



# Membership Update: COVID-19 Impact

April 7, 2020

# Agenda

- State of the Bank and Operations  
*Winthrop Watson, President and CEO*
- Credit and Collateral Update  
*Mike Rizzo, Chief Risk Officer*
- Mortgage Partnership Finance<sup>®</sup> (MPF<sup>®</sup>) Program Update  
*Mark Evancko, Senior Director, Business Development and Strategy*
- Government Stimulus Update  
*Dana Yealy, Chief Strategic Initiatives Officer*
- Community Investment Product Update  
*John Bendel, Senior Director, Community Investment*
- Closing Comments and Questions  
*Winthrop Watson, President and CEO*

*"Mortgage Partnership Finance," "MPF" and "MPF Xtra" are registered trademarks of the Federal Home Loan Bank of Chicago.*

*In these challenging times, we hope for the well-being of our members, their staff, their families and the communities that they serve.*

# State of the Bank and Operations

## **We are a reliable liquidity source focused on members' business**

- Strong liquidity position to satisfy member demand
- Nearly 100 percent of our staff is working remotely
- Repository for our updates: [www.fhfb-pgh.com/Coronavirus-Updates](http://www.fhfb-pgh.com/Coronavirus-Updates)

## **Focus of today's call is business operations**

- Evolving credit and collateral practices
- MPF Program changes
- Community investment product flexibility
- Meeting the dynamic needs of our membership

## **First quarter financial performance press release on April 29, followed by member earnings call on May 5**

- Continue to be well-capitalized
- Total advances grew \$12 billion, or 19 percent
- MPF Program fundings exceeded \$300 million

# Forward-Looking Statements

*Disclaimer: The prior slide reflects unaudited preliminary financial information, prepared as of April 7, 2020, in advance of the formal closing of the Bank's quarter-end financial books. It is not intended as a full business or financial review. Statements contained in this document may be "forward-looking statements." The Bank cautions that, by their nature, forward-looking statements involve risk or uncertainty and that actual results could differ materially.*

# Credit and Collateral Update

# Credit and Collateral – Recent Changes

## Collateral Policy Changes

- Expanded eligibility for loans past due from 30 to 89 days
- Accepting performing Troubled Debt Restructurings (TDRs)
- Allowing forbearance up to 12 months
- Accepting electronic documentation for modifications

## Other

- On-site collateral reviews postponed; working on imaged reviews
- QCR filing deadline extended, recognizing Call Report delays
- LIBOR-linked collateral
  - Member reporting delayed to Sept. 30; members with reporting capability may begin reporting now (March 31, 2020)
  - Best practice would be to minimize this collateral

# Credit and Collateral – Future Considerations

## Collateral Capacity

- Membership using only 40 percent of Maximum Borrowing Capacity (MBC); CFIs at only 20 percent
- Talk to us – we want to help

## Member Credit

- Credit very strong
- More capital today
- Average rating 2.2 for borrowing members (1-10 scale)

## Collateral Haircuts

- No current plans to change
- Based on stressed scenarios
- Market conditions could lead to adjustments
- Fair value price reductions will drive margin calls

## Other Considerations

- Process to manage loan modification volume
- Acceptance of electronic originations

# MPF Program Update

# Mortgage Partnership Finance (MPF) Program

## **MPF Traditional and MPF Xtra products continue to provide alternatives to holding long-term fixed-rate loans**

- Forbearance available for impacted borrowers
- Servicers must suspend foreclosure sales/evictions for next 60 days
- Temporary guidance provided for:
  - Employment verifications
  - Desktop or exterior-only appraisals for some transactions
  - Remote Online Notarization
- Delivery extension fee relief for MPF Traditional Program
- Wet-ink signatures still required on note and security instrument

## **MPF Direct program for jumbo loans is currently unavailable**

**Dedicated section to COVID-19 related updates are available on the MPF Program Website ([www.fhlbmpf.com](http://www.fhlbmpf.com))**

# **MPF Program – Future Considerations**

## **Additional relief for impacted borrowers being assessed**

- Enhanced forbearance terms

## **Additional underwriting guidance likely to match other GSEs**

## **MPF Team available to provide support**

# **Government Stimulus Update**

# Evolving U.S. Federal Government Stimulus

## CARES Act

### Title I - Paycheck Protection Program

- SBA Guarantee loans
  - Not currently eligible collateral
  - The Bank will lend against other eligible collateral

### Title IV - Main Street Lending Facility

- Federal Reserve facility
  - Facility direct with member banks
  - Rules not published yet

## COVID-19 – Number 4

### Expected later in April

- Five FHLBank provisions proposed
  - SBA Guarantee applies to FHLBanks
  - Expand CFI Asset level to \$10 billion
  - Letters of credit for tax-exempt bonds
  - Expand normal letter of credit authority
  - Government-guaranteed loans as collateral

**Situation remains very fluid – State trade associations have been providing timely resources and updates to our members**

# Community Investment Update

# Community Investment

## **Offering existing products on schedule with no disruption**

- Community Lending Program - \$500M
- First Front Door - \$11M
- Banking On Business (BOB) - \$2.6M

## **Supporting small businesses through BOB**

- Processing 30 BOB loan repayment deferral requests

## **Providing flexibility to members and end-recipients**

**Product details available in the Member Resources section of this presentation**

# Community Investment – Future Considerations

Accelerating and restructuring \$4.8M Home4Good to meet immediate needs for people who are homeless or at risk of homelessness

Monitoring existing product use for possible reallocation of funds

Assessing additional funding for existing and/or new products

# Closing Comments and Questions

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## **Our highest priorities:**

- The health and safety of our staff
- Remaining a reliable and readily available liquidity provider
- Supporting the communities that our members serve
- Assisting our members in this dynamic and challenging environment

We are here to help

Join us on May 5 to discuss our first quarter financial results

(Questions received in advance and open questions)



# Member Resources

# Contact Information

## Member Services (8 a.m. to 5 p.m., Monday through Friday)

800-288-3400, option 2

member.services@fhlb-pgh.com

## Leadership Team

### Winthrop Watson

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### Dave Paulson

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## Business Development Managers

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### Tom Westerlund

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# 2020 Community Investment Products

	Beneficiaries	Amount	Availability	Limits	For More Details	
Housing	<b>Affordable Housing Program (AHP)</b> Grants for members teaming with developers to create affordable housing	Low- and moderate-income households	\$28.5 million*	Competitive round open June 15 - Aug. 11	Per project: \$750,000	<a href="#">AHP webpage</a> Megan Krider 800-288-3400, ext. 4577 <a href="mailto:megan.krider@fhlb-pgh.com">megan.krider@fhlb-pgh.com</a>
	<b>First Front Door (FFD)</b> Grants for home down payment and closing costs for first-time homebuyers	Low- and moderate-income first-time homebuyers	\$12.8 million	First-come, first-served basis, starting March 16	Per member: \$1.92 million cap for first four months  Per homebuyer: 3:1 matching grant, up to \$5,000	<a href="#">FFD webpage</a> Alexa Mascara 800-288-3400, ext. 3427 <a href="mailto:alexa.mascara@fhlb-pgh.com">alexa.mascara@fhlb-pgh.com</a>
	<b>Home4Good</b> Grants for service organizations that serve the homeless	Homeless individuals and families and those at risk of homelessness	At least \$4.8 million	TBD	Allocated by state	<a href="#">Home4Good</a> Kate Swanson 800-288-3400, ext. 7350 <a href="mailto:kate.swanson@fhlb-pgh.com">kate.swanson@fhlb-pgh.com</a>
Economic Development	<b>Banking On Business (BOB)</b> Secondary financing to support small business lending	Small businesses	\$6 million	First-come, first-served basis, starting Feb. 14	Per member: \$600,000  Per business: \$200,000	<a href="#">BOB webpage</a> Kate Swanson 800-288-3400, ext. 7350 <a href="mailto:bob@fhlb-pgh.com">bob@fhlb-pgh.com</a>
	<b>Community Lending Program (CLP)</b> Advances available at discounted rates	Community projects	\$2 billion revolving pool of funds	Available year-round	Per member: \$50 million per year or \$150 million outstanding	<a href="#">CLP webpage</a> Kate Swanson 800-288-3400, ext. 7350 <a href="mailto:clp@fhlb-pgh.com">clp@fhlb-pgh.com</a>