

**FEDERAL RESERVE BANK
BORROWER-IN-CUSTODY OF COLLATERAL CERTIFICATION
TO BE COMPLETED BY DEPOSITORY INSTITUTION**

INSTITUTION NAME: _____ ABA#: _____

ADDRESS: _____ CITY/STATE: _____

CONTACT (Primary): _____ TELEPHONE: _____

TITLE: _____ EMAIL: _____

CONTACT (Collateral/Operations): _____ TELEPHONE: _____

TITLE: _____ EMAIL: _____

COLLATERAL TYPE: **One-To-Four Family Mortgage Loans**

THE FOLLOWING CERTIFICATION SHOULD BE COMPLETED BY THE INTERNAL AUDIT FUNCTION OF YOUR INSTITUTION. IF YOUR INSTITUTION DOES NOT HAVE AN INTERNAL AUDIT FUNCTION, TWO OFFICIALS OF YOUR BANK CAN COMPLETE THE CERTIFICATION, PENDING THE RESERVE BANK'S APPROVAL.

A. PLEASE ANSWER THE FOLLOWING QUESTIONS.

1. INDICATE BELOW HOW YOUR INSTITUTION USES OR INTENDS TO USE THE BIC ARRANGEMENT?

- DISCOUNT WINDOW
- TREASURY TAX & LOAN (*YOUR INSTITUTION MUST COMPLETE A SEPARATE AGREEMENT WITH THE TT&L DIVISION OF THE FEDERAL RESERVE BANK TO USE BIC COLLATERAL FOR THE SPECIAL DIRECT INVESTMENT (SDI) PROGRAM. COLLATERAL ELIGIBILITY IS DETERMINED BY TREASURY GUIDELINES. <http://www.publicdebt.treas.gov/gsr/gsrctl.htm#ttl>*)
- PAYMENT SYSTEMS RISK

2. INDICATE THE TYPE OF DOCUMENTATION SUPPORTING THE LOANS THAT ARE BEING PLEDGED TO THE FEDERAL RESERVE BANK UNDER THE BIC ARRANGEMENT. *NOTE: ALL DOCUMENTATION MUST BE ORIGINAL (CHECK ALL THAT APPLY):*

- PROMISSORY NOTE MORTGAGE TITLE POLICY TORRENS CERTIFICATE
- APPRAISAL OTHER (PLEASE SPECIFY) _____

2A. PLEASE PROVIDE THE ADDRESS, CITY, AND STATE WHERE THE MORTGAGE FILES AND ALL ORIGINAL MORTGAGE LOAN DOCUMENTS (E.G. NOTE, TRUST DEED OR MORTGAGE, APPRAISALS, PROPERTY INSURANCE, TITLE POLICIES) ARE HELD. *PLEASE NOTE THAT ALL LOAN DOCUMENTATION MUST BE ORIGINAL.*

NOTES:

OTHER DOCUMENTS:

3. ARE THE PROMISSORY NOTES IMAGED AND DESTROYED?

Yes No

IF YES, PLEASE CONTACT DISCOUNT WINDOW BEFORE CONTINUING WITH THE CERTIFICATION

4. ARE THE LOANS ORIGINATED ELECTRONICALLY?

Yes No

IF YES, PLEASE COMPLETE THE ELECTRONIC NOTE CERTIFICATION FORM & ELECTRONIC LOAN COLLATERAL QUESTIONNAIRE AND ATTESTATION.

5. DESCRIBE THE PHYSICAL STORAGE FACILITY WITHIN YOUR BANK OR AT AN OFF-PREMISE SITE WHERE THE PLEDGED COLLATERAL IS HELD (E.G. VAULT, TELLER AREA, ETC.). HOW IS THE COLLATERAL PROTECTED AGAINST LOSS FROM FIRE, THEFT AND OTHER DANGERS?

NOTES:

OTHER DOCUMENTS:

5A. HOW DO YOU MONITOR ACCESS AND THE REMOVAL OF KEY DOCUMENTS FROM THE COLLATERAL AREA?

6. INDICATE BELOW HOW YOUR BANK IDENTIFIES THE COLLATERAL AS PLEDGED TO THE FRB. *IT IS A REQUIREMENT OF THE BORROWER-IN-CUSTODY PROGRAM THAT COLLATERAL PLEDGED TO THE FEDERAL RESERVE BANK BE IDENTIFIED PROMINENTLY AT PARTICIPATING INSTITUTIONS.*

- NOTATION ON GENERAL LEDGER
- NOTATION ON LOAN SYSTEM
- LABEL ON INDIVIDUAL FILES
- VISIBLE NOTICE IN SPECIFIC CUSTODY AREA

7. ARE THE NOTES MADE PAYABLE TO YOUR INSTITUTION?

- YES
- NO

7A. IF NO, WHICH ENTITY ORIGINATES MORTGAGE LOANS?

- An affiliate of your institution
- A subsidiary of your bank holding company
- Other _____

7B. IF THE LOANS WERE NOT ORIGINATED BY YOUR INSTITUTION, HOW WERE THE LOANS ASSIGNED OR TRANSFERRED TO YOU?

8. HOW DOES YOUR INSTITUTION MONITOR COLLATERAL LEVELS ENSURING THAT THE PLEDGE BALANCE DOES NOT FALL BELOW THE STATED GUIDELINES? *NOTE: IT IS A REQUIREMENT OF THE BORROWER-IN-CUSTODY GUIDELINES THAT MONTHLY COLLATERAL LEVELS DO NOT FALL BELOW 10 PERCENT OF VALUE BETWEEN REPORTING DATES.*

9. EXPLAIN THE METHOD BY WHICH LOANS ARE MONITORED TO ENSURE THAT THOSE DETERMINED INELIGIBLE PER THE BORROWER-IN-CUSTODY GUIDELINES ARE REMOVED FROM THE COLLATERAL POOL IN A TIMELY MANNER.

10. EXPLAIN HOW YOUR INSTITUTION SCREENS MORTGAGE LOANS TO ENSURE THAT ONLY ONE-TO-FOUR FAMILY, OWNER OCCUPIED MORTGAGE LOANS ARE PLEDGED (E.G., COMPUTER CODES, ETC.). *THE BORROWER-IN-CUSTODY AGREEMENT PROHIBITS CONSTRUCTION, GOVERNMENTAL, RENTAL AND SECONDARY RESIDENCE (E.G. VACATION HOMES) LOANS FROM BEING PLEDGED TO OUR BANK.*

11. EXPLAIN THE METHOD BY WHICH PAYMENT OF PROPERTY TAXES IS MONITORED.

11A. EXPLAIN THE METHOD BY WHICH PROPERTY INSURANCE POLICIES ARE KEPT CURRENT FOR BOTH ESCROWED AND NON-ESCROWED CUSTOMERS. IS THERE CURRENT PROPERTY INSURANCE COVERAGE ON ALL MORTGAGE LOANS PLEDGED?

12. INDICATE THE DATE OF YOUR INSTITUTIONS LAST INTERNAL AUDIT REVIEW COVERING THE LOAN OPERATIONS AREA(S) RELATING TO THE PLEDGED LOANS? PLEASE COMMENT ON THE FINDINGS NOTED IN THE AUDIT AND ANY SUBSEQUENT MANAGEMENT ACTION TAKEN.

13. DOES ANY OTHER PARTY HAVE A LIEN (BLANKET OR SPECIFIC) ON THE LOANS BEING PLEDGED TO THE FEDERAL RESERVE? ___ Yes ___ No

IF YES, WHAT IS THE NAME OF THE ORGANIZATION THAT HAS A LIEN ON THE LOANS BEING PLEDGED TO THE FEDERAL RESERVE (I.E. FHLB, CORPORATE CREDIT UNION, OTHER):

NAME: _____

CONTACT: _____

PHONE: _____

14. PLEASE INDICATE THE FOLLOWING:

Dollar amount of loans being pledged \$ _____

Number of loans being pledged _____

B. INSPECTION INFORMATION

PLEASE PROVIDE THE FOLLOWING REQUIRED INFORMATION:

- PROVIDE THE NAMES OF ACQUIRED FINANCIAL INSTITUTIONS IN WHICH CURRENT, PLEDGED LOANS ORIGINATED.
- A COMPLETE COPY OF YOUR INSTITUTION'S MOST RECENT INTERNAL/EXTERNAL AUDIT COVERING APPLICABLE LOAN OPERATIONS AREAS INCLUDING ANY FINDINGS, MANAGEMENT'S RESPONSE, AND CORRECTIVE ACTION PLAN.
- FOR EXISTING BORROWER IN CUSTODY ARRANGEMENTS, A COMPLETE COPY OF YOUR INSTITUTION'S MOST RECENT INTERNAL/EXTERNAL AUDIT ATTESTING TO COMPLIANCE WITH BORROWER-IN-CUSTODY PROGRAM GUIDELINES.
- PROVIDE A COMPLETE COPY OF YOUR INSTITUTION'S MOST RECENT INTERNAL /EXTERNAL LOAN REVIEW REPORT.
- PROVIDE A COMPLETE COPY OF YOUR INSTITUTION'S LOAN POLICY RELATING TO THE TYPE OF LOANS PLEDGED.
- ANY ADDITIONAL INFORMATION NEEDED TO SUPPORT QUESTIONNAIRE COMMENTS.

SEND ALL DOCUMENTATION ELECTRONICALLY TO:

[Intralinks](#)

C. AUTHORIZATION

PLEASE HAVE THE APPROPRIATE OFFICIALS OF YOUR INSTITUTION REVIEW AND SIGN THIS FORM.

I have reviewed the above responses to the Borrower-in-Custody Certification and attest that the responses are accurate.

Authorized Signature* _____ Title _____ Date

Authorized Signature* _____ Title _____ Date

[*Number of required signatures determined by the Borrowing Resolution on file with the Federal Reserve Bank]

AUDITOR ATTESTATION

I certify that I am in receipt of, and have reviewed the Borrower-In-Custody of Collateral Program Guidelines and Operating Circular 10. Further, for existing Borrower-In-Custody relationships, I attest that all relevant internal policies and procedures have been reviewed and examined for Borrower-In-Custody program conformance and confirm this institution to be in compliance.

Authorized Signature** _____ Title _____ Date

INTERNAL AUDITOR** or EXTERNAL AUDITOR** or RESPONSIBLE DIRECTOR**