

**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: _____
(CONSUMER LOANS, INSTALLMENT LOANS, HOME EQUITY LOANS, STUDENT LOANS, AUTO LOANS AND LEASES)

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 INSTITUTION 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 SEPARATE AGREEMENTS WITH THE TT&L DIVISION OF THE FEDERAL RESERVE BANK TO USE BIC COLLATERAL FOR THE SPECIAL DIRECT INVESTMENT (SDI) OR TERM INVESTMENT OPTION (TIO) PROGRAMS. COLLATERAL ELIGIBILITY FOR EACH PROGRAM IS DETERMINED BY TREASURY GUIDELINES. <http://www.publicdebt.treas.gov/gsr/gsrctl.htm#ttl>*)
- PAYMENT SYSTEM RISK

2. INDICATE THE TYPE OF DOCUMENTATION SUPPORTING THE LOANS THAT ARE BEING PLEDGED TO THE FEDERAL RESERVE BANK UNDER THE BIC ARRANGEMENT. ORIGINAL NOTES ARE REQUIRED FOR HOME EQUITY LOANS. COPIES OF NOTES FOR OTHER CONSUMER LOANS ARE ACCEPTABLE IF YOUR INSTITUTION IMPLEMENTS IMAGE AND DESTROY OR ORIGINATES ELECTRONIC NOTES. IF NOT, ORIGINALS MUST BE RETAINED (CHECK ALL THAT APPLY)

- PROMISSORY NOTE INSTALLMENT NOTE REVOLVING NOTE
- OTHER (PLEASE SPECIFY) _____

3. INDICATE OTHER AGREEMENTS BEING MAINTAINED BETWEEN YOUR INSTITUTION AND THE BORROWER RELATING TO THE LOAN ARRANGEMENTS.

CREDIT AGREEMENT SECURITY AGREEMENT OTHER (PLEASE SPECIFY) _____

4. IN REGARDS TO THE ORIGINAL PROMISSORY NOTE DOES YOUR INSTITUTION DO ANY OF THE FOLLOWING:

IMAGE AND DESTROY IMAGE AND STORE ON SITE IMAGE AND STORE OFF SITE NOT APPLICABLE

IF FIRST OPTION IS SELECTED PLEASE COMPLETE THE IMAGE AND DESTROY CERTIFICATION FORM & ELECTRONIC LOAN COLLATERAL QUESTIONNAIRE AND ATTESTATION.

PLEASE REFER TO THE BIC GUIDELINES FOR THE LOCATION OF THE CERTIFICATION FORM

5. ARE THE PLEDGED LOANS ORIGINATED ELECTRONICALLY?

Yes No

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

PLEASE REFER TO THE BIC GUIDELINES FOR THE LOCATION OF THE CERTIFICATION FORM

6. PLEASE PROVIDE THE ADDRESS, CITY, AND STATE WHERE THE ABOVE REFERENCED COLLATERAL IS LOCATED.

NOTES:

CREDIT AGREEMENTS AND OTHER DOCUMENTS:

6A. DOES YOUR INSTITUTION UTILIZE A CUSTODIAN FOR SERVICING OR STORING THE LOAN DOCUMENTATION? IF YES, PLEASE PROVIDE THE NAME ADDRESS, CITY AND STATE OF THE ABOVE REFERENCED COLLATERAL.

NOTES:

CREDIT AGREEMENTS AND OTHER DOCUMENTS:

6B IS THE CUSTODIAN AFFILIATED WITH YOUR INSTITUTION? IS THE CUSTODIAN A SUBSIDIARY OF YOUR BANK OR BANK HOLDING COMPANY?

7. ARE THE NOTES MADE PAYABLE TO YOUR INSTITUTION?

Yes No

7A. IF NO, WHICH ENTITY ARE THE LOANS ORIGINATED BY?

- 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. DESCRIBE THE PHYSICAL STORAGE FACILITY WHERE THE NOTES ARE HELD (E.G. VAULT, TELLER AREA, ETC.). HOW IS THE COLLATERAL PROTECTED AGAINST LOSS FROM FIRE, THEFT AND OTHER DANGERS?

9. HOW DOES YOUR INSTITUTION MONITOR ACCESS AND THE REMOVAL OF KEY DOCUMENTS FROM THE COLLATERAL AREA?

10. EXPLAIN YOUR INSTITUTION'S POLICY FOR TRACKING INSURANCE ON PLEDGED COLLATERAL. PROVIDE DETAILS ON YOUR INSTITUTION'S ERRORS AND OMISSIONS POLICY.

11. INDICATE BELOW HOW YOUR BANK IDENTIFIES THE COLLATERAL AS PLEDGED TO THE FRB. *IF YOUR INSTITUTION IMAGES AND DESTROYS THE ORIGINAL PROMISSORY NOTE OR ORIGINATES THE LOAN ELECTRONICALLY THE PLEDGED COLLATERAL MUST BE IDENTIFIED ELECTRONICALLY ON THE GENERAL LEDGER OR LOAN SYSTEM. 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

12. 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.*

13. THE FOLLOWING QUESTIONS REFER TO YOUR INSTITUTION'S PROCESS FOR IDENTIFYING AND EXTENDING CREDIT TO "HIGHER RISK" OR "SUB-PRIME" BORROWERS, AS ADDRESSED IN REGULATORY GUIDANCE (E.G. FDIC – ASSESSMENTS, LARGE BANK PRICING; 1999/ 2001 INTERAGENCY GUIDANCE FOR SUBPRIME LENDING PROGRAMS).
13A. HOW DOES YOUR INSTITUTION DEFINE "HIGHER RISK" OR "SUBPRIME" BORROWER (E.G. CREDIT SCORE CRITERIA, DTI RATIO, WEAK CREDIT HISTORIES [PAST JUDGMENTS/ BANKRUPTCIES/ ETC.] AND/ OR REDUCED REPAYMENT CAPACITIES)?
13B. HOW FREQUENTLY DOES YOUR INSTITUTION REFRESH CREDIT SCORES AND/ OR RE-EVALUATE RISK CHARACTERISTICS OF CONSUMER LOANS? BASED ON THE RESULTS, WILL LOANS MOVE INTO OR OUT OF THE "HIGHER RISK" CATEGORY?
13c. WHAT TYPE OF RISK MITIGATION DOES YOUR INSTITUTION APPLY TO LOANS TO "HIGHER RISK" OR " SUB-PRIME" BORROWERS (E.G. RISK – BASED PRICING, LOWER LTV RATIO, SHORTER TERM, ETC.)?
13D. HAS YOUR INSTITUTION ESTABLISHED A PORTFOLIO TARGET AND/ OR LIMITATION FOR "HIGHER RISK" OR "SUB-PRIME" LOANS?

YES NO

13E. WHAT PERCENTAGE OF YOUR INSTITUTION'S PLEDGED LOANS ARE "HIGHER RISK" OR "SUB-PRIME"?

14. 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.

15. 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 ACTIONS REQUIRED.

16. 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: _____

17. PLEASE INDICATE THE FOLLOWING:

Dollar amount of loans being pledged \$ _____

Number of loans being pledged _____

B. INSPECTION INFORMATION

PLEASE PROVIDE THE FOLLOWING REQUIRED INFORMATION:

- NAMES OF ANY 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.
- IF APPLICABLE, A COMPLETE COPY OF THE MOST RECENT INTERNAL AUDIT REGARDING THE IMAGING AND DESTRUCTION OF ORIGINAL PROMISSORY NOTES
- IF APPLICABLE, A COMPLETE COPY OF THE MOST RECENT INTERNAL AUDIT REGARDING THE ADEQUACY OF INTERNAL CONTROLS FOR THE ELECTRONIC NOTE PROCESS

IF APPLICABLE, POLICIES AND PROCEDURES REGARDING THE IMAGING AND DESTRUCTION OF ORIGINAL PROMISSORY NOTES AND/OR ELECTRONIC NOTES

- IF APPLICABLE, A COMPLETED COPY OF THE IMAGE AND DESTROY CERTIFICATION FORM AND/OR ELECTRONIC NOTE CERTIFICATION FORM
- A COMPLETE COPY OF YOUR INSTITUTION'S MOST RECENT INTERNAL /EXTERNAL LOAN REVIEW REPORT.
- 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**