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| Sub-Committee: | **Negative Interest Rates** |
| Date/Time of Meeting: | February 13, 2020, 3:00 pm |
| Committee Chair:  MAC Director: | Denise R. Pappu |
| McCracken Representatives:  \*Notes Submitted by: | Karen Peterpaul/Kim Cooper |
| Attendees: | Name/Company |
| Denise Pappu/ Wells Fargo Bank. Carla Hoffman/ KeyBank  Michael Borders/ Wells Fargo Bank Gary Ellis/ KeyBank  Byron Matheson/ Wells Fargo Bank Denise Ross/ McCracken  Todd Ussery/ Wells Fargo Bank Karen Peterpaul/ McCracken  Donna Loo/ Wells Fargo Bank Kim Cooper/ McCracken  TJ Arrowsmith/ NCB Nina Nolley/ VHDA |

Meeting Notes:

Purpose of the sub-committee is to brainstorm to determine if there is a need for Strategy to support Negative Interest Rates since there seems to be rumblings that interest rates could go negative in the US in the future, as it has in Europe and Japan.

McCracken noted that there is an enhancement to Strategy coming out in Release 19E that will allow the entry of a Negative Index Rate. If a Negative Index Rate is entered, Strategy will not let the Interest Rate on the loan fall below zero. Any loan where the rate would have become negative displays on exception reports, but the interest rate on the loan itself will be zero.

Denise Ross, McCracken, addressed the group, saying that before we begin discussing what would need to change in Strategy if there were negative interest rates, that there needs to be a firm understanding about how a negative interest loan would actually behave. What happens with money, are you going to refund money to your borrowers? Are you going to credit the negative interest amount to principal? What about your investors? These are the questions McCracken needs answered before exploring what needs to change in Strategy. In past discussions with customers on this topic, it became a question for legal departments to determine what the loan documents allowed and how negative interest should be handled. At the time there was not a clear answer for that.

The group discussed the unlikely scenario that money would be paid back to the borrower. There was general agreement that, in theory, a hard floor of zero would make sense but it is really going to come down to the content of the loan documents.

Follow-Up

MAC – At this time the group agreed, the enhancement being released that allows a Negative Index Rate but invokes an absolute interest rate floor of zero is sufficient for now and there is no need for further committee action at this time. If future discussions are needed the group will reconvene.