



Product and Service News

07-17

October 5, 2007

TO: All Members

SUBJECT: Quarterly Report and Form

Enclosed please find the quarterly report and certification form related to your institution's borrowing capacity and qualifying collateral. Your prompt review and completion of the enclosed Quarterly Collateral Certification Form will allow us to more accurately reflect your qualifying collateral.

Maximum Borrowing Capacity Report

This quarterly report, using data from your June 30, 2007, regulatory Call Report, shows your Maximum Borrowing Capacity (MBC). The MBC calculation represents your collateral-based credit availability with FHLBank and reflects your total capacity to access FHLBank Pittsburgh credit products.

Quarterly Collateral Certification Form

This form, for the quarter ended June 30, 2007, is prepared using balance sheet data from your regulatory filing similar to that used in the MBC report. It gives FHLBank a clear picture of your available eligible collateral. As previously announced last quarter, we continue to request that you identify any portions of your collateral comprised of "subprime" or "nontraditional" residential assets, as defined in our Collateral Policy. For your convenience, those definitions are shown below.

"Subprime residential mortgage loans" are defined as mortgage loans made to less creditworthy borrowers (as determined at the time of origination or purchase by the member), including, but not limited to, borrowers with weakened credit histories that include payment delinquencies, and possibly more severe problems such as charge-offs, judgments, foreclosures, repossessions and bankruptcies, and borrowers with reduced repayment capacity as measured by credit scores, debt-to-income ratios or other criteria, which predict a default probability likelihood. Subprime residential mortgage loans are often made through special loan underwriting programs, e.g., loan programs for borrowers with tainted credit histories, and high debt-to-income and loan-to-value ratios, through unique subsidiaries, identified in distinct ledger accounts or as stratified in a loan servicing system. However, subprime residential mortgage loans do not include loans made to borrowers with temporary or minor credit problems or loans made under an affordable housing program.

~ more ~

“Nontraditional residential mortgage loans” are defined as mortgage loans that allow borrowers to defer payment of principal or interest. These loans, also referred to as “alternative” or “exotic” mortgage loans, might be interest-only loans, payment-option loans, or negative-amortization loans, or have other features, such as, but not limited to, variable interest rates with below-market introductory rates, simultaneous second-lien loans, and reduced documentation to support the repayment capacity of the borrower. Nontraditional residential mortgage loans exhibit characteristics that may result in increased risk relative to traditional mortgage loan products. They may pose even greater risk when granted to borrowers with undocumented or undemonstrated repayment capacity, e.g., low or no documentation loans, or credit characteristics that would be characterized as subprime. The potential for increased risk is particularly true if the nontraditional residential mortgage loans are not underwritten to the fully indexed payment rate.

Please be aware that such subprime or nontraditional assets will be accepted as qualifying collateral only on a case-by-case basis after reviews implemented through our normal on-site collateral audit process.

Please make any necessary adjustments and return this form, signed by your CEO, by **October 19, 2007**, to the address listed below. Please note that failure to return this form by the date requested will result in an interruption of your institution’s access to FHLBank Pittsburgh’s credit products.

Dennis Bridge, Senior Collateral Analyst
Federal Home Loan Bank of Pittsburgh
601 Grant Street
Pittsburgh, PA 15219-4455

Questions regarding these materials should be directed to John Murphy, Collateral Manager, at 412-288-7687, or Dennis Bridge, Senior Collateral Analyst, at 412-288-3491. Thank you for your cooperation and continued use of FHLBank’s credit products and services.

David A. Manganaro
Manager, Collateral