POLICY TITLE	Anti-Predatory Lending Policy for Acquired Member Assets
EFFECTIVE DATE	4/22/2009

1. PURPOSE OF THE POLICY

The Federal Home Loan Bank of New York ("FHLBNY" or "Bank") supports the expansion of fair and equitable home ownership opportunities. To discourage predatory lending practices, which are inconsistent with such opportunities, the FHLBNY has established the following anti-predatory lending policy ("APL Policy") with respect to residential mortgage loans purchased or funded under the Mortgage Partnership Finance® Program ("MPF® Program") (hereafter referred to as "Residential Mortgage Loans"). This policy is not intended to supplement industry regulators' role of monitoring and regulating actual Member lending activity for compliance with applicable laws. It is intended to underscore the FHLBNY's support of fair lending practices through clear communication of what will constitute qualified Residential Mortgage Loans for purchase under the MPF Program.

2. POLICY STATEMENT

FHLBNY requires that at minimum, Residential Mortgage Loans comply with applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, "Anti-Predatory Lending Laws"). For example, Anti-Predatory Lending Laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:

- Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
- Requiring mandatory arbitration provisions with respect to dispute resolution in the loan documents; or
- Charging prepayment penalties for the payoff of the loan after the period allowed by applicable law.
- Mortgages subject to the Home Ownership and Equity Protection Act ("HOEPA")
- Steering a borrower toward a mortgage with a higher interest rate and/or fees even when the borrower could qualify under a less costly financing alternative;
- Approving a mortgage based solely on the value of the property; or
- Lending without regard for a borrower's ability to repay the mortgage.

The FHLBNY has established a firm policy regarding the following practices:

i. Residential mortgage loans that require the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance, will not constitute qualified Residential Mortgage Loans for purchase or funding under the MPF Program. The FHLBNY will conduct appropriate post-purchase due diligence reviews to verify compliance with this provision.

ii. Residential mortgage loans that charge prepayment penalties for early payoff beyond the first five years of the loan will not constitute qualified Residential Mortgage Loans for purchase or funding under the MPF Program. However, certain States have more restrictive provisions relating to the application of prepayment penalties and, as such, any loan presented for purchase or funding under the MPF program must at minimum comply with applicable laws of the state within which the loan was originated. The FHLBNY will conduct appropriate post-purchase due diligence reviews to verify compliance with this provision.

iii. Residential mortgage loans containing mandatory arbitration clauses with respect to dispute resolution, to the extent that such requirements are prohibited or limited by applicable Anti-Predatory Lending Laws, will not constitute qualified Residential Mortgage Loans for purchase or funding under the MPF Program. The FHLBNY will conduct appropriate post-purchase due diligence reviews to verify compliance with this provision.

iv. When a rating agency determines that it cannot rate a structured finance transaction that includes particular mortgages due to the potential liability under Anti-Predatory Lending Laws, then such mortgages are not eligible for funding or purchase by the Bank. As an example, New Jersey High Cost Loans (as defined by New Jersey Law) and Georgia "interim loans" (loans covered by the Georgia Fair Lending Act and originated between October 1, 2002 and March 6, 2003 inclusive) are not eligible for delivery under the MPF Program. The FHLBNY will conduct appropriate post-purchase due diligence reviews and testing of loans to verify compliance with this provision.

v. A mortgage is not eligible for the MPF Program if the total points and fees charged to the borrower are greater than: (i) five percent (5%) of the mortgage amount, or (ii) the amount specified under the applicable predatory or abusive lending law which causes a loan to be classified as high cost, high rate, high risk or similar category of loan. The definition of "points and fees" provided by applicable federal, state or local law will be applied without regard to the application of federal preemption rules, statements or other related announcements issued from time to time by banking regulators or other regulatory authorities. The FHLBNY will conduct appropriate post-purchase due diligence reviews and testing of loans to verify compliance with this provision.

vi. In addition, a mortgage is not eligible for funding or purchase under the MPF Program if: (i) it is subject to the requirements in the Homeownership and Equity Protection Act of 1994 ("HOEPA") that apply to high-cost mortgages, as defined in HOEPA; or (ii) it is subject to the requirements of any federal, state or local laws that apply to loans identified as high cost, high risk or high rate loans or loans in other similar categories as defined by the applicable predatory or abusive lending law without regard to the application of federal preemption rules, statements or other related announcements issued from time to time by banking regulators or other regulatory authorities, or (iii) it is not ratable by a rating agency as noted above. The FHLBNY will conduct appropriate post-purchase due diligence reviews to verify compliance with this provision.

vii. In addition to the specific practices cited above, any residential mortgage loan that does not comply with all applicable Anti-Predatory Lending Laws will not constitute qualified Residential Mortgage Loans for purchase or funding under the MPF Program.

In addition to the representations and warranties provided in the Participating Financial Institution ("PFI") Agreement and in the MPF Origination Guide, as incorporated by reference in the PFI Agreement, the PFI is required to represent and warrant that it will not sell into the MPF Program any mortgage it originates or purchases that violates any provisions of this Policy. FHLBNY has also adopted the anti-predatory lending policies set forth in Chapter 2.6 of the MPF Origination Guide with respect to residential mortgages purchased or acquired by the FHLBNY from its Members.

Each PFI must also certify as part of the MPF Program's Annual Certification that it is aware of the Bank's anti-predatory lending Policy and will comply with this Policy in the sale of mortgages to the Bank.

3. COMPLIANCE

The FHLBNY will take those steps it deems necessary in order to confirm or monitor the PFIs' compliance with this Policy on a pre- and post-purchase basis, as identified above and outlined in the procedure titled **APL Monitoring for Acquired Member Assets.** Pre-purchase monitoring steps are taken to ensure that Members have established their own anti-predatory lending policies as well as to reasonably ensure that loans of this type are not presented for purchase or funding under the MPF program. Beyond the normal post-purchase compliance monitoring and testing of loans, the FHLBNY shall also: 1) review Member regulator exam reports for findings pertaining to unfair and/or abusive lending practices; and 2) monitor Member regulator alerts for newly issued supervisory agreements, memoranda of understanding, or cease and desist orders pertaining to unfair and/or abusive lending practices. Collectively, all monitoring steps taken are deemed to be reasonable measures to ensure compliance with the provisions of this policy.

In addition, the Bank reserves the right to require evidence reasonably satisfactory to the Bank that Residential Mortgage Loans acquired in the MPF Program do not violate applicable Anti-Predatory Lending Laws. With respect to Residential Mortgage Loans purchased by the PFI, the PFI is responsible for conducting the due diligence that it deems sufficient to support its representations and warranties noted above.

In the event that an ineligible mortgage is sold by a Member to the FHLBNY, the Member will be required to repurchase the mortgage within five (5) business days after notice by the Bank or MPF Provider, and the Bank and MPF Provider will accomplish the repurchase in accordance with repurchase requirements as outlined in the MPF Origination Guide. In addition, a Member may be required to make the Bank whole for any losses or costs incurred during the time the Bank held the mortgage.