FHLB Letters of Credit (LOC)

AAA Rated FHLB letters of credit provide an attractive alternative to using traditional collateral for various transactions.

**Advantages**
- Allows member to utilize FHLB AAA Credit rating
- Enhances member liquidity (substituting LOC for securities as collateralization of public unit deposits and other financial transactions)
- Residential mortgage loans (blanket pledge) can be used as collateral for LOCs with qualifying member institutions

**Eligible Activities**
- The FHLB can issue or confirm standby letters of credit, on behalf of member institutions, to facilitate the following types of business transactions with third parties:
  - Facilitating the financing of residential housing
  - Facilitating community lending
  - Asset / Liability Management
  - Liquidity and other funding needs

**Types of Letters of Credit**
- Stand-By
- Direct Pay
- Stand-By for Public Unit Deposits

**Terms and Conditions**
- Must contain specific expiration date or be for a definite term
- Must be fully collateralized at time of issuance
- Outstanding LOCs are NOT included in the computation of the member’s advances to capital ratio
- Any draw request is subject to a minimum processing fee of $100 - $250
- Any request for transfer is subject to the approval of the Federal Home Loan Bank of Cincinnati

**Required Documentation**
- LOC Security Agreement and Resolution
- Application for LOC

**Pricing**
- Stand-By: 15 basis points + $100
- Direct Pay: 37.5 basis points + $250
- Stand-By for Public Unit Deposits:

<table>
<thead>
<tr>
<th>Average Daily Balance</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $5 Million</td>
<td>15.0 basis points</td>
</tr>
<tr>
<td>$5,000,001 to $25 Million</td>
<td>12.5 basis points</td>
</tr>
<tr>
<td>$25,000,001 and higher</td>
<td>10.0 basis points</td>
</tr>
</tbody>
</table>

**Transaction-Based:**
- 12.5 basis points
- $125 minimum charge