

FHLBank Chicago Temporary COVID-19 Collateral Relief

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Federal Home Loan Bank of Chicago

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Paycheck Protection Program Lending and Pledging to FHLBank Chicago as Collateral

Paycheck Protection Program Highlights

What Is It?

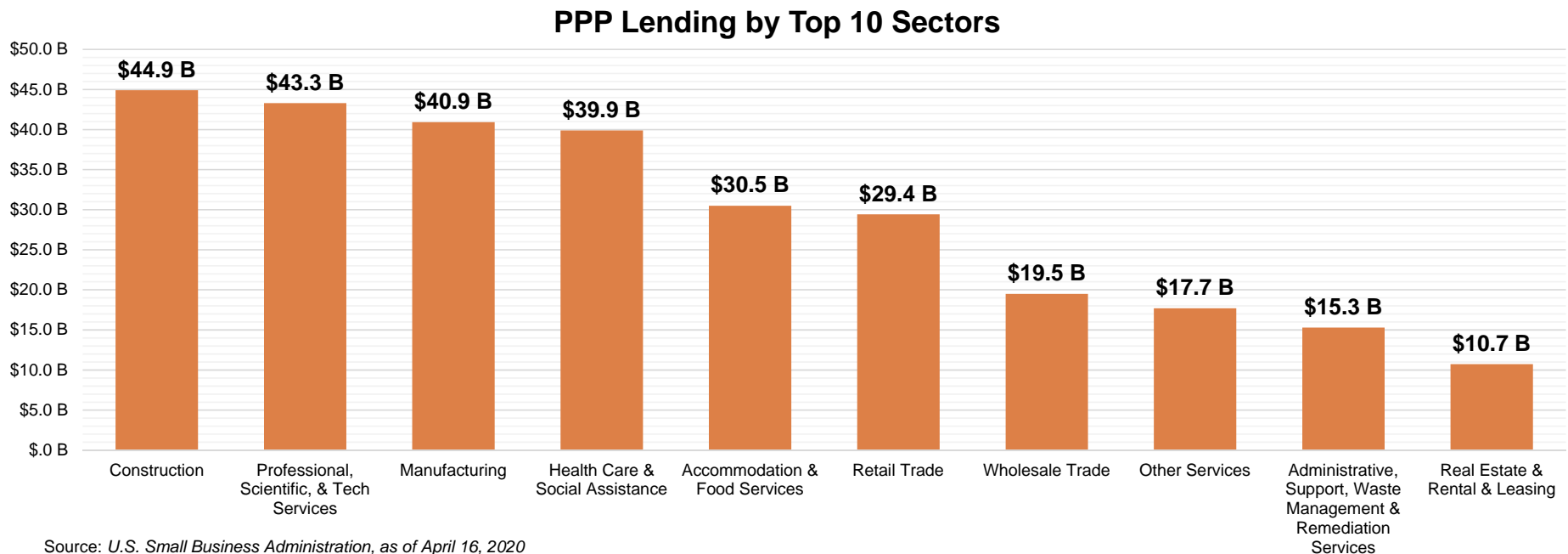
- An SBA lending program to provide small businesses with funds to pay for up to 8 weeks of payroll costs, including benefits, or interest on mortgages, rent, and utilities.
- The SBA guarantees 100% of the outstanding balance, backed by the full faith and credit of the United States.

What Are the Terms?

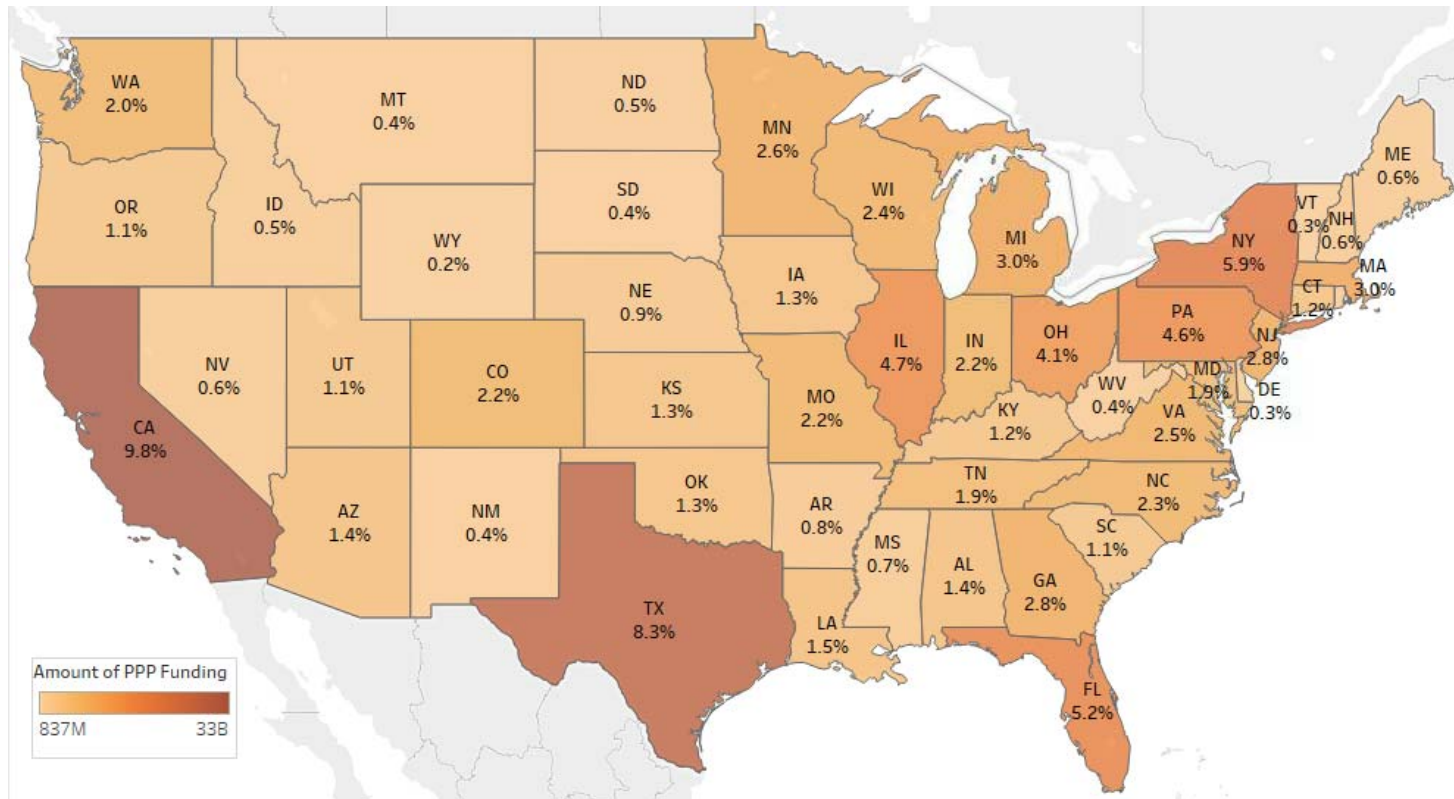
- The interest rate is set at 1.0% to the borrower but may be forgiven.
- Lenders are compensated through processing fees ranging from 1-5%.
- All existing SBA-certified lenders are eligible to lend. Plus new lenders may apply and enroll in the program.
- \$349B was initially allocated and an additional \$310B approved this week.

Round 1: PPP Lending by Sector

- As of April 16, the first round of the program ***funded \$342B in over 1.6M loans*** to 20 different sectors.
- Industries that are traditionally capital intensive received the largest percent of approval dollars.



Round 1: PPP Lending by State

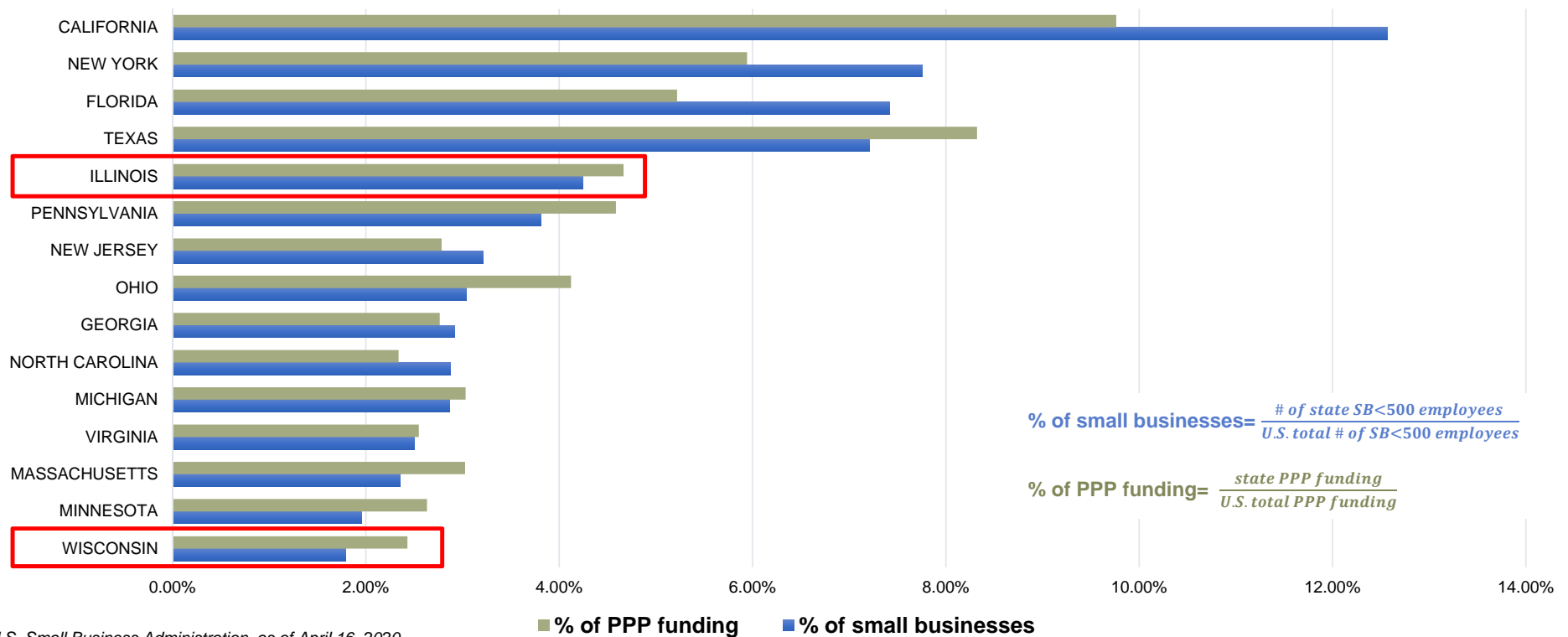


Source: U.S. Small Business Administration, as of April 16, 2020

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Round 1: PPP Lending by % Small Businesses

Percent of Small Businesses vs Percent of PPP Funding Received, by State



Source: U.S. Small Business Administration, as of April 16, 2020

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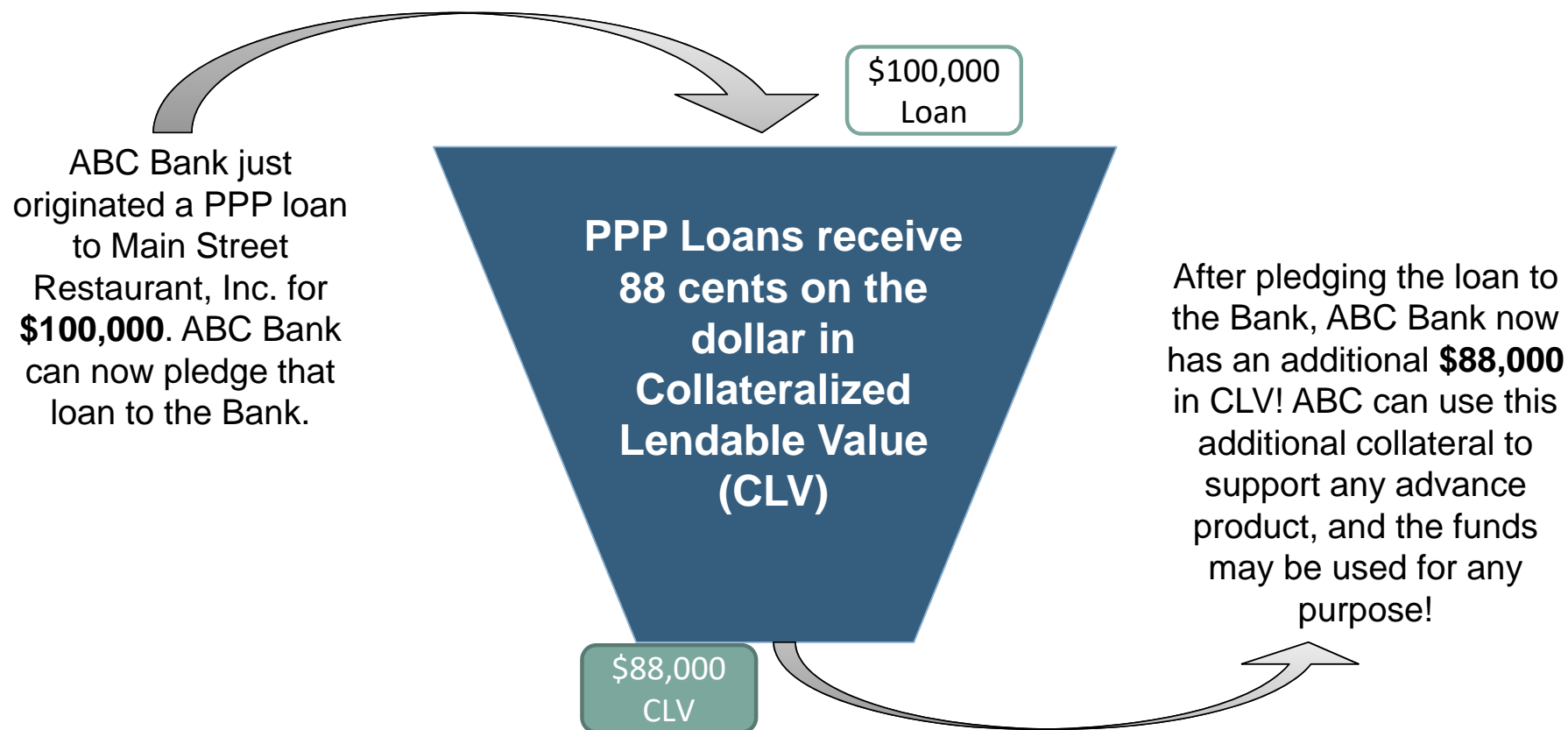
Paycheck Protection Program Loans Now Eligible as Collateral at FHLBank Chicago

- The FHLBank Chicago began accepting PPP loans as eligible collateral from member institutions that are approved SBA lenders on April 23, 2020.
- Member eligibility and concentration limits have been set and outlined as below:

Member Eligibility	Concentration Limits	PPP Margin
<ul style="list-style-type: none">- Members Risk Rated 1-3- Approved SBA Lenders	PPP Collateral Lendable Value (CLV) pledged by each member is limited to the lesser of: <ul style="list-style-type: none">- \$5 billion in CLV, or- 20% of the total CLV	88% margin of Unpaid Principal Balance with 0% Collateral Valuation Adjustment (CVA)

PPP Collateral Lendable Value

How much value will I receive? Let's walk through an example:



Sample Calculation with Concentration Limit

- For every \$1,000,000 in Collateral Lendable Value a member currently has, \$284,090.91 in PPP unpaid principal balance can be pledged.

Starting Point	Maximum PPP UPB Using 20% Concentration Limit	Maximum PPP CLV
Member currently has \$125,000,000 in CLV (before pledging PPP loans)	$\begin{aligned} & \$125,000,000 / \\ & \$1,000,000 \times \$284,090.91 \\ & = 125 * \$284,090.91 \\ & = \$35,511,363.75 \end{aligned}$	$\begin{aligned} & \$35,511,363.75 \times 88\% \\ & = \$31,250,000 \end{aligned}$

PPP Pledging Limits

Understanding PPP Loan Limits

PPP CLV is limited to the lesser of:

- 20% of Member Institution's Total CLV
- \$5 Billion total PPP CLV

Suppose ABC Bank has \$1,000,000 in Total CLV pledged to the Bank and wants to pledge the \$88,000 in CLV from its PPP Loan

Total CLV = \$1,000,000 + \$88,000 = \$1,088,000

Check 20% Test:
 $\$88,000 \text{ PPP CLV} / \$1,088,000 \text{ Total CLV} = 8\%$
 $8\% < 20\%$

Check \$5 Billion Test:
 $\$88,000 \text{ PPP CLV} < \5 Billion

**In this example, the maximum amount of PPP CLV that would satisfy the 20% test is \$250,000.
A member can increase its PPP Loan Limit at any time by pledging additional collateral.**

Reporting Requirements

- PPP loans must be reported via loan listing as Government Guaranteed Loan Collateral (GGLC).
 - *All other collateral types may be submitted as you normally would.*
- For depository members, PPP listings should be submitted as frequently as needed but not less than monthly.
- For non-depository members, PPP listings will be required daily, along with delivery of PPP loans.

Reporting Requirements

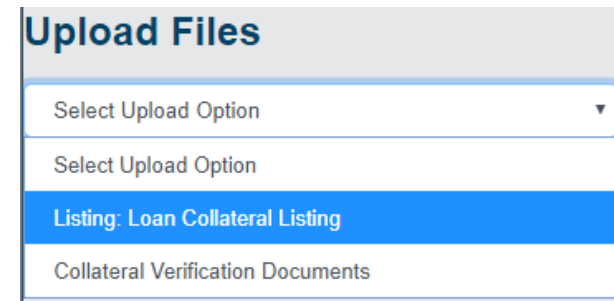
- The PPP listing file template must be uploaded to eBanking.
 - The template can be found in the [COVID-19 Resource Center](https://fhlbc.com/docs/default-source/collateral/fhlbank-chicago-loan-listingtemplate---ppp.xlsx) or:
<https://fhlbc.com/docs/default-source/collateral/fhlbank-chicago-loan-listingtemplate---ppp.xlsx>
 - The template must be saved as a CSV for upload to eBanking
- If you are also pledging PPP loans to a Federal Reserve Bank under the PPPLF or Primary Credit Facility, you will be required to provide a loan listing to each institution, ensuring each loan is only pledged once.

PPP Listing File Template Fields

Member's Loan Number/ID	Full Property Address
SBA Loan Number	Date of reporting
Original Loan Balance	First expected payment date, post deferment
Unpaid Principal Balance	Most current P&I payment, if applicable
Note Date	Original Loan Balance
Maturity Date	Borrower Name
Entity that Owns Loan	

How to Upload a Loan Listing File in eBanking

1. Login to eBanking
2. Select Collateral > Upload Files
3. From the drop down menu, select “Listing: Loan Collateral Listing”
4. Select the .CSV file from your computer
5. Agree and Submit



FHLBank Chicago COVID-19 Collateral Relief and Accommodations

Other Collateral-Related Temporary Relief



Collateral Verification Reviews (CVRs)

- Certain CVRs may be deferred to later in 2020 or may be considered to be done virtually for certain members upon request.



Qualifying Collateral Reporting (QCRs)

- First quarter QCRs have been granted a grace period to now be completed by June 15, 2020.

Other Collateral-Related Temporary Relief

Electronic / Digital Signatures



- Loan modifications and renewals (including forbearance) executed with an electronic signature will be accepted, as long as the original wet-ink signed promissory note is still in full force and in possession by the Member.

Modification and Forbearance Agreements



- Loans granted forbearance due to COVID-19 will be accepted, as long as they continue to meet all other eligibility requirements. This policy applies to all eligible collateral types.

FHLBank Chicago COVID-19 Member Resources

For the Latest News on FHLBank Chicago's COVID-19 Responses, Visit our Resource Center



Important Information Relating to COVID-19

As pillars and major employers in your communities, FHLBank Chicago knows that you are focused on maintaining your business operations and supporting your customers and communities. Our team is well positioned to maintain the level of assistance and partnership you have come to expect from us. Serving you remains our highest priority.

The following is a resource page to summarize the temporary relief that may be available to you during the COVID-19 pandemic, best practices and suggestions for managing virtual operations, and additional resources that may be useful to you as we navigate these unprecedented times. Check back regularly for the latest updates.

COVID-19 Related Updates from FHLBank Chicago

- **March 31, 2020** | COVID-19 Update: A Message from the Chair of Our Board of Directors
- **March 27, 2020** | Coronavirus Update: We Are Here to Support You

More Information on FHLBank Chicago's COVID-19 Relief Measures

- COVID-19 Relief Program
 - [COVID-19 Relief Program FAQ](#)
 - [COVID-19 Relief Advance Application](#)
 - [COVID-19 Relief Grant Application](#)
 - [Community First® Capacity-Building Grants](#)
- Keep Up to Date with the FHLBank Chicago COVID-19 Resource Center
 - [FHLBank Chicago COVID Resource Center](#)
- Previously Announced Temporary Relief Measures by FHLBank Chicago
 - [FHLBank Chicago Temporary Relief Measures](#)

Member Services and Solutions

Economic Analysis

- Daily Market Commentary
- Weekly Market Update Webinars
- Topical Whitepapers
- Guest Speaker Webinars
- Demographic Analysis of Branch Area

Relative Value Analysis

- NIM and Deposit Modeling
- Deposit Studies
- Secondary Mortgage Market Price Comparisons
- Case Studies
- Interest Rate Shock Scenarios

Risk Analysis

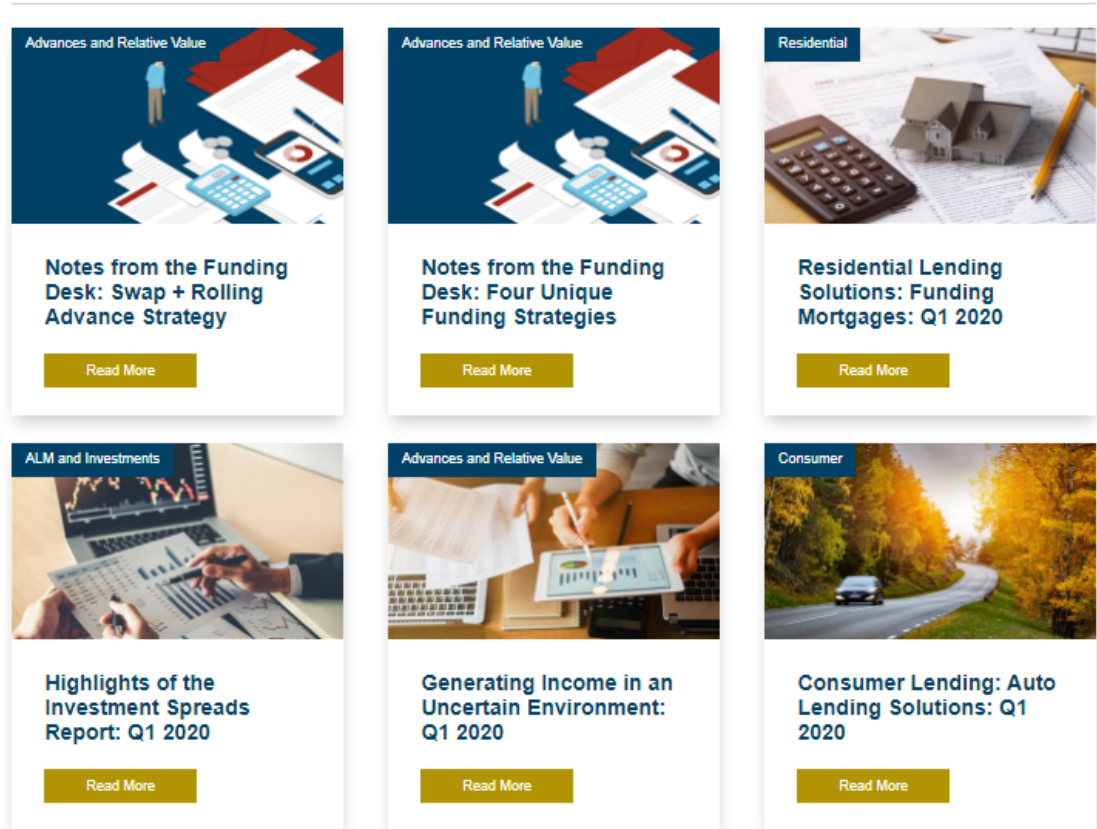
- Model NII and IRR of Asset-Liability Portfolios
- Asset / Investment Strategies
- Managing Mortgage Banking Risks

Other Solutions

- Annual Member Benefit Statement
- Workshops and Webinars
- Charter-Specific Conferences
- ALM Learning Sessions

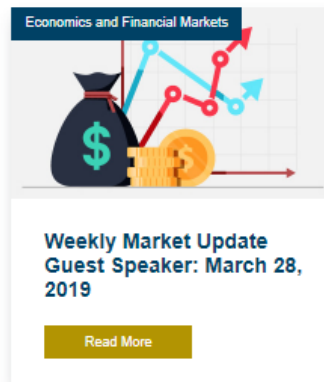
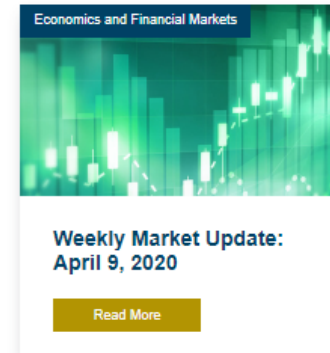
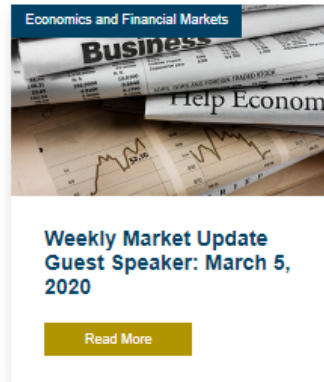
Member Solutions and Market Commentary

- Topical member solutions, whitepapers, and market analysis and commentary are available at www.fhlbc.com/solutions.
- This page is updated regularly with new publications and strategies to meet our member's needs.



Weekly Market Update on Thursdays

- The FHLBank Chicago Strategy and Solutions team hosts a Weekly Market Update webinar every Thursday at 3:00 p.m. CST to discuss economic activity over the past week.
- Email your sales director to be added to the distribution list.



Questions?

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