

LIBOR Transition

Presented by:

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March 10, 2020



BUILDING PARTNERSHIPS.
SERVING COMMUNITIES.



Agenda

TOPICS OF DISCUSSION



- Overview of the transition away from LIBOR
- Impact on advance borrowings and pledged collateral
- Questions and resources



LIBOR Reform Drivers

WHY TRANSITION?



LIBOR manipulation



Limited transactions

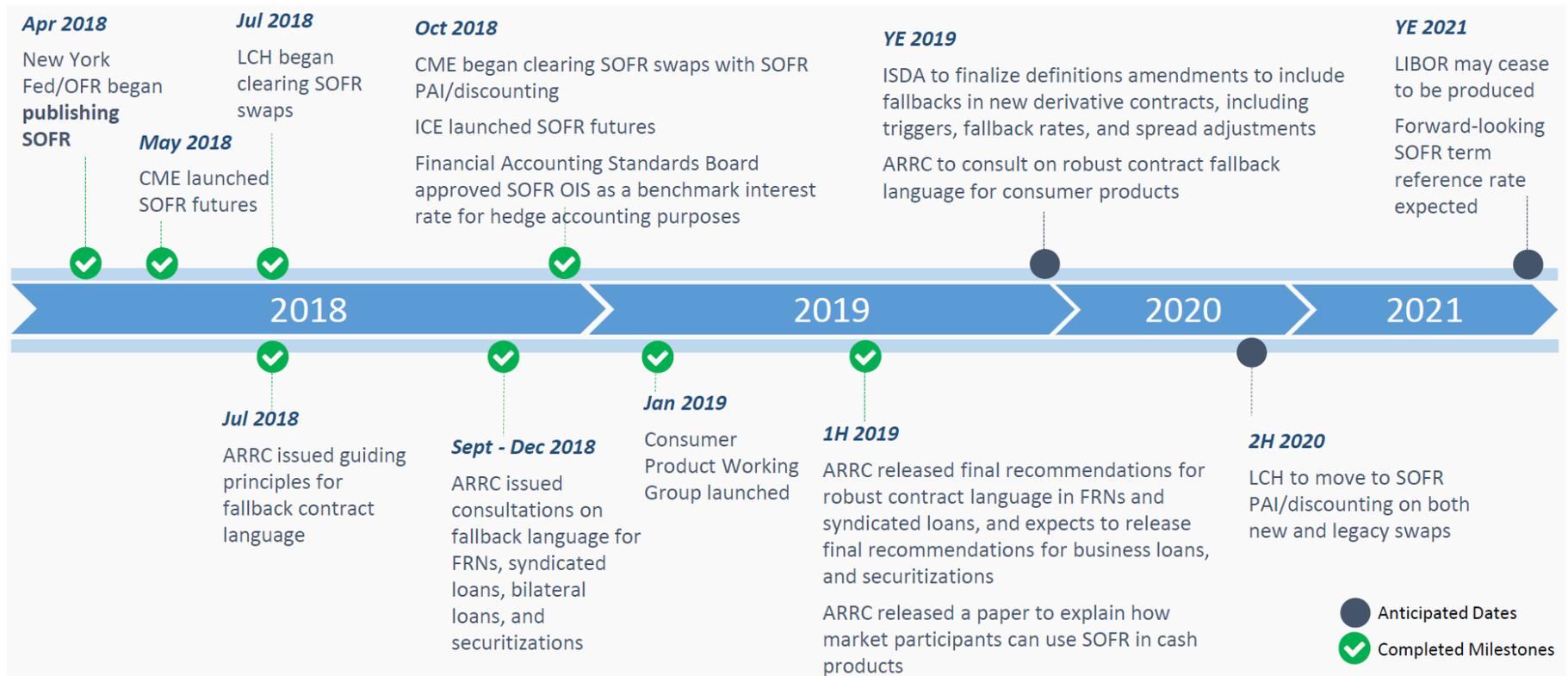


Waning support from panel banks

LIBOR Transition Timeline



Timeline / Key Milestones



Source: Alternative Reference Rate Committee 2019

LIBOR Transition Readiness

ARE YOU PREPARED?



Inventory all LIBOR-based instruments

Review fallback language

Assess operational readiness

Establish a communication plan

Stay informed

Key Dates for Advances



- March 31, 2020
 - Advances linked to LIBOR will have limited maturities
- December 31, 2021
 - FHLBank Indianapolis will no longer be able to issue LIBOR Adjustable or structured advances linked to LIBOR

Adjustable Rate Advance Offerings

LIBOR ALTERNATIVES



SOFR Daily Reset Advance

- Long-term maturities available
- American call option after lockout

Cost of Funds Floater

- Long-term maturities available
- Callable on reset dates after lockout
- Rate term structure
 - 1-Month
 - 3-Month

We will continue to monitor the developing market

- Forward looking SOFR term rate

Differences between LIBOR and SOFR



LIBOR Index

- Based on limited transactions & judgement
- Unsecured
- Term structure

SOFR Index

- Based on deep REPO market
- Secured
- Overnight rate
- Not easily manipulated

Reporting LIBOR-Linked Collateral

CREDIT BULLETIN – 2/13/20



- **New reporting requirement for FHFA:**
 - Quarterly reporting on LIBOR-linked collateral
 - Affects pledging loans via blanket reporting
- **First certification due (March 31, 2020 update):**
 - Total balances of LIBOR-linked loans maturing after December 31, 2021
 - Initial certification through email
- **Future certifications through Member Link:**
 - Developing Member Link certification mechanism
 - Expected to be ready for June 30, 2020 blanket reporting

Reporting LIBOR-Linked Collateral

MANUAL FORM – MARCH 31, 2020 UPDATE



CERTIFICATION REGARDING LIBOR-BASED ASSETS PLEGGED AS COLLATERAL

The undersigned, which is a member ("Member") of the Federal Home Loan Bank of Indianapolis ("FHLBI"), certifies the following, as of quarter-end date _____
(mm/dd/yyyy)

Do you currently have any loans that reference LIBOR? (Yes or No) _____

If yes, denote below the total outstanding balance of LIBOR-based loans maturing after December 31, 2021 pledged to FHLBank Indianapolis in each of the following categories as of the most recent quarter-end date:

\$ _____ One-To-Four Family Whole First Mortgage Loans

\$ _____ Multifamily Whole First Mortgage Loans

\$ _____ Home Equity Term Loans (closed end)

\$ _____ Home Equity Lines of Credit

\$ _____ Commercial Real Estate First Mortgage Loans

\$ _____ CFI-Small Business Loans

\$ _____ CFI-Small Farm Real Estate Loans

Once executed, return the completed certification to the following FHLBank Indianapolis Collateral Operations staff: Rebecca Baskerville RBaskerville@fhlbi.com, and Dave Weidinger DWeidinger@fhlbi.com.

(Name of Member)

BY: _____

Printed Name: _____

Title: _____

Date: _____

Reporting LIBOR-Linked Collateral

BLANKET COLLATERAL REPORT MOCK-UP



- > Credit Services
- Advances
- Your Account Inquiries
- Collateral
 - Audit Questionnaire
 - Blanket Collateral
 - Credit Services Forms
 - Policies & Procedures
 - Member Tools
 - Contact Us

Blanket Collateral Form

Fourth Quarter 2019

	Total eligible assets		Less: Ineligible loans and assets pledged to others	Memo: Held in subsidiaries	Post-2021 LIBOR Exposure
Eligible assets					
Permanent 1-4 Family Whole Mortgage Loans	<input type="text"/>	less	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mutual Funds	<input type="text"/>	less	<input type="text"/>	<input type="text"/>	<input type="text"/>
Multifamily Whole Mortgage Loans	<input type="text"/>	less	<input type="text"/>	<input type="text"/>	<input type="text"/>
ORER CRE Loans	<input type="text"/>	less	<input type="text"/>	<input type="text"/>	<input type="text"/>
ORER HELOCs	<input type="text"/>	less	<input type="text"/>	<input type="text"/>	<input type="text"/>
ORER Second Liens	<input type="text"/>	less	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total core or tier 1 capital	<input type="text"/>				

Note #1: Pledging multifamily mortgage loans is not mandatory or required for purposes of this report. However, if a member wishes to pledge other real estate related (ORER) collateral, then multifamily mortgage loans must be pledged first.

Note #2: Government & Agency Securities (also Category 2 collateral) held in safekeeping at FHLBI or by third-party custodian are automatically included as part of member's collateral valuation. This collateral is updated daily and does not need to be reported by member institution.

Note #3: The amount(s) above in the LIBOR cells should reflect the total outstanding balances of pledged LIBOR-linked loans maturing after December 31, 2021.

Verify
Exit

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Frequently Asked Questions



- What will happen to pledged loans tied to LIBOR?
- Where can I find the SOFR rate?
- How is SOFR calculated?
- Are there any materials on the FHLBank Indianapolis website?



- [Alternative Reference Rate Committee](#)
- [Securities Industry and Financial Markets Association](#)
- [International Swaps and Derivatives Association](#)
- [Federal Housing Finance Agency](#)



Questions?