



The MCV Process from Start to Finish

Collateral Training Series for Members

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?

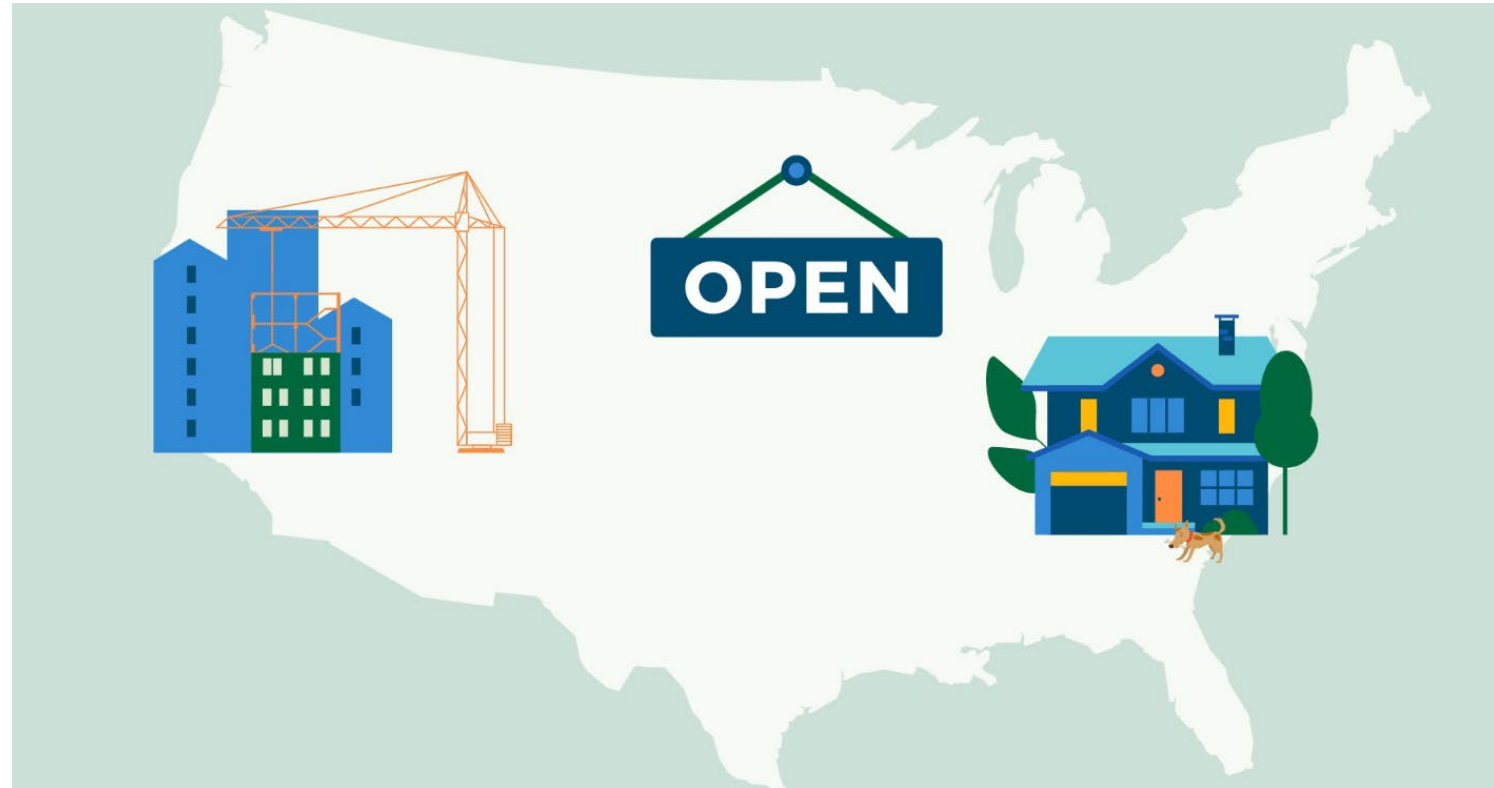


HOW?



The Value of Collateral

- Sure and reliable source of funding
- Strong cooperative that puts ***you*** in control





Test Your Knowledge

What does MCV stand for?

- A. Member Capacity Valuation
- B. Member Collateral Verification
- C. Member Capacity Valuation
- D. Many Collateral Victories



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

- 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

- Review of promissory notes and payment histories
- Review is performed remotely from imaged documentation



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



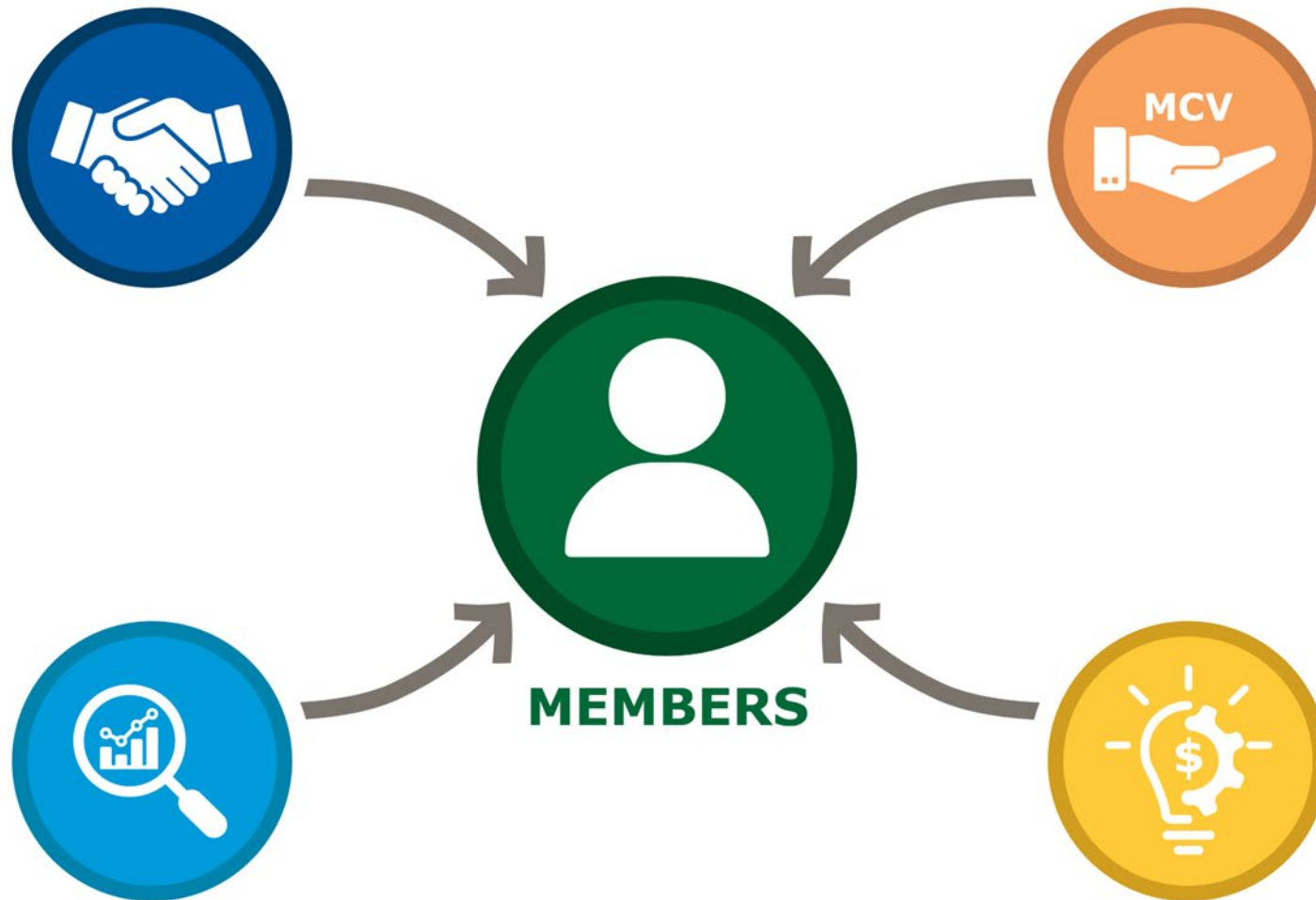
Where will the review take place?

The Collateral Review Analyst assigned to your review will discuss options based on the type of review



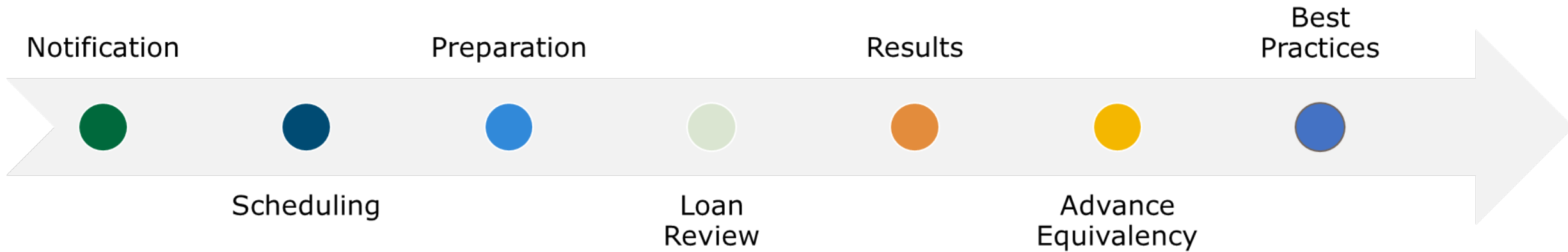


Who is involved?





How does the MCV process work?





Member Notification



Member Collateral Verification

Member Number: N/A
Date: Jun 02, 2023

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 2023. 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.

Your review will likely take place between **July** and **December** of this year and may already have been scheduled.

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
- Other Examiners
- Unavoidable Conflicts

Notification

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Best Practices

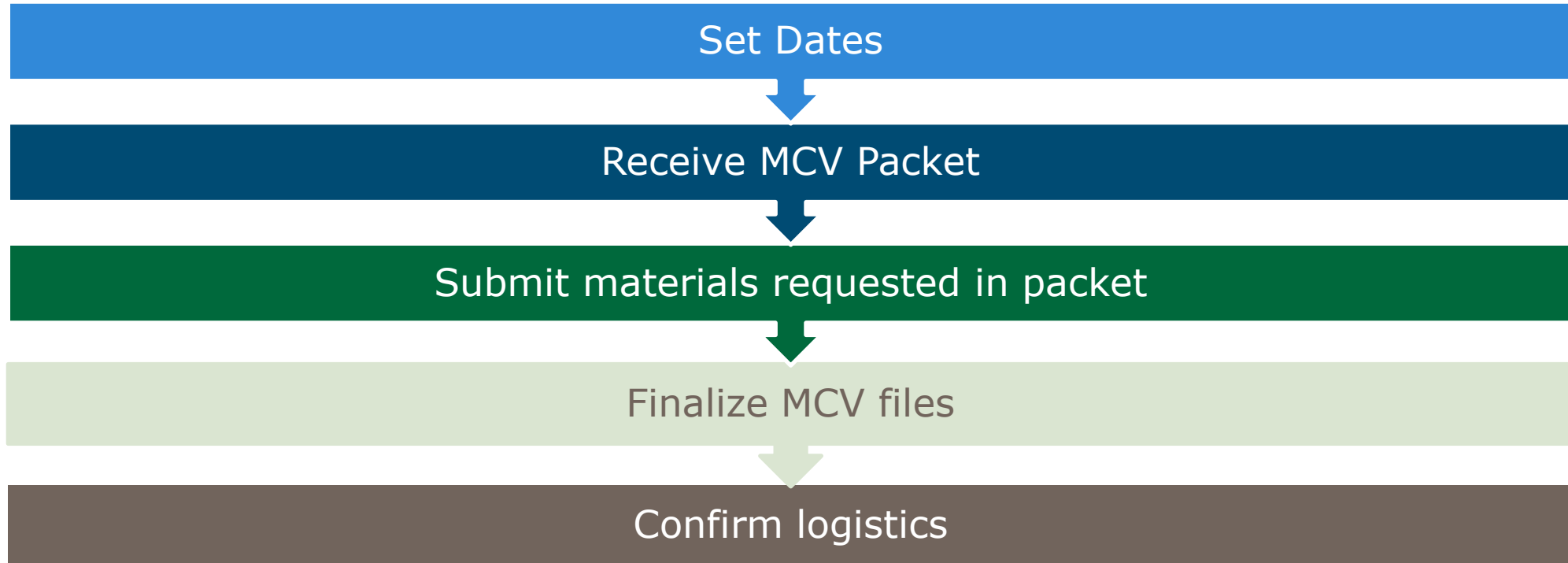
Scheduling

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Preparation



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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

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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

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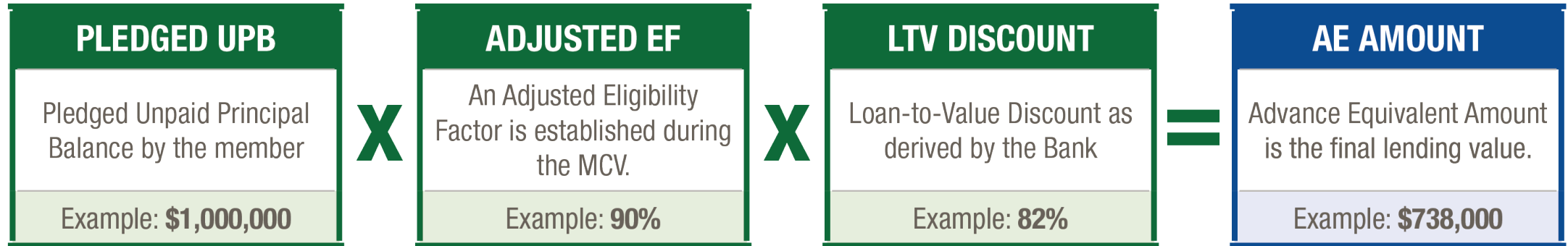
Loan Review

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Advance Equivalency



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Eligibility Issues to Avoid

Eligibility issues that can have a drastic impact on pledged collateral value:

- Promissory notes electronically signed by the borrowers
- Loans originated by another party and not adequately assigned to your member institution



Test Your Knowledge

What are the two main issues that account for ineligible loans?

- A. Past-Due Loans and Substandard Loans
- B. Insider Loans and Other Creditor Loans
- C. Loans Pledged Incorrectly and Missing Original Documentation
- D. Loans Not Payable to Pledgor and Non-Compliant Loans



Loan Eligibility

Over 20% of ineligible loans are:

- Loans pledged in the wrong category
- Loans with missing original documentation



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

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Questions?

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