Membership Guidelines

Revised December 14, 2020

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Lending Strength

You can improve your competitive position by taking advantage of the innovative, low-cost financing available to members of the Federal Home Loan Bank of San Francisco (Bank). Our diverse array of credit products can help you:

- Improve profitability
- Facilitate asset/liability management
- Reduce on-balance sheet liquidity
- Lower funding costs
- Broaden product lines
- Control interest rate risk, basis risk, and prepayment risk

We are a leading provider of short-, medium-, and long-term funds to member financial institutions, offering credit products with maturities ranging from one day to 30 years. These products include fixed and adjustable rate loans, known as “advances” and standby letters of credit. Each credit product can be customized to meet your special funding needs using different interest calculations, cash flows, amortization schedules, embedded options, and other features.

The Bank also offers members a competitive alternative to traditional investors when selling residential mortgage loans in the secondary market. The Bank offers the following products under the Mortgage Partnership Finance® (MPF®) Program:

- MPF Original: The member sells fixed rate conventional conforming mortgage loans to the Bank, and the Bank holds them in portfolio.
- MPF Xtra®: The member sells fixed rate conventional conforming mortgage loans for concurrent sale to Fannie Mae.
- MPF Direct: The member sells jumbo mortgage loans for concurrent sale into the secondary market through an exclusive arrangement with Redwood Trust, Inc. The MPF Program has currently suspended its jumbo loan offering.
- MPF Government MBS: The member sells eligible government-insured or government-guaranteed loans, which are then packaged into securities backed by the mortgages and guaranteed by Ginnie Mae. Eligible loans include fixed rate mortgage loans insured or guaranteed by the FHA or the VA or by the USDA through its RHS Section 502 loan program.

(“Mortgage Partnership Finance,” “MPF,” and “MPF Xtra” are registered trademarks of the Federal Home Loan Bank of Chicago.)

The Bank is one of 11 Federal Home Loan Banks (FHLBanks) in the Federal Home Loan Bank System (FHLBank System). We link our members to the worldwide capital markets and maintain a ready supply of liquidity to ensure that funds are immediately available when our customers need them. The FHLBanks issue consolidated obligations (bonds and discount notes) through the FHLBank System’s Office of Finance. Because the consolidated obligations of the FHLBanks are rated Aaa by Moody’s Investors Service and AA+ by Standard & Poor’s, the FHLBanks are able to raise funds at rates that are close to Treasury security yields.

Membership Requirements

Bank membership is available to the following types of financial institutions:

- Federally insured commercial banks, savings institutions, and industrial loan companies
- Credit unions, including:
  - Federally insured credit unions
  - Non-federally insured, state-chartered credit unions
  - Credit unions that are certified by the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of the Treasury.
- Community development loan funds and venture capital funds that are certified by the CDFI Fund. For the purpose of this document, these organizations are referred to as “CDFIs.”
- Insurance companies (excluding captive insurance companies)

Holding companies for depository institutions are not eligible for membership as CDFIs.

To become a member of the Bank, applicants must meet various requirements, including:

- Principal place of business requirements
- Statutory and regulatory eligibility requirements
- Underwriting review standards
- Stock purchase requirement

Before completing the member application, please review the requirements described here to determine whether your institution meets each one. If you have any questions about these membership eligibility requirements, please contact our Member Services Desk at 415-616-2500 or one of the Bank’s Relationship Managers:

- Steve Cibull, Managing Director, Member Business
  (415) 616-2535, cibulls@fhlbsf.com
- John McCormack, Senior Vice President, Member Business
  (415) 616-2755, mccormaj@fhlbsf.com
- Mona Tavss, Managing Director, Member Business
  (415) 616-3798, tavssm@fhlbsf.com
- Tom Wilson, Managing Director, Member Business
  (415) 616-2748, wilsont@fhlbsf.com

Principal Place of Business Requirements

Bank membership is available only to institutions that have their principal place of business in the states of Arizona, California, or Nevada, the three states that make up the 11th District of the Federal Home Loan Bank System.

An applicant’s principal place of business is generally the state where it maintains its home office (as established in conformity with the laws under which the institution is organized) and where it conducts some business operations. For commercial banks, credit unions, and savings institutions, the principal place of business is typically the state where the applicant’s designated home office is located because the applicant generally conducts some portion of its lending and deposit taking business from that home office.

If an applicant cannot meet the general test described above, the principal place of business can be determined as the state that satisfies all of the following three criteria:

- At least 80% of the applicant's books and records are located in the designated state;
- The majority of its board of director and committee meetings are conducted in the designated state; and
- The majority of its five highest paid officers have their place of employment located in the designated state.

For CDFI and insurance company applicants that cannot meet either of the above principal place of business tests, the principal place of business will be determined as the state where the applicant actually conducts the predominant portion of its business activities. The Bank may deem an institution to conduct a "predominant portion of its business activities" in a particular state if any two of the following three factors are present:

- The largest office, by number of employees, is located in the designated state
- A plurality of employees have their place of employment located in the designated state
- A plurality of senior executives have their place of employment located in the designated state

If the Bank cannot designate a state as the location from which a CDFI or insurance company applicant actually conducts a predominant portion of its business, then the Bank will designate the state of incorporation for CDFIs and the state of domicile for insurance companies as the principal place of business for that institution.

Eligibility Requirements

The eligibility requirements for joining the Bank are:

1. **Duly Organized:** The applicant is duly organized under federal, state, or tribal laws.

2. **Subject to Inspection and Regulation:** The applicant must meet the following requirement:
   - Commercial Banks, Credit Unions, Savings Institutions, Industrial Loan Companies, and Insurance Companies: The applicant is inspected and regulated under state or federal banking or similar laws.
   - CDFIs: The applicant is certified by the CDFI Fund.

3. **Makes Long-Term Home Mortgage Loans:** The applicant either originates or purchases long-term home mortgage loans (loans with an original term-to-maturity of five years or more) that are secured with a first lien on the underlying residential real property. An applicant may also qualify by purchasing and holding mortgage-backed securities (MBS) representing an undivided interest in long-term home mortgage loans.

4. **10% Requirement:** The applicant must meet the following requirement:
   - **Commercial Banks, Savings Institutions, and Industrial Loan Companies:** If the applicant is not a Community Financial Institution (CFI), it must have at least 10% of its total assets in residential mortgage loans, excluding securities sold under repurchase agreements. A CFI is an FDIC-insured depository institution with average total assets for the preceding three-year period of less than $1,199 million (as of January 1, 2019). The total average assets calculation is based on the institution's regulatory financial reports filed with its regulator for the most recent calendar quarter and the immediately preceding 11 calendar quarters. CFIs are exempt from the 10% requirement.
   - **Credit Unions:** The applicant has at least 10% of its total assets in residential mortgage loans.

- **Insurance Companies and CDFIs:** Not subject to the 10% requirement but must demonstrate a commitment to housing finance (see "Home Financing Policy" below).

For the purpose of the 10% requirement, residential mortgage loans generally include:

- Loans secured by first or junior liens on one- to four-family property or multifamily property (including nursing homes, dormitories, and retirement homes)
- Home equity loans
- MBS (Note: Assets used to secure mortgage debt securities are not to be included.)
- Manufactured housing loans
- Funded residential construction loans
- Loans to finance commercial and economic development activities, including non-residential mortgage loans and commercial loans that benefit targeted beneficiaries or targeted income levels that would satisfy the Community Investment Cash Advance (CICA) regulation of the FHLBank System

5. **Financial Condition:** The applicant's financial condition is such that the Bank may safely make advances to it.

6. **Regulatory Examinations:** The applicant must meet the following requirement:
   - **Commercial Banks, Credit Unions, Savings Institutions, and Industrial Loan Companies**: The applicant has a composite regulatory examination rating of 1, 2, or 3 on its most recent examination, and the examination occurred within the last two years.
   - **Insurance Companies**: The applicant has received a satisfactory regulatory report on its most recent examination, if applicable.
   - **CDFIs:** Not applicable.

7. Home Financing Policy (including CRA for certain charter types): The applicant must show that its home-financing policy is consistent with sound and economical home financing and meet the following requirement:
   - **Commercial Banks, Savings Institutions, and Industrial Loan Companies**: The applicant has a CRA rating of Outstanding or Satisfactory on its most recent examination. (Does not apply to de novo applicants.)
   - **Credit Unions, Insurance Companies, and CDFIs**: The applicant must have mortgage-related assets that reflect a commitment to housing finance, as determined by the Bank in its discretion. In addition, the applicant must submit as part of their membership application a written justification acceptable to the Bank of how and why their home financing policy is consistent with the FHLBank System's housing finance mission. Non-insured depository applicant must have (a) residential mortgages on single or multifamily properties in an amount equal to 10% of total loans as reflected on the applicant's audited or statutory financial statements; or (b) "residential mortgages loans," as defined in §1263.1, which are comprised of single family and multifamily mortgages, mortgage backed-securities (passthrough and collateralized mortgage obligations), and home equity loans that equal 5% of total assets or total admitted assets as designated for insurance companies and CDFIs.

8. **Capital:** The applicant meets or exceeds all current minimum statutory and/or regulatory capital requirements.

9. **Earnings:** The applicant must meet the following requirement:
   - Commercial Banks, Credit Unions, Savings Institutions, Industrial Loan Companies, and Insurance Companies: In general, the applicant has been profitable in at least four of the last six quarters.

- CDFIs: In general, the applicant has positive net income on a rolling three-year average basis.

10. **Net Asset Ratio (CDFIs only):** The applicant has a ratio of net assets to total assets of at least 20%, with net and total assets including restricted assets, where net assets are calculated as the residual value of assets over liabilities and is based on the information derived from the applicant's most recent financial statement.

11. **Loan Loss Reserves (CDFIs only):** The applicant has a ratio of loan loss reserves to loans and leases 90 days or more delinquent (including loans sold with full recourse) of at least 30%, where loan loss reserves are a specified balance sheet account that reflects the amount reserved for loans expected to be uncollectible and are based on the applicant's most recent financial statement.

12. **Liquidity (CDFIs only):** The applicant has an operating liquidity ratio of at least 1.0 for the four most recent quarters, and for one or both of the two preceding years, where the numerator of the ratio includes unrestricted cash and cash equivalents and the denominator of the ratio is the average quarterly operating expense for the four most recent quarters.

13. **Audit Opinion:** The applicant has received an unqualified opinion from its external auditor relating to the most recent audit of its financial statements. If a depository applicant is unable to provide recent audited financial statements then the Bank may consider one of the following, listed in order of preference.
    - A recent independent audit of the applicant's parent holding company;
    - The most recent directors' examination of the applicant conducted by a certified public accounting firm;
    - The most recent review of the applicant's financial statements by external auditors;
    - The most recent compilation of the applicant's financial statements by external auditors; or
    - The most recent audit of other procedures of the applicant.

14. **Character of Management:**
    - Commercial Banks, Credit Unions, Saving Institutions, Industrial Loan Companies, and Insurance Companies: The applicant must show that the character of its management is consistent with sound and economical home financing and meet the following requirements:
        - **Enforcement Actions:** Neither the applicant nor any of its directors or senior officers is subject to, or operating under, any enforcement action instituted by its regulators. (If an enforcement action exists, the applicant should provide a description of the enforcement action, the status of the action and the progress made in complying with the terms of the action.)
        - **Criminal, Civil, and Administrative Proceedings:** Neither the applicant nor any of its directors or senior officers has been the subject of any relevant criminal, civil, or administrative proceedings reflecting on creditworthiness, business judgment, or moral turpitude since the last regulatory examination.
        - **Monetary Liabilities, Pending Lawsuits, and Unsatisfied Judgments:** There are no known potential monetary liabilities, material pending lawsuits, or unsatisfied judgments against the applicant or any of its directors or senior officers that are significant to the applicant's operations since the last regulatory examination.
    - **CDFIs:** The applicant must meet the following requirements:
        - **Criminal, Civil, and Administrative Proceedings:** Neither the applicant nor any of its directors or senior officers has been the subject of any relevant criminal, civil, or administrative proceedings reflecting on creditworthiness, business judgment, or moral turpitude in the last three years.

- **Monetary Liabilities, Pending Lawsuits, and Unsatisfied Judgments:** There are no known potential monetary liabilities, material pending lawsuits, or unsatisfied judgments against the applicant or any of its directors or senior officers that are significant to the applicant's operations in the last three years.

Stock Purchase Requirement

Each member is required to hold capital stock in the Bank equal to the greater of:

- A membership stock requirement; or
- An activity-based stock requirement.

The membership stock requirement is 1.0% of a member's "membership asset value." Membership asset value is determined by multiplying the amount of the member's membership assets by the applicable membership asset factors. Membership assets are assets, other than Bank capital stock, that could qualify as collateral to secure a member's indebtedness to the Bank, whether or not the assets are pledged to the Bank or accepted by the Bank as eligible collateral. The membership stock requirement is capped at $15 million.

To determine your initial stock purchase requirement, please use the applicant's bank stock calculation form that corresponds to your charter type.

The activity-based stock requirement is 2.7% of the member's outstanding advances and 0.10% of outstanding Letters of Credit. The activity-based stock requirement for outstanding mortgage loans purchased and held by the Bank is 0.0%. We may adjust our capital stock requirements from time to time within limits established in our Capital Plan.

Applicants should review the Capital Plan for a complete description of the member's capital requirements, both of which are incorporated in this document by reference, are included with the membership application materials, and are posted on our public website and member portal.

In connection with the purchase of stock, you should review our most recent annual and quarterly reports, which are available on the Bank's public website.

Withdrawal from Membership

A member may withdraw from membership upon five years' written notice to the Bank. During the five-year period, the member must continue to meet its minimum stock requirement. During this period, we may limit a member's ability to enter into transactions with the Bank, including advances that would extend past the termination of membership.

Once a member leaves the FHLBank System, it may not rejoin for five years. The former member's Bank stock will be redeemed at par after termination of its membership, subject to the repayment of any outstanding credit and the payment of any prepayment fees, and any other requirements specified in the Capital Plan. Following the termination of membership, the former member will continue to be subject to the activity-based stock requirement for any continuing Bank activity (including advances that remain outstanding and the portion of any mortgage loan sold by the member to the Bank that is still owned by the Bank).

Accessing Bank Products and Services

The following factors determine the maximum amount and maximum term of a member's borrowings from the Bank:

- The member's financial condition
- The amount and type of collateral pledged
- The level of residential housing finance assets held by the member
- Whether the member has met the statutory and regulatory community support requirement
- The amount of Bank capital stock owned by the member

Financing Availability

We establish a "financing availability" for each member based on a thorough underwriting of the applicant's creditworthiness. This financing availability defines the maximum amount and maximum term for Bank credit without additional review and approval by the Bank. If an applicant wants to increase its financing availability, its request will be reviewed by our Credit Committee.

A member's financing availability is subject to review and change at any time. When establishing or reviewing a member's financing availability, we rely on the following:

- Financial information provided by the member
- Most recent quarterly financial reports filed by the member with its primary regulator
- Regulatory examination reports and known regulatory enforcement actions, if applicable
- Public information
- Information requested directly from the member, if needed

The Bank may obtain credit and other information regarding a member from federal and state agencies with regulatory authority over the member. The Bank may also share credit and other information regarding a member with the member's regulators pursuant to information sharing agreements between the Bank and regulators.

Collateral

Each member must pledge sufficient collateral to secure its Bank borrowings, letters of credit, and certain other member obligations to the Bank. For each member, we determine the maximum amount the member may borrow against its pledged loan collateral, known as the "borrowing capacity." For real estate loan collateral, the borrowing capacity is calculated by applying a borrowing capacity percentage to the assigned market value of the eligible collateral, as determined by the Bank. The borrowing capacity assigned to individual members varies according to several factors, including:

- Collateral type
- Pledging method used (specific identification or blanket lien)
- Amount of loan data provided (detailed or summary reporting)
- Value assigned to the collateral
- Member's financial strength and condition
- Type of member
- Results of the Bank's field review of the member's collateral

- Member-specific risks in a member's pledged loan portfolio, including risks associated with loan portfolios that exceed $3 billion or have collateral concentration risks
- Amount of support collateral (under blanket lien pledging)

All members are eligible to pledge the following collateral types:

- Treasury securities
- Agency securities
- AAA-rated senior commercial MBS (publicly registered)
- Bank term deposits
- Residential first lien mortgage loans without negative amortization
- Multifamily first lien mortgage loans
- Commercial first lien mortgage loans
- Retained participations in first lien mortgage loans (residential, multifamily, and commercial)

In addition, commercial banks, credit unions, savings institutions, and industrial loan companies may also pledge:

- AAA and AA-rated senior residential MBS (publicly rated or private placement)
- AAA and AA-rated subordinated and mezzanine residential MBS (publicly rated)
- AAA-rated senior, subordinated, and mezzanine home equity loan asset-backed securities (publicly rated)
- AA-rated subordinated and mezzanine home equity loan asset-backed securities (publicly rated)
- AAA-rated subordinated and mezzanine commercial MBS (publicly rated)
- AAA- and AA-rated mortgage-related municipal bonds
- Tax-exempt mortgage backed securities (TEMS)
- Residential first lien mortgage loans with negative amortization
- Residential second lien mortgage loans on single-family properties
- Home equity lines of credit (HELOCs)
- Purchased participations in first lien mortgage loans (residential, multifamily, and commercial)

CFIs may also pledge small business, small farm, and small agribusiness loans.

All securities collateral must be delivered to the Bank's custodian. Commercial banks, credit unions, savings institutions, and industrial loan companies are generally allowed to maintain physical possession of pledged loan collateral, while insurance companies, CDFIs, and de novo institutions are required to deliver loan collateral to the Bank. The Bank may require delivery of loan collateral from a member at any time (for example, if the member's financial condition has deteriorated, the Bank's priority in the collateral is in question, or the Bank deems itself insecure).

The Bank assigns a market value to the real estate loan collateral pledged by members based on market value prices obtained from external pricing sources on a quarterly basis. As part of the field review process, the Bank also prices a sample of the member's pledged loans based on the additional information gathered during the field review. The Bank may increase or decrease the market value it assigns to a member's pledged loan collateral based on the member's field review sample loan pricing results.

In general, the borrowing capacities the Bank assigns to U.S. Treasury securities and most agency securities range from 90% to 98% of their market value. The borrowing capacities assigned to private-label MBS, which must be rated AAA or AA when initially pledged, generally range from 55% to 80% of their market value, depending on the underlying collateral (residential mortgage loans, home equity loans, or commercial real estate loans), the rating, and the subordination structure of the respective securities.

As of December 14, 2020, the Bank's maximum borrowing capacities as a percentage of the assigned market value of mortgage loan collateral pledged under blanket lien with detailed reporting is 85% for residential first lien mortgage loans, 81% for multifamily first lien mortgage loans, 81% for commercial first lien mortgage loans, and 70% for second lien residential mortgage loans. The maximum borrowing capacity for small business, small agribusiness, and small farm loans, available to our CFI members, is 25% of the unpaid principal balance

Collateral Review

For members that pledge loan collateral, Bank staff will periodically conduct a field review of the loan collateral at the member's offices or remotely, if available, at no cost to the member.

Field reviews are usually scheduled within six months to a year after the member initially borrows from the Bank and every 6 to 36 months after that, depending on the financial condition of the member, its borrowing level, and the findings of the previous review. Results of the field review will be used to determine collateral eligibility and whether it is necessary to adjust the member's borrowing capacity.

For more detailed information on the Bank's collateral requirements and procedures, please refer to the Bank's Collateral Guide.

UCC-1 Financing Statement

The Bank perfects its security interest in all pledged collateral by filing a UCC-1 financing statement for each member with the applicable Secretary of State or filing office or by requiring delivery of pledged collateral.

The financing statement covers only assets that a member actually pledges to the Bank and in which a security interest can be perfected by the filing of a financing statement. Although some members may not have any collateral pledged to the Bank that can be perfected by the filing of a financing statement, the Bank files a financing statement for each member to ensure that each member will be able to borrow against any loan collateral that it pledges in the future. The Bank's filing of a financing statement does not affect assets that are not pledged to the Bank.

With respect to a member's relationship to other secured creditors, the Bank relies, among other things, on the member's representations and warranties that while collateral is pledged to the Bank, it is not pledged to any other party or creditor. Members that pledge to another creditor the same types of loan collateral as they pledge to the Bank may be required to sign an Intercreditor Agreement, a security agreement amendment, or a Subordination Agreement to eliminate any ambiguity regarding the pledged collateral and protect the Bank's perfected security interest in the collateral.

Limits on Long-Term Advances

The total amount of long-term advances the Bank may extend to a member may not exceed the total amount of residential housing finance assets held by the member. For this purpose, long-term advances are defined as advances with an original term to maturity greater than five years. Residential housing finance assets are defined by FHLBank System regulation and generally include:

- Loans secured by residential real property
- Participations in loans secured by residential real property
- MBS
- Loans that may be financed by advances offered under the Bank's CICA credit programs—the Advances for Community Enterprise (ACE) Program and the Community Investment Program (CIP)
- Loans secured by manufactured housing

For CFIs, residential housing finance assets also include small business, small farm, and small agribusiness loans.

Community Support Requirement

To maintain access to advances with an original term to maturity greater than one year and to the Bank's AHP and CICA credit programs, Bank members are required to submit a "Community Support Statement" to the Federal Housing Finance Agency approximately once every two years. This statement usually consists of a copy of the public portion of the member's CRA performance evaluation (if required by the member's regulator), evidence of its assistance to first-time homebuyers, and any additional information about its community support efforts.

Note: CDFIs are exempt from this requirement because they are certified by the CDFI Fund.

The Bank is eager to work with you to help you fulfill this statutory requirement. The Bank's Community Investment Department provides technical assistance to all interested members. Our Affordable Housing Program (AHP), Individual Development and Empowerment Account (IDEA), Workforce Initiative Subsidy for Homeownership (WISH), Access to Housing and Economic Assistance for Development (AHEAD), CIP, and ACE programs may also interest members that want to expand their involvement in affordable housing and community economic development activities.

Stock Purchases to Support Bank Borrowings

All of a member's borrowings from the Bank must be supported by capital stock holdings. The activity-based stock requirement is 2.7% of the member's outstanding advances. We may adjust this requirement from time to time within limits established in our Capital Plan.

Application Process

To apply for Bank membership, you must complete all of the required application forms and exhibits that are included in the Membership Application.

If you have any questions regarding the application process, please call one of the Relationship Managers listed on page 2.

Overview of the Application Process

- You submit all required membership application forms, agreements, and exhibits to the Bank.
- Once the Bank receives the application materials, the Bank requests a copy of your most recent regulatory examination report from your primary regulator (this does not apply to CDFIs). Examination reports must be provided directly to the Bank by the regulator and may not be submitted by the applicant.
- Bank staff reviews the application for completeness and may request additional information as needed.
- Once the Bank receives the regulatory examination report and the application is deemed complete, the Bank determines whether your institution meets all of the statutory and regulatory eligibility requirements and underwriting review standards for membership.
- The Bank notifies your institution of membership approval or denial within 60 days after the application is deemed complete, as determined by the Bank
- Privately insured, state-chartered credit unions that are not certified by the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of the Treasury must request a determination from the appropriate supervisor of the chartering state that “the credit union meets all the eligibility requirements for federal deposit insurance as of the date of the application for membership.” The Bank may approve the membership application if it receives:
  - An affirmative response from the state supervisor
  - A written statement from the state supervisor that it cannot or will not make such a determination
  - A written statement from the applicant that it has not received any response from the state supervisor within six months from the date of its request.
- If your institution is approved for membership, you wire the amount of your stock purchase requirement – as calculated on the Applicant’s Bank Stock Calculation worksheet – to your newly opened Settlement/Transaction Account within 60 calendar days after membership approval.

Appendix A: Frequently Asked Questions

Structure of the Bank and the FHLBank System

Q. What is the Federal Home Loan Bank of San Francisco?

A. The Bank is a federally chartered corporation and one of 11 Federal Home Loan Banks (FHLBanks) in the Federal Home Loan Bank System (FHLBank System). The Bank's members are headquartered in Arizona, California, and Nevada, the three states that make up the FHLBank System's 11th District. The Bank's members include commercial banks, credit unions, industrial loan companies, savings institutions, insurance companies, and community development financial institutions (CDFIs).

Within FHLBank System guidelines, each FHLBank's policies are based on its Board of Directors' and management's determination of the needs of the individual FHLBank. As a result, the Bank's policies may differ from those of other FHLBanks.

The Bank's mission is to enable families and individuals of all income levels to obtain quality housing and become homeowners by providing wholesale products and services that help member financial institutions expand the availability of mortgage credit, compete more effectively in their markets, and foster strong and vibrant communities through community and economic development.

Q. What is the FHLBank System?

A. The FHLBank System was created by Congress in 1932 to promote housing finance nationwide and is made up of the 11 FHLBanks, the Office of Finance, and the financial institutions that are members of the FHLBanks. The FHLBanks are regulated by the Federal Housing Finance Agency.

Q. Where are the FHLBanks located and what geographic areas do they serve?

A.

District	Bank	States Served
First	Boston	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
Second	New York	New Jersey, New York, Puerto Rico, Virgin Islands
Third	Pittsburgh	Delaware, Pennsylvania, West Virginia
Fourth	Atlanta	Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia
Fifth	Cincinnati	Kentucky, Ohio, Tennessee
Sixth	Indianapolis	Indiana, Michigan
Seventh	Chicago	Illinois, Wisconsin
Eighth	Des Moines	Alaska, Hawaii, Idaho, Iowa, Minnesota, Missouri, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming, Guam, Pacific Islands
Ninth	Dallas	Arkansas, Louisiana, Mississippi, New Mexico, Texas
Tenth	Topeka	Colorado, Kansas, Nebraska, Oklahoma
Eleventh	San Francisco	Arizona, California, Nevada

Q. Who manages the individual FHLBanks?

A. Each FHLBank has a board of directors made up of member and independent directors who are all elected by the members of the Bank.

Q. What is the Federal Housing Finance Agency (Finance Agency)?

A. The Finance Agency, an independent federal agency in the executive branch of the U.S. government, regulates and supervises the 11 FHLBanks, the Office of Finance, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac). The Finance Agency was created on July 30, 2008, when the President signed into law the Housing and Economic Recovery Act of 2008. Previously, the FHLBanks were regulated by the Federal Housing Finance Board. With respect to the FHLBanks, the Finance Agency's role is to ensure that the FHLBanks carry out their housing finance mission, remain adequately capitalized, are able to raise funds in the capital markets, and operate in a safe and sound manner.

Q. What is the Office of Finance?

A. The FHLBanks have delegated to the Office of Finance, a joint office of the FHLBanks, responsibility for facilitating and executing the issuance of the consolidated obligations of the FHLBanks. The Office of Finance coordinates the issuance of consolidated obligations in the capital markets, services all outstanding debt, and serves as a source of information for the FHLBanks on capital market developments.

Membership

Q. What types of institutions can become members of the FHLBank System?

A. The following types of institutions may become members of the FHLBank System:

- Federally insured depository institutions, including commercial banks, savings institutions, and industrial loan companies
- Credit unions, including:
  - Federally insured credit unions
  - Privately insured, state-chartered credit unions
  - Credit unions that are certified by the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of the Treasury.
- Community development loan funds and venture capital funds certified as community development financial institutions by the CDFI Fund of the U.S. Department of the Treasury
- Insurance companies (excluding captive insurance companies)

Q. What is a Community Financial Institution (CFI)?

A. A CFI is an FDIC-insured depository institution with average total assets for the preceding three-year period of less than $1,244 million (as of January 1, 2020). The total average assets calculation is based on the institution's regulatory financial reports filed with its regulator for the most recent calendar quarter and the immediately preceding 11 calendar quarters.

Taxes and Assessments

Q. Is the Bank subject to taxation?

A. The Bank is exempt from all federal, state, and local taxation except for real property taxes. However, the Bank pays the following assessments, which affect the Bank's net income and may affect the amount available for dividends:

- A share of the FHLBanks' annual assessment for the AHP. The assessment for the FHLBank System is equal to the greater of $100 million or 10% of net income. The Bank's assessment is used to fund its own AHP, a competitive grant program that supports the affordable housing activities of its members.
- A share of the FHLBanks' annual assessment to cover the administrative costs of the Finance Agency and the Office of Finance.

Stock and Dividends

Q. Does the value of Bank stock change?

A. All of the Bank's capital stock is purchased and redeemed at $100 par value. There is no public market for the Bank's stock.

Q. Does the Bank pay dividends in stock or cash form?

A. The Bank pays dividends in cash.

Q. What dividend rates has the Bank paid recently?

A. The annual dividend rates for the last five years are:

2015	12.39
2016	12.33
2017	7.50
2018	8.51
2019	7.00

Please note that historical dividends paid by the Bank are not an indication that the Bank will pay dividends in the future and are not an indication of the dividend rates the Bank will pay in the future, if any.

Borrowing from the Bank

Q. Where does the Bank obtain funds?

A. The Bank raises most of its funds in the public debt markets. The FHLBanks' consolidated obligation bonds and discount notes are sold through the Office of Finance. These consolidated obligations are the joint and several obligations of the 11 FHLBanks. These consolidated obligations are rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's. As a result, the Bank is able to raise funds at rates that are close to rates on U.S. Treasury securities. The Bank's modest administrative costs, among the lowest of any financial institution, allow us to pass these low rates on to our members.

The Bank also accepts deposits from members. Moody's Investors Service has given the long-term deposit obligations of the Bank an Aaa rating.

An additional source of funds is the proceeds of the capital stock purchased by members.

Q. What does a member institution have to do to borrow from the Bank?

A. To access Bank credit, a member must first:

- Execute the required resolutions and agreements
- Complete the necessary purchase of Bank capital stock
- Pledge sufficient collateral

Once the member has completed these steps and the Bank has established a financing availability for the member, the member may borrow from the Bank by calling the Member Services Desk at (415) 616-2500 or by using the Bank's secure online transaction service on the Member Portal from 7 a.m. until 2 p.m. California time on any business day. (A business day is a day on which the Bank is open to conduct credit transactions with its members unless otherwise noted.)

Q. How can a member obtain pricing information on advances?

A. Daily price indications for many of the Bank's credit products are available on the Bank's Member Portal. Prices are subject to change during the day depending on market conditions, the Bank's cost of funds, and other factors. Members can get a current quote on a specific advance transaction by calling the Bank's Member Services Desk at (415) 6162-500 or, for certain advances, by using the Bank's online transaction service on the Member Portal between 7 a.m. and 2 p.m. California time on any business day.

Same-day pricing and/or funding for advances with maturities up to 10 years are available according to your institution's financing availability, subject to market conditions. For advances with maturities greater than 10 years, same-day pricing and/or funding are subject to market execution. For more information, please see the Current Price Indications report on the Member Portal.