|  |
| --- |
| Federal Reserve Bank of Richmond  Borrower-in-Custody (BIC) of Collateral Certification  To be completed by Depository Institution Participants |
| Institution Name:      ABA #:  Address:  City/State/Zip:  Contact Name (Primary):      Title:  E-Mail Address:      Telephone:  Contact Name (Collateral/Operations):      Title:  E-Mail Address:      Telephone: |
| 1. Collateral Type (check all that apply; indicate the call report line where each pledged loan type is reported and indicate the form of the promissory note or other payment document):  |  |  |  | | --- | --- | --- | | **Loan Type Pledged:** | **Specify Call Report Line:** | **Form of Promissory Note/Payment Document (\*select all that apply)** | | Agricultural Loans Secured by Farmland |  | Wet-ink Signed Original | | Agricultural Production Loans |  | Wet-ink Signed Original  Wet-ink Signed Imaged & Destroyed  Electronic Origination | | Raw Land Loans |  | Wet-ink Signed Original | | Commercial Loans |  | Wet-ink Signed Original  Wet-ink Signed Imaged & Destroyed  Electronic Origination | | Commercial Real Estate Loans |  | Wet-ink Signed Original | | Construction Loans |  | Wet-ink Signed Original | | 1-4 Family Mortgages |  | Wet-ink Signed Original | | Home Equity Loans |  | Wet-ink Signed Original | | Manufactured or Mobile Home Loans |  | Wet-ink Signed Original  Wet-ink Signed Imaged & Destroyed  Electronic Origination | | Credit Card Receivables   * Prime * Subprime |  | Wet-ink Signed Original  Wet-ink Signed Imaged & Destroyed  Electronic Origination | | Consumer Loans   * Auto Loans * RV Loans * Boat Loans |  | Wet-ink Signed Original  Wet-ink Signed Imaged & Destroyed  Electronic Origination | | Student Loans |  | Wet-ink Signed Original  Wet-ink Signed Imaged & Destroyed  Electronic Origination | | Unsecured Consumer Loans (*\*overdraft protection loans are not eligible*) |  | Wet-ink Signed Original  Wet-ink Signed Imaged & Destroyed  Electronic Origination | | Obligations of States and Political Subdivisions (*Municipalities*) |  | Wet-ink Signed Original  Wet-ink Signed Imaged & Destroyed  Electronic Origination | | Other, please describe: |  |  |   \*For circumstances that fall outside of the available options noted above, please provide additional details.  *\*\* The Federal Reserve Bank of Richmond only accepts wet-ink signed documentation for real estate secured loans as electronically originated documentation is not permissible. These loans may also be imaged but not destroyed.* |
| 1. Is your institution a member of a Federal Home Loan Bank and/or corporate credit union?     Yes  No  If yes, please state the name of the Federal Home Loan Bank and/or corporate credit union and the type(s) of loans currently pledged to each entity as collateral? |
| 1. Is staff involved with the day-to-day maintenance of the collateral familiar with the terms and conditions of the BIC arrangement?   Yes  No |
| 1. Do the loans pledged to the Federal Reserve Bank designate your institution as lender or payee (excluding participations)?     Yes  No  If no, what entities originated the loans and what documentation exists evidencing the transfer of ownership? |
| 1. Does your institution pledge loan participations to the Reserve Bank?   Yes  No  If yes, please answer the following:   * 1. If your institution originated the loan, do you have the original participation certificates/agreements and all loan documents?   Yes  No (*must provide a reason if selected*)   * 1. If your institution purchased the loan, do you have copies of the loan documents and an original participation certificate/agreement to evidence your institution’s interest?   Yes  No (*must provide a reason if selected*)   * 1. Do you have the ability to identify participations bought/sold within the monthly BIC pledge file? If yes, how so?   Yes  No   * 1. What percentage of the pledge pool is comprised of loan participations (based on the current outstanding balance of the portion your institution owns)?   2. Are there any restrictions within the loan documents that would limit the ability to assign, transfer, or sell loan participations pledged to the Reserve Bank, or other entities? If yes, provide a copy of the language.   Yes  No   * 1. Describe the credit review process that your institution applies to the loan participations initially and on an ongoing basis to ensure they are eligible for pledging? |
| 1. Does your institution pledge syndication loans to the Reserve Bank?   Yes  No  If yes, please answer the following:     1. If your institution originated the loan, do you have the original syndication agreements and loan documents?   Yes  No (*must provide a reason if selected*)   1. If your institution purchased the loan, do you have copies of the syndication agreements and loan documents?   Yes  No (*must provide a reason if selected*)   1. Do you have the ability to identify syndicated loans within the monthly BIC pledge file? If yes, how so?   Yes  No   1. What percentage of the pledge pool is comprised of syndicated loans (based on the current outstanding balance of the portion your institution owns)? 2. Are there any restrictions within the loan documents that would limit the ability to assign, transfer or sell syndication loans pledged to the Reserve Bank, or other entities? If yes, provide a copy of the language.   Yes  No   1. Describe the credit review process that your institution applies to the syndicated loans initially and on an ongoing basis to ensure they are eligible for pledging? |
| 1. If pledging consumer loans, please describe how your institution defines the following:    1. Prime    2. Sub-Prime |
| 1. If your institution pledges commercial, commercial real estate, construction, agricultural, municipal and/or raw land loans:    1. Provide a copy of your institution’s most recent loan review and most recently approved risk rating scale including definitions for each category.    2. Describe any changes in your institution’s internal risk rating system since the last examination conducted by your primary regulator. |
| 1. What was the date of the last internal audit review of your institution’s participation in the BIC program? This review should include at a minimum the adequacy of the loan documentation and operational controls of the pledged loans, as well as ensuring the requirements of the program are being met. 2. Describe the audit process that was involved. 3. What findings were noted in the audit and what subsequent actions were taken? 4. Provide a copy of the audit report. |
| 1. List and describe the software and/or system that your institution utilizes to house loan information. Please include the vendor name. |
| 1. Describe the process for how your institution creates the monthly BIC pledge file.   How does your institution ensure the data used to create the file is accurate? |
| 1. How does your institution verify the accuracy of loan data keyed into the loan system? |
| 1. Does your institution utilize an imaging system?   Yes  No  If yes, please answer the following:   1. Provide the imaging system name. 2. Describe in detail the imaging process (include procedures for how images are created, stored, retrieved, indexed and identified). 3. Describe in detail the process for ensuring accuracy and completeness of the images including how often this process is conducted. 4. Describe any problems that have been noted and corrective measures taken, if any. 5. Describe the contingency plan for protecting images against loss. 6. Describe employee access to the imaging system. What safeguards are in place to prevent unauthorized access to images? How is access to alter or delete imaged documents controlled and/or tracked? |
| 1. If your institution utilizes an imaging system for the loan types pledged to the BIC program, do you maintain the original promissory note?   Yes  No     1. If no, which documents are maintained?      1. If no, which documents are destroyed? |
| 1. If your institution utilizes an imaging system for the loan types pledged to the BIC program, do you maintain the original supporting collateral documentation (i.e. UCC, vehicle title, deed of trust/mortgage, etc.)?   Yes  No   1. If no, which documents are maintained?      1. If no, which documents are destroyed? |
| 1. Are any loans pledged to the Reserve Bank originated electronically?   Yes  No  If yes, please answer the following:   * 1. What types of loans are originated solely in electronic format?   2. Describe the entire process from origination to closing the loan.   3. How do you authenticate the individual executing the loan documents?   4. If a digital signature service is utilized to collect data from the signer (i.e. DocuSign), list the name of the service provider.   5. Do your loan documents contain standardized language stating that electronic signatures are acceptable in place of original signatures, and that agreements are binding, etc.?   Yes  No  If yes, please provide a copy of the verbiage.   * 1. What type of record does the borrower receive of the loan transaction? |
| 1. For all electronic loans ( i.e. loans originated in paper, imaged and then destroyed or loans originated entirely in electronic format with no paper documentation) please answer the following:    1. How is access restricted to ensure manipulation of the loan or labeling of a loan is appropriate?      How often are access levels reviewed?    2. What controls are in place to ensure the image of the electronic loan are properly monitored?    3. Describe the process and timing of destroying the paper originals, including any controls for ensuring that destruction occurs.    4. Are audit trail capabilities to monitor if the electronic loan was removed or deleted in place?   Yes  No   * 1. What type of firewall and virus protection is used to protect the electronic loan?   2. Describe the contingency plan for protecting the electronic loan against loss.   3. Does the institution possess any legal opinion regarding the acceptance of electronic loans?   Yes  No  If yes, please provide a copy of the verbiage. |
| 1. Will any electronic chattel paper loan Payment Documents be stored in an eVault? *An eVault* *is a system or tool, whether internal or provided by a third party, that enables a secured party or purchaser to establish control of electronic chattel paper under UCC 9-105. eVaults typically allow the user to securely store, manage and transfer the authoritative copies of electronic documents. \* Electronic chattel paper consists of loans or leases secured by specific goods such as equipment, vehicles and fixtures. See Section 9-102(a)(31) of the Uniform Commercial Code (UCC) for a definition of electronic chattel paper.*     Yes  No   * 1. If yes, and if the eVault is provided by a third party, what is the name of the eVault vendor and/or tool?   2. Provide a copy of the Institution’s agreement with the eVault vendor. |
| 1. Provide the address, city, state, and zip code where all pledged collateral is held. 2. Has the location of the collateral changed since the last BIC Audit Certification?   Yes  No  If Yes, when did the change occur and how did your institution ensure that all documents were transferred appropriately?   1. Describe the physical storage facility where the notes are held (e.g. vault, teller area, file cabinets, etc.). |
| 1. Does your institution utilize a 3rd party vendor for collateral pledged to the Reserve Bank?   Yes  No  If yes, please answer the following:   1. Provide the name of the entity. 2. Provide a copy of the service agreement between your institution and the vendor. 3. Describe the services provided by the 3rd party vendor (e.g. servicing of the pledged loans or handling of loan documents, storage of the loan documents by the custodian, provide software to interface with DMV, etc.). 4. Does the third party control who has access to the Payment Documents beyond the initial set-up of the storage service?  Yes  No 5. Does the third party have a security interest in or lien on the files, loans or leases stored with them?  Yes  No 6. If the institution defaults on its agreement with the third party, does the third party have the right to delete, take control or restrict access to the Payment Documents?  Yes  No 7. The third party performs the typical duties that a custodian of financial assets would perform for the Institution (e.g., recordkeeping, payments or distributions of the assets, tax reporting and withholding, etc.) and/or the Institution’s agreement with the third party refers to them as a custodian or bailee of the Payment Documents or grants the third party any similar custodial rights.  Yes  No 8. If the servicer is affiliated with your institution, please describe the affiliation. |
| 1. How is the collateral protected against loss from fire, theft, and other dangers? |
| 1. How does your institution label wet-ink signed loans? *It is a requirement of the BIC program that collateral pledged to the Reserve Bank be identified prominently, at a minimum, by posting visible signage in the loan storage area indicating that loans are pledged to the Federal Reserve Bank of Richmond.*   Visible Notice in Specific Custody Area (required)  Additional labeling options for wet-ink signed loans that can be used at a bank’s discretion, please check if applicable.  Label on Individual files  Notation on General Ledger/Loan system  Physical Segregation of the Collateral  Other (please specify): |
| 1. How does your institution label electronic loans? *Electronic loans in which the paper is destroyed or never existed are required to meet a minimum standard of electronic identification either on the image or the loan record.*     Electronic notation on each imaged loan  Electronic stamp on each imaged loan  Posting an attention comment on each imaged loan  Segregation of the imaged loans on a separate folder or directory that is password protected  The file name of the imaged loan indicates that it is pledged to the Reserve Bank  A splash screen, pop-up message or some other clearly visible notation appears each time a user accesses the note/logs into the imaging system which indicates that it is pledged to the Reserve Bank.  Other (please specify): |
| 1. How does your institution monitor access to the collateral area and the removal of original promissory notes from the collateral area? |
| 1. Specific to the loan types pledged, what is your institution’s policy for hazard insurance and title insurance? 2. What thresholds have been established for requiring insurance? 3. Is insurance verified initially only or is it verified initially and then tracked ongoing? |
| 1. How does your institution monitor collateral levels between reporting periods to ensure that pledge balances that declined by more than 10% in aggregate trigger interim reporting, which is a requirement of the BIC program? |
| 1. How does your institution monitor collateral to ensure that matured, delinquent, or sold loans are removed from the collateral pool in a timely manner *(In addition, loans that are due to mature within 60 days of the as-of date are ineligible for pledge)?* |

|  |
| --- |
| **Documents should be scanned with signatures and emailed to the following address:**  [**discountwindow@rich.frb.org**](mailto:discountwindow@rich.frb.org)  **For more information, please contact the Credit Risk Management collateral area at 800-526-2036.** |
| **Authorized Borrower Attestation**  I have reviewed the above responses to the Borrower-in-Custody Certification and attest that the responses are complete and accurate. I certify that all relevant policies and procedures related to participation in the borrower-in-custody program have been reviewed and confirm this institution is in compliance with the program guidelines. If electronic loan collateral is pledged, I further certify that all requirements set forth in the BIC Electronic Loan Collateral Guidelines are met.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_  Authorized Signature\* Title Date  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Printed Name  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_  Authorized Signature\* Title Date  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Printed Name  \*Titles and number of individuals as designated per the Authorizing Resolutions for Borrowers (*not the OC-10 Authorization List)* on file with the Federal Reserve Bank of Richmond |
| **Auditor Attestation**  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.  Please check the following: I am an  Internal Auditor  External Auditor  Director of the Audit Committee/Internal Controls Committee  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_  Authorized Signature Title Date  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Printed Name |