



Balance Sheet

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

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The mission of the FHLB Chicago is to partner with our member shareholders in Illinois and Wisconsin to provide them competitively priced funding, a reasonable return on their investment in the Bank, and support for community investment activities.

Two New Late-Day Advances

To help members manage their balance sheets at the end of the business day, the Federal Home Loan Bank of Chicago is now offering two new late-day advances:

- **Late-Day Advance A (A014):** Same-day funding is available for transactions initiated prior to 4:00 p.m. Central Standard Time.
- **Late-Day Advance B (A015):** Same-day funding is available for transactions initiated prior to 4:30 p.m. Central Standard Time.

Most advances available from the FHLB Chicago close at 2:00 p.m. CST. Open Line

advances close at 3:00 p.m. CST.

The term for the new late-day advances is one day, and there is no minimum size for either advance.

These new advances provide a member with two competitively priced options if the net position of its balance sheet is negative near the end of the business day.

For more information about either of the new late-day advances, or to take down an advance, please call the FHLB Chicago Member Transaction Desk at 877-230-1610.

FHLB Chicago's New Overdraft Initiatives

Earlier this month the Federal Home Loan Bank of Chicago introduced two new initiatives designed to strengthen our partnership with members by modifying our overdraft practices.

1. **Member Overdraft Advance (A013):** In the

event of an overdraft in a Daily Investment Deposit (DID) account due to a maturing advance or interest payment, a new advance is created.

2. **Overdraft Process Modification:** If the over-

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Welcome, New Members!

The FHLB Chicago welcomes the following financial institutions that joined the Bank in 2010:

Bankers Life & Casualty Company, Chicago, IL

Burr Ridge Bank & Trust, Burr Ridge, IL

Country Mutual Insurance Company, Bloomington, IL

First Bank of Highland Park, Highland Park, IL

Pioneer Bank of Wisconsin, Ladysmith, WI

Redbrand Credit Union, Bartonville, IL

SIU Credit Union, Carbondale, IL

Southern Lakes Credit Union, Kenosha, WI

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. We assume no obligation to update any forward-looking statements made in this newsletter.

FHLB Chicago's New Overdraft Initiatives

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draft on a member's DID account is due to activity other than advance activity and is equal to or less than \$5,000, the FHLB Chicago will waive the customary \$50 daily fee and not place a telephone call.

New Member Overdraft Advance

Previously, the FHLB Chicago called members with maturing advances to remind them of the maturity date. Started on December 15, if a member does not respond to the Member Transaction Desk by 4 p.m. on the day the advance matures, the FHLB Chicago automatically rolls the maturing advance into a Member Overdraft Advance. This Member Overdraft Advance plus the interest accrued is rolled into a new Member Overdraft Advance by the Member Transaction Desk every day that the original advance remains unpaid. Members do not need to request to have a maturing advance rolled into the new Member Overdraft Advance.

The new advance has a term of one day, and it will automatically renew with accrued interest until the member pays it down. If a member has more than one unpaid term advance, each of the unpaid advances will be rolled into separate Member Overdraft Advances.

Members will see the Member Overdraft Advance on their Cash Management Statement (DID) and Daily Profile Report on eBanking.

Overdraft Process Modification

Also starting on December 15, the FHLB Chicago will waive the \$50 daily fee and not place a telephone call if the overdraft in a member's DID account is less than or equal to \$5,000 due to:

- Wire transfers;
- Automated Clearing House (ACH) transactions;
- Check processing; and
- Other fees.

Members will continue to accrue negative interest of 4% plus the DID rate while in overdraft status, however.

The FHLB Chicago Customer Service Staff will discontinue its practice of calling members with overdraft status of less than or equal to \$5,000. The overdraft status will appear on the DID Statement on eBanking until resolved.

If a member's overdraft rises above \$5,000, Customer Service will place a courtesy call to the member and a \$50 daily fee will be charged.

Questions?

For more information about these new initiatives, please call:

- Your relationship banker;
- Member Transaction Desk at 877-230-1610; or
- Customer Service at 800-572-4530.

FHLB Chicago Awards \$4.6 Million Through AHP

The Federal Home Loan Bank of Chicago recently awarded \$4.6 million to help finance more than 1,000 housing units located primarily in Illinois and Wisconsin through its Competitive Affordable Housing Program (AHP) grant application process.

During 2010, the Bank's affordable housing grant programs consisted of both the \$4.6 million Competitive AHP grant program and a \$2.0 million homeownership grant set-aside program called Downpayment Plus® (DPP®). Since 1990, the Federal Home Loan Bank of Chicago has taken great pleasure in awarding more than \$242 million in Competitive AHP grants and more than \$68 million in DPP funds that have helped provide housing for families whose incomes are 80% or less of the area median income.

"The Affordable Housing Program grants are given to projects that help provide housing to those with limited resources," says Matt Feldman, President and CEO of the Federal Home Loan Bank of



Previous years' AHP recipients include Countryside Senior Apartments of Lyons Township (in Countryside, Illinois), an independent senior living building with 70 one-bedroom apartments. Countryside Senior Apartments was awarded a Competitive AHP grant in 2008 through First National Bank of LaGrange and Mercy Housing and celebrated with a ribbon-cutting ceremony in November 2010.

Chicago. "That's exactly what Congress had in mind when it created the FHLBanks Affordable Housing Program more than 20 years ago, and it remains a critical resource to our communities today."

Eldridge Edgcombe, Senior Vice President and Community Investment Officer, added, "It is a pleasure for the Federal Home Loan Bank of Chicago to contribute to the success of these projects – and to

provide quality affordable rental and owner-occupied housing that families and individuals are proud to call home."

Non-profit groups, for-profit developers, and public entities apply for the competitive AHP grants through one of the Bank's member institutions. For more information on specific awards and for details of the AHP programs, please visit our website, www.fhlbc.com.

Top 5 Developments in the MPF[®] Program this Year

In 2010, the MPF[®] Program introduced a number of improvements to make it even easier for more members to take advantage of the access to the secondary mortgage market that the MPF Xtra[®] product provides.

Below are the top five developments this year for Participating Financial Institutions (PFIs). If you'd like to join the more than 150 FHLB Chicago members that use the MPF Xtra[®] product to support mortgage lending in their communities, please contact your relationship banker or Cecille Duncan at 312-552-2779 or CDuncan@fhlbc.com.

This year the MPF Program:

1. Provided advantageous pricing. The program implemented pricing changes midway through the third quarter that continue to have a positive impact on the volume of loans sold under the MPF Xtra product. To see a FHLB Chicago rate sheet with today's MPF Xtra pricing, please send an email to MPFXtra@fhlbc.com with your request.

2. Simplified loan underwriting for PFIs. The FHLB Chicago executed an agreement with Fannie Mae to offer Desktop Underwriter[®] (DU) access to PFIs that use the MPF Xtra product. We worked closely with Fannie Mae to make it possible for PFIs to gain access to DU-Only, which simplifies the loan underwriting process. In addition, the license fee of \$5,000 is waived for PFIs participating in the MPF Xtra product.

You're invited to learn more about DU-Only at webinars on January 19 and January 20. See the box on this page for information on how to register.

3. Demonstrated commitment to PFIs with a new logo and tagline. As testimony to its relevance and growth potential, the MPF Program introduced a new logo and tagline,  Partnership Is Our Middle Name. "Partnership Is Our Middle Name," in October.

4. Automated the Delivery Commitment (DC) process. PFIs can take down a DC through the secure eMPF[®] website rather than place a telephone call. On January

Four Free Webinars in January

Free webinars are one of the many benefits of the MPF Program. Click on the webinar title, below, for a description of the webinars offered in January.

January 12, 9:30-10:30 a.m.
eMPF Transaction Training for the MPF Xtra Product

January 13, 9:30-10:30 a.m.
eMPF Transaction Training for MPF Portfolio Products

January 13, 1:00 p.m.-2:00 p.m.
DU-Only for the MPF Xtra Product, Part 1

January 14, 1:00 p.m.-2:00 p.m.
DU-Only for the MPF Xtra Product, Part 2

To Register

Send an email to MPFTraining@fhlbc.com with the date and name of webinar, participant's name and institution, email address, phone numbers, and street mailing address.

12 and 13, you're invited to learn more about eMPF transactions, including information about the Delivery Commitment process. For information on how to register for this webinar, see the box above.

5. Offered more convenient educational opportunities. Now PFIs can listen to webinars and short tutorials from their desks on the day and time that works best for them. Click on the new education link on www.fhlbmpf.com to hear the current "on-demand" recordings, which include:

- The 4 Cs of Underwriting
- Funding an MPF Loan
- Opening an MPF Portfolio Delivery Commitment
- Opening an MPF Xtra Delivery Commitment
- PFI Loan Number Change
- eMPF Password Reset
- QC Review

Letter of Credit Extension for FHLBs Not Included in New Tax Bill

Beginning January 1, 2011, the Federal Home Loan Banks will no longer be able to offer standby Letters of Credit to members in support of tax-exempt non-housing bonds. The FHLBs will continue to be able to credit enhance taxable and housing-related bonds, as it has for many years.

The ability to guarantee non-housing bonds was first granted two years ago by the Housing and Economic Recovery Act of 2008 (HERA), allowing FHLBs to provide a guarantee without triggering the loss of the tax exemption of the issuers' bonds. It has been used with more than 150 projects nationwide to finance more than \$4 billion of projects, including schools, healthcare centers, manufacturing facilities, water treatment plants, and YMCAs. FHLB letters of credit issued under this authority may be extended at maturity.

Due to the budgetary impacts, the authority was only given for two

years, until December 31, 2010. Since then, the FHLBs joined with other groups to push Congress to extend this authority along with others designed to benefit state and local governments. Legislation passed earlier this year by the House of Representatives included a

one-year extension for the FHLBs. More recently, the group was successful in convincing Senate Finance Committee Chairman Max Baucus, D-Mont., to include these provisions in the Middle Class Tax Cut Act of 2010, introduced in early December to extend the Bush tax cuts to families earning less than \$250,000 per year. That legislation, however, stalled in the Senate due to opposition from Republicans who want to extend the tax cuts to all income groups. When the tax cut bill was passed by the Congress and signed by President Obama last week, the FHLB provision was not included.

Despite the setback, the FHLBs plan to continue efforts in the new Congress to reauthorize their letter of credit authority for non-housing projects. However, a renewed focus on deficit reduction in the new Congress may make the extension of favorable tax treatment for public infrastructure projects more difficult.



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