

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 enhanced regulatory ratios. Operating with a smaller balance sheet means that the capital each member credit union contributes is greatly 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.

How It Works

The overnight EBA is offered by the Federal Reserve Bank. Funds deposited remain in the credit union's name. Alloya Corporate acts as the intermediary to channel the funds between the credit union and the Fed.

Credit unions participating in the program will continue to manage their funds as they do today, 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 9:30 am ET/8:30 am CT the next business day to be available for the credit union's settlement/operational needs.

This schedule aligns with the transaction deadlines credit unions are used to following. Program features and operational specifics are described in the *Guide for Account Holders* (to be released separately and posted online via Premier View, or available by request).

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 your credit union's behalf (not on the corporate's balance sheet during this period), they should be accounted for separately.

When evaluating this account, or other off-balance sheet options, consider the following.

- Is the deposit product safe, carrying low credit risk?
- Relative to its conservative risk profile, how competitive is the yield paid to the account holder?
- Do my credit union's investment policies enable participation?
- Would all product partners meet or exceed strict due diligence criteria?
- How seamlessly can any new processes/reporting be integrated with my credit union's current operations?
- Will knowledgeable, credit union-friendly professionals be available for support?

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Advantages of the Program

▲ Power of Ownership

- ✓ By utilizing the EBA program, owners help ensure their corporate's balance sheet is sized to remain well capitalized.

▲ 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 the EBA agent as intermediary.
- ✓ After agreements are signed, the corporate and partners handle the account transition.

▲ 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.

▲ 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.
- ✓ Due diligence information will be provided to aid credit unions as they consider participation.

Learn More

Contact your Senior Business Consultant for program details, due diligence assistance, an overview of the set-up process, planning and answers to your questions. Once the agreements are executed by your credit union, your credit union's first day of service can be scheduled.