

GUIDELINES FOR SELECTION OF MULTIFAMILY WHOLE FIRST MORTGAGE LOANS (CATEGORY 5 COLLATERAL)

The FHLBI accepts as collateral for advances permanent, fully disbursed, multifamily, whole first mortgage loans that meet all of the following criteria.

1) Title

Loans must be in the clear and undisputed title of the borrowing member. Loans originated by a subsidiary of the member, or by anyone other than the member, must be clearly assigned and endorsed to the member. Each such file must contain the following:

- a) recorded assignment of the mortgage to the member,
- b) recorded assignment of leases and rents to the member,
- c) a correctly endorsed note showing the member as current mortgage,
- d) a title insurance policy showing a first lien position
- e) recorded UCC-1s, and
- f) recorded UCC-3s, if applicable.

2) Terms

Mortgages must have been made for a term of 5 years or more unless they are balloon mortgages. Loan terms should not exceed 30 years. The remaining maturity of the loan must not be less than 1 year and the loan must have been in existence for at least 12 months. The FHLBI will accept both fixed rate and adjustable rate conventional loans.

3) Type and Location of Property

The secured property must be real estate upon which is located one or more homes or dwelling units suitable for family occupancy in a structure designed primarily for residential use. A blanket mortgage loan for more than 4 single family properties may be reported as a multifamily loan. The secured property must be located in the Midwest region defined as the states of Indiana, Michigan, Illinois, Kentucky, Ohio, and Wisconsin.

4) Appraisal

Loans cannot be for more than 80% of the appraised value.

5) Delinquencies

Mortgages must not be contractually delinquent or in non-accrual status. They must have no record of delinquency greater than 30 days within the prior 12 months. Loans must be withdrawn if they become more than 90 days

delinquent or if foreclosure action is taken.

6) Maker

Mortgages upon which any director, officer, employee, attorney, or agent of the member or the FHLBI is personally liable are ineligible.

7) Insurance

The buildings and other improvements located on each mortgage property constituting collateral must be insured against loss by fire, storm, or other hazard in an amount not less than 80% of the insurable value of the property, or the unpaid principal balance of the loan.

8) Liens

The secured property must be free and clear of any encumbrances including tax liens, mechanics liens, levies, and/or judgments. In addition, the property cannot be encumbered with any second mortgages or liens, unless the member has both the first and second lien and the two mortgages combined still meet the FHLBI's LTV and DCR requirements.

9) Debt Coverage Ratio

The property's debt coverage ratio for the most recent twelve months reporting period and prospectively for the next twelve months must be at least 1.15. Further, 100% of the property's gross rental income must come from non-commercial, multifamily rental units. Properties containing retail or other commercial rental income are ineligible.

10) Vacancy rate

The property must have achieved stabilized occupancy and have a vacancy rate of 10% or less for the most recent twelve month reporting period.

11) Other Eligibility Criteria

Multifamily mortgage loans must be first lien, whole loans, providing permanent financing on the secured property. Non-qualifying multifamily mortgage loans include construction loans, junior liens, loan participations, and loans on mixed use properties.