



Partnership at Work®

Federal Home Loan Bank (FHLB) of Atlanta Overview



January 2020

Potential Uses of the FHLB Program

Act as a ready source of liquidity

- Manage catastrophic events or unexpected claims payments
- Liquidity management while awaiting receipt of reinsurance recoverables

Lower overall cost of funds

- Minimal cost until used (costs may vary by Bank)
- Benefit from Agency status (FHLB is a government sponsored entity)
- May be used to pay down higher cost surplus notes

Offer greater financial flexibility

- Access to capital markets via FHLB credit window at attractive rates
- Ability to fund a particular project (i.e. new facilities, business opportunities)
- Grow the balance sheet – investment strategies with objective to improve net income

Aid investment portfolio management

- Guard against being forced to sell securities at a loss
- Ability to invest in the capital markets when cash is low, but markets are attractive

Manage ALM risk

Capital Stock Dividend Rates

Year	Annualized Dividend Rate
2017	4.96%
2018	6.16%
2019 (thru Q3)	6.32%

Current Advance Rates

(as of 1/6/2020)

Fixed Rate

Term	Rate
1 year	1.66%
2 year	1.76%
5 year	1.79%

Adjustable Rate

Term	Spread	Rate
1 year	-4 bps	1.83%
3 year	+19 bps	2.06%
3 month LIBOR	--	1.87%

Federal Home Loan Bank of Atlanta

- 1475 Peachtree St., N.E.
Atlanta, GA 30309
<https://corp.fhlbatl.com/>
- David Eckardt
Senior Relationship Manager
(404)-888-5364
DEckardt@fhlbatl.com
- 127 members in Alabama
- 37 insurance company members at FHLB Atlanta

Capital Stock Requirement

- **Membership stock** requirement (subclass B1) is 0.09% of an institution's assets, with a dollar cap of \$15mm
- **Activity-based stock** requirement (subclass B2) is 4.25% of outstanding advances

Source: <https://corp.fhlbatl.com/>; Additional discount rates may apply. Data as of 1/6/2020. The Bank has the ability to adjust membership and activity-based stock requirements.

Estimated Eligible Collateral for LICOA

As of 12/31/2019



	Lendable Collateral Value (LCV) %	LICOA Market Value (\$)	Estimated Borrowing Capacity (\$)
Government and Agency Securities			
U.S. Treasury bills, notes, bonds	97%	982,109	952,646
FHLBank bonds and discount notes	97%	185,762	180,189
Fannie Mae bonds and notes	97%	610,226	591,919
Freddie Mac bonds and notes	97%	-	-
Ginnie Mae bonds and notes	97%	-	-
Fannie Mae mortgage-backed securities	97%	4,398,741	4,266,778
Freddie Mac mortgage-backed securities	97%	-	-
Uniform Mortgage-backed Securities (UMBS)	97%	-	-
Ginnie Mae pass-through securities	97%	-	-
Agency CMOs and REMICs	97%	7,932,485	7,694,511
Municipal Securities			
Municipal Bonds rated A or better, real estate-related	92%	-	-
Other Securities			
Non-agency residential mortgage-backed securities, rated AA or better	85%	-	-
Commercial mortgage-backed securities, conduit, rated AA or better	85%	10,729,267	9,119,877
		24,838,589	22,805,920

Source: <https://corp.fhlbatl.com/>. LICOA holdings as of 12/31/2019.

- When an advance is taken it is considered debt and provides a new form of leverage.
 - Insurance regulation discussions
- An advance is not guaranteed
 - Advances are underwritten at the time of the request
 - Terms for the advance are negotiated at the time of request
- Collateral is restricted when an advance is taken
- Investment in FHLB common shares
- Additional shares of FHLB equity must be purchased (“activity stock”) at time of advance

- If there is an interest in becoming an FHLB member, LICOA would contact FHLB Atlanta to arrange for membership
 - *FAQs on Membership for Insurance Companies*
 - <https://corp.fhlbatl.com/files/documents/insurance-company-membership-FAQ.pdf>
 - *Member Products & Services Guide*
 - <https://corp.fhlbatl.com/files/documents/member-products-and-services-guide.pdf>
 - *Insurance Company Application for Membership*
 - <https://corp.fhlbatl.com/files/documents/insurance-company-membership-application.pdf>
- If LICOA becomes an FHLB member, it would purchase FHLB membership stock equal to 0.09% of LICOA's asset value
- If an advance is taken, LICOA would purchase FHLB activity stock equal to 4.25% of the amount of the advance and collateral would be restricted