



<b>POLICY TITLE</b>	<b>Anti-Predatory Lending Policy for Collateral</b>
<b>EFFECTIVE DATE</b>	<b>5/18/2006</b>

**1. PURPOSE OF THE POLICY**

The Federal Home Loan Bank of New York (“FHLNY”) 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 and securities backed by residential mortgage loans pledged to it as collateral (“Residential Mortgage Collateral”). 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 and to protect the Bank and its shareholders through clear communication of what will constitute qualifying collateral.

**2. POLICY STATEMENT**

FHLBNY requires that at minimum Residential Mortgage Collateral 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.
- 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:

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 be eligible as Residential Mortgage Collateral.

Residential mortgage loans that require prepayment penalties for early payoff beyond the first five years of the loan will not be eligible as Residential Mortgage Collateral. However,



where certain States have more restrictive provisions relating to the application of prepayment penalties such collateral pledged must at minimum comply with applicable laws of the state within which the collateral was originated.

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 be eligible as Residential Mortgage Collateral.

Residential Mortgage Collateral that exceeds the annual percentage rate, or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z), and “high cost” or high rate” loans, or loans in similar categories, as such terms may be defined in Federal laws or the statutes or ordinances of various states or local jurisdictions, whether individually, as part of a loan pool or as underlying collateral in a mortgage-backed security, at the time the loan was made, will not be eligible as Residential Mortgage Collateral.

Any Residential Mortgage Collateral that does not comply with all applicable Anti-Predatory Lending Laws will be ineligible as collateral to support advances or other credit activity with FHLBNY.

With respect to Residential Mortgage Collateral purchased by the member, the member is responsible for conducting the due diligence that it deems sufficient to support its certification and indemnification agreements with FHLBNY.

### **3. COMPLIANCE:**

In addition to the terms and conditions of the FHLBNY Advances, Collateral Pledge and Security Agreement (“Advances Agreement”), each member, including members’ pledging subsidiaries and/or affiliates, must execute a representation and warranty agreement with FHLBNY that: (1) certifies its understanding and compliance with FHLBNY’s APL Policy and all applicable Anti-Predatory Lending Laws; and (2) certifies it will maintain qualifying collateral and will (a) substitute eligible collateral for any Residential Mortgage Collateral that does not comply in all material respects with applicable Anti-Predatory Lending Laws or this APL Policy; and (b) indemnify, defend and hold the FHLBNY harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the pledge of any Residential Mortgage Collateral that does not comply in all material respects with applicable Anti-Predatory Lending Laws or this APL Policy.

The FHLBNY will take reasonable steps to verify compliance with this policy, including but not limited to the following: 1) review Member regulator exam reports for findings pertaining to unfair and/or abusive lending practices; 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; and 3) during the normal course of on-site collateral reviews, review loan documentation for compliance with provisions of this policy.

It is against FHLBNY policy to accept as eligible collateral Residential Mortgage Collateral that violates applicable Anti-Predatory Lending Laws or this APL Policy. If FHLBNY knows or discovers that such Residential Mortgage Collateral violates applicable Anti-Predatory Lending Laws or this APL Policy, FHLBNY may, in addition to all available rights and remedies at law or in equity (1) require the pledgor to substitute eligible collateral, (2) value such Residential Mortgage Collateral at zero for collateral purposes, and (3) require the pledgor to undertake a review of its policies, practices, and procedures for complying with FHLBank collateral policies.

For mortgage-backed securities FHLBNY will rely on the member's (or member's pledging subsidiary or affiliate) executed representation, warranty and indemnification agreement as the key indicator of compliance.