

Benefits

About the Excess Balance Account

The Excess Balance Account (EBA) is a safe, off-balance sheet account housed at the Fed which pays competitive interest rates on overnight funds. The EBA is just one facet of the corporate's comprehensive strategy to comply with the regulatory ratios. Operating with a smaller balance sheet means that the capital required from each member credit union is significantly reduced. By participating, members have a direct and positive impact on the progress of the cooperative they own. As the corporate diligently monitors its asset size and pays competitive rates, the EBA is an effective tool.

The overnight EBA is offered by the Federal Reserve Bank. Funds deposited remain in the credit union's name, as "EBA agent" Alloya Corporate channels the funds between the credit union and the Fed.

How It Works

Credit unions participating in the program manage their funds as they normally would, manually moving excess funds from their Transaction Account (settlement) to their Overnight Account (non-settlement, excess funds), if they so choose. At approximately 5:00 pm ET/4:00 pm CT each business day, funds sweep automatically from the Overnight Account to the Excess Balance Account at the Federal Reserve Bank. (Note: as an independent function, the sweep process does not replace the manual transfers credit unions perform.) Funds are returned automatically by approximately 8:30 am ET/7:30 am CT the next business day to be available for the credit union's settlement/operational needs.

Interest, Accounting

Funds earn interest while they reside in the EBA. Interest accrues daily with interest paid on the first of the month. The account's tiered structure yields higher rates for larger balances. Emulating the tiered structure and interest schedule of the familiar Overnight Account is a key feature, since it keeps the process simple for members. Since EBA funds are held overnight at the Federal Reserve Bank on the credit union's behalf (not on the corporate's balance sheet during this period), they should be accounted for separately.

Advantages of the Program

▲ Power of Ownership

- ✓ By utilizing the EBA program, owners help ensure Alloya's balance sheet is right-sized to meet or exceed regulatory requirements.

▲ Convenient

- ✓ The EBA's fund sweep schedule is similar to the current transaction deadlines at the corporate.
- ✓ The EBA and other account balances can be viewed in Premier View.
- ✓ A credit union does not need its own Federal Reserve account to participate.
- ✓ A credit union with its own Fed account may utilize Alloya as the intermediary agent.

▲ Dependable

- ✓ The credit union's overnight funds are automatically moved to a safe, off-balance sheet account at the Fed.
- ✓ Funds are returned automatically the next morning to be available for the credit union's settlement and operational needs.

▲ Earn Interest

- ✓ A competitive interest rate is based on account balance tiers.
- ✓ The EBA offers an appealing alternative to other products at the Federal Reserve and elsewhere.

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Advantages of the Program *(continued)*

▲ Peace of Mind

- ✓ As a deposit product of the Federal Reserve banking system, the EBA features a conservative risk profile and offers negligible credit risk.
 - ✓ Funds in the EBA are liquid and remain in the credit union's name.
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Learn More

Contact your Senior Business Consultant for program details and answers to your questions. If you are not currently a member, please email solutions@alloyacorp.org to be connected with a team member.