

## **COLLATERAL POLICY GUIDELINES**

The Board of Directors of the FHLBI, in consideration of the guidelines set forth by the Federal Housing Finance Board, has established the following policy guidelines for the collateralization of advances and other credit services.

For purposes of this section, capital shall mean the member's core or leverage capital as defined by the member's governing regulatory agency. All financial ratios and trends referred to herein shall be determined by the FHLBI on the basis of its analysis of the member or the member's monthly and/or quarterly thrift financial reports, call reports, or similar reports of condition and income.

The FHLBI will file a UCC-1 Financing Statement on all members that have a signed Advances, Pledge and Security Agreement on file with the FHLBI. The FHLBI's filing of UCC-1 Financing Statements in no way modifies or changes a member's ability to borrow under the convenience of our blanket lien arrangement, nor does it affect a member's ability to sell or dispose of assets pledged as collateral for advances, providing that a sufficient level of unencumbered, qualifying assets is maintained.

Any collateral that violates the FHLBI's Anti-Predatory Lending Policy is not "eligible" collateral and will not be counted as collateral for any purpose.

Assets held by an affiliate of a member that are eligible as collateral may be used to secure advances to that member. The FHLBI will obtain a legally enforceable security interest pursuant to which the FHLBI's legal rights and privileges with respect to the collateral are functionally equivalent in all material respects to those that the FHLBI would possess if the member were to pledge the same collateral directly.

For purposes of this section, a Community Financial Institution (CFI) member is an FDIC-insured depository institution with average total assets over the preceding three-year period of less than the FHFB CFI Asset Cap. The FHFB CFI Asset Cap will be adjusted each year by the annual percentage increase in the Consumer Price Index.

The FHLBI is required by regulation to regularly verify the existence of the collateral securing its advances. The FHLBI or one of its agents will periodically perform an onsite collateral verification, at the member's expense, to determine whether the member's collateral is in compliance with FHFB regulations and FHLBI collateral requirements. The FHLBI will waive the onsite verification requirement for members pledging only securities, for members on physical possession collateral status, and for members with no outstanding credit products for the past 12 months. Onsite verifications will also be waived for a member with outstanding credit products less than \$250,000 and less than 0.3% of the member's assets. However, the FHLBI has the contractual right to review and audit all documents pertaining to collateral. Physical possession members may have supplemental collateral reviews at the FHLBI's expense.