

Positioning Your Business for Success in a Competitive Mortgage Market

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Today's Residential Mortgage Environment: Flying Higher Despite Challenges

A smoother ride in recent years

- Sustained period of low interest rates
- High origination volumes
- Healthy margins
- Market values stabilizing, increasing in some cases

Pockets of turbulence remain

- Significant regulatory reforms
- Increasing compliance costs
- Uncertainty surrounding Fannie and Freddie
- Uneven economic recovery

Today's Residential Mortgage Market: Changing Skies on the Horizon

Many institutions have successfully adapted to the “new normal.”

One constant in mortgage lending (and probably in flying) = **CHANGE**

- Interest rates will eventually rise
- Refinance activity will fall
- Purchase market will return

**What do you do when
the flight plan changes?**



Helping You Devise a New Flight Plan



Product offerings that differentiate you from competitors, grow originations, and spur business development opportunities



Flexible, low-cost sources of funding that help you manage your balance sheet



Unbiased market insights and best practices to help you increase efficiencies and revenues

The 2014 Purchase Market

Home prices are on the rise – but still cheaper than renting

- Home prices increasing over the past year in 92 of the country's 100 largest metropolitan areas¹

Increasing demand for housing inventory

- Growing competition has led to bidding wars¹

However, mortgage credit availability may still remain scarce in 2014 for those with lower credit scores

- Increased government regulations (QM and QRM rules) raise the cost to originate loans that fall outside of the Qualified Mortgage standard²

¹Braverman, Beth. "Housing Is Back: The Best Moves Now for Homebuyers." CNNMoney. Cable News Network, 08 Apr. 2013. Web. 13 May 2013.

²Duke, Elizabeth A. "A View from the Federal Reserve Board: The Mortgage Market and Housing Conditions." Speech. Housing Policy Executive Council, Washington, D.C., Board of Directors of the Federal Reserve System. Federal Reserve System, 9 May 2013. Web. 13 Mar. 2013.

Notable Elements of the 2014 Purchase Market

Influx of first-time homebuyers as the housing market recovers³

- 39% of recent homebuyers are first-time homebuyers
- Prospective buyers see the long-term value in homeownership

Access to mortgage credit for low-income and low-wealth borrowers will be of increasing importance⁴

- Greater down-payment assistance requirements in 2014
 - Increases the importance of savings and equity available to homebuyers
- Low- to moderate-income (LMI) borrowers will need to have access to affordable finance options
- Challenge in reaching the “underbanked” and “unbanked” populations?
 - 1 in 4 American households is considered unbanked or underbanked⁵

³National Association of Realtors. "Profile of Home Buyers and Sellers 2012." National Association of Realtors, November 2012.

⁴ Apgar, William C. "Getting on the Right Track: Improving Low-Income and Minority Access to Mortgage Credit After the Housing Bust." Joint Center for Housing Studies. December 2012.

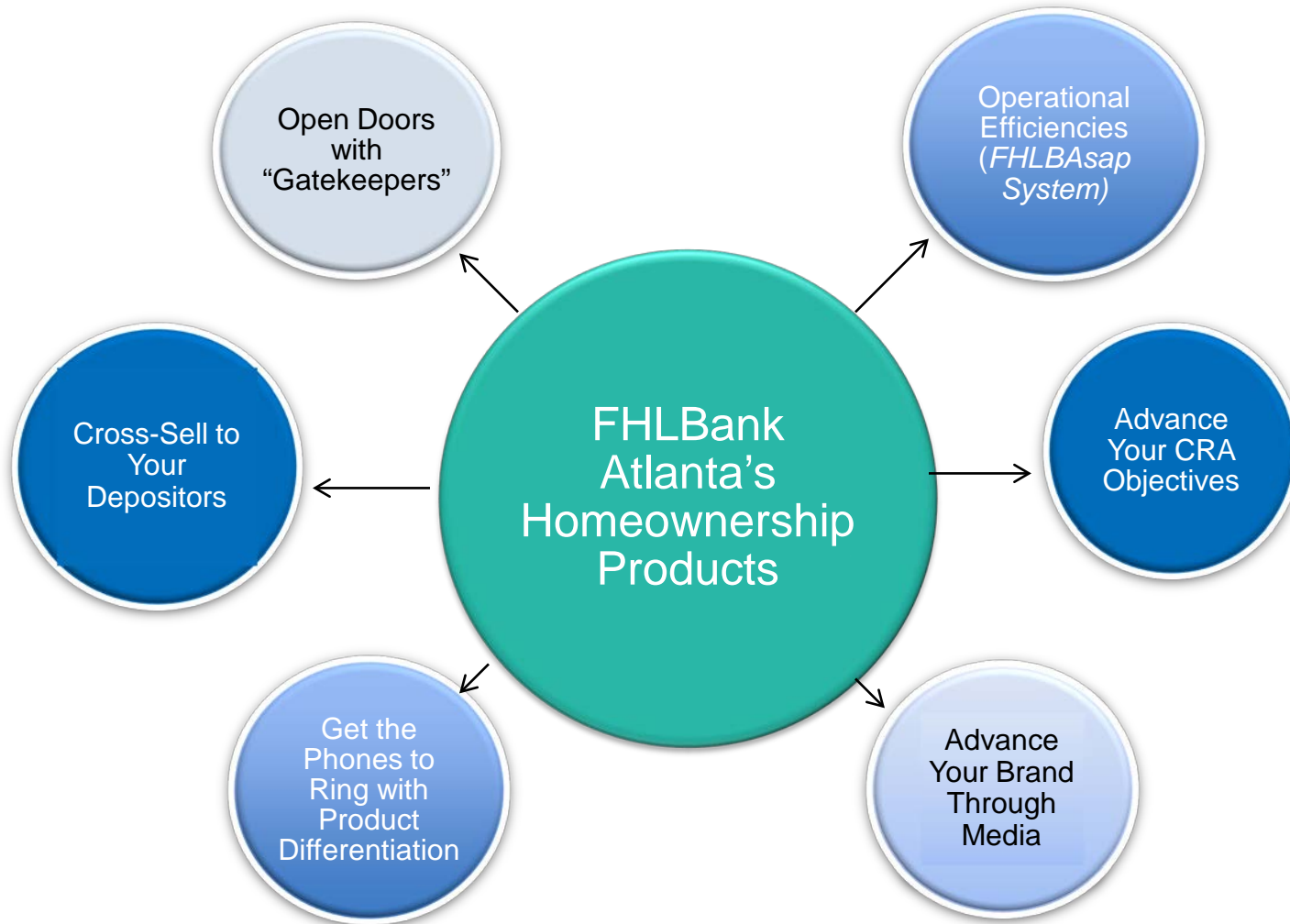
⁵Federal Deposit Insurance Company. "National Survey of Unbanked and Underbanked Households." FDIC. September 2012.



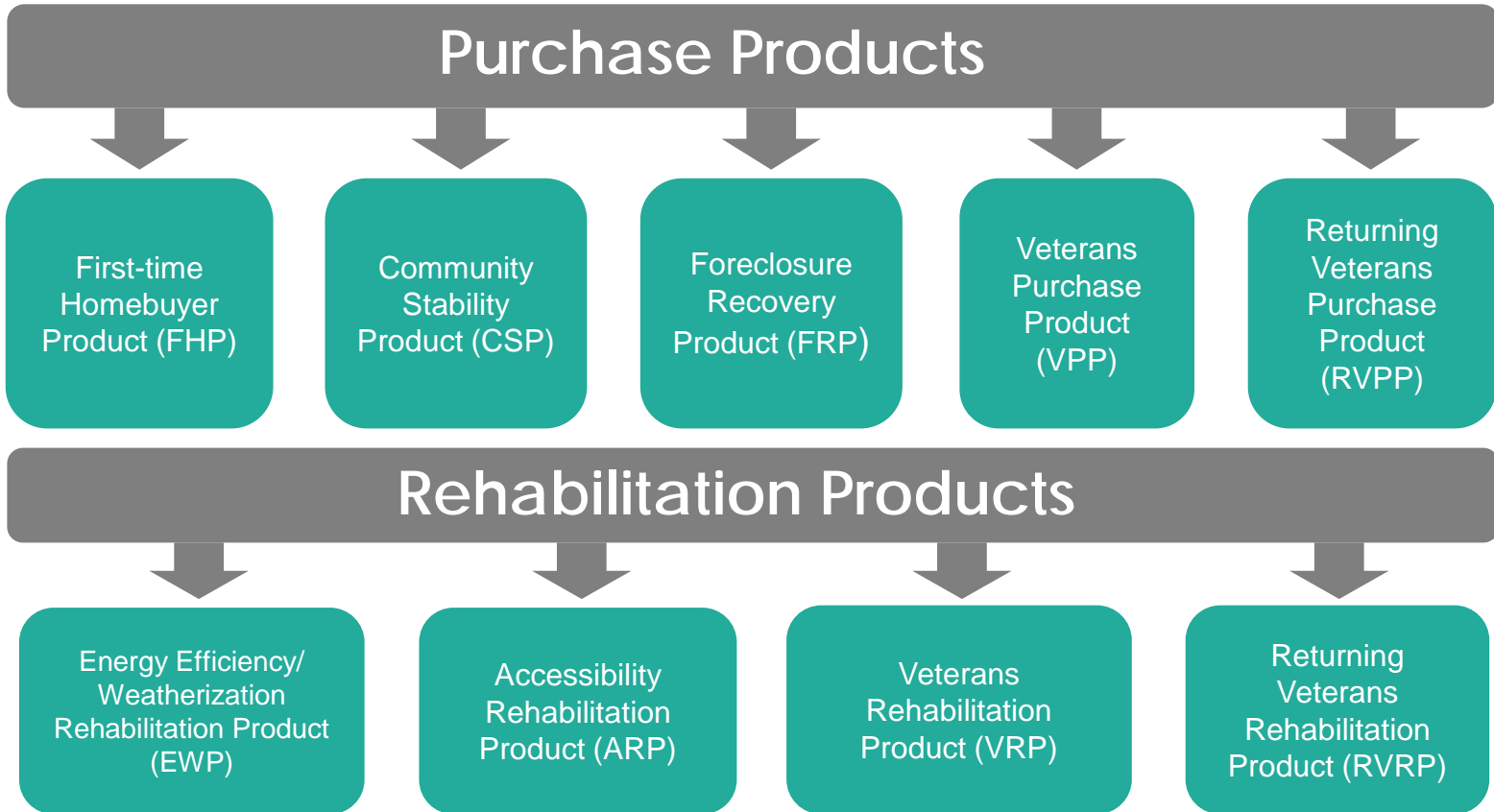
How Will you Compete in this Purchase Environment?

- Pricing?
- Customer Service?
- Product Differentiation? *We Can Help!*
- Relationships with “Gatekeepers?” *We Can Help!*

Our Success Stories Tell Us



Product Differentiation



Business Value of Product Differentiation: Getting the Phones to Ring



- Shareholder marketing of products drives response
- Shareholders brand products in their name
- Value in making the products available
- Get the phones to ring!

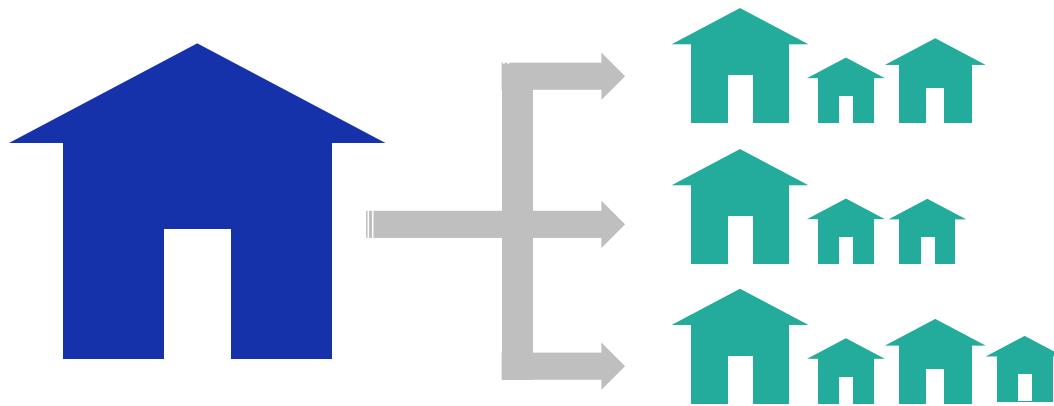


Shareholder Success Stories: Getting the Phones to Ring

- **Virginia Heritage Bank, Vienna, VA**

*“We are a big fan of the Federal Home Loan Bank of Atlanta. They were critical in helping us **establish our mortgage operation**. We see the strategic marketing advantage of using AHP programs. We just got done with a Fair Lending review with our regulator who was very pleased with Virginia Heritage Bank’s first-time homebuyer activity.”*

--Richard Hutchison, Chief Mortgage Officer, Virginia Heritage Bank





Business Value: Magnet for New Relationships with “Gatekeepers”

- Who are the “gatekeepers” of your potential new customers?
 - Use products to open previously closed doors
- Direct value proposition for public unit relationships
 - Local governments
- Connect to realtors in a different way

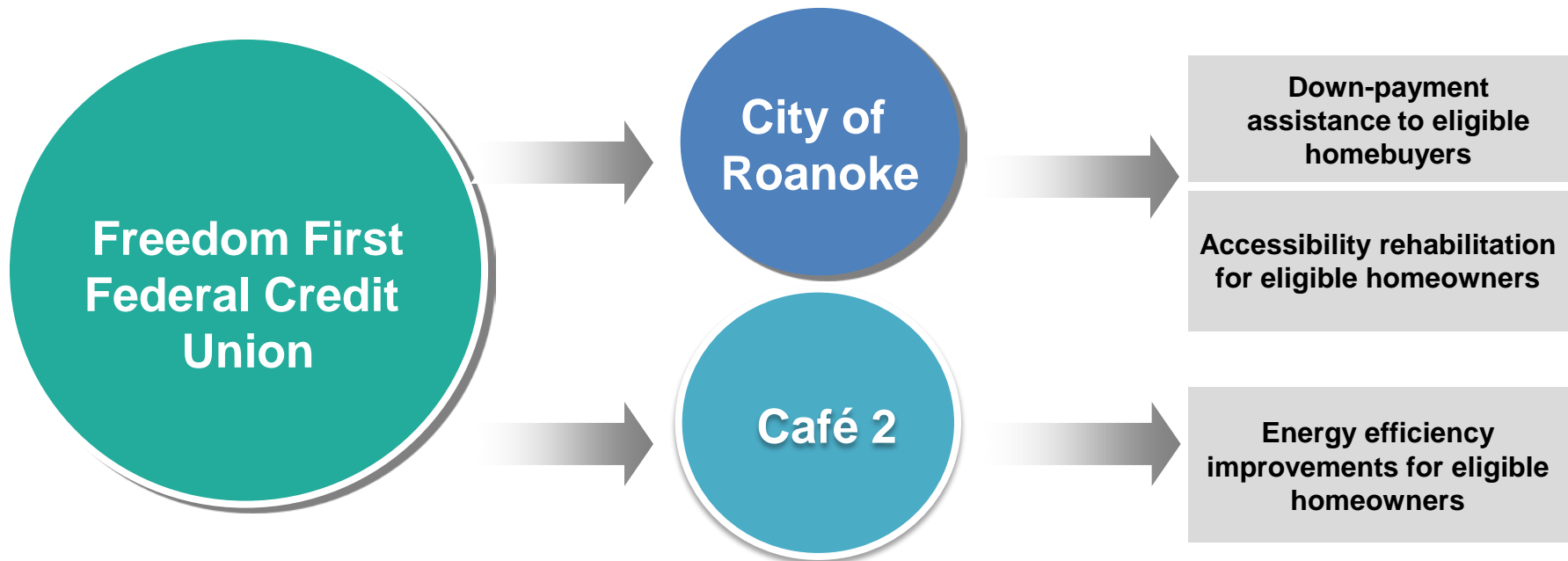
Shareholder Success Stories: Magnet for New Relationships with “Gatekeepers”



- **Freedom First Federal Credit Union, Roanoke, VA**

“We are a Certified Development Financial Institution. We think creatively about how we can utilize the resources that are out there to bring solutions to our community.”

--Dave Prosser, Vice President of Community Development, Freedom First Federal Credit Union



Shareholder Success Stories: Magnet for New Relationships with “Gatekeepers”



The Brand Banking Company, Lawrenceville, GA

- Brand Banking uses AHP set-aside products as part of their strategy to originate mortgage loans to first-time homebuyers
- Establishes relationships with community partners such as the Marietta Housing Authority

Dade County Federal Credit Union, Miami, FL

- Uses AHP products to establish new relationships with the Miami/Dade Community Development Department

Business Value: Cross-Sell to Your Depositors

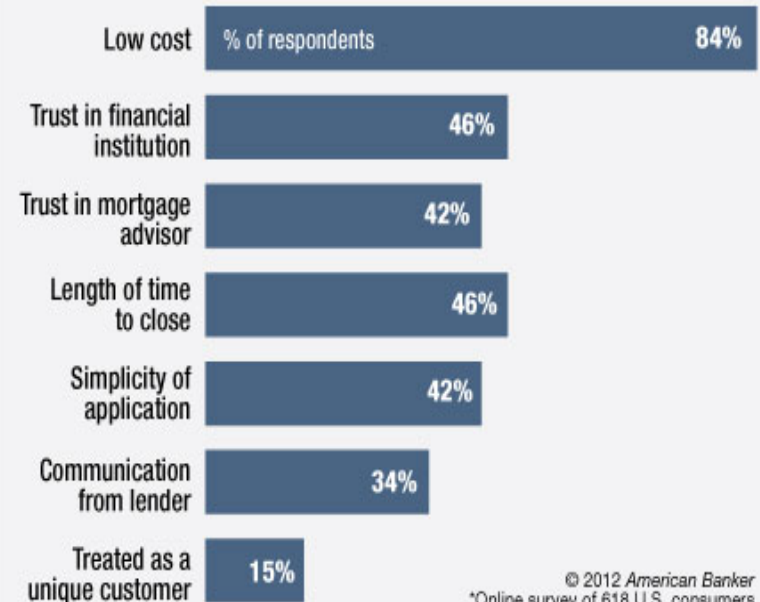


- Survey shows banks are not doing a very good job of selling mortgage loans to existing customers
- *“There’s a huge opportunity for banks within their captive customer base but they have to offer a cost competitive product.”*

Tom Mataconis
Vice President of Consulting
Carlisle & Gallagher

Pocketbook Issue

Most important factors in selecting a mortgage lender.*



© 2012 American Banker
*Online survey of 618 U.S. consumers
Source: Carlisle & Gallagher Consulting Group

Shareholder Success Stories: Cross-Sell to Your Depositors



- **CenterState Bank, Zephyrhills, FL**

Converted a rehab customer into a new depositor for CenterState Bank

“We are making people safer and improving the quality of their lives. I am embarrassed sometimes with the gratitude expressed by our customers and I wish you could hear how relieved and happy this program is making people.”

--Hazel Greene, Residential Loan Officer, CenterState Bank

- **Cheaha Bank, Anniston, AL**

*“We have leveraged the rehab product to gain a **greater market share of depositors for the bank**, including both personal accounts from the rehab recipients and commercial accounts from the contractors doing the work.”*

--Alan Easterwood, Vice President, Mortgage Loan Originator, Cheaha Bank



Double Bottom-Line Impact: Business and CRA Value

Provides shareholders an opportunity to extend credit on a lower LTV basis to LMI households

- *CRA-eligible Lending Opportunity*
 - More than \$250 million in first mortgages closed by shareholders in 2012 alone

All households at 80% or below of area median income

- Positions each transaction as a *CRA-eligible activity*
- Approximately 3,400 CRA-eligible households funded in 2012 alone



Flexible, Low-Cost Funding Sources That Help You Manage Your Balance Sheet

- **Lower origination volumes generally lead to tighter margins, making access to low-cost funding critical to mortgage success**
- **Whether you originate for sale into the secondary market or for portfolio, we offer funding solutions to meet your needs**
 - Mortgage warehouse funding product (in the hangar undergoing improvements)
 - Flexible advance products to fund mortgage production and hedge interest-rate risk

Mortgage-Friendly Advance Products



Expander

- Fixed-rate advance with option to expand the principal after a set period at the same initial rate
- Advance can be expanded up to 5x principal, enabling you to offer “yesterday’s” mortgage rates in a rising-rate environment

Floating-to-Fixed

- Fixed-term advance with initial floating rate that changes to known fixed rate at specified future date
- Take on fixed-rate protection while maintaining current level of funding costs

Forward Starting

- Shareholder commits to take down funding on future date, but principal is not placed on balance sheet until that future date
- Lock in today’s rates with no cost of carry

Protect against rising rates while preserving net interest margin



Unbiased Market Insights and Best Practices to Help You Increase Efficiency and Revenues

A new flight plan will bring changes to your mortgage operation

- New products and processes
- New business partnerships
- New customers

We can provide market insights, best practices and new ideas

- CRA forums and other educational opportunities
- One-on-one shareholder consultations
- Broad on-staff subject-matter expertise

Examples of Mortgage Support via Market Insights and Best Practices



- Provide “deep dive” mortgage consultations to shareholders during strategy workshop sessions
- Assist shareholders with advance structures to hedge interest-rate risk on intermediate-term fixed-rate mortgages
- Provide assistance to shareholders considering establishing mortgage divisions
- Provide input on creation of niche portfolio products
- Help shareholders identify best execution improvements through assessment of mortgage operation

FHLBank Atlanta's Spectrum of Mortgage Support



Advances to Fund & Hedge Mortgages in Portfolio

Warehouse Funding for Mortgages Being Sold

Mortgage-Targeted Advances & Consultation

Affordable Housing Products & Expertise

Mortgage Market Insights/Best Practices

Acquisition of Mortgages for Portfolio or Pass-through



 FHLBank Atlanta's Current Level of Support

We Want to Help Your Mortgage Business Soar



- Today's mortgage environment – a smoother ride with pockets of turbulence, and more change on the horizon
- We can help you change your flight plan through products, low-cost funding, and market insights
- We provide mortgage support in a variety of ways today, and we're actively looking at new ways to do more in the future
- Please contact your relationship manager for more information or to get started

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