal Home Loan Bank Act, the applicable regulations and policies of the Finance Agency, and the applicable requirements and policies of the Bank. All AHP-subsidized advances and direct subsidies are governed by these laws, regulations, and policies, as amended from time to time. All AHP advances are subject to the Advances and Security Agreement between the Bank and the member. In addition, all AHP subsidies are subject to the applicable subsidy agreements among the Bank, the member, and the project sponsor/owner. Members receiving subsidized advances or direct subsidies must meet the Bank's standards of creditworthiness, and the Bank's collateral and capital stock requirements apply to all AHP advances.

Monitoring, Retention, and Recapture

Members and project sponsors/owners that receive AHP-subsidized advances or direct subsidies are required to submit periodic certifications and project reports with appropriate documentation to the Bank. If AHP subsidies are not used in accordance with the AHP regulations and project application, the member, project

sponsor/owner, or both, will be required to take steps to bring the project into compliance or, if necessary, to repay the subsidy. The member's and project sponsor/owner's responsibilities and obligations regarding monitoring, retention, compliance, and repayment are described in detail in the Bank's AHP subsidy agreement and the applicable Finance Agency regulations.

It is the responsibility of the member and project sponsor to present legal documentation to the Bank showing that the AHP project is subject to a deed restriction or other legally enforceable retention agreement or mechanism that meets the applicable requirements of the Finance Agency regulations. That responsibility includes:

- Identifying and resolving any conflicts between the retention requirements of the AHP regulation and those of other funding sources for the project.
- Ensuring that the terms of any other agreements or real estate restrictions related to the project or project property (including, for example, long-term leasehold agreements, retention agreements relating to other funding sources, encumbrance and other restrictions on Native American land, or partnership agreements) do not compromise or otherwise adversely affect the enforceability of the AHP deed restrictions or other retention agreements or mechanisms used by the member for the project.

The Bank will not review the member's AHP retention documents for the purpose of determining the legal enforceability of the documents. Rather, the Bank expects and relies on the member to prepare and submit to the Bank retention documentation as necessary to satisfy all of the AHP regulatory standards and requirements relating to retention, including without limit, the requirement that the AHP deed restriction, retention agreement, or other proposed retention mechanism is legally enforceable by the member against the project. The Bank has prepared sample retention documents that address the minimum retention requirements of the AHP Regulation. These sample documents are available for use by members and sponsors on the Bank's website.

Individual Development and Empowerment Account (IDEA) Program

Under the IDEA Program, the Bank sets aside a portion of its annual Affordable Housing Program (AHP) contribution to provide matching grants through Bank members for downpayment and closing cost assistance to eligible first-time homebuyers who have saved under Individual Development Account (IDA), Family Self-Sufficiency (FSS), or lease-to-own programs.

Uses

- Promote homeownership opportunities for very low-, low-, and moderate-income households
- Support home retention strategies
- Build and maintain relationships with new customers
- Expand deposits and the use of your institution's financial products
- Help achieve your institution's community investment goals

Key Advantages

- Provides up to \$15,000 for each participating household, matching up to \$3 for each \$1 saved by the homebuyer(s)
- Application process allocates funds for homeownership based on program eligibility, not on competitive scoring

Key Features and Guidelines

Funds Available

The Bank expects to set aside a percentage of its annual AHP contribution each year to fund the IDEA Program.

Members may apply for an annual reservation of IDEA funds for up to \$1,000,000.

If the Bank receives requests for IDEA funds that exceed the amount set aside for the program for that year, the Bank will allocate available funds to eligible applicants in accordance with the Bank's AHP Implementation Plan.

Applications

Application deadlines and materials are typically posted on the Bank's website at the beginning of the year.

Applications must include:

- Completed IDEA Program Application for Funds Reservation
- Executed Affordable Housing Program Direct Subsidy Agreement—Homeownership Set-Aside Program

Homebuyer Eligibility

To be eligible for IDEA funds, the homebuyer must meet the following eligibility criteria:

- Homebuyer has been enrolled by the participating member in the IDEA Program.*
- Homebuyer has participated in an IDA program, successfully completed an FSS program leading to homeownership through a local housing authority, or participated in a lease-to-own program administered by a government entity or nonprofit organization.
- Homebuyer has saved towards the purchase of a home for either a minimum of 10 months with an IDA or FSS program or 3 years with a lease-to-own program.
- Homebuyer has successfully completed a homebuyer counseling program.
- Homebuyer is a first-time homebuyer, as defined by the Bank in its AHP Implementation Plan.
- Homebuyers must meet income eligibility guidelines as published by the Bank and earn 80% or less of the HUD area median income at the time of enrollment in the Bank's IDEA Program, and must open escrow on a home purchase transaction within five years of the time of enrollment in the IDEA Program.

**Enrollment in the IDEA Program does not guarantee the homebuyer receipt of IDEA funds.*

Use of Funds

IDEA funds may only be used toward downpayment or reasonable or customary closing costs in conjunction with the purchase of housing to be used as the primary residence of the homebuyer. IDEA funds may not be used by the member or the homebuyer in conjunction with projects or units receiving other subsidies from the Bank through its competitive AHP or other set-aside programs.

Disbursement of Funds

The Bank will reimburse the member after receipt of the HUD-1 settlement statement showing that the amount of subsidy requested was passed on to the homebuyer and used for eligible purposes. If the settlement statement or other closing documents show cash to the homebuyer in an amount greater than \$250, then the AHP set-aside subsidy that the Bank will reimburse to the member for the homebuyer will be reduced unless the member and the homebuyer provide sufficient documentation showing that the cash back was used for downpayment or reasonable and customary closing costs or to pay down the mortgage principal or as a credit toward the household's monthly payment on the mortgage loan.

In addition, the member must submit certain certifications and sufficient documentation prior to the disbursement of funds, including:

- A completed IDEA enrollment form.
- Certification that the households and units funded satisfy IDEA Program guidelines and that the units are subject to a deed restriction or other legally enforceable retention mechanism that meets the requirements of applicable regulations and policies of the Federal Housing Finance Agency.
- Certification that the homebuyer is a first-time homebuyer, as defined by the Bank in its AHP Implementation Plan.
- A copy of the retention mechanism securing the IDEA funds.
- Documentation verifying that the homebuyer is income-eligible as stated under "Homebuyer Eligibility" above.
- Certificate of completion of homebuyer counseling program.
- Certification that the set-aside funds are being used for an eligible purpose and that the interest rate, points, fees, and other charges for all loans made in conjunction with the AHP direct subsidy shall not exceed a reasonable market rate of interest, points, fees, and any other charges for loans of similar maturity, terms, and risk.

Disbursement requests with all supporting documentation must be received by the Bank within two months of the date that the homebuyer closes on the purchase transaction. Any outstanding documentation for the submitted disbursement request must be received by the Bank within four months from the date that the Bank receives the disbursement request. If the member does not comply with these deadlines, the Bank reserves the right to decline the reimbursement of subsidy to the member.

Time Limits for Use of Subsidy

IDEA Program funds that are reserved in a given year must be used by the member to assist eligible households by March 31 of the following year. Home purchase escrows opened on or prior to March 31 of the following year may be considered eligible for reimbursement.

Additional Guidelines

The IDEA Program is part of the Bank's Affordable Housing Program and is administered in accordance with the Federal Home Loan Bank Act, the applicable regulations and policies of the Federal Housing Finance Agency, and the applicable requirements and policies of the Bank, including, without limit, the Bank's AHP Implementation Plan, all as amended from time to time. Members participating in the IDEA Program must execute an Affordable Housing Program Direct Subsidy Agreement—Homeownership Set-Aside Program and must meet the Bank's standards of creditworthiness.

Workforce Initiative Subsidy for Homeownership (WISH) Program

Under the WISH Program, the Bank sets aside a portion of its annual Affordable Housing Program contribution to provide matching grants through Bank members for downpayment and closing cost assistance to eligible first-time homebuyers.

Uses

- Promote homeownership opportunities for very low-, low-, and moderate-income households
- Build and maintain relationships with new customers
- Expand deposits and use of your institution's financial products
- Help achieve your institution's community investment goals

Key Advantages

- Provides up to \$15,000 for each participating household, matching up to \$3 for each \$1 contributed by the homebuyer(s)
- Application process allocates funds for homeownership based on program eligibility, not on competitive scoring

Key Features and Guidelines

Funds Available

The Bank expects to set aside a percentage of its annual AHP contribution each year to fund the WISH Program.

Members may apply for an annual reservation of WISH funds for up to \$1,000,000.

If the Bank receives requests for WISH funds that exceed the amount set aside for the program for that year, the Bank may allocate available funds to eligible applicants in accordance with the Bank's AHP Implementation Plan.

Applications

Application deadlines and materials are typically posted on the Bank's website at the beginning of the year.

Applications must include:

- Completed WISH Application for Funds Reservation
- Executed Affordable Housing Program Direct Subsidy Agreement—Homeownership Set-Aside Program

Homebuyer Eligibility

To be eligible for WISH funds, the homebuyer must meet the following eligibility criteria:

- Homebuyer has been enrolled by the participating member in the WISH Program.*
- Homebuyer has successfully completed a homebuyer counseling program.
- Homebuyer is a first-time homebuyer, as defined by the Bank in its AHP Implementation Plan.
- At the time of enrollment in the WISH Program, homebuyer meets income eligibility guidelines as published by the Bank, and is at or below 80% of the HUD area median income.
- Homebuyer must open escrow on a home purchase transaction within one year of enrollment in the WISH Program.
- Homebuyer contribution may include sweat equity.

** Enrollment in the WISH Program does not guarantee the homebuyer receipt of WISH funds.*

Use of Funds

WISH funds may only be used toward downpayment or reasonable and customary closing costs in conjunction with the purchase of housing to be used as the primary residence of the homebuyer. WISH funds

may not be used by the member or the homebuyer in conjunction with projects or units receiving other subsidies from the Bank through its competitive AHP or other set-aside programs.

Disbursement of Funds

The Bank will reimburse the member after receipt of the HUD-1 settlement statement showing that the amount of subsidy requested was passed on to the homebuyer and used for eligible purposes. If the settlement statement or other closing documents show cash back to the homebuyer in the amount greater than \$250, then the AHP set-aside subsidy that the Bank will reimburse to the member for the homebuyer will be reduced unless the member and the homebuyer provide sufficient documentation showing that the cash back was used for downpayment or reasonable and customary closing costs or to pay down the mortgage principal or as a credit toward the household's monthly payment on the mortgage loan.

In addition, the member must submit certain certifications and sufficient documentation prior to the disbursement of funds, including:

- A completed WISH enrollment form.
- Certification that the households and units funded satisfy WISH Program guidelines and that the units are subject to a deed restriction or other legally enforceable retention mechanism that meets the requirements of applicable regulations and policies of the Federal Housing Finance Agency.
- Certification that the homebuyer is a first-time homebuyer, as defined by the Bank in its AHP Implementation Plan.
- A copy of the retention mechanism securing the WISH funds.
- Documentation verifying that the homebuyer is income eligible as stated under "Homebuyer Eligibility" above.
- Certificate of completion of homebuyer counseling program.
- Certification that the set-aside funds are being used for an eligible purpose and that the interest rate, points, fees, and other charges for all loans made in conjunction with the AHP direct subsidy shall not exceed a reasonable market rate of interest, points, fees, and any other charges for loans of similar maturity, terms, and risk.

Disbursement requests with all supporting documentation must be received by the Bank within two months of the date that the homebuyer closes on the purchase transaction. Any outstanding documentation for the submitted disbursement request must be received by the Bank within four months from the date that the Bank receives the disbursement request. If the member does not comply with these deadlines, the Bank reserves the right to decline the reimbursement of subsidy to the member.

Time Limits for Use of Subsidy

WISH Program funds that are reserved in a given year must be used by the member to assist eligible households before March 31 of the following year. Home purchase escrows opened on or prior to March 31 of the following year may be considered eligible for reimbursement.

Additional Guidelines

The WISH Program is part of the Bank's Affordable Housing Program and is administered in accordance with the Federal Home Loan Bank Act, the applicable regulations and policies of the Federal Housing Finance Agency, and the applicable requirements and policies of the Bank, including, without limit, the Bank's AHP Implementation Plan, all as amended from time to time. Members participating in the WISH Program must execute an Affordable Housing Program Direct Subsidy Agreement—Homeownership Set-Aside Program and must meet the Bank's standards of creditworthiness.

Access to Housing and Economic Assistance for Development (AHEAD) Program

The AHEAD Program supports targeted economic development projects and non-AHP-eligible housing initiatives that create or preserve jobs, facilitate improvements to public or private infrastructure, or deliver social services, training or educational programs, or other services and programs that benefit low- and moderate-income communities. AHEAD grants are awarded through members to community groups annually.

Uses

- Foster economic development and promote community stability and self-sufficiency
- Support diverse approaches to addressing core community and market needs
- Fund the development, launch, growth, or extension of eligible projects or programs

Key Advantages

- Opportunity to build relationships with community organizations that can lead to new business opportunities
- Funds can be used to pay for a wide variety of development and operating costs
- Grants are awarded based on AHEAD program eligibility and project evaluation

Key Features and Guidelines

Funds Available

The amount of funds available for AHEAD Program grants is posted on the Bank's website annually.

Eligible Projects

Project sponsors must be nonprofit organizations engaged in community development activities in Arizona, California, or Nevada; projects must also be located in these three states. To be eligible for an AHEAD grant, a project must meet the Bank's qualifications for its Advances for Community Enterprise (ACE) Program, which provides advances for projects that offer services or other benefits to low- to moderate-income households, result in the creation or retention of jobs in the community, or facilitate public or private infrastructure projects. Housing projects that might be eligible for funding from the Bank's Affordable Housing Program will not be eligible for AHEAD grants.

Eligible Uses of Funds

- Support organizational and capacity-building activities
- Obtain assistance in applying for loans and grants from other funding sources
- Finance research, studies, and planning
- Pay for consultants and other professional services
- Provide social services
- Other purposes deemed eligible by the Bank

Applications

Application deadlines and materials are posted on the Bank's website annually.

Review Process

The Bank will approve grants based on evaluation of the grant application. Member commitment, whether financial or otherwise, will be considered in the grant selection process. Sponsors must demonstrate the capacity to execute the proposed project.

Disbursement of Funds

Funds will be provided through a grant to the member. The project sponsor must request disbursement of the grant by the last business day of the calendar year following the effective date of the AHEAD Program Agreement executed by the member and the project sponsor. The member must disburse the funds to the

project sponsor within 30 days of receipt of funds from the Bank. The grant is not an indebtedness of the member or the project sponsor and will not be secured by a retention mechanism.

Monitoring

Within 18 months of notification of the AHEAD award, the project sponsor is required to provide the member and the Bank with a one-time report outlining the status of the project, including financial statements or other documentation showing expenditures of the grant funds and any significant variances to the project's budgeted use of the grant.

OFAC Policy

The Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury issued regulations implementing Executive Order 13224, “Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism.” The Executive Order and the OFAC regulations prohibit U.S. persons from entering into transactions with specifically identified persons who have committed, pose a significant risk of committing, or support acts of terrorism and require U.S. persons to block all property and interests of property of specifically identified persons that are in the United States or that come within the possession or control of U.S. persons. The OFAC publishes a list of Specifically Designated Nationals and Blocked Persons (OFAC List) on its website identifying those persons whose property or interests in property are blocked.

The Bank has determined that extensions of credit and other transactions involving members, participating financial institutions, housing associates, and other third parties (such as letter of credit beneficiaries) are subject to the OFAC regulations. Notwithstanding any provision of this Credit Guide or any agreement or document with any member, participating financial institution, housing associate, or other third party, the Bank will not knowingly enter into any transaction with any member, participating financial institution, housing associate, or other third party that is identified on the OFAC List. These transactions include without limit, extending advances, issuing letters of credit, purchasing MPF loans, accepting collateral, and investing in mortgage-backed securities.

The Bank requires its members, participating financial institutions, housing associates, and other third parties to be aware of, and fully comply with, all applicable OFAC laws and regulations as well as all other applicable federal, state, and local laws and regulations.

Anti-Money Laundering Policy

Pursuant to the Bank Secrecy Act, the Financial Crimes Enforcement Network, a bureau of the Department of the Treasury, issued a final rule regarding Anti-Money Laundering (AML) Program and Suspicious Activity Report Filing Requirements for Housing Government Sponsored Enterprises, dated February 25 and effective August 25, 2014. This rule requires Bank to establish an AML program and report suspicious activity, which is intended to help prevent fraud and other financial crimes.

Accordingly, the Bank has established an AML program and will file Suspicious Activity Reports when warranted, including but not limited to suspicious activity in connection with Bank products and services such as advances, letters of credit, collateral and MPF loans.

Privacy Practice

In connection with the Federal Home Loan Bank of San Francisco (Bank) credit products and programs, Affordable Housing Program (AHP), and Mortgage Partnership Finance (MPF®) Program, the Bank may receive non-public personal information (as defined in Title V of the Gramm-Leach-Bliley Act) from its members. This privacy practice addresses the Bank's treatment of non-public personal information received from members.

1. The Bank will not intentionally use or disclose any non-public personal information received from or through members in connection with the Bank's credit products and programs, AHP, and MPF Program, except as permitted by law.
2. The Bank has established administrative, technical, and physical safeguards reasonably intended to:
 - a. Maintain the security and confidentiality of such information;
 - b. Protect against anticipated threats or hazards to the security or integrity of such information; and
 - c. Protect against unauthorized access to or use of such information.
3. To the extent required by law, the Bank will take reasonable steps to require any third parties that are engaged by the Bank to provide services in connection with the above programs and that receive non-public personal information from the Bank to:
 - a. Comply with applicable privacy laws;
 - b. Institute administrative, technical, and physical safeguards consistent with those referenced in paragraph 2 above; and
 - c. Limit their use of non-public personal information to the purpose(s) for which it was provided to them.

Appendix A: Index Pricing Sources for Advances

| Index | Primary Pricing Source ¹ |
|--|-------------------------------------|
| Prime Rate, Federal Reserve H.15 Daily | Reuters, p. USPRIME |
| 1-Month USD ICE LIBOR, IBA ² | Reuters, p. LIBOR01 |
| 3-Month USD ICE LIBOR, IBA ² | Reuters, p. LIBOR01 |
| 6-Month USD ICE LIBOR, IBA ² | Reuters, p. LIBOR01 |
| 4-Week FHLB Discount Note Auction Rate ³ | Reuters, p. 1FHLC |
| 13-Week FHLB Discount Note Auction Rate ³ | Reuters, p. 1FHLC |
| 1-Year Constant Maturity Treasury, Federal Reserve G.13 and H.15 Daily | Reuters, p. FEDCMT |

1. These pagination sources are current as of October 2014, but are subject to change by the respective pricing services. Please contact the Bank for current pricing sources.
2. ICE LIBOR, formerly known as BBA LIBOR, is administered by the ICE Benchmark Administration (IBA).
3. Weighted average all-in rate of the FHLBank System Discount Note Auction published by the Office of Finance of the Federal Home Loan Banks or its successor.

If a specified index is unavailable or is fundamentally altered, the Bank will designate a replacement index that is based on comparable information, as determined by the Bank in its sole discretion.

Please contact the Member Services Desk at (800) 444-3452 for additional information on available indices, secondary pricing sources, and other pricing information for advances.

Appendix B: Standby Letter of Credit Prices and Fees

Pricing/Annual Maintenance Charge

Prices for standby letters of credit will be established and disclosed prior to issuance and will include, at a minimum, an ongoing annual maintenance charge, to be paid monthly in advance on a 30/360 day count basis. Current annual maintenance charges are listed below:

| | |
|----------------------------------|---------------------------|
| Minimum annual fee: | \$500 |
| CIP/ACE: | 6 basis points per annum |
| State and local agency deposits: | 10 basis points per annum |
| Other purposes: | 15 basis points per annum |

Issuance Fee

| | |
|----------------------------------|-------------------|
| State and local agency deposits: | \$100 |
| Other purposes: | \$500 |
| Commercial paper: | \$10,000-\$15,000 |
| Tax-exempt bond: | \$2,000-\$7,000 |

For other letter of credit types, the Bank will determine an appropriate issuance fee based on the specific requirements of the transaction.

| | |
|-----------------|--------------|
| Draw Fee | \$100 |
|-----------------|--------------|

Amendment Fee

Increases or extensions:

| | |
|----------------------------------|-------|
| State and local agency deposits: | \$100 |
| Other purposes: | \$500 |

For other types of amendments, the Bank will determine an appropriate fee based on the specific requirements of the amendment.

Appendix C: Wire Transfer and STA Fee Schedule

Domestic Outgoing Wires

| | |
|-------------------|------------------|
| Telephone Request | |
| Repetitive | \$12.00 per wire |
| Non-repetitive | \$12.00 per wire |
| Drawdown Request | \$7.00 per wire |
| Standing Request | \$10.00 per wire |

| | |
|--------------------------------|-----------------|
| Domestic Incoming Wires | \$4.50 per wire |
|--------------------------------|-----------------|

Overdraft Charges

| | |
|---|----------------------------------|
| Interest rate charged daily on the amount of the overdraft | Federal funds + 200 basis points |
| Processing Fee | \$50.00 per overdraft |

Miscellaneous Fees

| | |
|--------------------------|------------------------------|
| Photocopies | \$6.50 per item or statement |
| Special Account Research | \$40.00 per hour |

Appendix D. Funds Transfer Processing Deadlines

In accordance with the Bank's Settlement/Transaction Account Agreement and Settlement/Transaction Account Terms and Condition, the Bank observes the following funds transfer processing deadlines.

Debit Entries (Withdrawals/Drawdowns from the Bank)

| Fedwire or Telephone Instructions Received | Debit Entry Processed That Day? |
|--|--|
| By 2:30 p.m. | Yes. The request will be processed on the same day. |
| 2:30 – 3:00 p.m. Notice from member received by Bank by 2:00 p.m. | Yes. If the Bank is notified of the request before 2 p.m., the Bank will process the request on the same day. |
| 2:30 – 3:00 p.m. Notice from member not received by Bank by 2:00 p.m. | No. If the Bank is not notified of the request by 2 p.m., the request will be rejected and must be resubmitted the following business day. |
| After 3:00 pm | No. The request will be rejected and must be resubmitted the following business day. |

Credit Entries (Deposits to the Bank)

| Fedwire Instructions Received | Credit Entry Processed That Day? |
|--|--|
| By 3:00 p.m. | Yes. The request will be processed on the same day. |
| 3:00 – 3:15 p.m. Notice from member received by Bank by 2:00 p.m. | Yes. If the Bank is notified of the request before 2 p.m., the Bank will process the request on the same day. |
| 3:00 – 3:15 p.m. Notice from member not received by Bank by 2:00 p.m. | No. If the Bank is not notified of the request by 2 p.m., the request will be rejected and must be resubmitted the following business day. |
| After 3:15 pm | No. The request will be rejected or, if FedWire is not available, held by the Bank and deemed to be received the following business day. |

Appendix E: Prepayment Fees for Advances with a Trade Date Before January 1, 2002

Extensions of Credit funded or priced prior to October 12, 1993, remain subject to the prepayment fees specified in the related Bank confirmations (and any amendments to the confirmations) and, if prepaid with less than 45 days' notice, to a cancellation fee equal to one-quarter of one percent of the amount prepaid if the remaining term to maturity from the date of prepayment is greater than 6 months and one-eighth of one percent of the amount prepaid if the remaining term to maturity from the date of prepayment is 6 months or less.

For **Extensions of Credit funded on or after October 12, 1993, but with a trade date before January 1, 2002**, except as may be required by the Bank as a condition to an approved advance modification, the Bank will charge prepayment fees as set forth in this Appendix E and the applicable confirmations that will compensate the Bank for providing a prepayment option.

For purposes of these prepayment fees, the general terms and conditions of this paragraph will apply. The phrase "Consolidated Obligation" means the Federal Home Loan Bank System Consolidated Obligations or Discount Notes (DNs) issued by the Finance Agency or the Federal Home Loan Banks (FHLBs) through the Office of Finance. The term "Market Conditions" will include, without limit, concessions charged by underwriters, bid-ask spreads for Consolidated Obligations, interest rates, option costs, counterparty credit status, and other financial and operating constraints and considerations.

The fees will be calculated as follows:

- The prepayment fee for **advances without either a call option or a put option**, determined by the Bank as of the effective date the prepayment notice is received by the Bank, that is the greater of:
 - A. the present value of the cash flow differences between the Initial Matched Maturity Rate and the Current Matched Maturity Rate, plus the present value of 5 basis points per annum, with both applied against the remaining principal balance amortization schedule of the advance amount being prepaid; or,
 - B. zero.

For purposes of this calculation for a fixed rate advance, the Initial Matched Maturity Rate will be the Bank's estimated cost of funding the advance as set forth in the Confirmation; the Current Matched Maturity Rate will be the Bank's estimate of the yield that the proceeds from the advance prepayment would earn if invested in a Consolidated Obligation with essentially the same characteristics as the advance amount being prepaid.

For purposes of this calculation for an adjustable rate advance, the Initial Matched Maturity Rate, expressed as a spread to an index, will be the Bank's estimated cost of funding the advance, as set forth in a formula in the Confirmation and applied using the appropriate values as of the effective date of the prepayment notice; the Current Matched Maturity Rate, expressed as a spread to an index, will be the Bank's estimate of the yield that the proceeds from the advance prepayment would earn if invested in a Consolidated Obligation with essentially the same characteristics as the advance amount being prepaid.

- The prepayment fee for fixed rate callable advances (including flexible advances with prepayment options but not including the FHLB DN Auction-Indexed Callable Adjustable Rate Credit advance) that are prepaid on any date other than a call option exercise date will be the amount, determined by the Bank as of the effective date the prepayment notice is received by the Bank, that is the greater of:
 - A. the Bank's actual or estimated market cost of terminating or offsetting the funding associated with the advance (including any Consolidated Obligations, interest rate contracts or other financial transactions used by the Bank), plus the present value of 5 basis points per annum of the amount being prepaid for the effective term to maturity; or
 - B. zero.

For purposes of this calculation, the Bank's actual or estimated market cost of terminating or offsetting the funding associated with the advance (including any Consolidated Obligations, interest

rate contracts or other financial transactions used by the Bank) will be treated on an order basis and will be subject to Market Conditions at the time of the order, as determined by the Bank in its sole discretion. Market Conditions may include, but are not limited to, interest rates, option costs, counterparty credit status, and operating constraints and considerations. The Bank's cost of funds, as determined by the Bank in its sole discretion, will be used for determining present values.

The phrase "effective term to maturity" means the expected term to maturity of a financial instrument as determined by the Bank using prevailing Market Conditions. The term "offsetting" means engaging in other interest rate contracts and/or other financial transactions, including without limit investing in a Consolidated Obligation or other similar obligation with essentially the same characteristics as the funding for the advance being prepaid.

- The prepayment fee for **FHLB DN Auction-Indexed Callable Adjustable Rate Credit Advances** that are prepaid will be the amount, determined as of the later of the effective date the prepayment notice is received by the Bank or the next scheduled rate reset date if the reset date precedes the specified prepayment date, that is the greater of:
 - A. the present value of the cash flow differences between the Initial Matched Maturity Rate and the Current Matched Maturity Rate, plus the present value of 5 basis points per annum, with both applied against the remaining principal balance amortization schedule of the advance amount being prepaid calculated to the earliest possible call option date after the prepayment date; or,
 - B. zero, plus the present value of 5 basis points per annum from the earliest possible call option date after the prepayment date to the remaining term to maturity applied against the specified principal amount of advance being prepaid.

For purposes of this calculation, the Initial Matched Maturity Rate will be the most recent repricing index prior to the specified prepayment date for the advance; the Current Matched Maturity Rate will be the Bank's estimate of the yield that the proceeds from the principal amount of advance prepaid would earn if invested in an FHLB DN having a term extending from the prepayment date to the next call option date of the advance.

If the specified prepayment date for an FHLB DN Auction-Indexed Callable Adjustable Rate Credit advance is a designated call option date and the Bank has received proper call notice, the member will prepay the specified advance amount and, at the same time, the member must also pay the Bank the appropriate call option premium as determined under the Confirmation.

- The prepayment fee for a **Putable Advance** that is prepaid for any reason other than the Bank's exercise of its put option will be the amount, determined by the Bank as of the effective date the prepayment notice is received by the Bank, that is the greater of:
 - A. the Bank's actual or estimated market cost of terminating or offsetting the funding associated with the advance (including any Consolidated Obligations, interest rate contracts or other financial transactions used by the Bank), plus the present value of 5 basis points per annum of the amount being prepaid for the effective term to maturity; or
 - B. zero.

For purposes of this calculation, the Bank's actual or estimated cost of terminating or offsetting the funding associated with the advance (including any Consolidated Obligations, interest rate contracts or other financial transactions used by the Bank) will be treated on an order basis and will be subject to Market Conditions at the time of the order, as determined by the Bank in its sole discretion. Market Conditions may include, but are not limited to, interest rates, option costs, counterparty credit status, and operating constraints and considerations. The Bank's cost of funds, as determined by the Bank in its sole discretion, will be used for determining present values.

The phrase "effective term to maturity" means the expected term to maturity of a financial instrument as determined by the Bank using prevailing Market Conditions. The term "offsetting" means engaging in other interest rate contracts and/or financial transactions, including without limit investing in a Consolidated Obligation or other similar obligation with essentially the same

characteristics as the funding for the advance being prepaid.

- **Other advances** that reprice daily may generally be prepaid without a prepayment fee, subject to conditions determined by the Bank.

Present values for prepayment fees are calculated by the Bank using the Bank's cost of funds, as determined by the Bank in its sole discretion, as the discount rate. In making an estimate of the yield that an investor in an actual or hypothetical Consolidated Obligation could obtain with the proceeds from an advance prepayment, the Bank takes into consideration the concessions typically charged by underwriters and the actual or estimated bid-ask spread for Consolidated Obligations as of the effective date of the prepayment notice. The Bank currently estimates that such concessions and bid-ask spreads amount to 12 basis points per annum for all Consolidated Obligations, irrespective of order size or maturity. The President and other officers designated by the President may from time to time change such estimates based on Market Conditions. Also, in estimating the yield for a hypothetical Consolidated Obligation or an actual Consolidated Obligation for which a reasonably liquid market does not exist, the Bank may take into account the yield on a Consolidated Obligation for which a reasonably liquid market does exist, and the actual or estimated costs associated with interest rate contracts or other financial transactions using prevailing Market Conditions.

The President and other officers of the Bank designated by the President may from time to time: revise such prepayment fee calculations, provided that any such revision will adequately compensate the Bank for providing a prepayment option and will be subsequently reported to the Board; waive some or all of a prepayment fee if the prepayment will not result in an economic loss to the Bank, provided that consistent standards are applied to all members in determining whether or not a prepayment fee will be waived; and establish an appropriate prepayment fee methodology for each new Product developed by the Bank, provided that the new fee methodology will adequately compensate the Bank for providing a prepayment option.

Appendix F: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date On or After January 1, 2002, and Before October 1, 2008

Prepayment fees and prepayment credits for advances with a partially symmetric prepayment credit feature will be calculated as described in this appendix only if the confirmation expressly designates the advance as one that has a partially symmetric prepayment credit feature. Flexible Amortizing Advances and DN Auction Indexed Advances will not be available with a partially symmetric prepayment credit feature. If the borrower makes a permissible prepayment of an advance with a partially symmetric prepayment credit feature, then the Bank will calculate as of the notice date the amount of the prepayment fee that is owed by the borrower, or, alternatively, the amount of the prepayment credit that is owed by the Bank, according to this appendix and the applicable confirmation.

- a. In general, the prepayment fee or the prepayment credit will be the sum of the following three components:
 - (i) The present value of the change in the Bank's designated cost of funding the advance, plus
 - (ii) The cost of terminating or offsetting any matched contract(s) identified in the confirmation, plus
 - (iii) The Variable Transaction Fee, as described below.

If the amount is a positive number, the borrower will pay a prepayment fee in this amount to the Bank. If the amount is a negative number, the Bank will pay a prepayment credit in this amount to the borrower (provided that this prepayment credit payment is also subject to the Prepayment Credit Cap described below).

- b. The Bank will calculate the first two components described above according to the Standard Formula as described in [section B.1](#) of the Advance Prepayments and Cancellations section of this Credit Guide, subject to any variances to these components, or other adjustments, for the specific advance types identified in [section B.2](#) and [section B.5](#) of the Advance Prepayments and Cancellations section of this Credit Guide.
- c. The third component above, the Variable Transaction Fee ("VTF"), is the sum of the present values of the future cash flows for the remaining scheduled payment periods from the prepayment date to the scheduled maturity date (or the expected maturity date, if applicable for the specific advance type being prepaid). The Bank will calculate the present value for each payment period as follows:
 - (i) the VTF Percentage indicated below, expressed as a percentage per annum and adjusted for the term of that payment period using the interest day count basis designated in the confirmation, multiplied by,
 - (ii) the advance amount being prepaid. (For amortizing advances, this amount will be reduced pro rata for each scheduled remaining payment period in accordance with the amortization schedule described in the confirmation.)
- d. If the advance being prepaid is putable or callable, or is any other advance where one party has the unilateral right to change the schedule of principal payments, the VTF Percentage will be 10 basis points. For other advances, the VTF Percentage will be 10 basis points unless the borrower commits to take and the Bank agrees to extend a new advance that meets all of the following criteria ("Replacement Advance"). The Replacement Advance must:
 - (i) be agreed to by the Bank before the prepayment notice of the advance being prepaid is received by the Bank;
 - (ii) be disbursed on the prepayment date of the advance being prepaid;
 - (iii) have a principal amount that is equal to or greater than the principal amount of the advance being prepaid;
 - (iv) have a maturity date that is the same as the scheduled maturity date of the advance being prepaid;
 - (v) have an index basis and related repricing characteristics for its cost of funds designated on the

trade date that, as determined solely by the Bank, are the same as the index basis and related repricing characteristics for the cost of funds designated on the trade date for the advance being prepaid, as stated on the confirmation for the advance being prepaid; and

- (vi) not be deemed by the Bank, in its sole discretion, to be a modification of the advance being prepaid.

The Bank expressly reserves the right to deny a request by a borrower for a Replacement Advance, or to establish conditions for the Replacement Advance, in accordance with the standards set forth in the Advances and Security Agreement between the Bank and the member and this policy for obtaining any other extension of credit.

- e. If the borrower commits to take and the Bank agrees to extend to the borrower a Replacement Advance (meeting the Replacement Advance criteria listed above), the VTF Percentage will be between 2 basis points and 10 basis points, as described below. The VTF Percentage for a prepayment when the Bank agrees to extend a Replacement Advance to the borrower will be the sum of:
 - (i) 2 basis points; plus
 - (ii) the Spread Compression Adjustment.
- f. The Spread Compression Adjustment will equal the lesser of:
 - (i) 8 basis points; or
 - (ii) the greater of:
 - zero, or
 - the markup for the outstanding advance recorded on the Bank's internal trade ticket, minus the markup that the Bank would record on an internal trade ticket for the Replacement Advance.
- g. The confirmation for an advance with a partially symmetric prepayment credit feature will contain a Prepayment Credit Cap as specified in the advance confirmation that establishes the maximum prepayment credit that may be paid by the Bank to the borrower. At a minimum, the Prepayment Credit Cap will limit the prepayment credit to no more than the absolute value of any negative amount calculated according to subsection a.(ii) above for terminating or offsetting a matched contract. The Prepayment Credit Cap specified in the confirmation may include additional limitations on the prepayment credit to be paid by the Bank.
- h. The Bank will pay any prepayment credit to the borrower by crediting the borrower's Settlement/Transaction Account with the Bank in the appropriate amount on the business day on which the Bank receives the prepayment from the borrower.
- i. The sum of the three components set forth in subsection B.6.a. of the Advances Prepayment and Cancellations section of this Credit Guide for a prepayment fee or prepayment credit for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature will be calculated with the following additional adjustments, which generally are not applicable to the prepayment fee for a standard Fixed Rate Credit Advance without a partially symmetric prepayment credit feature. The cost of funds designated on the trade date and the cost of funds designated on the notice date, each as specified in the confirmation, for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature will be based on a variable rate. The confirmation will also designate an interest rate swap as a matched contract for this type of advance. The variable rate cost of funds designated on the trade date, the variable rate cost of funds designated on the notice date, and the matched contract(s), each as specified in the confirmation, will be used by the Bank to determine any prepayment fee or prepayment credit for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature.

Appendix G: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date on or After October 1, 2008, and Before October 1, 2009

Prepayment fees and prepayment credits for advances with a partially symmetric prepayment credit feature will be calculated as described in this appendix only if the confirmation expressly designates the advance as one that has a partially symmetric prepayment credit feature. Flexible Amortizing Advances and DN Auction Indexed Advances will not be available with a partially symmetric prepayment credit feature. If the borrower makes a permissible prepayment of an advance with a partially symmetric prepayment credit feature, then the Bank will calculate as of the notice date the amount of the prepayment fee that is owed by the borrower, or, alternatively, the amount of the prepayment credit that is owed by the Bank, according to this appendix and the applicable confirmation.

- a. In general, the prepayment fee or the prepayment credit will be the sum of the following three components as set forth in :
 - The present value of the change in the Bank's designated cost of funding the advance, plus
 - The present value of 10 basis points per annum, plus
 - The cost of terminating or offsetting any matched contract(s) identified in the confirmation.

If the amount is a positive number, the borrower will pay a prepayment fee in this amount to the Bank. If the amount is a negative number, the Bank will pay a prepayment credit in this amount to the borrower (provided that this prepayment credit payment is also subject to the Prepayment Credit Cap described below).

The Bank will calculate each of the components according to the Standard Formula as described in [section B.1](#) of the Advances Prepayment and Cancellations section, subject to any variances to these components, or other adjustments, for the specific advance types identified in [section B.2](#) and [section B.5](#) of the Advances Prepayment and Cancellations section.

- b. The confirmation for an advance with a partially symmetric prepayment credit feature will contain a Prepayment Credit Cap as specified in the advance confirmation that establishes the maximum prepayment credit that may be paid by the Bank to the borrower. At a minimum, the Prepayment Credit Cap will limit the prepayment credit to no more than the absolute value of any negative amount calculated according to subsection B.6.a.(iii) of the Advances Prepayment and Cancellations section of this Credit Guide for terminating or offsetting a matched contract. The Prepayment Credit Cap specified in the confirmation may include additional limitations on the prepayment credit to be paid by the Bank.
- c. The Bank will pay any prepayment credit to the borrower by crediting the borrower's STA with the Bank in the appropriate amount on the business day on which the Bank receives the prepayment from the borrower.
- d. The sum of the three components set forth in subsection B.6.a. of the Advances Prepayment and Cancellations section of this Credit Guide for a prepayment fee or prepayment credit for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature will be calculated with the following additional adjustments, which generally are not applicable to the prepayment fee for a standard Fixed Rate Credit Advance without a partially symmetric prepayment credit feature. The cost of funds designated on the trade date and the cost of funds designated on the notice date, each as specified in the confirmation, for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature will be based on a variable rate. The confirmation will also designate an interest rate swap as a matched contract for this type of advance. The variable rate cost of funds designated on the trade date, the variable rate cost of funds designated on the notice date, and the matched contract(s), each as specified in the confirmation, will be used by the Bank to determine any prepayment fee or prepayment credit for a Fixed Rate Credit Advance with a partially symmetric prepayment credit feature.

Appendix H: General Provisions for Housing Associates

The Bank, in its sole discretion and subject to applicable laws and Finance Agency regulations, may extend credit to approved housing associates. An approved housing associate is not a member of the Bank. In general, governmental agencies, authorities, organizations, or publicly sponsored corporations that meet certain Finance Agency requirements are eligible to be certified by the Bank as “housing associates.” Entities chartered as corporations under state, federal, local, or tribal law, may also be eligible.

Certain housing associates that intend to obtain Bank credit for the purpose of facilitating residential or commercial mortgage lending to benefit low-income individuals or families may qualify as “state housing finance agencies” (SHFAs) as defined by Finance Agency regulation, which would allow them to pledge additional types of collateral to secure Bank credit.

The Bank will establish from time to time the terms and conditions upon which credit may be extended to housing associates. In determining the maximum amount of credit that may be made available to housing associates and the terms and conditions upon which credit may be extended, the Bank will take into consideration:

- the creditworthiness of the housing associate,
- the borrowing capacity of collateral pledged by the housing associate,
- satisfaction by the housing associate of the terms and conditions of specific Bank products and programs,
- the Bank’s responsibility to preserve its financial integrity and long-term viability,
- the Bank’s responsibility to be prudent and profitable, and
- other conditions established by the Bank.

All extensions of credit will be made on the terms and conditions that the Bank deems appropriate to protect the safety and soundness of the Bank. The Bank may deny, limit, or condition extensions of credit or require a reduction in or early termination of outstanding extensions of credit for any reason, including the following:

- the Bank determines in its sole discretion that the housing associate is engaging in unsafe or unsound practices or has other deficiencies that bear upon its creditworthiness,
- the housing associate’s intended use of the proceeds of the extension of credit does not meet applicable regulatory and other Bank requirements,
- the extension of credit is not or will not be adequately collateralized in accordance with the Bank’s credit and collateral requirements,
- there has been a default under any agreement between the Bank and the housing associate, or
- the Bank is required to do so by applicable law or regulation.

The Bank will apply standards of creditworthiness to housing associates that are no less stringent than the standards applied to members.

Products and Programs

The Bank, in its sole discretion, may offer its housing associates many of the same types of credit products that it offers to its members. At this time, the Bank intends to offer the following products to housing associates:

- [Fixed Rate Credit \(FRC\) Advance](#)
- [Amortizing Advance](#)
- [Callable Advance](#)
- [Variable Rate Credit Advance](#)
- [Adjustable Rate Credit Advance](#)
- [Securities-Backed Credit Program](#)
- [Standby Letters of Credit](#)

Collateral

All extensions of credit to housing associates, including SHFAs, must be adequately collateralized as provided

in the Advances and Security Agreement (as well as any other relevant agreements) between the Bank and the housing associate. Housing associates will be subject to collateral standards and procedures that are no less stringent than the standards and procedures applied to members.

A housing associate that is not an SHFA may pledge only the following types of collateral:

- Mortgage loans insured by the Federal Housing Administration under Title II of the National Housing Act
- Securities representing a whole interest in the principal and interest payments due on a pool of FHA-insured loans. These securities must be backed solely by FHA-insured loans.

A housing associate that is an SHFA may pledge FHA-insured loans, securities backed by FHA-insured loans, and certain other eligible mortgage loans and securities.

Pricing

When pricing credit products for housing associates, the Bank may distinguish among housing associates based on an assessment of the credit and other risks to the Bank of lending to any particular housing associate, and on other reasonable criteria, applying criteria no less stringent than those applied for credit products offered to members. The pricing of credit products for housing associates will include an estimated reasonable return on the member capital required to support the extension of credit. All creditworthiness standards and, to the extent relevant, other pricing criteria will be applied to all housing associates consistently and without discrimination.

The Bank may change its pricing methodology at any time as it deems appropriate. For information on the pricing sources of the indices used by the Bank, see [Appendix A](#).

Confirmation of Advance

A Confirmation of Advance sets forth the specific terms of the advance, including the advance type, advance number, principal amount, funding date, maturity date, interest rate, interest payment frequency, interest payment convention, day count basis, rate reset frequency, repricing index, spread to repricing index, rate reset convention, and other advance terms and conditions, as appropriate. The confirmation is sent by fax to the housing associate on or shortly after the trade date.

Funding

Advance proceeds will be disbursed directly to the housing associate's STA at the Bank. Funds can then be wired to a designated account. Please contact the Bank's Electronic Funds Management Department at (800) 284-4450 for wire transfer information.

Payments

Advances typically require interest payments monthly, quarterly, semiannually, and/or at maturity. The Bank debits the housing associate's Settlement/Transaction Account (STA) for principal, interest, and other payments as they are due. If a housing associate's STA has insufficient funds, the Bank will charge the housing associate the overdraft charges in effect at the time.

Limits on Long-Term Advances

By Finance Agency regulation, the total amount of long-term advances (defined for this purpose as advances with an original term to maturity greater than 5 years) the Bank may extend to a housing associate may not exceed the total amount of residential housing finance assets (RHFAAs) held by the housing associate.

RHFAAs generally include:

- Loans secured by residential real property
- Participations in loans secured by residential real property
- Mortgage-backed securities

- Loans secured by manufactured housing

Modifications and Exceptions

The Bank may modify or waive requirements applicable to a specific product or extension of credit, provided that this action is consistent with applicable law and Finance Agency regulations. General exceptions that apply to all products or extensions of credit, or any entire category of products or extensions of credit, may only be made with the prior approval of the Bank's Board of Directors, and only if the exception is otherwise consistent with applicable law and Finance Agency regulations.

At the request of a housing associate, the Bank may, in its sole discretion, agree to modify certain terms and conditions of an outstanding advance, subject in all cases to such terms, conditions, limits, and considerations as the Bank deems appropriate. A modification of an advance may not include any reduction in the outstanding principal balance of the advance. The Bank expressly reserves the right to deny for any reason any request by a borrower for modification of an outstanding advance.

Liquidation of Extensions of Credit

If a housing associate loses its approved housing associate status, all outstanding extensions of credit from the Bank to the housing associate may be liquidated in an orderly manner as determined by the Bank in its sole discretion. Any liquidation requiring prepayment will be subject to any applicable prepayment fee.

Availability of Credit and Prepayment; Credit Allocation Event

The ability of the Bank to price and fund extensions of credit and to price and accept prepayments, cancellations, and requested modifications of outstanding advances is subject to market conditions, Bank liquidity, the primary obligation of the Bank to meet its existing financial obligations (including the obligation to repay maturing consolidated obligations and meet outstanding commitments for extensions of credit), and other factors. The Bank will set pricing and limits for extensions of credit and prepayments, cancellations, and modifications of outstanding advances, as needed.

If it becomes evident on a particular day that the Bank may not have sufficient funds available to meet estimated customer needs or its capital markets commitments, the Bank will declare a Credit Allocation Event (CAE), which will be communicated to members and housing associates by telephone, fax, or email to the best of the Bank's ability under the circumstances. Once a CAE is in effect, the Bank will accumulate all subsequent credit requests, up to one or more established cutoff times, and then allocate the available funds.

Allocation Process

The Bank intends to allocate available funds according to established priorities. These priorities are:

1. The Bank's commitments to settle capital markets transactions, which may include maturing consolidated obligations, swap payments, previously committed advances, MPF funding requests under existing delivery commitments, settlements of existing investment purchase commitments, letter of credit drawings, STA balances, maturing deposits, and other transactions.
2. Member requests to refinance maturing advances. If the Bank does not have sufficient liquidity to fund all refinance requests, the Bank intends to allocate the available funds in proportion to each member's share of the total amount of refinance requests.
3. Member requests for net new advances. If the Bank does not have sufficient liquidity to fund all requests for net new advances, the Bank intends to allocate the available funds in proportion to each requesting member's total Bank capital stock relative to the total Bank capital stock owned by all members requesting net new advances. Because some members may not request the full amount to which they are entitled under this calculation, the remaining funds may be allocated among members whose requests have not been completely filled, using the same allocation method, until all available funds have been allocated.
4. Member requests for unsecured deposits and Federal funds.

5. Credit requests from housing associates.

Access to Funding in an Emergency

The Bank maintains a comprehensive [Business Continuity Plan](#) to ensure that people, processes, and technology are in place to respond to a disaster or other significant business disruption. In an event that renders the Bank's offices at 600 California Street in San Francisco inoperable or inaccessible or that impairs its computer network, the Bank is prepared to quickly transfer operations to one or both of two back-up facilities maintained for that purpose, one in San Francisco and the other located outside the Bay Area. Both sites allow for us to restore services that may have been interrupted and resume performing limited but critical business functions.

Once the Bank relocates to an alternate site, the Bank will use its best efforts to meet members' needs and restore critical services that have been interrupted. The Bank will also attempt to contact members regarding the Bank's operational status. Depending on the nature and severity of the disruption, the Bank may be able to provide, within two hours, services including:

- Overnight and short term member advances including rollover of maturing advances and Federal funds
- Draw-down of STA balances
- Settlement of securities transactions
- Acceptance of requests to prepay advances that are comparable to the terms of new advances that the Bank is offering to make at the time of the request.

As an added precaution, the Bank has separate, reciprocal back-up agreements with two other FHLBanks that provide a mechanism for each FHLBank to pay its obligations in a full and timely fashion through the assisting bank. Under these agreements, if one FHLBank were unable to fully implement its recovery plans for a period of time following a disruption, the other FHLBank would serve primarily as a payment agent, funding committed advances to the affected FHLBank's members if wire services were down or could not be adequately staffed.

In an emergency, you may reach the Bank at (800) 283-0700 for information about the Bank's status. The Bank will use its best efforts to provide updated information on its [website](#). For more information, see the Bank's [Notice of Business Continuity Preparedness](#).

Fees

From time to time, the Bank establishes fees relating to extensions of credit, loans sold to the Bank, and collateral services. Certain fees relating to extensions of credit can be found on the Bank's member website:

- [Standby Letter of Credit Prices and Fees](#)
- [Securities Services Fees](#)
- [Wire Transfer and STA Fees](#)

The following fees are included in this Credit Guide:

- [Advance Prepayments and Cancellations](#)
- [Early Termination of Interest Rate Swaps, Caps & Floors](#)
- [Appendix B: Standby Letter of Credit Fees](#)
- [Appendix C: Wire Transfer and STA Fee Schedule](#)
- [Appendix E: Prepayment Fees for Advances with a Trade Date Before January 1, 2002](#)
- [Appendix F: Advances with a Partially Symmetric Prepayment Credit Feature with a Trade Date On or After January 1, 2002, and Before October 1, 2008](#)
- [Appendix G: Advance with a Partially Symmetric Prepayment Credit Feature with a Trade Date On or After October 1, 2008, and Before October 1, 2009](#)

The Bank applies these fees consistently and without discrimination to all members and housing associates. The Bank may also charge additional fees to accommodate requests for transactions involving special handling or exception processing. The Bank may revise its fees at any time.

Updates

[Updates to the Credit Guide](#) are posted on the Bank's website.