



DEPARTMENT OF FINANCIAL SERVICES
Division of Treasury – Bureau of Collateral Management

FHLB LETTERS OF CREDIT INFORMATION
Public Deposits Program

To: Qualified Public Depositories

From: Bureau of Collateral Management (“BCM”)

The following is an outline of the steps involved in acquiring, depositing, reporting and maintaining Federal Home Loan Bank (“FHLB”) letters of credit as collateral to secure Florida public deposits.

BCM Contacts

Collateral Administration: Mr. Taylor Parsons (850) 413-3328 or Taylor.Parsons@myfloridacfo.com

Program Administration: Mr. Don Stanford (850) 413-3360 or Don.Stanford@myfloridacfo.com

Acquiring and Depositing FHLB Letters of Credit as Collateral

- To obtain a FHLB letter of credit a Qualified Public Depository (“QPD”) must have on file with the BCM the following documents:
 - Federal Home Loan Bank Letter of Credit Agreement, BCM’s model form
 - Qualified Public Depository Resolution, BCM’s model form in which the QPD’s board of directors approves the use of letters of credit.

- The QPD should contact Don Stanford to confirm if the required documents are already on file. If not, Don will email the required documents and instructions for completing them.

- The QPD should email a pdf copy of the properly completed and executed documents to Don Stanford.

- Don Stanford will review the completed required documents when received from the QPD and contact them to resolve any discrepancies, if necessary. If the documents are correct, Don will notify the QPD that the documents are approved and the QPD can then contact FHLB to obtain a letter of credit. A QPD is responsible for completing any application required by the FHLB and paying all required fees.
 - FHLB will email a **DRAFT** letter of credit to the Collateral Administration Section for review and approval prior to sending the original.
 - The Collateral Administration Section will review the letter of credit for any discrepancies. If there are none, the Collateral Administration Section will respond to both the issuing Federal Home Loan Bank and the QPD indicating that the draft letter of credit is approved. The FHLB will then send the original letter of credit to the BCM by overnight mail.

- Simultaneously with the approval of the letter of credit draft, the Collateral Administration Section will request the QPD submit a Deposit of Collateral form listing applicable information for the letter of credit. The letter of credit number should be included in the field for CUSIP, the interest rate and rating fields are not applicable, and the custodian should be identified as the BCM.

Reporting FHLB Letters of Credit

The QPD should report any FHLB letters of credit on their schedule of securities in the QPD Monthly Report as follows:

CUSIP Number:	The letter of credit number
Description:	"FHLB Letter of Credit"
Interest Rate:	N/A
Maturity Date:	The initial or subsequent annual expiration date, as applicable
Face/Market Values:	The nominal amount of the letter of credit
Rating:	N/A

If the QPD has also pledged book-entry securities as collateral, the QPD may identify that custodian on the schedule.

Notice of Non-renewal

Notices of non-renewal should be sent to BCM sixty (60) days prior to the then applicable expiration date. Upon receipt of a *Notice of Non-renewal* from the issuing FHLB, the Collateral Administration Section will email one of the following notices to the QPD, whichever is applicable.

- If the non-renewal of the letter of credit will cause the QPD to fall below its minimum required collateral (MRC), then the QPD shall substitute collateral within 30 days of the *Notice of Non-renewal*.
- If the non-renewal of the letter of credit does NOT cause the QPD to fall below its MRC, the Collateral Administration Section will contact the QPD a few days prior to the new final expiration date and request a Withdrawal of Collateral form.

Notice of Intent to Draw

In the event collateral is not substituted by the QPD within the 30-day period, the BCM will email a *Notice of Intent to Draw* to the QPD. This notice provides a two-business day advanced notice to the QPD of the BCM's intent to draw on a FHLB letter of credit, pursuant to Section 280.041(6), Florida Statutes.

Questions

As always, contact BCM staff if you have questions or need any clarifications.