

GUIDELINES FOR SELECTION OF SECURITIES, AGENCY SECURITIES AND SECURITIES REPRESENTING A WHOLE INTEREST IN FIRST MORTGAGES (CATEGORIES 2 AND 3 COLLATERAL)

The FHLBI will accept as collateral for advances the following list of securities:

1) U.S. Government and Agency Securities (Category 2 Collateral)

Must be issued, insured, or guaranteed by the government or any agency thereof. This includes treasuries, agency securities (FHLB, FNMA, FFCB, Federal Land Bank), and mortgage-backed securities (FNMA, FHLMC, GNMA). No interest only, principal only, stripped coupon, or residual interest mortgage-backed securities will be accepted.

Market values for Category 2 Collateral will be based on the prices quoted by Citibank, less one-half of one point for servicing and liquidation costs.

2) Private Mortgage-backed, Pass-through Securities (Category 3 Collateral)

Must have at time of acceptance and maintain a quality rating within the top three rating levels established by Moody's and/or Standard & Poor's. No interest only or principal only securities will be accepted. Securities backed by multifamily loans must be comprised of 100% multifamily assets or they will be categorized as commercial mortgage-backed securities under Category 6.

3) Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMICs) (Category 3 Collateral)

Must have at time of acceptance and maintain a quality rating within the top three rating levels established by Moody's and/or Standard & Poor's. Stripped securities, residuals, and other price-volatile mortgage derivative products (as determined by the FHLBI) are not eligible under this category. Securities backed by multifamily loans must be comprised of 100% multifamily assets or they will be categorized as commercial mortgage-backed securities under Category 6.

Market values for Category 3 Collateral will be based on the prices quoted by Citibank, less one-half of one point for servicing and liquidation costs

4) Mutual Funds (Category 3 Collateral)

Any security, the ownership of which represents an undivided equity interest in underlying assets, all of which qualify either as eligible collateral in Categories 1, 2, or 3, or as cash or cash equivalents.