FHLBank Topeka | LETTER *of* CREDIT

OKLAHOMA | Letter of Credit Materials
Table of Contents

- Summary of the Letter of Credit Guidelines pg. 2-3
- Standby Irrevocable Letter of Credit Application pg. 4-6
- Letter of Credit Application Instructions pg. 7
- Sample of an Irrevocable Letter of Credit for Local Funds pg. 8-10
- Sample of an Irrevocable Letter of Credit for State Funds pg. 11-13
- Letter of Credit Brochure (for your institution) pg. 14-17
- Letter of Credit Brochure (for your depositor) pg. 18

You can now submit letter of credit applications on Members Only. Log into Members Only to get started.

FHLBank's S&P rating document

Statute and Guidelines indicating acceptance of FHLBank Topeka's Letter of Credit
Local public entity rules: see 735:20-1-10

State deposit rules: see 735:10-1-13

If you have questions about any of the materials, please contact Lending at 800.809.2733 or FHLB.Lending@fhlbtopeka.com.

FHLBank Topeka | LETTER *of* CREDIT

Summary of FHLBank Topeka's Letter of Credit Guidelines

Letter of Credit Policy

General

A letter of credit with a term to expiration of up to 10 years (or 20 years with interest rate swaps) may be issued to a beneficiary on a member's behalf to ensure payment by FHLBank Topeka (FHLBank) of drafts presented by the beneficiary when drawn in compliance with the terms of the letter of credit.

Letter of Credit Uses

According to 12 CFR Part 1269.2(a), Federal Home Loans Banks may issue letters of credit on behalf of members for the following purposes:

1. To assist members in facilitating residential housing finance or other activities that support the development or construction of residential housing. Residential housing finance is defined as the following:
    a. Loans secured by residential real property
    b. Mortgage-backed securities
    c. Participations in loans secured by residential real property
    d. Loans or investments providing financing for economic development projects for targeted beneficiaries
    e. Loans secured by manufactured housing, regardless of whether such housing qualifies as residential real property
    f. Any loans or investments which FHFA, in its discretion, otherwise determines to be residential housing finance assets
2. To assist members in facilitating community lending
3. To assist members with asset/liability management
4. To provide members with liquidity or other funding

Common Uses

- **Housing Related**
  To facilitate the purchase, sale or origination of housing-related mortgage loans. A letter of credit may also be used in housing construction where the credit functions as a performance bond.

- **Public Unit Deposit Collateralization**
  When a public deposit exceeds the amount of insurance coverage provided by the member's deposit insurer or to certify that the public depositor is adequately secured.

- **Interest Rate Swaps and Other Risk Management Uses**
  To assure the member's counterparty of payments due should a payment default occur.

- **Asset/Liability Management**
  To assist with a member's asset/liability management.

- **Tax Exempt Bonds**
  To support tax-exempt bond transactions that promote housing development or the financing of commercial and economic development activities that benefit low- and moderate-income families or activities that are located in low- and moderate-income neighborhoods.

- **Other Housing Activity**
  To support transactions that promote housing development and home financing or financing of commercial and economic development activities that benefit low- and moderate-income families or activities that are located in low- and moderate-income neighborhoods.

Available Maturities

A letter of credit is typically issued with a maturity date of one year or less. A letter of credit may be issued with maturities up to 10 years (20 years for interest rate swaps).

Pricing

A letter of credit is priced at 1/8 percent per annum or a minimum of $125, charged annually, for a simple and straightforward arrangement as determined by FHLBank. Other letters of credit, specifically letters of credit issued to enhance bond issues, will be charged 1/4 percent per annum or a minimum fee of $500. If the letter of credit issued to enhance bond issues is to facilitate community lending as defined in 12 C.F.R. § 1269.2(a)(2), a fee of 1/5 percent per annum or a minimum of $500 will be charged. Fees will be prorated for periods less than one year.

Application Procedure

To enter into a letter of credit with FHLBank, members should contact their account manager or FHLBank's Lending department to discuss the proposed transaction. A member desiring FHLBank to issue a letter of credit will execute a Standby Irrevocable Letter of Credit Application. The Letter of Credit will be subject to the Master Transaction Agreement, the Advance, Pledge and Security Agreement and the other documents incorporated into that agreement by reference.

Summary

Features:

- Available in terms up to 10 years (20 years for interest rate swaps)
- Priced 1/8% per annum or minimum of $125 annually for a simple letter of credit; priced 1/4% per annum or a minimum of $500 annually for a confirming letter of credit; priced 1/5% per annum or a minimum of $500 annually for a confirming letter of credit that qualifies for FHLBank's Community Investment Cash Advance (CICA) programs
- Off-balance sheet accounting treatment
- Same collateral requirements as advances

Benefits:

- Highly rated letter of credit
- Replaces cumbersome collateral agreements and arrangements
- Economically priced
- Reduces safekeeping expenses
- Easy to use and access
- Opens up additional investment opportunities and provides flexibility

Uses:

- Collateralization of deposits
- Purchase of, or commitment to purchase, mortgage loans where the letter of credit serves as performance bond
- Activities that assist asset/liability management such as issuance of medium term notes or commercial paper
- Other transactions that promote home financing of housing activity

FHLBank Topeka

SERVING COLORADO | KANSAS | NEBRASKA | OKLAHOMA

Standby Irrevocable Letter of Credit Application

Institution: _____

Address: _____

_____

Pursuant to, and subject to, the terms of its Master Transaction Agreement and its Advance, Pledge and Security Agreement with the Federal Home Loan Bank of Topeka (FHLBank), the undersigned Institution hereby applies for a standby irrevocable letter of credit for the Institution's account in the amount of $_____.

In accordance with FHLBank policy governing fees for letters of credit, the FHLBank is hereby authorized to charge the Institution's demand deposit account number _____ for the fees associated with this letter of credit (subject to minimum fees as identified in FHLBank's Member Products and Services Guide). If the letter of credit to be issued hereunder is for a term greater than one year, the FHLBank is further authorized to charge the Institution's demand account for the required fees on each anniversary date.

You are instructed to issue the letter as follows:

1. Date letter of credit is to be issued:_____

2. In favor of:

   Beneficiary's full name: _____

   Beneficiary's full physical address: _____

   Beneficiary's contact name: _____

   Beneficiary's phone number: _____

   Beneficiary's email: _____

3. Available: (check one)

☐ without conditions

☐ with conditions (specify conditions below)

Conditions will be stated in the Drawing Certificate used by the Beneficiary when making draws under the letter. The FHLBank, however, has no duty or obligation to investigate whether the conditions stated in the Drawing Certificate are true.

Conditions permitting a draw and/or other special instructions:

4. Expiration date of the letter of credit: _____ (Must be a valid business day.)

5. Multiple draws are to be: (check one)

☐ permitted

☐ prohibited

(If permitted, the unused balance of the letter of credit will remain available until the stated expiration date.)

Certification:

Please indicate the purpose for which the letter of credit will be used: (check one of the five)

☐ **Public unit deposit collateralization**

Definition: Public unit deposit collateralization is the pledging of collateral to a public unit's deposit to ensure that the public unit is able to recover any losses, should the financial institution become insolvent or otherwise unable to cover the unit's funds. A public unit includes the United States, any state within the United States, the District of Columbia, any territory of the United States, a Native American tribe, counties, cities, school districts, and any other public unit.

☐ **Facilitating residential housing finance**

Definition: Facilitating residential housing finance means assisting: (1) the purchase or funding of "residential housing finance assets," as that term is defined in 12 U.S.C. 1266.1 or (2) other activities that support the development or construction of residential housing.

☐ **Facilitating community lending (CICA approval required)**

Definition: Facilitating community lending means: (1) providing financing for economic development projects for targeted beneficiaries, or (2) for community financial institutions (as defined in 12 U.S.C. 1263.1), purchasing or funding small business loans, small farm loans or small agri-business loans (as defined in 12 U.S.C. 1266.1).

☐ **Asset/liability management** (please further describe the purpose of the letter of credit and why it fits the defined purpose of asset/liability management below)

Definition: Asset and liability management means managing assets and liabilities to increase profitability, maintain safety and soundness, and/or to control and mitigate the risks associated with mismatched assets and liabilities.

☐ **Liquidity or other funding** (please further describe the purpose of the letter of credit and why it fits the defined purpose of liquidity or other funding below)

Definition: Liquidity is a financial institution's capacity to meet its cash and collateral obligations without incurring unacceptable losses. Liquidity enhances an institution's financial condition, its safety and soundness, and its ability to meet contractual obligations.

The undersigned is an authorized representative of the Institution and has read and understands the Member Products and Services Guide of the FHLBank and certifies the Institution to be in full compliance with it and all laws and regulations regarding the collateralization of deposits. Furthermore, the Institution agrees to maintain full compliance with the Member Products and Services Guide, including any revisions and changes to same, while the letter of credit is outstanding.

The parties agree that this agreement may be electronically or digitally signed. The parties agree that the electronic/ digital signatures appearing on this agreement are the same as handwritten signatures for the purposes of validity, enforceability, and admissibility.

By: _____

Authorized Signature

_____

Typed Name and Title

Date: _____

FHLBank Topeka | LETTER *of* CREDIT

Letter of Credit Application Instructions | Oklahoma

Please complete the Standby Irrevocable Letter of Credit Application (Application) for each Letter of Credit you wish to have issued. The information provided in the Application will be used to complete your Letter of Credit (see "Sample Letter"). These instructions will guide you through the Application.

Begin by completing the section at the top with your institution's name and address. The two blanks in the following paragraphs ask for the amount of the letter of credit and your institution's demand deposit account number.

1. **Date letter of credit is to be issued:** Fill in the date that you would like the letter to be issued.

2. **In favor of:** Provide the beneficiary's name and address.

3. **Available without/with conditions:** Most letters of credit are issued ***without conditions***. If you would like a draw on the letter of credit to occur only under special conditions, please check **with conditions**. Please specify those conditions.

   Letters of credit issued to collateralize funds of the Oklahoma State Treasurer will not be accepted by the State Treasurer with conditions applied.

4. **Expiration date of the letter of credit:** Fill in the date you wish the letter to expire. This date must be a valid business day.

   Letters of credit issued to the Oklahoma State Treasurer will automatically be extended for one-year terms after the termination date, unless we notify you in writing at least 45 days before the applicable termination date.

5. **Multiple draws are to be permitted/prohibited:** Indicate multiple draws are **permitted** if you wish to have only the necessary portion of the letter of credit remitted to the beneficiary at the time of a draw(s). The unused balance of the letter of credit will remain available until the expiration date. *The beneficiary will not be allowed to make multiple draws in excess of the amount of the letter of credit.*

   Indicating multiple drawings are **prohibited** requires the entire amount of the letter of credit to be drawn by the beneficiary.

   Letters of credit listing the Oklahoma State Treasurer as the beneficiary should allow multiple draws.

Certification:

- Indicate the purpose for which the letter of credit will be used and why it fits that purpose.

Complete the Application by signing and dating the blanks provided. The Application must be signed by an individual who has the Letters of Credit role in Members Only.

For same-day issuance, FHLBank's Lending department must receive applications by 3:30 p.m. CT.

Email: FHLB.Lending@fhlbtopeka.com
Fax: 785.234.1723

*****S A M P L E*****

IRREVOCABLE LETTER OF CREDIT FOR LOCAL FUNDS

BENEFICIARY:

LOCAL ENTITY
Address
City, State, Zip

Letter of Credit No. [NO.] **Effective Date:** [DATE]

We hereby establish our irrevocable letter of credit in your favor, for the account of [MEMBER INSTITUTION] whereby we hereby irrevocably authorize you to draw on us from time to time up to a maximum aggregate amount of US $[Dollar Amount] [(Written Dollar Amount)]. Multiple draws are permitted as long as they do not exceed, in the aggregate, the maximum amount of this letter of credit. The expiration date of this letter of credit is [DATE].

A draw under this letter of credit must be made by presenting to us at the location identified below a certificate (Drawing Certificate) in the form of Exhibit A (with all blanks appropriately completed). No further documentation, including this letter of credit, shall be required to make a draw, it being understood that a Drawing Certificate is to be the sole operative instrument of drawing.

This letter of credit is not transferable or assignable.

This letter of credit is issued subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (ISP98). It shall be governed by the laws of the United States and, to the extent federal law incorporates or defers to state law, the laws (exclusive of choice of law provisions) of the State of Oklahoma. As to matters not governed by ISP98, this letter of credit is subject to the laws of the State of Oklahoma, including without limitation the Oklahoma Uniform Commercial Code, and the administrative rules of the Oklahoma State Treasurer.

A Drawing Certificate must be presented to us at our offices at 500 SW Wanamaker Road, Topeka, Kansas 66606, by physical delivery or by facsimile (at facsimile number 785.234.1723). A draw received by us on or before the Expiration Date and in compliance with the terms of this letter of credit will be duly honored by us. If a drawing is presented to us before 11 a.m., Central Time, payment will be made to you to the account number or address designated by you of the amount specified, in immediately available funds, on the same business day. If a drawing is presented to us after 11 a.m., Central Time, payment will be made to you to the account number or address designated by you of the amount specified, in immediately available funds, on the following business day. “Business day” means any day that the Federal Reserve Bank of Kansas City is open for business.

We agree to provide written notice to you by certified mail, return receipt requested, within two business days after we learn of any downgrade of our credit rating by a major rating agency. We further agree that we will not issue letters of credit for any one account party in your favor in excess of twenty percent (20 percent) of our capital. All payments made by us hereunder shall be made solely from our funds.

This letter of credit sets forth in full the terms of our obligations to you, and such undertaking shall not in any way be modified or amended by reference to any other document herein or by reference to this letter of credit in any other document.

Sincerely,

Federal Home Loan Bank of Topeka

By_____
Authorized Signature

EXHIBIT A
DRAWING CERTIFICATE
Letter of Credit No. [NO.]

Federal Home Loan Bank of Topeka
500 SW Wanamaker Rd.
Topeka, KS 66606
Attention: Lending

Sir or Madam:

The undersigned individual, a duly authorized representative of the [Local Entity] (Beneficiary), on behalf of the Beneficiary hereby makes a draw in the amount of $_____ on that certain Irrevocable Letter of Credit No. [NO.] dated [DATE] (Letter of Credit), issued by the Federal Home Loan Bank of Topeka in favor of the Beneficiary.

You are hereby directed to make payment of such amount to the account of the _____, ABA Number_____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

_____
Local Entity

By_____

_____
Typed Name and Title

***** S A M P L E *****

IRREVOCABLE LETTER OF CREDIT FOR STATE FUNDS

BENEFICIARY:

Oklahoma State Treasurer
217 State Capitol
Oklahoma City, OK 73105

Letter of Credit No. [NO.] **Effective Date:** [DATE]

We hereby establish our irrevocable letter of credit in your favor, for the account of [MEMBER INSTITUTION], whereby we hereby irrevocably authorize you to draw on us from time to time up to a maximum aggregate amount of US $[Dollar Amount] [(Written Dollar Amount)]. Multiple draws are permitted as long as they do not exceed, in the aggregate, the maximum amount of this letter of credit. The expiration date of this letter of credit is [DATE] (which date, as it may be extended in the manner provided herein, is referred to herein as the Termination Date).

The Termination Date shall be deemed automatically extended without amendments for one year from the initial Termination Date and thereafter for one year from each anniversary of the initial Termination Date thereafter, unless at least forty-five (45) days prior to the then applicable Termination Date (including the initial Termination Date) we shall notify you in writing by certified mail, return receipt requested, that we, in our sole discretion, do not wish to extend the Termination Date for any such additional period.

A draw under this letter of credit must be made by presenting to us at the location identified below a certificate (Drawing Certificate) in the form of Exhibit A (with all blanks appropriately completed). No further documentation, including this letter of credit, shall be required to make a draw, it being understood that a Drawing Certificate is to be the sole operative instrument of drawing.

This letter of credit is not transferable or assignable.

This letter of credit is issued subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (ISP98). It shall be governed by the laws of the United States and, to the extent federal law incorporates or defers to state law, the laws (exclusive of choice of law provisions) of the State of Oklahoma. As to matters not governed by ISP98, this letter of credit is subject to the laws of the State of Oklahoma, including without limitation the Oklahoma Uniform Commercial Code, and the administrative rules of the Oklahoma State Treasurer.

A Drawing Certificate must be presented to us at our offices at 500 SW Wanamaker Road, Topeka, Kansas 66606, by physical delivery or by facsimile (at facsimile number 785.234.1723). A draw received by us on or before the Termination Date and in compliance with the terms of this letter of credit will be duly honored by us. If a drawing is presented to us before 11 a.m., Central Time, payment will be made to you to the account number or address designated by you of the amount specified, in immediately available funds, on the same business day. If a drawing is presented to us after 11 a.m., Central Time, payment will be made to you to the account number or address designated by you of the amount specified, in immediately available funds, on the following business day. "Business day" means any day that the Federal Reserve Bank of Kansas City is open for business.

We agree to provide written notice to you by certified mail, return receipt requested, within two business days after we learn of any downgrade of our credit rating by a major rating agency. We further agree that we will not issue letters of credit for any one account party in your favor in excess of twenty percent (20 percent) of our capital. All payments made by us hereunder shall be made solely from our funds.

This letter of credit sets forth in full the terms of our obligations to you, and such undertaking shall not in any way be modified or amended by reference to any other document herein or by reference to this letter of credit in any other document.

Sincerely,

Federal Home Loan Bank of Topeka

By_____
Authorized Signature

EXHIBIT A
DRAWING CERTIFICATE
Letter of Credit No. [NO.]

Federal Home Loan Bank of Topeka
500 SW Wanamaker Rd.
Topeka, KS 66606
Attention: Lending

Sir or Madam:

The undersigned individual, a duly authorized representative of the Oklahoma State Treasurer (Beneficiary), on behalf of the Beneficiary hereby makes a draw in the amount of $_____ on that certain Irrevocable Letter of Credit No. [NO.] dated [DATE] (Letter of Credit), issued by the Federal Home Loan Bank of Topeka in favor of the Beneficiary.

You are hereby directed to make payment of such amount to the account of the Oklahoma State Treasurer at (Name of the financial institution), ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

OKLAHOMA STATE TREASURER

By_____

_____
Typed Name and Title

FHLBank Topeka

Standby Letters of Credit

A Safe and Guaranteed Pledging Tool



Standby Letters of Credit

ALWAYS THE EASIEST WAY TO SECURE PUBLIC UNIT DEPOSITS.

NOW: *Electronic. Instant. On-demand.*

FHLBank Topeka Standby Letter of Credit is issued, in place of pledging investment collateral, to the municipality or state that is depositing funds with your institution. The amount issued is what is needed to support deposit amounts in excess of the maximum FDIC-insured amount.

Our Letters of Credit are authorized forms of collateral for public unit deposits in Colorado, Kansas, Nebraska and Oklahoma.

HOW DOES MY INSTITUTION BENEFIT?

Our Standby Letter of Credit gives you more flexibility in managing investments as well as in how you collateralize public unit deposits.

- Strengthens depository relationships by guaranteeing the return of funds
- Promotes higher yields on assets by allowing the allocation of fewer portfolio dollars to investments in low-yielding Treasury and agency securities, and greater allocation to higher-yielding securities and loans
- Eliminates the task of monitoring investment maturities, calls and fluctuations in market values because our Standby Letter of Credit value never changes
- Reduces paperwork and administrative fees associated with pledging and releasing securities and replacing maturing or called instruments
- Submit your application and receive immediate email confirmation and a history on our Members Only website.

LOW FEES

- Standby Letters of Credit for securing public deposits are charged 0.125% per annum on the day of issue ($125 minimum fee)
- Fees on Standby Letters of Credit of $5 million or more may be charged on a quarterly basis

> The FHLBank Topeka Standby Letter of Credit is a valuable product for First United Bank & Trust. It is an additional example of how important the FHLBank is to smaller community banks, allowing us to offer the services to compete in the marketplace with larger financial service institutions.
>
> **GREG MASSEY** | President and CEO | First United Bank & Trust, Durant, Okla.

ACCESSING OUR LETTERS OF CREDIT

FHLBank Topeka's Letter of Credit is easy to use and guarantees your public unit depositors the safe return of their non-insured funds. To request our Standby Letter of Credit, visit Members Only to complete your submission online. You can find full details at www.fhlbtopeka.com/letters.

- Letter of Credit Application: complete for each Letter of Credit you'd like issued

About FHLBank Topeka

ACCOUNT MANAGERS

RUSTY DAVIS
720.212.9873
rusty.davis@fhlbtopeka.com

DREW SIMMONS
405.831.7678
drew.simmons@fhlbtopeka.com

JEFF STEINER
800.933.2988
jeff.steiner@fhlbtopeka.com

TONY VENDITTE
402.890.6838
tony.venditte@fhlbtopeka.com

LENDING | 800.809.2733

DEREK LAYTON
derek.layton@fhlbtopeka.com

MICHELLE OLIVER
michelle.oliver@fhlbtopeka.com

ERIKA SKINNER
erika.skinner@fhlbtopeka.com

FHLBank Topeka is one of 11 Federal Home Loan Banks that accesses the capital markets to provide liquidity and funding for our members. The cooperative nature of FHLBank Topeka, which is owned by our member financial institutions, allows us to offer products that give our members a competitive advantage. With $45.5 billion in total assets and $2.5 billion in capital, FHLBank Topeka is a strong, reliable source of liquidity for our members in Colorado, Kansas, Nebraska and Oklahoma.

LAST UPDATED MAY 6, 2024

Copyright © 2022 FHLBank Topeka. All rights reserved.
This brochure is provided as general product information and is intended for educational purposes only.

Standby Letters of Credit

AN ALTERNATIVE SOURCE OF COLLATERAL FOR PUBLIC UNIT DEPOSITORS

ACCOUNT MANAGERS

RUSTY DAVIS
720.212.9873
rusty.davis@fhlbtopeka.com

DREW SIMMONS
405.831.7678
drew.simmons@fhlbtopeka.com

JEFF STEINER
800.933.2988
jeff.steiner@fhlbtopeka.com

TONY VENDITTE
402.890.6838
tony.venditte@fhlbtopeka.com

LENDING | 800.809.2733

DEREK LAYTON
derek.layton@fhlbtopeka.com

MICHELLE OLIVER
michelle.oliver@fhlbtopeka.com

ERIKA SKINNER
erika.skinner@fhlbtopeka.com

FHLBANK TOPEKA'S HIGHLY RATED LETTER OF CREDIT GUARANTEES THE SAFE RETURN OF NON-INSURED FUNDS TO PUBLIC UNIT DEPOSITORS. Standby Letters of Credit, issued on behalf of FHLBank Topeka's financial institution members, provide recourse in the event that our member institutions would default or fail to perform under a contract or other agreement between the institutions and public unit depositors.

About FHLBank Topeka

FHLBank Topeka, one of 11 Federal Home Loan Banks, accesses public credit markets by selling consolidated credit instruments that are the joint and several liabilities of all 11 banks. The cooperative nature of FHLBank Topeka, which is owned by our member financial institutions, allows us to offer products that give our members a competitive advantage. FHLBank Topeka serves members in Colorado, Kansas, Nebraska and Oklahoma.

- Highly rated financial institution
- Comprised of commercial banks, thrifts, credit unions and insurance companies
- $45.5 billion in total assets
- $2.5 billion in capital

Standby Letters of Credit

FHLBank Topeka's irrevocable Standby Letter of Credit is issued in place of investment collateral to the state or political entity that is depositing funds in the financial institution. FHLBank Topeka has the highest short-term rating from Moody's Investor Services and Standard and Poor's, making our Standby Letter of Credit a safe and widely accepted form of collateral for public unit depositors. We secure public unit deposits in Colorado, Kansas, Nebraska and Oklahoma. The amount the letter is issued for is the amount needed to support deposits in excess of the FDIC-insured limit.

Benefits to Public Unit Depositors

- Ensures the safety of your deposits – in the event that our member financial institution is unable to provide your funds, FHLBank Topeka would provide funds up to the amount specified in the issued standby Letter of Credit
- Eliminates your task of monitoring investment maturities, calls and fluctuations in market values because our Standby Letter of Credit value never changes
- Reduces paperwork associated with pledging and releasing securities and replacing maturing or called instruments
- Widely accepted by more than 1,300 state and local municipalities within the Tenth District

LAST UPDATED MAY 6, 2024