

# Master Letters of Credit for Public Unit Deposits

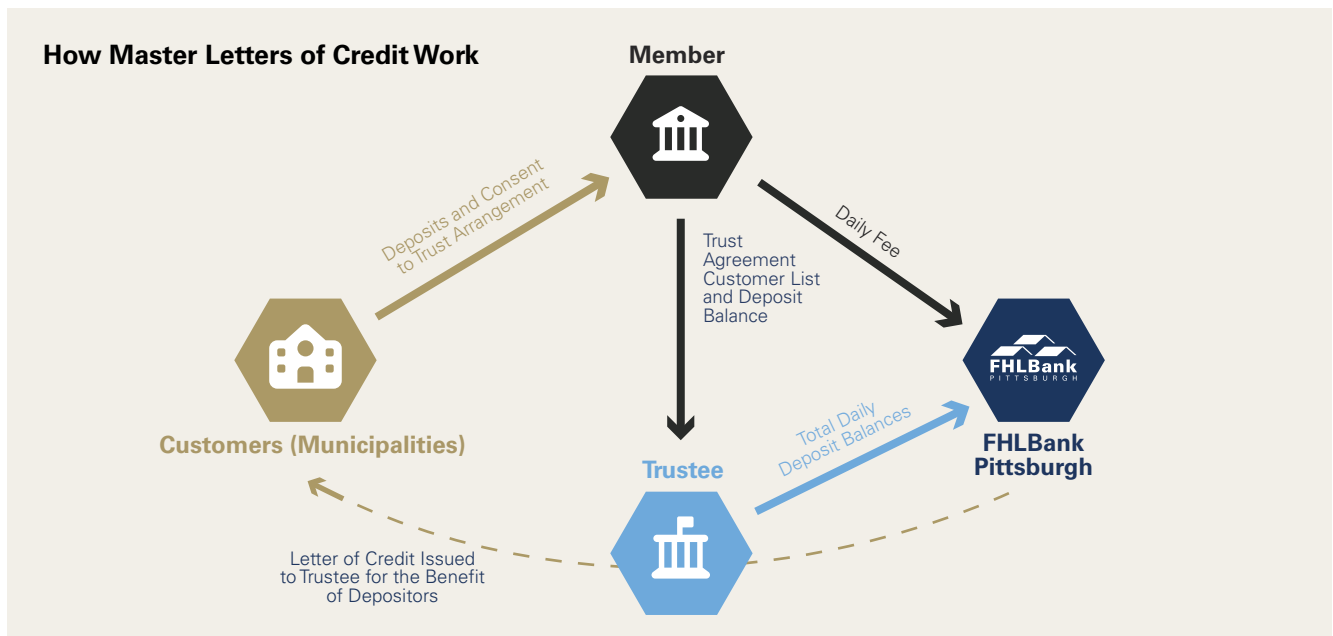
FHLBank Pittsburgh, an entity rated Aa1/AA+,\* issues standby letters of credit (LCs) on behalf of members as an alternate source of collateral for securing public unit deposits in excess of deposit insurance thresholds. Master LCs allow members to support the fluctuating deposit balances of multiple public entities via a trust arrangement.

## Operational Requirements

- FHLBank's approval of LC transaction
- Execution of a Master Reimbursement Agreement and Addendum
- Execution of Trust Agreement and consent of Depositor to trust arrangement
- Coordination of daily secure file transfer with Trustee and FHLBank
- Data files that include: date, account number and deposit balance
- Member compliance with Depositor reporting requirements, if any

## How it Works\*\*

- LC is issued to the member's Trust Department or third-party trustee
- Fee and capital stock requirements are based on the LC maximum amount on day one, and on actual balances thereafter
- Maximum borrowing capacity is reduced by maximum amount of LC
- LC maximum amount can be amended upward or downward



## Master LC Benefits for Members

- **Lower Fees** – Daily balances provide the exact coverage level needed, which can minimize fees
- **Less Monitoring** – Automated file transfers eliminate manual processing
- **Operational Efficiency** – Consolidates multiple LCs into a single LC

\*According to Moody's and Standard & Poor's, respectively.

\*\*Note: Completing a master LC transaction may take up to several weeks, depending on the availability of member-supplied information.



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