

# Balance Sheet

FEDERAL HOME LOAN BANK OF CHICAGO • MEMBER NEWSLETTER • AUGUST 2010



## Term Advance Rates at Historic Lows

**M**ore members have turned to fixed-rate, fixed-term advances from the FHLB Chicago to fund their balance sheets since the Federal Reserve reversed its plans in early August to wind down its monetary stimulus measures.

“The pace of economic recovery is likely to be more modest in the near term than had been anticipated,” the Federal Open Market Committee (FOMC) said in a statement on August 10; it also announced it would, among other moves, purchase U.S. securities in the 2- to 10-year sector.

As a result, “Rate hike expectations were pushed even further out into the future and GDP growth forecasts were revised lower,” said Patrick Quinn, the FHLB Chicago’s Member Group Product Manager.

“Members can term out liabilities at historically low rates,” Patrick continued. Members can also pre-pay existing advances (pursuant to FHLB Chicago’s prepayment policy) and refinance into lower-cost term advances.

Call your relationship banker or the Member Transaction Desk at 877-230-1610 to discuss how your institution can benefit from the recent Fed actions.

### Insight Every Thursday

Join Patrick Quinn every Thursday at 3 p.m. on a free conference call to learn about developments in the financial markets as they relate to members’ balance sheets. To join the call, dial 1-866-537-1632 (Passcode: 9883778#). Then log on to [www.conferenceplus.com](http://www.conferenceplus.com) to view the slides. There is no need to register.

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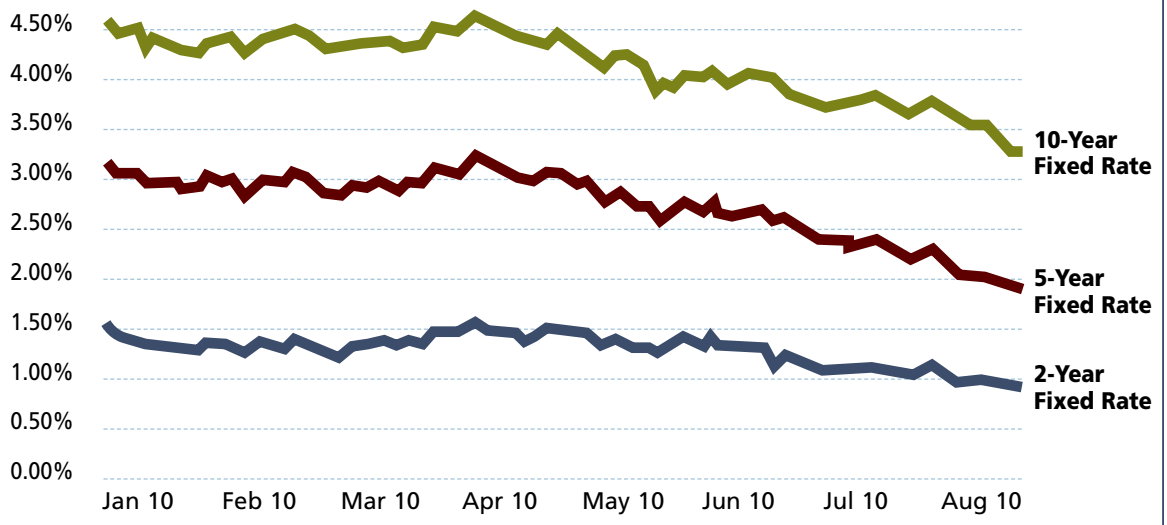
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The mission of the Bank is to deliver value to our members, and promote and support their growth and success, by providing:

- Highly reliable liquidity;
- Secured advances, wholesale mortgage financing, and other products and services to meet members’ needs; and
- Direct financial support for members’ affordable housing and community investment programs.

### FHLBC Fixed-Term Advance Rates



This newsletter contains forward-looking statements which are based upon our current expectations and speak only as of the date hereof. These statements may use forward-looking terms, such as “anticipates,” “believes,” “expects,” “could,” “plans,” “estimates,” “may,” “should,” “will,” or their negatives or other variations on these terms. We caution that, by their nature, forward-looking statements involve risk or uncertainty, that actual results could differ materially from those expressed or implied in these forward-looking statements, and that actual events could affect the extent to which a particular objective, projection, estimate, or prediction is realized. These forward-looking statements involve risks and uncertainties including, but not limited to, the risk factors set forth in our periodic filings with the Securities and Exchange Commission, which are available on our website at [www.fhlbc.com](http://www.fhlbc.com). We assume no obligation to update any forward-looking statements made in this newsletter.

## “The MPF Program is Easy to Use”

**W**hen Integrity First Bank, based in Wausau, Wisconsin, became a Participating Financial Institution (PFI) five years ago, it started using the MPF Program “right away,” said Vice President Dave Klein. Now the bank sells 95% of its mortgage loans under the MPF Xtra<sup>®</sup> product, he said.

“The MPF Program is easy to use,” Dave continued, citing several benefits:

- **Local underwriting.** Integrity First Bank is able to underwrite loans locally and respond sooner to their customers than if the bank had to work with a third party.

- **Ability to retain servicing rights.** Dave said it’s important to their customers that the loans are serviced locally. “People want to know where their loan payment is going.”

- **Competitive rates.** “Even during the refinancing boom, the MPF Xtra product offered good rates,” Dave said. “Plus, you can lock the rates in online (through the eMPF<sup>®</sup> website), which is easy.”

- **Good communication.** “If you need to talk to someone about a unique situation, you can get a live person on the phone without waiting,” Dave said.

Integrity First Bank, with \$117 million in assets, currently services \$51 million in MPF Xtra product loans. Only 1 out of 332 is delinquent, Dave reported. One of the reasons for this success is that all borrowers have equity in their homes, he said, and “local lenders tend to know the market, know the houses, and know their customers.”

To take advantage of the MPF Xtra product, or to apply to become a PFI, contact your relationship banker or Cecille Duncan at 312-552-2779.

### Another MPF Program Benefit: Free Webinars

Free training is one of the many benefits of the MPF Program. Click on the webinar title below for a description of the webinars offered in September. Unless otherwise noted, webinars are for MPF Portfolio products.

September 2, 10:00-11:00 a.m.  
**MPF Custody Process**

September 8, 9:30-10:00 a.m.  
**MPF Xtra Product: Delivery Commitment Automation**

September 13, 9:30-11:00 a.m.  
**Understanding and Reviewing Appraisals**

September 14, 9:30-11:30 a.m.  
**MPF Xtra Product: Underwriting Workshop**

September 14, 2:00-3:00 p.m.  
**Credit Report Review**

September 22, 10:00-10:30 a.m.  
**Introducing the MPF Xtra Product**

#### To Register

Send an email to [MPFTraining@fhlbc.com](mailto:MPFTraining@fhlbc.com) with the date and name of webinar, participant’s name and institution, email address, phone numbers, and street mailing address.

## FHLB Chicago Files 2Q 2010 Report with SEC

The FHLB Chicago filed its second quarter 2010 report (Form 10-Q) with the Securities and Exchange Commission (SEC) on August 12. You can

access it through [www.fhlbc.com](http://www.fhlbc.com) or the SEC's reporting website, [www.sec.gov/edgar](http://www.sec.gov/edgar). Please contact your relationship banker with any questions.

## AHP Applications Due September 1

If your institution is partnering with a community-based organization or public entity on a Competitive AHP application, the deadline is September 1. The forgivable grant program assists in the purchase, construction, or rehabilitation of owner-occupied or rental housing units for income-eligible households. This year, \$4 million is available, and the maximum subsidy per project is \$300,000.

FHLB Chicago member Harris, N.A. provided a \$300,000 AHP subsidy to the Alden Foundation to construct this 86-unit supportive living facility for the elderly in Bloomingdale, Illinois. Alden Gardens of Bloomingdale, pictured here, celebrated its opening with a ribbon-cutting ceremony in April.



## Reductions in Collateral Values for Home Equity Loans

The FHLB Chicago emailed a Member Bulletin on August 19 describing reductions in collateral values for home equity lines of credit (HELOCs) and home equity loans (Seconds). The changes are part of an effort to provide collateral values that appropriately balance our members' collateral needs with the overall

protection of our collective membership's capital.

The changes take effect October 1, 2010. Please call your relationship banker with any questions or if you would like to receive a copy of the email. It's also posted on eBanking.

**The FHLB Chicago will be closed on September 6 in observance of Labor Day.**

### Federal Home Loan Bank of Chicago

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