

## **CUSTOMER GUIDELINES FOR OTHER REAL-ESTATE RELATED (“ORER”) COLLATERAL PLEDGE PROPOSALS**

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Customers wishing to pledge ORER Collateral to the Federal Home Loan Bank of New York (FHLBNY) must complete and return the Pledge Proposal Application for pledging ORER Collateral along with the non-refundable application fee.

Generally, other real estate-related collateral will be considered when a customer has exhausted other eligible collateral categories. Proposals to pledge ORER collateral are considered on a case-by-case basis only.

### **CUSTOMER ELIGIBILITY**

Customers authorized to use these types of collateral must be generally well capitalized, profitable, exhibit stable trends in key economic indicators, and be considered in average or better financial condition.

### **LIMITATIONS**

The maximum amount of ORER collateral is limited to an amount equal to the discounted value of the customer's total delivered or listed one to four family, first lien residential mortgage collateral, multifamily mortgage collateral, and delivered and perfected eligible securities collateral backed by the same.

### **ELIGIBLE ORER COLLATERAL TYPES**

If approved, eligible types of other real estate-related collateral may include:

- Second Mortgage on Residences
- Home Equity Loans – second lien, closed end only
- Second Mortgage on Multifamilies
- Combination Business/Farm Residential -  
    less than 50% of the appraised value is from the residence
- Mixed Use Commercial Real Estate – 21%  
    or more of gross income is from commercial tenants.
- Commercial Real Estate Mortgage
- Second Mortgage on Commercial Real Estate

### **ON-SITE VERIFICATIONS**

The FHLBNY requires an initial operational visit and a full on-site review visit to be completed by FHLBNY staff or its agent. The purpose of these visits is to verify that the customer possesses the Loan Administration infrastructure and expertise to properly manage ORER mortgage asset types, and to complete an evaluation of a sample of assets for market valuation purposes. These on-site verifications will not replace, but rather complement, other collateral verification requirements such as periodic detail data submissions. The FHLBNY may at its discretion charge a fee of \$675.00 for each Loan Review Analyst per day for on-site visits that are determined to be out-of-the-ordinary course of business or that result in out-of-district travel expenses and/or require the use of external consultants. External consultant fees will be billed directly to the customer. If such fees are to be charged, the customer will be advised of that cost prior to the visit.

The procedures for administering the FHLBNY's expanded collateral programs will comply with the terms of the collateral regulations of the Federal Housing Finance Board, CFR 12 Section 950.7 and the FHLBNY's Policies as approved by the FHLBNY's Board of Directors.

Approval to use ORER collateral will be granted on a case-by-case basis for each customer. The approval will be based upon:

- Evaluation by the FHLBNY's Credit Policy Division of the customer's financial condition and analysis of significant trends in financial measures related to capital sufficiency, earnings, non-performing assets and liquidity. Consideration of the customer's loan composition and credit risk profile review of regulatory financial reports.
- Review by the Loan Review Analysis Division of the customer's written loan policies to include loan underwriting policies; approval requirements for policy exceptions; the background and experience of senior management and the lending staff.
- The Customer's ability to produce an electronic data file describing the subject assets at the loan level as determined by the Collateral Operations Division.
- Findings of operational and/or full on-site reviews.

### **UNDERWRITING POLICIES, PORTFOLIO PERFORMANCE AND STAFF EXPERIENCE**

Written copies of loan policies and procedures pertaining to the type of loan assets offered as collateral will be required. Policies and procedures will be reviewed with the customer's senior manager responsible for the administration of these policies. A synopsis of the senior manager's expertise and pertinent experience is also required along with the customer's overall history of lending in the area(s) being evaluated. A credit analysis of each customer's call reports will be completed to evaluate each customer's financial condition, with special attention to asset quality measures pertaining to the types of loans offered as collateral.

### **ELIGIBLE MORTGAGE COLLATERAL**

The FHLBNY, at its discretion, may restrict the types of eligible collateral it will accept as security for an advance. In order to be eligible for inclusion as ORER collateral the underlying loans must:

- Be fully disbursed with construction complete.
- Not be delinquent over 60 days, have a foreclosure action filed or be in a non-interest accruing status.
- Not be classified substandard or worse by regulators or per internal grading guidelines.
- Not be extended to any director, officer, employee or agent of the customer or any Federal Home Loan Bank.
- Be secured loans with all required loan documentation in place and perfected.
- Have a readily ascertainable value, can be reliably discounted to account for liquidation and other risks, and can be liquidated by the FHLBNY in due course. The security interest in the collateral must be capable of being perfected by the FHLBNY.
- Be an individual loan size limited to the "Loans to One Borrower" limit as defined in accordance with the customer's governing regulations.

### **COLLATERAL CERTIFICATION**

Following approval by the FHLBNY to accept ORER collateral, the customer must provide periodic detail data submissions as instructed in the FHLBNY's CAMS or other approved data format.

### **FOR FURTHER INFORMATION**

Contact the Collateral Services Division at (201) 356-1065.