

PDP3 List of Approved Eligible Collateral Instruments and Obligations [Section 11-10.5-107(1), C.R.S.]

For purposes of the Public Deposit Protection Act and these rules, the term “investment grade” is defined as any security assigned a rating of AAA to BBB by Standard & Poor’s or Fitch’s Investors Services or any security assigned a rating of Aaa to Baa by Moody’s Investors Service. The following are approved as eligible collateral:

- A.
 - 1. U.S. Treasury Bills, Treasury Notes, and Treasury Bonds.
 - 2. U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities) with maximum five year maturity and U.S. Treasury TIPS (Treasury-Inflation Protected Securities).
 - 3. Farm Credit Systemwide Bonds, Notes, and Discount Notes, issued as Federal Farm Credit Bank (FCSB) securities, excluding multi-asset class structured notes.
 - 4. Federal Home Loan Bank (FHLB) Bonds, Notes and Discount Notes, excluding multi-asset class structured notes.
 - 5. Federal National Mortgage Association (FNMA or Fannie Mae) Bonds, Notes, Discount Notes, and Mortgage-Backed Pass-Through Certificates, excluding multi-asset class structured notes.
 - 6. Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) Bonds, Notes, Discount Notes and Mortgage-Backed Pass-Through Securities, excluding multi-asset class structured notes.
 - 7. Government National Mortgage Association (GNMA or Ginnie Mae) Pass-Through Securities.
 - 8. Student Loan Marketing Association (SLMA or Sallie Mae) Bonds and Discount Notes, excluding multi-asset class structured notes, excluding debt securities issued by SLM Corporation.
 - 9. Certificates for sale in the secondary market which represent undivided interests in pools composed of United States Department of Agriculture Rural Development and Small Business Administration loans, if either the United States Department of Agriculture Rural Development or Small Business Administration have unconditionally guaranteed payment of all amounts due to be paid to the owner of the certificate, and additionally, portions of loans guaranteed by either the United States Department of Agriculture Rural Development or Small Business Administration, provided that one of those agencies has unconditionally guaranteed payment of all amounts due under the guaranteed portion of the loan.
 - 10. Irrevocable and unconditional standby Letters of Credit issued by a Federal Home Loan Bank, provided that: (1) The Letter of Credit is in the standard format approved by the Division of Banking, (2) the Colorado Division of Banking is designated as the beneficiary of the Letter of Credit; and (3) securities issued by a Federal Home Loan Bank remain investment grade.
- B. For purposes of this section B, “public unit” shall have the same meaning as that term is defined in Section 11-10.5-103(13), C.R.S., and “political subdivision” shall have the same meaning as that term is defined in Section 11-10.5-103(10), C.R.S.
 - 1. Obligations of any public unit or any political subdivision in Colorado, including anticipation warrants, general obligations, and obligations the interest and principal of which are secured by deposit in escrow of an amount of obligations of the United States or any agency thereof sufficient to secure payment.

2. Revenue bonds, except industrial development revenue bonds, issued by any public unit or any political subdivision in Colorado, as well as special improvement district bonds issued by any Colorado political subdivision.
 3. Obligations of any public unit or political subdivision of another state including anticipation warrants, general obligations, and obligations the interest and principal of which are secured by deposit in escrow of an amount of obligations of the United States or any agency thereof sufficient to secure payment, which obligations shall be readily convertible into cash, and which obligations are rated at least "A" quality by one or more nationally-recognized organizations that regularly rate such obligations.
 4. Revenue bonds of any public unit or political subdivision of another state, except private activity bonds or industrial development revenue bonds, which obligations shall be readily convertible into cash and which obligations are rated at least "AA" quality by one or more nationally-recognized organizations which regularly rate such obligations.
- C. Promissory notes secured by first lien mortgages or deeds of trust on 1-4 family residential real property situated in this state, if such notes are not in default in any respect, are wholly-owned by the eligible public depository, and meet the criteria below
1. Open-end and closed-end loans, including reverse mortgages, secured by real estate as evidenced by mortgages (Federal Housing Authority (FHA), Farmer's Home Administration (FmHA), Veterans Authority (VA), or conventional) or other liens on:
 - (a) Nonfarm property containing 1-to-4 dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof (e.g., row houses, townhouses, or the like);
 - (b) Mobile homes (i) that qualify as the purchase or holding of real property under Section 38-29-101, C.R.S. et seq., and (ii) where the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property;
 - (c) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units; or
 - (d) Housekeeping dwellings with commercial units combined where use is primarily residential and where only 1-to-4 family dwellings are involved.

Home equity lines of credit, loans secured for 1-to-4 family residential property construction and land development purposes, and loans secured by vacant lots in established single-family residential sections or in areas set aside primarily for 1-to-4 family homes may not be pledged as eligible collateral.

In no event shall any eligible public depository's pledged collateral portfolio consist of more than 50 percent of the above described promissory notes.

- D. Commercial paper rated at least "A1" or "P1" in quality at the time of pledging by Moody's and Standard & Poor's.
- E. Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation Collateralized Mortgage Obligations and Real Estate Mortgage Investment Conduits except that interest only and principal only Collateralized Mortgage Obligations and Real Estate Mortgage Investment Conduits shall not be pledged.
- F. Commercial Mortgage-Backed Securities (CMBS) issued by the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation.

G. Uniform Mortgage-Backed Securities (UMBS) and Supers Securities (Supers) issued by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association.

G.H. Surety bonds, provided that:

1. The surety bonds are in the standard format approved by the Colorado Division of Banking;
2. The Colorado Division of Banking is designated as the beneficiary of the surety bond;
3. The claims-paying ability of the issuer of the surety bond is rated, and remains rated in the highest rating category of A.M. Best, Moody's or Standard & Poor's or the highest rating category of another nationally-recognized rating agency acceptable to the Colorado Division of Banking;
4. The issuer of the surety bond is licensed or qualified to do business in Colorado, and unaffiliated with the purchaser of the bond.
 - a. For the purposes of this subsection, Paragraph (G)(4), the definition of an affiliate is the same as the definition of affiliate found at Banking Board Rule CB 101.37(A)(2)(a);
5. No issuer of the surety bonds may provide surety bonds for any one bank in an amount, net of reinsurance issued by companies authorized to sell insurance in Colorado, which exceeds ten percent of the surety bond issuer's capital and surplus as reported to the Colorado Division of Insurance;
6. The issuer and the eligible public depository are required to notify the Colorado Division of Banking in writing 30 days prior to a bond's cancellation; and
7. The issuer is required to send quarterly reports to the Colorado Division of Banking listing those Colorado eligible public depositories which have purchased a surety bond, as well as the insured dollar amounts in effect.

H.I. Eligible collateral obligations or instruments shall not be in default in any respect.

H.J. If, in the Colorado Division of Banking's opinion, a previously-pledged instrument is not safe and sound, the instrument shall no longer be deemed eligible collateral.

J.K. References

1. For more detailed information pertaining to these provisions, please contact the Colorado State Bank Commissioner at 1560 Broadway, Suite 975, Denver, Colorado 80202, (303) 894-7575.