

Comparing Line-of-Credit Providers

	Alloya	FED	FHLB	Commercial Bank
Eligibility	Capitalized credit union member in good standing	Must be "adequately or well capitalized" CAMEL 1,2, or 3 to qualify for "Primary Credit". Many restrictions apply to "Secondary Credit".	Credit Union must originate or purchase first lien one-to-four family residential loans, multifamily residential loans, or mortgage-backed pass-through securities with a term to maturity of at least five years. 10% of assets must be in residential mortgage loans. Positive net income in 4 of most recent 6 quarters. Maximum non-performing loan and minimum levels of loan loss <u>reserve tests</u> .	Most large commercial banks do not lend to Credit Unions under \$1B in assets. Large regional banks may lend to CU's but require a major deposit/transaction relationship.
Restrictions	Limited	The Federal Reserve expects that institutions will not rely on the discount window as a regular source of funding. Though institutions are not required to seek funding elsewhere before requesting primary credit, primary credit is intended to be used mainly on a very short-term basis, usually overnight, as a backup source of funding. Overdrafts, including daylight overdrafts are not permitted. Settlement may be refused and primary regulator notified for continued overdrafts. Daylight overdrafts are monitored each minute.	Must obtain an outside financial statement audit annually and submit to FHLB. A former member may not be readmitted to membership in any FHLBank for a period of five years from the date on which membership was terminated and all of its stock was redeemed or repurchased.	Generally restricted to short term funding needs.
Collateral	Flexible all assets pledge.	The Federal Reserve recommends that institutions pledge collateral to the Discount Window before a need to borrow arises. In general, it is not operationally feasible to pledge collateral on the day a loan is requested. Acceptable collateral must be pledged to the Discount Window and placed in a loan collateral account before an advance is made. The following types of assets are most commonly pledged to secure advances: various loan types, bonds, money market instruments, US Government agency or GSE securities, US Treasuries, CMOs	Lien free, performing residential real estate loans reduced by a lending margin depending on the collateral type (owner-occupied, investment, conventional, sub-prime, agricultural etc.). Must obtain an outside financial statement audit annually and submit to FHLB. Must submit quarterly collateral reports (or more often if requested).	Generally restricted to a specific pledge of securities, sometimes loan pools and sometimes a combination. Daily, weekly or monthly collateral reporting required. May include collateral audits on site and audit fees.
Capital and Fees	Required based on settlement activity or desired line of credit amount. Line of credit limit is 30x contributed capital	No capital required	0.20% of the Mortgage-related Assets held by the Member recalculated each March based on previous year-end financial information. Each Member is also required to purchase Activity-Based Stock currently in an amount equal to 4.50% of the dollar amount of any outstanding advances. A member that intends to withdraw from membership voluntarily must send a written withdrawal notice to the FHLB. As a general rule, withdrawal becomes effective and capital stock is redeemed at par value payable in cash five years following the date on which the FHLB received the withdrawal notice.	No capital required. Compensating balances or primary banking accounts may be required. Origination fees, non-use fees and strict reporting requirements are common, especially for collateral.
Rate %	Varies depending on use, currently 1.19 to 1.99	0.75 to 1.25	0.24 to .50	LIBOR plus 150, P - 0.25 = 1.70 to 3.00
Committed	No	No	No	Not without the payment of a commitment fee and meeting loan covenants
Reliability	In previous 30+ year history, have never refused to advance funds under an existing line to cover settlement. Line works as an "overdraft protection" automatically covering settlement.	Reliable as long as all borrowing conditions are met. May refuse advances or settlement for unexpected overdraft situations. All advances must be obtained in advance, does not work as an "overdraft protection".	Reliable as long as collateral and other conditions are met. All advances must be obtained in advance, does not work as an "overdraft protection".	Not reliable. Historically, non-committed bank lines (and some committed lines) have been suspended or closed without notice due to the condition of the bank, markets or for unknown reasons. All advances must be obtained in advance, does not work as an "overdraft protection" unless CU maintains its primary settlement at bank. Overdraft fees still apply for each item.