



The MCV Process from Start to Finish

Collateral Training Series for Members

2024

Key Objectives

After our session today, you will:

- Have a Better Understanding of the MCV Process
- Discover Best Practices for Preparing for the MCV
- Be Able to Identify Solutions to Common Eligibility Issues

MCV Basics



WHY



WHAT



WHEN



WHERE



WHO



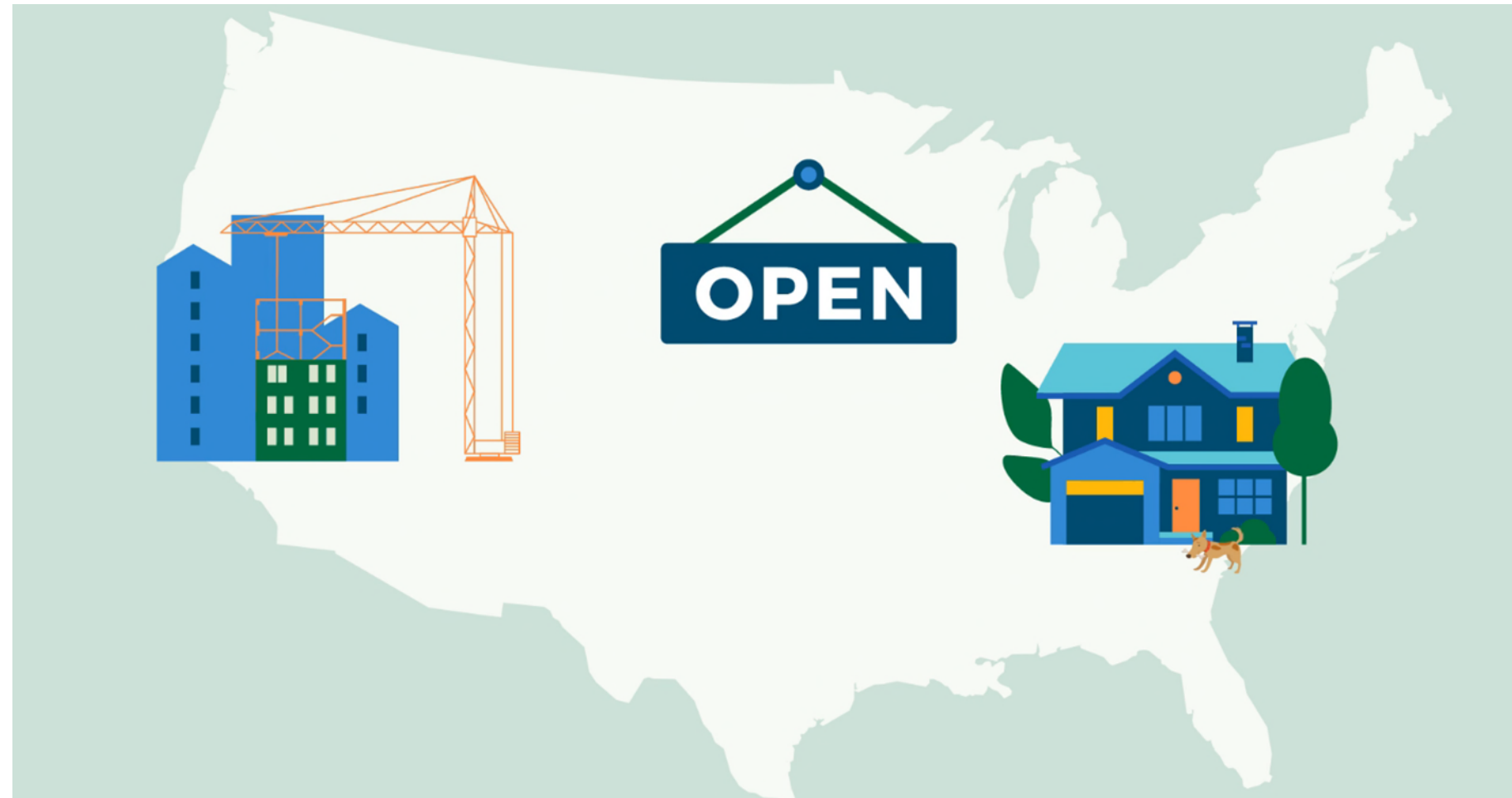
HOW



The Value of Collateral

A reliable
Source Of
Funding

Strong
Cooperative
That Puts
You In Control





What is an MCV?

- Routine risk management practice
- A review required by our regulators for all members pledging loan collateral
- A process to determine lending amount per member
- An opportunity to review your pledging procedures and processes



Types of MCVs

Full Scope MCV

- Validate data on your pledge aligns with monthly loan listing file or quarterly borrowing base certificate.
- Review of loan documentation to confirm eligibility adherence
- Review is performed either onsite or remotely
- Onsite verification that Promissory Notes are wet ink signed

Note Sight MCV

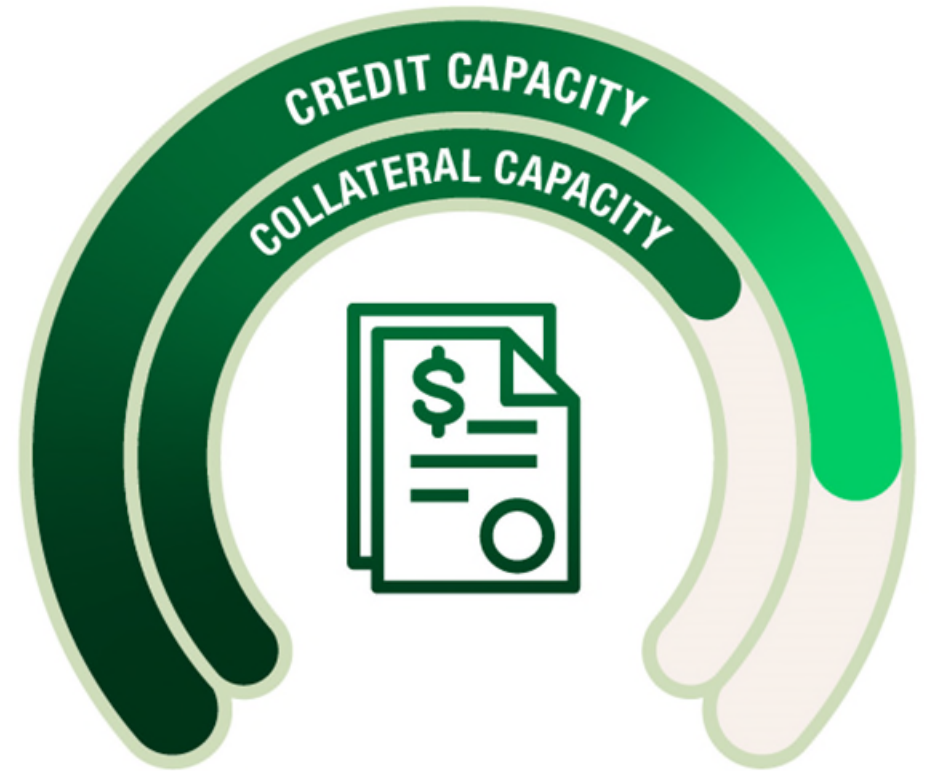
- Validate data on your pledge aligns with monthly loan listing file or quarterly borrowing base certificate.
- Review of promissory notes and payment histories
- Review is performed remotely from imaged documentation



Your MCV Results

A completed MCV review confirms your Adjusted Eligibility Factor

- Used to determine the collateral capacity you have available to use the Bank's products.
- Your Adjusted Eligibility Factor will remain in effect until your next MCV.





When will the review take place?

Members will have an MCV every five years, or more frequently



The Bank determines the **frequency** and **scope** of MCVs based on various factors:

- Your financial condition
- Your total credit exposure and reliance on pledged loan collateral
- Your last MCV date
- The scope of your last MCV
- Your Pledge Agreement type



Where will the review take place?

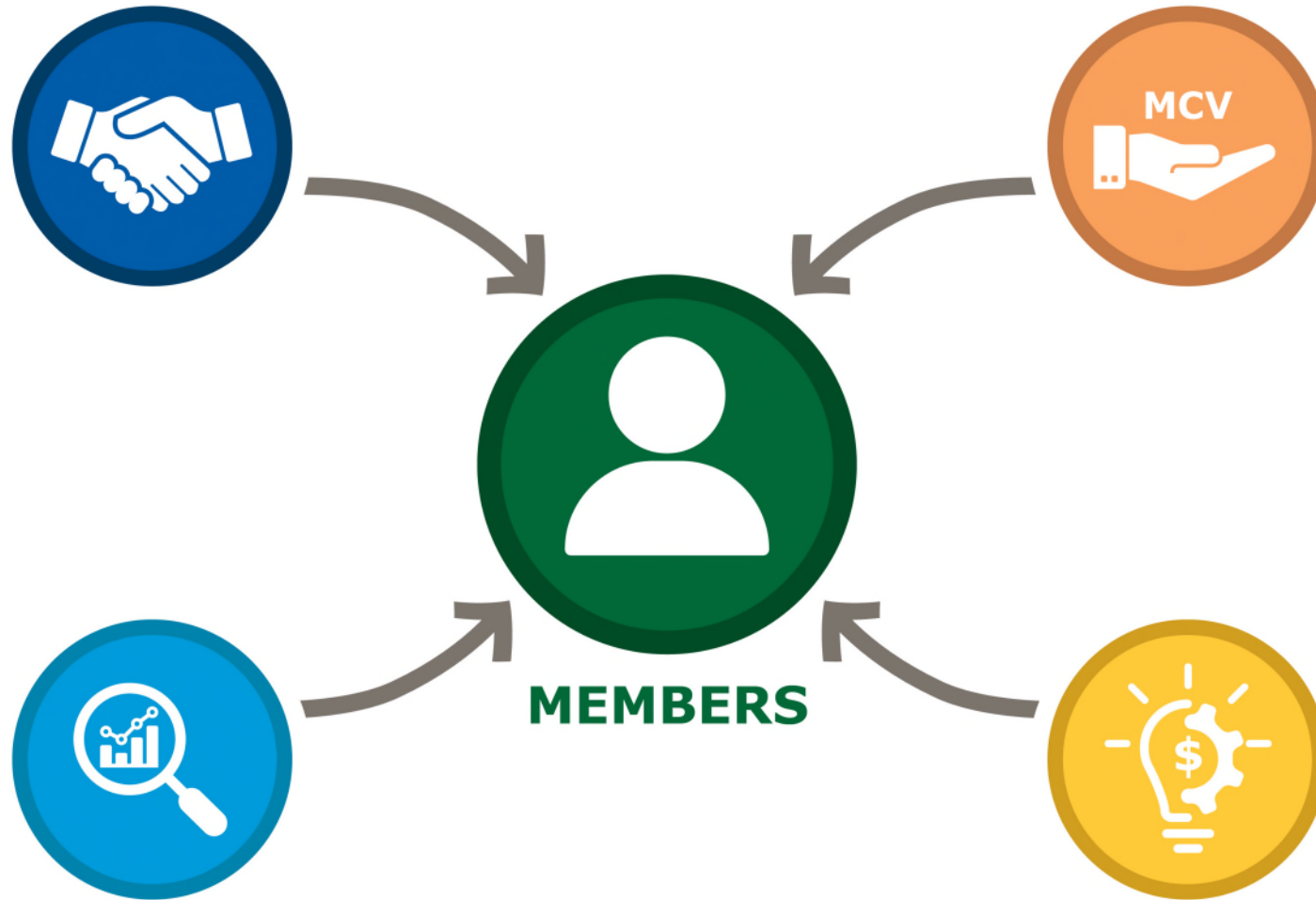
Onsite or Remotely

Your Collateral Review Analyst will discuss options based on the type of review.



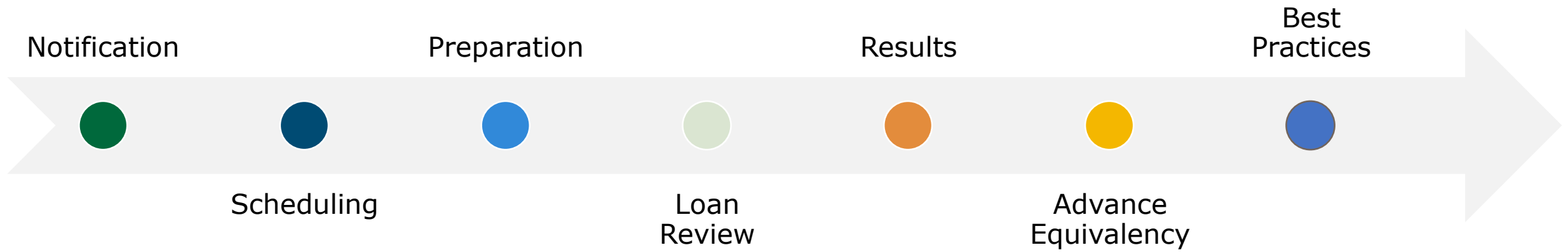


Who is involved?





How does the MCV Process Work?





Member Notification



Member Collateral Verification

Dear FHLB Des Moines Member,

FHLB Des Moines requires a periodic review of a member's collateral pledged to secure advances and other credit exposures. This is a Federal Housing Finance Agency regulation requirement as described in the [Member Products Policy](#). The review process is referred to as a [Member Collateral Verification \(MCV\)](#) and is performed by the Bank's collateral risk review analysts.

Your institution is required to have an MCV completed in the second half of [REDACTED]. Our decision was based upon an analysis of several factors such as the types of collateral pledged, outstanding extensions of credit from FHLB Des Moines, the date of the last collateral review and reported financial condition.

One of our collateral risk review analysts will contact you to schedule a mutually convenient time to conduct the MCV. This is a full review of loan eligibility conducted on a sample of pledged loans against the FHLB Des Moines eligibility guidelines as described in the [eligibility checklists](#).

Recently, you received this notification from FHLB Des Moines.

Reviews are scheduled on a six-month schedule between **January** and **June** or **July** and **December**.

Notification

Preparation

Results

Best Practices

Scheduling

Loan Review

Advance Equivalency



Scheduling



A mutually agreed upon date will be scheduled for your review.

We can work around:

- Vacation Time/Leave
- Regulatory Exams
- Unavoidable Conflicts

Notification

Preparation

Results

Best Practices

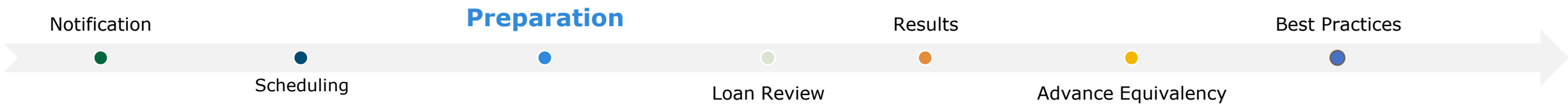
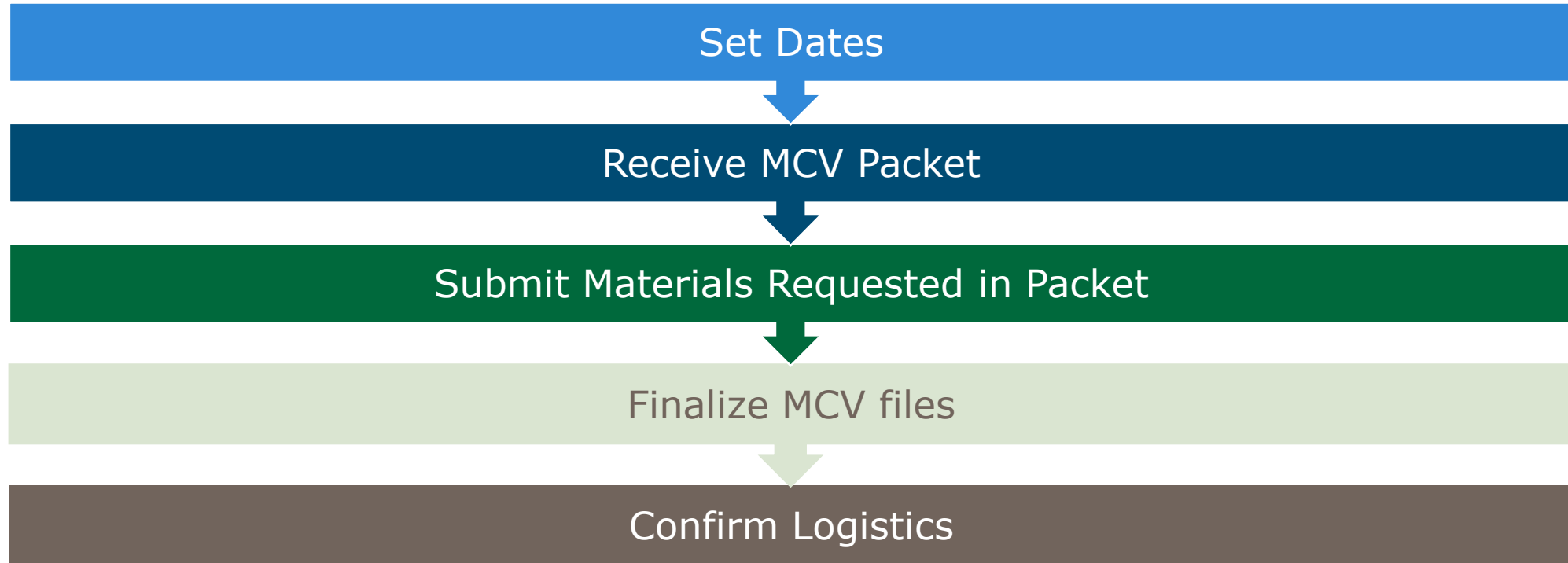
Scheduling

Loan Review

Advance Equivalency



Preparation





Loan Review

The Collateral Review Analyst will:

1. Confirm the existence of your collateral.
2. Verify your pledged loans meet the eligibility requirements published in the eligibility checklists.
3. Determine the Adjusted Eligibility Factor (AEF) of your loan collateral pledged.

Notification

Preparation

Results

Best Practices

Scheduling

Loan Review

Advance Equivalency



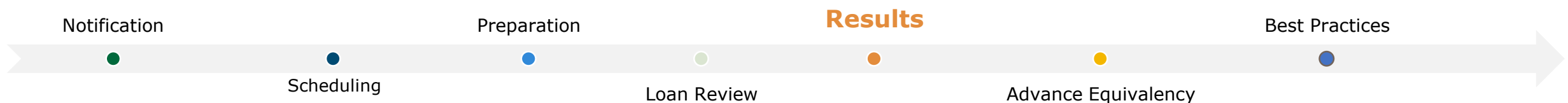
Results

At the end of your loan review, the Collateral Review Analyst will schedule an Exit Meeting to share your results with you and your team.

Exit Meetings are typically scheduled within 4-6 weeks of loan review.

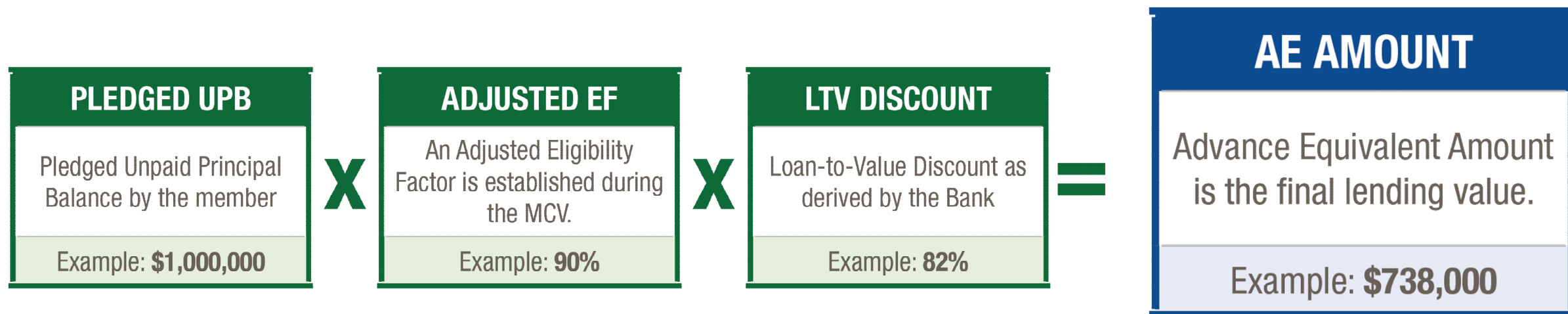
We recommend including:

- Primary Member Contact
- Collateral BBC Contact
- Collateral Listing Contact
- MCV Contact





Advance Equivalency



Notification

Scheduling

Preparation

Loan Review

Results

Advance Equivalency

Best Practices



Common Eligibility Issues

Collateral Coding Issues

- Subprime or Nontraditional loans pledged as Prime
- Multifamily pledged as Commercial Real Estate
- Participation loans not pre-approved by the FHLB and pledged in participation-specific type codes
- Employee, Officer, Director and Associate loans not scrubbed out of the pledge

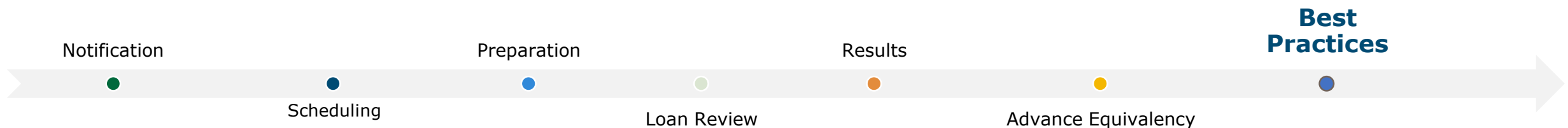
Collateral Documentation Issues

- Promissory Notes not wet ink signed by borrowers or not in the file
- Loans originated by another party and not adequately assigned to your institution through MERS or recorded assignments
- Lien position in the documentation does not align with the collateral type code pledged



Best Practices

- Ensure eligible loans are pledged in the correct collateral type codes.
- Ensure loans do meet eligibility guidelines.
- Review your previous MCV results for pledging and eligibility issues, and then determine if you adequately addressed those issues.
- Consistently look for opportunities to pledge eligible loans.
- Utilize your relationship manager and collateral team for guidance.





Thank You!

Chris Baker

Collateral Review Manager - Non-Depositories

cbaker@fhlbdm.com
515.664.7741

Lisa Jones

Collateral Review Manager - Depositories

ljones@fhlbdm.com
425.922.0837