

## **SUMMARY OF ADVANTAGES FOR FINANCIAL INSTITUTIONS TO PARTICIPATE IN THE COLLATERAL POOL**

1. The pledging, substitution, and releasing of collateral is processed through the State Treasurer's office for all public deposits rather than through each local government.
2. Overpledging of collateral is reduced when collateral is based on one overall account rather than multiple governmental accounts.
3. One trustee custodian can be utilized to hold the collateral rather than possible multiple trustee custodians as may be directed by various local governmental entities.
4. One collateral pledging agreement is signed with the State Treasurer rather than multiple agreements with each local governmental entity.
5. Elimination of the reporting of collateral as may be required by the various local governmental entities.
6. Resolution of collateral qualification issues is centralized.

## **SUMMARY OF ADVANTAGES FOR LOCAL GOVERNMENTS TO UTILIZE A FINANCIAL INSTITUTION IN THE COLLATERAL POOL**

1. Local government does not have to execute and maintain a trustee custodian agreement for the holding of collateral.
2. Local government does not have to maintain an inventory of pledged collateral.
3. Local government does not have to reconcile collateral inventory to the trustee custodian each month.
4. Local government does not have to determine if collateral being pledged qualifies pursuant to TCA., Section 9-4-103.
5. Local government does not have to authorize the pledging, releasing, and substitution of collateral.
6. Local government does not have to price collateral daily.
7. Local government does not have to secure additional collateral if deposits increase or if value of collateral declines.

## SUMMARY OF BENCHMARKS FOR COLLATERAL PLEDGE LEVELS

RATIOS	(1) 90% LEVEL	(2) 100% LEVEL	115% LEVEL
Primary Capital to Total Assets (Minimum)	6.25%	5.50%	5.50%
Total Capital to Total Assets (Minimum)	6.75%	6.00%	6.00%
Tier 1 Capital (Minimum)	4.00%	4.00%	4.00%
Tier 2 Capital (Minimum)	8.00%	8.00%	8.00%
Loan Loss Allowance (Minimum)	100.00%	75.00%	75.00%
Loans 90 Days Past Due (Maximum)	1.00%	2.00%	2.00%
Non-Performing Assets (Maximum)	1.50%	3.00%	3.00%
Return on Average Assets (Minimum)	1.00%	0.75%	0.75%
Loans to Total Assets (Maximum)	80.00%	80.00%	80.00%

(1) 90% Level

Can not fail any of the four (4) capital ratio.

Can not fail any two (2) of the five (5) non-capital ratios for two (2) consecutive quarters.

(2) 100% Level

Must pass three (3) of the capital ratios.

Must pass seven (7) of the nine (9) benchmarks.

Must have at least twelve (12) quarters of history.