

Member Liquidity Stress Assessment Overview



Estimating Potential Collateral Status Change

The Member Liquidity Stress Assessment (MLSA) provides FHLB Dallas member banks with an assessment to estimate possible collateral status changes. While most members benefit from a Blanket collateral status, the MLSA raises awareness of factors that could impact that collateral status. It provides helpful data to use in preparing an action plan for stress scenarios. Members that qualify for blanket collateral benefit from the lowest haircuts on loan collateral and are not required to deliver collateral (however, they may choose to voluntarily deliver collateral in order to increase their borrowing capacity). Blanket collateral status members have a periodic collateral review of samples of various types of loans (see figure below), during which time their exception rates are established/adjusted based on the characteristics of the sampled loans.

Collateral Status (Refer to MLSA Roadmap steps **6** and **7**)

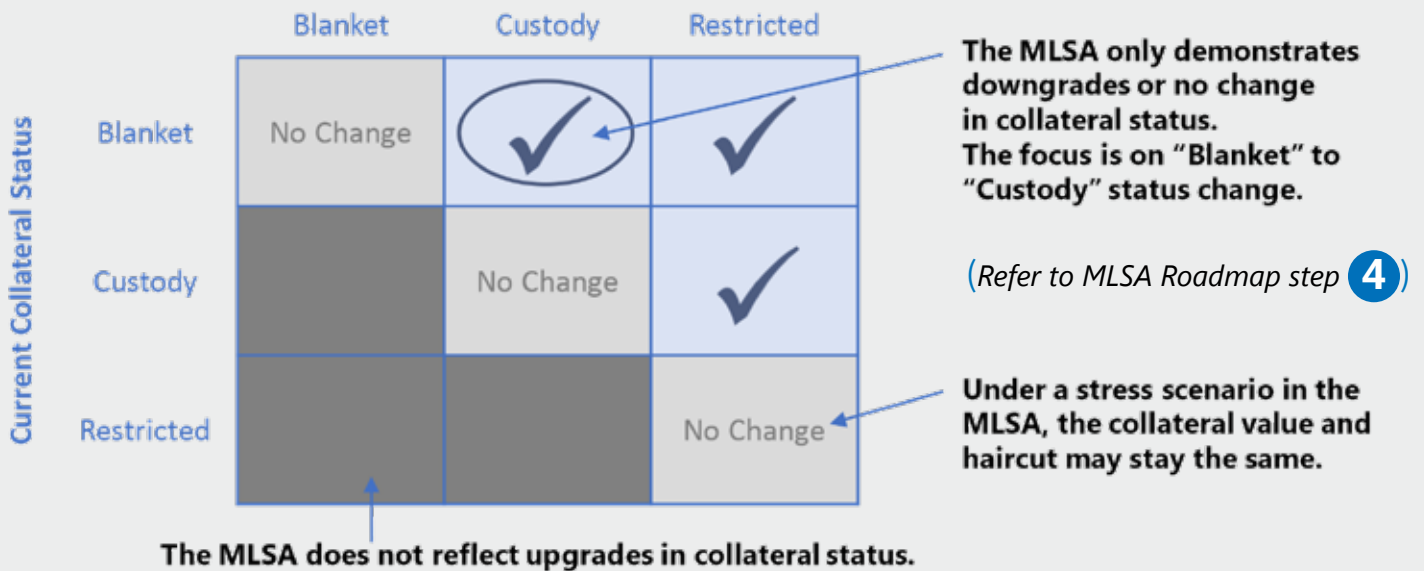
Credit Rating	Collateral Status	Members	Collateral Physical Delivery Required	Collateral Haircut	Exception vs Rejection Rate
A	Blanket	~90% of Member Banks	No	Lowest	Exception Rate
B					
C					
D	Custody	~5% of Member Banks	Yes	↑ Higher	Rejection Rate
E					
E*	Restricted	~1% of Member Banks	Yes	↑↑ Highest	Rejection Rate

Figure 1. Blanket members have a periodic collateral review of samples – exception rates are adjusted.

MLSA Focus
45-Day
Transition

Change from periodic sample to all delivered loans checked. Determines rejection rate.

Stressed Collateral Status



Stressed Collateral Status

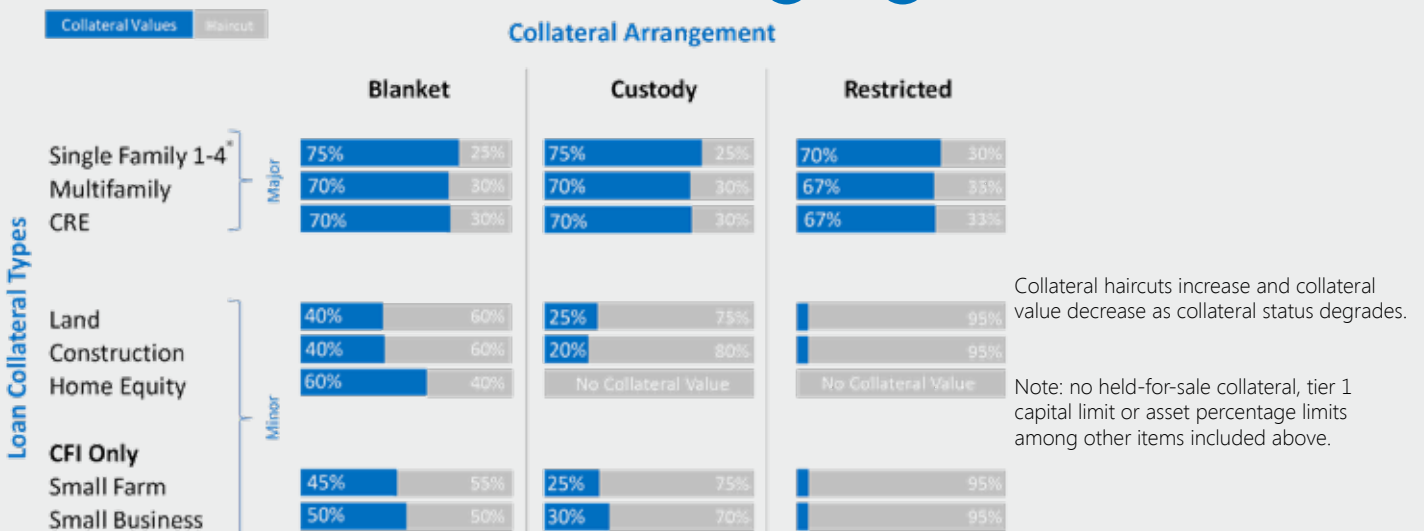
The most challenging transition in members' creditworthiness is a change from blanket to custody collateral status.

During this shift, the following actions will occur:

- Members are provided with 45 days from the date of notification to deliver sufficient collateral to cover any existing obligations and/or to re-establish their borrowing capacity
- FHLB Dallas offers assistance preparing loan collateral for delivery, as needed
- Members deliver collateral to FHLB Dallas or designated third-party custodian
- FHLB Dallas will review and verify each individual delivered loan to ensure it meets all applicable requirements. If the delivered collateral initially fails because the collateral does not meet all requirements, members will have the opportunity to work with FHLB Dallas' Collateral department to try to repair the collateral
- FHLB Dallas applies increased haircuts to the minor loan categories which may lower borrowing capacity, as applicable. To ensure a smooth transition, haircuts on major loan categories remain unchanged when transitioning from blanket to custody collateral status.

More information on delivering loans is found under the Services tab on fhlb.com (click Collateral on the dropdown menu), or contact Collateral Services at 800.541.0597 or collateral@fhlb.com.

Collateral Arrangement 9 and 10



*Single-Family 1-4 blanket collateral value can vary based on if the loan is prime (up to 80% value) or subprime/nontraditional (up to 65% value).

MLSA Roadmap

FHLB Dallas Membership Liquidity Stress Assessment (MLSA)

Training → MLSA tool

● Refer to steps outlined in training videos

Start

Go to fhlb.com/mlsa

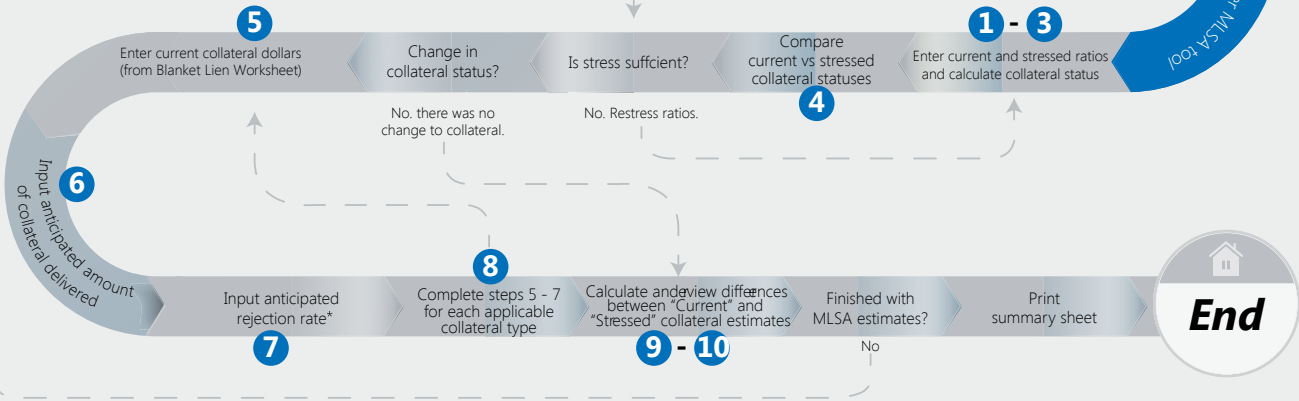
Watch videos

Review and print Overview PDF

Attend a member workshop (Optional)

Attend webinar (Optional)

Agree to disclaimer and enter MLSA tool



*Refer to the "Collateral Verifications - Assigned Exception Rates" bulletin on FHLB.com, which is published yearly and provides the median exception rate for all members, as a reference point for estimating your anticipated rejection rate in custody status.

MLSA Roadmap

The MLSA Roadmap PDF is an at-a-glance guide to using the MLSA. Members may use the MLSA to estimate possible changes in total collateral capacity and collateral status in a stress scenario. Remember, estimates may vary from actual results and should not be relied upon for decision making. For questions or to attend a webinar, please call 844.FHL.BANK (844.345.2265) or contact MLSA@fhlb.com. Register for an upcoming webinar at fhlb.com/events.