



Federal Home Loan Bank  
NEW YORK

# Mortgage Asset Program (MAP<sup>®</sup>) Selling Guide

Effective January 1, 2026

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# 1. Introduction

## 1.1 Overview

The mission of the Mortgage Asset Program (MAP®) is to provide a source of liquidity to Federal Home Loan Bank of New York (FHLBNY) members and expand access to the secondary mortgage market options to loan originators to prudently help borrowers own a home. Mortgage Asset Program is offered to Participating Financial Institutions (PFIs or Seller) to support their respective missions while allowing them to retain valuable customer relationships. MAP offers members a competitively priced alternative to the secondary mortgage market that can generate additional income while providing reduced interest rate risk and balance sheet flexibility.

## 1.2 Eligible Mortgage Loans (Updated 12/1/2020)

FHLBNY will purchase mortgage loans with the following characteristics: (i) 15, 20, or 30 year fixed rate; (ii) fully amortizing; (iii) up to Conforming Mortgage Loan limits; (iv) High cost loan limits published on Fannie Mae website and on Federal Housing Finance Agency (FHFA) website; (v) level payments; (vi) points and fees limits less than 3% of the total loan amount (or such other limits for low balance loans as set forth in the Consumer Financial Protection Bureau (CFPB) Qualified Mortgage (QM) rule); and (vii) Safe Harbor QM-compliant. Acceptable Mortgage Loans include:

- Primary, owner-occupied, detached residences
- Single-family properties
- 2, 3, and 4-unit properties
- Modular housing
- Primary, owner-occupied, attached residences, including condominiums and Planned Unit Developments (PUDs)
- Second/vacation homes

Mortgage Loans seasoned more than 24 months from Note Date to the Settlement Date require FHLBNY approval prior to entering into the Delivery Commitment (DC). Please refer to the Underwriting Guideline Chapter 4D for more information.

All Mortgage Loans must meet Master Commitment (MC) parameters and the guidelines specified in this MAP Selling Guide. The property securing the loan also must be located in the continental United States, Alaska, or Hawaii, unless otherwise indicated in Seller's MC.

## 1.3 Standards and Regulatory Compliance

Sellers and Servicers must be in full compliance with all Applicable Laws. The Guide and the other Program Documents establish detailed requirements for legal and regulatory compliance, but may not set forth all requirements of all Applicable Laws. It is the Seller's (and any of its service providers, subservicers, and originators) responsibility to ensure compliance with all Applicable Laws of each state and locality in which they do business and take the necessary steps to comply with any changes in Applicable Laws, including but not limited to those expressed in the Guide and the other Program Documents. Failure to be in compliance,

and any historical non-compliance, are grounds for FHLBNY to suspend the Seller's participation in MAP, and to take other steps as described in the Guide and the Program Documents.

## 1.4 Changes and Waivers/Amendments and Supplements to the Guides (Updated 12/1/2020)

FHLBNY may at any time alter or waive any of the requirements of the Guide, impose other additional requirements, or rescind or amend any and all material set forth in the Guide. The Seller must make sure that its staff is thoroughly familiar with the content and requirements of the Guide, as it now exists and as it may be changed from time to time.

Any and all updates to the Guides will be provided by means of an FHLBNY announcement on the FHLBNY website and the Asset Management System. The terms of the updates to the Guides and the effective date of each will be set forth in the applicable PFI Notice.

## 1.5 FHLBNY Contacts (Updated 12/1/2020)

Use the following contact information for any questions you may have about MAP or this MAP Selling Guide.

**Toll Free Number:** 212-681-6000

**Department Email:** [AMATeam@fhlbny.com](mailto:AMATeam@fhlbny.com)

Additional MAP contact information is included on Exhibit B.

### 1.5.1 External Resources

See Exhibit B for Master Servicer, and Document Custodian and Quality Control contact information.

## 2. Eligibility Determination

### 2.1 MAP Seller Eligibility Requirements (Updated 7/7/2023)

Sellers/servicers must be approved to do business with FHLBNY. FHLBNY determines a Seller/servicer's qualifications by reviewing the Seller/servicer's financial condition, organization, staffing, selling and servicing experience, and other relevant factors.

The following requirements must be met to be eligible as a Seller:

#### 1. FHLBNY Membership

The Seller must be a member of FHLBNY in good standing.

#### 2. Application

The member must complete the application as required in this MAP Selling Guide.

#### 3. Sound Financial Condition

The member will be subject to evaluation of its financial condition.

#### 4. Experience

The member must be an active originator of Conventional Mortgage Loans or demonstrate the ability to become an originator of Conventional Mortgage Loans. The Servicer must have Scheduled/Scheduled or Actual/Actual reporting capabilities (electronic format), as applicable.

#### Government Agency Eligibility

In order to be eligible to originate and sell Government Loans to, and service them for, the FHLBNY, in addition to the above requirements, the Originator, PFI, or Servicer must also be authorized to originate, sell, or service mortgage loans by the applicable Government Agency. Termination of the PFI or Servicer's approved status by any applicable Government Agency shall be grounds for termination of the related Applicable Agreements.

#### 5. Facilities

The member must have adequate facilities with which to originate and service Mortgage Loans, as applicable.

#### 6. Selling and Servicing Standards

Once approved, the member must be able to follow the PFI Seller Agreement, the Guide and all other Program Documents with respect to originating, selling, and servicing Mortgage Loans.

Any failure by a PFI or Servicer to perform pursuant to the requirements provided in the Guide or in accordance with the terms of Applicable Agreements shall constitute a breach of the Applicable Agreements and shall entitle FHLBNY to terminate the Applicable Agreements.

#### 7. Quality Control (QC)

The member must have a QC program that conforms to the following requirements:

1. The QC program must enable the Seller and FHLBNY to determine whether the Seller's Mortgage Loan origination, underwriting, closing, delivery, and servicing procedures meet all of FHLBNY's requirements. FHLBNY's full QC requirements are outlined in Section 9 of this document.
2. The Seller must submit QC reports to FHLBNY or the Quality Control Contractor (QCC) as requested by FHLBNY.
3. Upon discovery of any discrepancies or defects through its QC program, the Seller must notify FHLBNY in writing of such discrepancies or defects within thirty (30) days.
4. If the Seller wishes to obtain approval in accordance with Section 4.1 of this MAP Selling Guide to sell Mortgage Loans originated by a third party to FHLBNY, the Seller must also:
  - a. Make all of the representations, warranties, and covenants set forth in this MAP Selling Guide to the same extent as if the Seller were the originator of the Mortgage Loans and
  - b. Own the third party originated Mortgage Loans as of the date such Mortgage Loans are delivered to FHLBNY for purchase.
5. In addition to any requested QC reports, the Seller must provide FHLBNY, upon its request, with an explanation of the reports submitted to the Seller's senior management.

## **8. Capital Requirements**

The member and the member's parent corporation, if any, must meet the capital requirements of each state and federal regulatory agency with jurisdiction over any of the member's or parent corporation's activities (as applicable).

## **9. Legal Standing**

1. The member must be duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization. The member must be qualified to transact business and be properly licensed in each jurisdiction where it originates or services mortgage loans.
2. The member must be in good standing with all applicable regulatory authorities and not be subject to any extraordinary supervision of its operations.
3. The member must have the power and authority to enter into the PFI Seller Agreement, the Advances, Pledge, and Security Agreement, each MC and DC, and any other Program Documents.
4. The member's compliance with the terms and conditions of the Program Documents, including the terms and conditions of this MAP Selling Guide, must not violate any of the provisions of its Articles of Incorporation, Charter, By-Laws, or any other instrument relating to the conduct of the member's business, the ownership of its property, or any other agreement to which it is a party or by which it is bound.

## **10. Insurance (Updated 7/7/2023)**

The member must have blanket Fidelity Bond and Mortgage Errors and Omissions (E&O) insurance coverage that meets the requirements below. PFIs or Servicers may obtain coverage under a

mortgage bankers blanket bond policy, a savings and loan blanket bond policy, or a bankers blanket bond policy.

1. The Seller is responsible for maintaining, at its sole cost and expense, blanket fidelity and errors and omissions insurance coverage in the amounts specified below.
2. If at any time coverage expires or there is a change in coverage, the Seller must immediately deliver evidence of the new or modified coverage to FHLBNY.
3. Minimum Amount of Coverage Required:
  - a. The minimum amount of Fidelity Bond and Mortgage Errors and Omissions (E&O) coverage is based on the higher of:
    - i. The aggregate principal balance of the Seller’s total portfolio of all first-lien 1-4 family and multi-family residential mortgages including Mortgage Loans serviced on the Seller’s behalf by a sub-servicer or designated affiliate servicer; or
    - ii. The aggregate principal balance of all 1-4 family and multi-family residential mortgages sold by the Seller on a servicing-released basis during the immediately preceding twelve (12) months.
  - b. The amount determined pursuant to the preceding sentence is the Base Amount
  - c. The requisite amount of Fidelity Bond coverage is determined in accordance with the following table:

< \$100 million	\$300,000
≤ \$500 million	\$300,000 +0.150% of Base over \$100 million
≤ \$1 billion	\$300,000 +0.150% of \$400 million (i.e. \$600,000) +0.125% of Base over \$500 million
> \$ 1 billion	\$300,000 +0.150% of \$400 million (i.e. \$600,000) +0.125% of \$500 million (i.e. \$625,000) +0.100% of Base over \$1 billion

Note: The maximum required fidelity bond coverage is \$150 million.

**Example computations are as follows:**

Base	Computation	Minimum Required Insurance Limit
\$80 million	not applicable	\$300,000
\$300 million	\$300,000 +.0015 x (\$300 million minus \$100 million)	\$600,000
\$700 million	\$300,000 +.0015 x \$400 million +.00125 x \$200 million	\$1,150,000
\$1.5 billion	\$300,000 +.0015 x \$400 million +.00125 x \$500 million +.001 x \$500 million	\$2,025,000

- d. The PFI or Servicer must have in force and maintain Mortgage Errors & Omissions insurance coverage at least equal to the minimum required fidelity insurance coverage. However, if the Base consists of residential 1-4 family properties only, the minimum required E&O insurance coverage is capped at \$10 million and if Base consists of residential 1-4 family **and** multi-family properties, the required E&O is capped at \$30 million. Policies may provide for either coverage per aggregate loss or coverage per mortgage. If the policy provides coverage per mortgage:
- The insurer's liability must at least equal the amount of the highest unpaid Principal Balance for a 1-4 family residential Mortgage Loan that the PFI or Servicer has in its portfolio; and
  - The PFI or Servicer must review the balances of the Mortgage Loans it services before each premium renewal date to determine whether this limitation needs to be increased as the result of the origination of higher balance Mortgage Loans during the last coverage period.

The E&O policy may place sublimits on the insurer's liability for the different types of losses, although the policy must provide for full liability on property insurance losses. Sublimits of liability must equal at least fifteen percent (15%) of the liability that applies for property insurance. For example, if the highest unpaid balance in the PFI's or Servicer's portfolio is \$300,000, the property insurance liability would be \$300,000 and the insurer could limit its liability for real estate tax losses to \$45,000 (15% of \$300,000).

- e. The required insurance must be written by an insurance carrier with an A.M. Best's rating of B+ or better. The carrier must be specifically licensed or authorized by law to transact business within the states or territories where the properties are located. Syndicates operating through Lloyd's of London, although not rated, are acceptable insurers
- f. The amount of coverage required for a direct surety bond covering officers not included in the Seller's Fidelity Bond coverage is calculated pursuant to the preceding schedule

except that the Base Amount is the aggregate UPB of all mortgage loans serviced by the Seller.

#### 4. Scope of Coverage

- a. The Fidelity Bond and Mortgage E&O Insurance coverage must insure the Seller against losses resulting from dishonest or fraudulent acts committed by the Seller's personnel including any employees of outside firms that provide data processing services for the Seller and temporary contract employees or student interns.
- b. The Fidelity Bond coverage also must protect FHLBNY against dishonest or fraudulent acts by the Seller's principal owner, if the Seller's insurance writer provides that type of coverage.
- c. In addition to dishonesty and fraud, the Mortgage E&O Insurance policy must protect the Seller against negligence, errors, and omissions in:
  - i. maintaining hazard and flood insurance that meets the requirements of the Guide;
  - ii. maintaining Mortgage Insurance, if required;
  - iii. determining whether Mortgaged Properties are located in special flood hazard areas;
  - iv. paying real estate taxes and any special assessments;
  - v. complying with FHLBNY reporting requirements; or
  - vi. for Government Loans, maintaining the corresponding Government Agency's insurance or guaranty for each Mortgage Loan serviced by the PFI or Servicer.
- d. Each Fidelity Bond and Mortgage E&O Insurance policy must satisfy the following requirements:
  - i. FHLBNY must be named as an additional insured and a loss payee on drafts the insurer issues to pay for covered losses FHLBNY incurs;
  - ii. FHLBNY must have the right to file a claim directly with the insurer if the Seller fails to file a claim for a covered loss that FHLBNY incurs;
  - iii. FHLBNY must be notified at least thirty (30) days before the insurer cancels, reduces, declines to renew, or imposes a restrictive modification to the Seller's coverage for any reason other than a partial or full exhaustion of the insurer's limit of liability under the policy;
  - iv. Require the insurer to notify the FHLBNY within ten (10) Business Days after the insurer receives a PFI or Servicer's request to cancel or reduce any coverage; and
  - v. Require the insurer to notify FHLBNY within ten (10) Business Days after the insurer has paid a claim to the PFI or Servicer that depletes the aggregate limit of insurance by more than 50%.

#### 5. Deductible

- a. The deductible under any Mortgage E&O Insurance policy may be no greater than 5% of the loss per occurrence.

For policies that provide coverage per aggregate loss, the highest deductible permitted

for E&O insurance is the greater of \$100,000 or five percent (5%) of the actual amount of insurance in force.

- b. The deductible for Fidelity Bond and direct surety coverage may be no more than the greater of \$100,000 or 5% of the face amount of the bond.

## 6. Required Documentation and Provisions

Documentation of Fidelity and E&O insurance coverage must be on a customary insurance certificate form. If the PFI or Servicer is supervised by a government regulator, an insurance certificate form acceptable by the government regulator is acceptable. If the PFI or Servicer obtains an endorsement to the bond or policy or obtains additional coverage, it must also maintain a copy of the endorsement or a description of the additional coverage, unless the information can be summarized substantively on the insurance certificate.

The insurance certificate should indicate, at a minimum, the following:

- the insurer's name;
- the bond or policy number;
- the named insured;
- the type and amount of coverage (specifying whether the insurer's liability limits are on an aggregate loss or per mortgage basis);
- the effective date of the coverage; and
- the deductible amount.

## 7. Record Retention

The PFI or Servicer must have and retain a copy of all fidelity and Mortgagee's E&O insurance policies currently in force as well as those from the previous five (5) years. These policies must be made available to the FHLBNY upon request. In addition, the PFI or Servicer must give authorization for the FHLBNY to obtain copies of these policies and all related information directly from the insurer(s).

## 8. Obligation to Compensate

The FHLBNY's allowance of deductibles may not be deemed as a waiver of any rights it may possess to full compensation for any loss sustained by the FHLBNY and does not relieve the PFI or Servicer of the duty to reimburse the FHLBNY in full for any loss sustained by the FHLBNY not recovered from the proceeds of claims against the fidelity or E&O insurance.

## 9. Reporting Events

PFI or Servicers must notify the FHLBNY, as applicable, within ten (10) Business Days of the occurrence of a single fidelity bond or E&O policy loss that exceeds \$100,000, even when no claim will be filed or when the FHLBNY's interest will not be affected. PFI or Servicers must promptly notify the FHLBNY, as applicable, of all claims made against either the fidelity bond policy or E&O policy.

In addition, the PFI or Servicer must notify the FHLBNY, as applicable, within ten (10) Business Days of the receipt of a notice from the insurer regarding the intended cancellation, reduction, nonrenewal, or restrictive modification of the PFI's or Servicer's

fidelity bond or E&O policy, and provide the FHLBNY a copy of the insurer's notice, describe in detail the reason for the insurer's action if it is not stated in the notice, and explain the efforts it has made to obtain replacement coverage or to otherwise satisfy the insurance requirements.

The PFI or Servicer must promptly advise the FHLBNY, as applicable, of all cases of theft, embezzlement, or fraud in its organization regardless if no loss has been incurred, and no FHLBNY funds were involved. The PFI or Servicer's report should indicate the total amount of any loss regardless of whether a claim was filed with an insurer.

#### 10. Acceptable Alternative

Mortgage impairment or mortgage interest insurance is acceptable in lieu of E&O insurance if it provides coverage on substantively the same terms that an E&O policy would provide.

### 2.1.1 Compliance Reporting Requirements

1. The Seller must deliver copies of its internal QC reports to FHLBNY or the QCC as requested by FHLBNY.
2. The Seller must deliver to FHLBNY within fifteen (15) days of the Seller's receipt thereof, copies of any audit reports issued by Government Agencies with whom it conducts mortgage-related business, Fannie Mae, Freddie Mac, or any other FHLB mortgage purchase program regarding the Seller.
3. If any disciplinary action is taken by any of the foregoing, including suspension or termination of the Seller's servicing or selling rights, the Seller must notify FHLBNY within three (3) Business Days of such action.

### 2.1.2 Secured Obligations

1. All of the obligations of the Seller under this MAP Selling Guide, the PFI Seller Agreement, any MCs, any DCs, and any other Program Documents shall be deemed to be "obligations" as such term is used in the Advances, Pledge, and Security Agreement between the Seller and FHLBNY.
2. The Advances, Pledge, and Security Agreement secures the payment and performance of all obligations as specifically described in the Advances, Pledge, and Security Agreement.

### 2.1.3 Member Performance Account (Updated 11/29/2024)

1. The Seller benefits directly if Losses on the Mortgage Loans sold to FHLBNY under an MC are low or zero. This is accomplished through the Member Performance Account (MPA), an account for each Seller, established and maintained by FHLBNY to cover Losses, and which is subject to reduction and release and payments to the Seller under terms specified in the MC. The MPA is funded by the FHLBNY based on each loan balance purchased within the MC. The required balance of the MPA shall be computed by the FHLBNY as required by the MC.

2. Funds credited to the MPA will be retained by FHLBNY for a fixed period of time as specified in the MC. Funds in excess of the scheduled retention amount will be released and paid to the PFI unless there are Defaults on Mortgage Loans under the associated MC or aggregated pool of MCs, in which case the funds credited to the MPA will be withheld until the Defaults on such Mortgage Loans are resolved. The MPA funds become eligible for releases beginning on the 5th anniversary of the MC closing date. Release and payment of funds from the MPA will be governed by the MC, including terms for an annual release. In some cases, releases may not occur if a particular MC has loans with pending losses, in which case the MPA is “locked” to prevent releases until the pending loss is resolved. If a release does not occur in a given year, the MPA funds remain unless used to cover losses, and they become eligible for release to the Member in subsequent years.
3. All MPA release calculations are based on the MPA balance as of closing of the pertaining MC. The required MPA balance may be adjusted down if a loan purchase is reversed due to a QA repurchase or early payoff. The retention schedule in each MC indicates the percentage of the MPA to be retained at each release interval. Any funds in excess of the calculated retention amount are eligible for release.
4. The MPA balances are recalculated as part of the month-end processing which is completed on the first business day of each month. The MPA Balances Report becomes available on the 15<sup>th</sup> business day of the month.
5. Seller agrees to contribute Cash payment to the MPA at the FHLBNY’s direction if the delivered Mortgage Loans do not meet the investment quality requirements under MAP Guides and Agreements, as further described in Section 7.5 below.
6. An administrative fee may be assessed in an amount as specified in the individual MC based on the MPA release amount and, if so specified, shall be deducted prior to the annual MPA disbursement as outlined in the MC.

## 2.2 Continuing Eligibility

1. Any member approved for participation in MAP must continue to meet the requirements listed in [Section 2.4](#) of this MAP Selling Guide, all other requirements in this MAP Selling Guide, and other Program Documents in order to maintain its eligibility.
2. If a Seller fails to maintain its eligibility, it must notify FHLBNY. If a Seller reports to FHLBNY that it has failed to maintain its eligibility, or if FHLBNY determines that the Seller has failed to maintain its eligibility, FHLBNY may decline to enter into any further MCs or LCs with such Seller.
3. Sellers will be subject to review on an annual basis ([Section 2.2.2](#)) to ensure compliance with the PFI Seller Agreement, the Guide, all other Program Documents, and established policies of FHLBNY’s Board of Directors to ensure maintenance of a satisfactory financial condition as determined by FHLBNY. If a Seller does not sell to FHLBNY mortgage loans for a period in excess of twelve (12) months, an update to this application process will be required.

4. Sellers must maintain industry standard mortgage servicing practices for all outstanding mortgage loans with Delinquency rates that do not exceed the thresholds specified in the MAP Servicing Guide. Requests by a Seller to enter into new MCs or LCs may be limited or denied if the Delinquency rates exceed those thresholds.
5. At all times the Seller must service the Mortgage Loans in accordance with the requirements of the PFI Seller Agreement, the MAP Servicing Guide and all other Program Documents. The Seller may:
  - a) Subcontract with FHLBNY-approved third parties for the performance of its servicing obligations only as provided in the MAP Servicing Guide or
  - b) Assign its servicing rights as provided in the MAP Servicing Guide.

## 2.2.1 Notification of Changes

The Seller must send FHLBNY written notice of any contemplated significant changes in its organization, including with its notice copies of any filings with, or approvals from, its regulators.

### 2.2.1.1 Changes to Corporate Authority

If the Seller revokes in whole or in part any authority of a Seller Authorized Representative as such authority was delivered to FHLBNY in accordance with [Section 2.4.1](#) of this MAP Selling Guide, the Seller must immediately deliver to FHLBNY a completed AMS request for a User ID & Password form requesting deletion of the user's AMS user ID, followed by an updated certified corporate resolution. FHLBNY shall not be bound by any such revocation until it receives such replacement documentation.

### 2.2.1.2 Other Significant Changes

FHLBNY requires written notice of, among other things, and without limitation, the following significant changes relating to the Seller:

1. The Seller must immediately notify FHLBNY of each pending adverse Government Agency, GSE or other FHLB action that affects the Seller, including any letter of reprimand, probation, suspension, withdrawal of Seller/Service approval, or fine.
2. The Seller also must disclose to FHLBNY immediately if it or any of its principals become the subject of any proceedings for government debarment or Government Agency, GSE, or other FHLB program exclusion.
3. Any mergers, consolidations, or reorganizations.
4. Any direct or indirect substantial change in ownership (an indirect change in ownership includes any change in the ownership of the Seller's parent, any owner of the parent, or any beneficial owner of the Seller that does not own a direct interest in the Seller).
5. Any change in corporate form or corporate name.
6. Any change from a federal charter to a state charter (or vice versa).
7. A significant change in financial condition.

8. The sale of all, or substantially all, of the Seller's assets or a line of business.

If the Seller fails to perform its obligations under this [Section 2.2.1.2](#), FHLBNY may terminate any obligation that FHLBNY may have under the PFI Seller Agreement or any outstanding MC.

## 2.2.2 Periodic Eligibility Review (Updated 9/23/2025)

The Seller must submit a complete and accurate Annual Seller/Service Certification (ASSC) certifying and affirming compliance with all of the provisions and requirements of the Applicable Agreements and the Guides as a condition of continuing eligibility.

The ASSC consists of the following documentation and requirements:

1. Annual Seller/Service Certification form.
3. Supporting documentation required to be submitted with 1 above.
4. Any action plan required to remediate non-compliance with any MAP requirement.
7. The Seller or its assigned Service or Subservice may undergo periodic servicing audits performed by FHLBNY's QCC or by FHLBNY.
8. The Seller may undergo periodic custodial account audits performed by FHLBNY's QCC or by FHLBNY.
9. The Seller must provide to FHLBNY such other documentation as may be necessary to satisfy FHLBNY that the Seller meets, and will continue to meet, the eligibility requirements of the Guide.

If a Seller does not comply with MAP requirement at the time of submission of the ASSC, it must respond "No" to the certification question on documents 1 above. It must provide a detailed explanation of the non-compliance and clarify the action plan that will be implemented to correct the non-compliance. The action plan must include the timeframe for the completion of the corrective action plan. A Seller will be considered to meet the eligibility requirements and be in compliance with the MAP requirements if an appropriate waiver of any MAP requirements was granted by the FHLBNY, and the terms of that waiver are being met by the Seller.

## 2.2.3 Submission of the ASSC

The ASSC must be completed and submitted to the FHLBNY as directed by FHLBNY by January 31st (or on the preceding Business Day if the thirty-first (31st) is not a Business Day) each year. The ASSC must be submitted on behalf of a Seller by an individual who is:

- An officer of the Seller authorized to execute agreements and amendments under the Resolution for MAP PFI Seller Agreement; or
- An employee of the Seller who has been delegated such authority as is typically granted to an officer authorized to execute agreements and amendments under

the Resolution for MAP PFI Seller Agreement, as indicated on the most recent Delegation of Authority on file with the FHLBNY.

## 2.2.4 Failure to Submit ASSC

If a Seller fails to submit a complete and accurate ASSC by the deadline, resulting in an Event of Default, the Seller may be disqualified or suspended.

Sellers with open and active MCs may have the MCs closed to additional DCs, and not permitted to open new MCs until the PFI is compliant with MAP Requirements.

If a Seller that services mortgages itself or uses a sub-servicer, or a Servicer, fails to comply with MAP requirements, it may be required to transfer or sell the servicing to an MAP approved sub-servicer or Servicer. In addition, the Seller may be charged a compensatory fee to reimburse the FHLBNY for its costs incurred for the transfer.

## 2.3 Non-Member Servicers (Updated 12/14/2021)

In addition to meeting all of the eligibility requirements for Servicers, Non-Member Servicers (NMS) must meet the following additional eligibility requirements in this section.

### 2.3.1 Approval of NMS

To be a NMS and purchase Servicing Rights, an entity must:

- Be approved as a servicer by at least one of the following agencies: Fannie Mae, Freddie Mac, or Ginnie Mae.
- Meet and maintain the following financial standards:
  - A minimum lender adjusted net worth/total assets ratio of six percent (6%) or equivalent AND a lender adjusted net worth of at least two-million five-hundred thousand dollars (\$2,500,000) plus a dollar amount that represents one-quarter of one percent (0.25%) of the outstanding principal balance of its total portfolio of mortgage loans serviced OR as otherwise required by the FHLBNY; and
  - Liquidity equaling a dollar amount that represents three and a half basis points (0.035%) of the outstanding principal balance of its total portfolio of mortgage loans serviced plus an incremental two hundred (200) basis points if the outstanding balance of the non-performing mortgage loans in its total portfolio of serviced mortgage loans is in excess of six percent (6%) of the outstanding principal balance of its total portfolio of mortgage loans serviced OR as otherwise required by the FHLBNY.
  - A decline in a NMS's lender adjusted net worth by more than twenty-five percent (25%) over a quarterly reporting period, or by more than forty percent (40%) over two-consecutive quarterly reporting periods, is a material and adverse change in the NMS's financial condition and will constitute a breach of the Servicing Responsibilities, the Applicable Agreements, and the Guides.
  - If a NMS records four (4) or more consecutive quarterly losses and experiences a decline in lender adjusted net worth of thirty percent (30%) or more during the same period, it will

- constitute a material and adverse change in the NMS's financial condition and a breach of the Servicing Responsibilities, the Applicable Agreements, and the Guides.
- Meet or exceed a Nationally Recognized Statistical Rating Organization's (NRSRO) servicing proficiency standards. To the extent required of a NMS by the FHFA, be accepted by an NRSRO as conforming to such NRSRO's requirements for servicing proficiency.

### 2.3.2 Maintaining Eligibility for NMS

NMS must file the Annual Eligibility Certification. Commencing with the Annual reporting period following the execution of the Applicable Agreement, the NMS must submit to the FHLBNY a complete and accurate Non-Member Servicer Annual Eligibility Certification, signed by a Principal Officer and certifying the NMS's continuing compliance with all NMS eligibility requirements contained in the Applicable Agreement and the Guides.

Upon written request by the FHLBNY or the Master Servicer, the NMS must provide the FHLBNY or the Master Servicer its financial information in a timely manner, including information verifying its compliance with the NMS eligibility criteria. If the financial information is not public information, the FHLBNY may provide the NMS's financial information to FHLBNY's regulator on a confidential basis.

## 2.4 Documentation Requirements

To be a Seller in FHLBNY's MAP, each member must complete and submit the following to FHLBNY unless otherwise waived:

1. Complete MAP Application.
2. QC procedures for Conventional Mortgage Loans.
3. QC procedures for Government Mortgage Loans (if the member is applying to sell Government Mortgage Loans to FHLBNY).
4. QC procedures for third party originations, if applicable.
5. Certificate of Insurance for each of the member's Fidelity Bond and Mortgage E&O Insurance policies.
6. Organizational chart showing the member and all affiliate relationships.
7. Resumes of key personnel who oversee the following functions:
  - Production
  - Secondary Market
  - Quality Control
  - Mortgage Loan Servicing.
  - Underwriting
  - Investor Delivery
  - Mortgage Loan Accounting
8. Electronic file of a sample loan portfolio representing loans that would be submitted to FHLBNY for purchase under the member's MCs.
9. Other information as may be requested by FHLBNY.

## 2.4.1 Additional Required Documents

A duly authorized officer of the member must execute and submit the following documents, correct and complete in all material respects, to FHLBNY:

1. Corporate resolution(s) authorizing all relevant matters relating to Seller's participation in MAP, and setting forth the Authorized Seller Representatives.
2. PFI Seller Agreement.
3. Master Commitment (MC).
4. Consent and Acknowledgement of Servicing Transfer, as applicable.
5. Advances, Pledge, and Security Agreement, if not already on file at FHLBNY.
6. Delegation of Authority for related Asset Management System functions.
7. Delegation of Authority for release of Custodian Documents.

## 3. Commitment Process

### 3.1 Seller Approval Procedure

After a Seller is approved, in order to participate in MAP, a PFI Seller Agreement, and an MC must be executed.

### 3.2 Program Documentation

#### 3.2.1 PFI Seller Agreement

The Seller must execute the PFI Seller Agreement as provided by FHLBNY.

#### 3.2.2 Master Commitment (MC)

Pursuant to the PFI Seller Agreement, the Seller must execute an MC, as provided by FHLBNY. This contract establishes a best efforts agreement between FHLBNY and the Seller for the Seller to sell Mortgage Loans to FHLBNY. The MC details the expected composition of the portfolio to be sold to FHLBNY. This contract also includes the MPA rate and any additional terms for the Mortgage Loans to be sold.

#### 3.2.3 Delivery Commitment (DC)

- a. Pursuant to the PFI Seller Agreement and the MC, the Seller must execute an electronic transaction using AMS in order to enter into a DC. The DC shall establish the following contract terms:
  - Mandatory Delivery Commitment amount
  - Delivery Commitment Number
  - Master Commitment Number
  - Type(s) of mortgage loan product
  - Note Rate delivery range (in 1/8% increments)
  - Purchase Price Percentage(s)
  - Loan Geography (NY vs. Non-NY)
  - High-Balance flag
  - Remittance Type
  - Servicing Spread
  - Lock Period (days)
  - Delivery Commitment Expiration date
- b. The Seller's offer to sell Mortgage Loans incorporating the contract terms identified above, and FHLBNY's agreement to purchase such mortgage loans at the applicable Purchase Price Percentages established and accepted by FHLBNY, establishes the DC.

### 3.3 Obtaining Prices

1. Each bond market business day, generally at 9:30 a.m. Eastern Time, indicative pricing, expressed as a percentage of par, will be available to the Seller on the Asset Management System (AMS).
2. The indicative pricing, expressed as a percentage of par, will be quoted for Mortgage Loans with 15, 20, or 30 -year terms to maturity.
3. For each Settlement Date, the indicative purchase price percentages will be quoted for eligible Note Rates in 1/8% increments.
4. The Seller may select a range of Note Rates for delivery under a DC. The range parameters will be specified by FHLBNY on the DC.
5. FHLBNY, in its sole discretion, may change indicative purchase price percentages and range parameters, or suspend accepting DCs at any time.

#### 3.3.1 Hours During Which Contracts May Be Obtained

1. Purchase prices, expressed as a percentage of par, will generally be established at 9:30 a.m. Eastern Time each bond market business day. DCs for the sale of mortgage loans to FHLBNY may be obtained during normal trading hours each bond market business day, or such other time as determined by FHLBNY, in its sole discretion.

### 3.4 Delivery Commitment (Updated 9/23/2025)

#### 3.4.1 Required Documentation

1. The information in Section 3.2.3a must be provided by the Seller to FHLBNY at the time it enters into each DC. This information is provided to and verified through AMS.

#### 3.4.2 Best Efforts Delivery Requirements (Low to Moderate Income Loans (LMI))

1. "LMI" will refer to primary occupancy conventional conforming loan where the qualifying income of the loan is 80% or less than the estimated Area Median Income (AMI). LMI under this document does not include loans where qualifying income is greater than 80% of total AMI, regardless of the property location within designated low-income tracts under the FHFA regulation.
2. Prior to the Settlement Date, the Seller must electronically deliver to FHLBNY the Mortgage Loans that meet the requirements of the MC, the DC, this MAP Selling Guide, and documentation criteria in effect at the time the DC was established.
3. The Seller must ensure that the Mortgage Loans are originated far enough in advance of the Settlement Date to permit any document corrections which may be necessary prior to FHLBNY's purchase of the Mortgage Loans.

4. No Bulk DCs can be opened. (i.e., 1 DC to many loans)
5. When creating a DC in the asset management system, PFI must identify PFI's Loan # and the Subject Property Address using the description field.

### 3.4.3 Mandatory Delivery Requirements

1. Prior to the Settlement Date, the Seller must electronically deliver to FHLBNY the Mortgage Loans that meet the requirements of the MC, the DC, this MAP Selling Guide, and documentation criteria in effect at the time the DC was established.
2. The Seller must ensure that the Mortgage Loans are originated far enough in advance of the Settlement Date to permit any document corrections which may be necessary prior to FHLBNY's purchase of the Mortgage Loans or, if allowed by FHLBNY, substitution for any Defective Mortgage Loans.
3. The aggregate UPB of such Mortgage Loans delivered for purchase by FHLBNY may not vary from the DC amount by more than the Purchase Variance, i.e., the greater of 1.0% of the DC amount if DC amount is greater than \$2,000,000 or 5% of the DC amount if DC amount is less than or equal to \$2,000,000.

### 3.4.4 Defective Delivery

1. The Seller may obtain a Settlement Date extension as provided in [Section 3.4.5](#) of this MAP Selling Guide. If the Seller fails to deliver Mortgage Loans to FHLBNY as and when required by the terms of the DC and has not obtained a DC extension, the Seller will be subject to a Pair-off Fee as provided in [Section 3.4.7](#) of this MAP Selling Guide, unless DC is identified as being a LMI best efforts DC as provided in section 3.4.2 of this MAP Selling Guide
2. If any Mortgage Loan received by FHLBNY in connection with a DC is not in purchasable form or does not conform to the DC requirements, the Mortgage Loans will be deemed not to have been delivered for purposes of satisfying the Seller's obligations under the DC. FHLBNY may, at its sole and absolute discretion, reject any Mortgage Loan for purchase for any reason including, but not limited to the following:
  - a. The Mortgage Loan is a Defective Mortgage Loan
  - b. Failure of the Mortgage Loan to satisfy all the requirements of the MAP Underwriting Guide
  - c. Suspected fraud in the origination of the Mortgage Loan
  - d. A breach of any other representation, warranty, or covenant made with respect to the Mortgage Loan as stated in the Program Documents.
3. If the defects which cause the Mortgage Loan not to be purchasable are not cured on or before the applicable Settlement Date, the Seller may elect one of the following options:

- a. Request extension of the Settlement Date, or cure the defects on or before the extended Settlement Date, all in accordance with Section 3.4.5 of this MAP Selling Guide.
- b. Pay a Pair-off Fee as provided in Section 3.4.7 of this MAP Selling Guide, unless DC is identified as being a LMI best efforts DC as provided in section 3.4.2 of this MAP Selling Guide.
- c. Substitute the Defective Mortgage Loan with a Mortgage Loan that meets the terms of the mandatory DC. Substitution not applicable for LMI best efforts DC.

### 3.4.5 Settlement Date Extension (Updated 9/6/2023)

1. The Seller may extend the Settlement Date for an active DC once the Seller has determined that it will not be able to deliver the Mortgage Loans necessary to satisfy the DC prior to the applicable Settlement Date. Sellers have the ability to request up to two (2) Extensions, no longer than thirty (30) days in total.
2. Extensions may be processed on the Asset Management System by the Seller before the applicable Settlement Date. An extension fee will be applied.
3. If an extension is elected, the Extension Fee will be calculated as follows:

(Note Rate – Servicing Fee Percentage) divided by 360 multiplied by (number of days extended) multiplied by (the unfilled balance of the Delivery Commitment).

Confirmation of the extension will be sent via email to the Seller.

4. FHLBNY shall not be required to purchase mortgage loans not delivered prior to the Settlement Date; however, the Seller may pay FHLBNY a Pair-off Fee as provided in Section 3.4.7 of this MAP Selling Guide.

### 3.4.6 Delivery Commitment Cancellation

1. Prior to the delivery of all of the mortgage loans that the Seller is required to sell under a DC, the Seller may cancel a DC within the Asset Management System.
2. FHLBNY will calculate a Pair-off Fee based upon the amount of the DC that is not filled, unless DC is identified as being a LMI best efforts DC as provided in section 3.4.2 of this MAP Selling Guide.

### 3.4.7 Pair-off Fees (Updated 5/4/2022)(Mandatory DCs only)

1. The Seller may pay FHLBNY a Pair-off Fee if the positive difference between a) sum of the aggregate UPB of the Mortgage Loans **delivered** for sale to FHLBNY for an applicable DC and b) the sum of the aggregate UPB of Mortgage Loans **required to be delivered** to FHLBNY under the applicable DC, is greater than the Purchase Variance of the applicable DC.

- Pair-off calculation fee for under-delivered DC: If the Current Price (based on the lock period of the original DC) is **less** than the DC Price, no fee is charged. Otherwise, the under-delivery fee is the balance **below** the tolerance times the absolute value of the price delta.
- 2. The Pair-off Date for a DC is the earlier of:
  - a. Date of notification from Seller of DC cancellation, or
  - b. DC Expiration Date.
- 3. The Pair-off Fee shall be debited from the Seller's DDA account on the applicable Settlement Date.

### 3.4.8 Increasing the DC Amount (Updated 5/4/2022)

The Seller may request a DC increase to accommodate a Mortgage Loan change or Mortgage Loan substitution. FHLBNY reserves the right to assess fees or impose price adjustments based on current market prices if the request is allowed, unless DC is identified as being a LMI best efforts DC as provided in section 3.4.2 of this MAP Selling Guide.

Price adjustment fee (e.g., over-delivery) calculation is as follows;

If the Current Price (based on the lock period of the original DC) is **greater** than the DC Price, no fee is charged. Otherwise, the over-delivery fee is the balance **above** the tolerance times the absolute value of the price delta.

## 4. Sale Requirements

### 4.1 General

1. Compliance with Guide:
  - a. After executing a DC, the Seller assembles the Mortgage Loans that it has originated or acquired
  - b. The Seller must ensure that all Mortgage Loans are legal, valid, binding, and enforceable obligations of the respective Mortgagors; that all Mortgage Loans the Seller originated or acquired are in compliance with the MAP Underwriting Guide, this MAP Selling Guide, the PFI Seller Agreement, and the other Program Documents.
2. Custodians, T&I Accounts, and Data Transmission

Before Mortgage Loans can be sold to FHLBNY, the Seller must participate in a welcome call with the FHLBNY-chosen custodian. The Seller must then provide loan data to the Asset Management System.

#### 3. Third Party Originations

If the Seller sells Mortgage Loans to FHLBNY which were acquired from third party originators, the Seller must meet each of the following requirements:

- a. Make all of the representations, warranties, and covenants set forth in this MAP Selling Guide and the PFI Seller Agreement to the same extent as if the Seller were the originator of the Mortgage Loans.
- b. Own the third party originated Mortgage Loans as of the date such Mortgage Loans are delivered to FHLBNY for purchase.
- c. Meet all requirements set forth in the MAP Underwriting Guide for third party originated Mortgage Loans.

No more than 30% of a Master Commitment shall be comprised of Mortgage Loans that have been originated by a third party and held by the Seller or an affiliate thereof prior to acquisition by the FHLBNY.

### 4.2 Underwriting

1. The Seller will be given delegated underwriting authority and will not be required to submit credit and loan documentation packages to FHLBNY prior to purchase.
2. Mortgage Loans must be underwritten in accordance with the MAP Underwriting Guide.

### 4.3 Loan Data Transmission to FHLBNY (Updated 12/1/2020)

1. The Seller must electronically transmit loan data related to the Mortgage Loans delivered under a DC to FHLBNY via AMS prior to the Settlement Date.

2. The Seller shall provide transmitted loan data that includes the data fields and format specified by FHLBNY; as such format may be amended from time to time.

## 4.4 Custodial Accounts

1. The Seller must establish separate custodial accounts with a Funds Custodian to hold Principal & Interest (P&I) funds and Tax & Insurance (T&I) payments for the Mortgage Loans.
2. The Seller or an affiliate of the Seller may act as the Funds Custodian provided it meets the applicable eligibility requirements specified by FHLBNY as provided in the MAP Servicing Guide.
3. Each Funds Custodian must execute a P&I Custodial Agreement and a T&I Custodial Agreement.

### 4.4.1 MAP Document Custodian

The Document Custodian chosen by FHLBNY is responsible for the receipt of loan data from FHLBNY via the AMS and receipt of the designated collateral from the Seller (see [Section 6.0](#)).

### 4.4.2 Collateral File

The Seller shall deliver to the Document Custodian by the applicable date all documents required by FHLBNY per Schedule I in Appendix A of this Selling Guide for inclusion in a Collateral File for each Mortgage Loan. Upon receipt and following review of all Collateral Files, the Document Custodian will make the following certification:

1. Custodian Certification

On or before the applicable Settlement Date, the Document Custodian shall certify that the Collateral File contains all the documents required for the Custodian Certification as outlined in Schedule I in Appendix A of this Selling Guide. If the documentation is complete and acceptable, the Document Custodian shall certify the documentation in AMS or provide the applicable Certification Form.

## 4.5 Settlement with FHLBNY

1. Following Custodian Certification, the Purchase Advice will be available in AMS.
2. On the Settlement Date, FHLBNY will purchase a 100% ownership interest in each Mortgage Loan transmitted to FHLBNY and listed on the Purchase Advice.
3. FHLBNY will pay the Purchase Price by crediting the Purchase Proceeds for the Mortgage Loans on the applicable Settlement Date to the Seller's DDA account. Simultaneously, FHLBNY will credit to the Seller's MPA the amount referenced in the related MC.
4. Unless otherwise provided for in the Servicing Guide or other Program Documents, the Seller will retain the servicing responsibility for the Mortgage Loans while the Mortgage Loans are owned by FHLBNY.

## 5. Mortgage Purchase

### 5.1 Mortgage Criteria

1. FHLBNY will purchase Mortgage Loans underwritten in compliance with the MAP Underwriting Guide, subject to the limitations specified in this [Section 5.1](#) and the applicable MC.

#### 2. Mortgage Amount

FHLBNY will purchase Conventional Mortgage Loans, the maximum original principal amounts of which do not exceed the standard maximum original principal amount allowed by GSEs for the area in which the Mortgaged Property is located.

#### 3. Mortgage Term

The maximum Mortgage Loan term is 30 years beyond the date of the first monthly payment. The minimum Mortgage Loan term is ten years.

#### 4. Loan to Value (LTV) Ratios

The maximum LTV and Combined LTV ratio for a Mortgage Loan is 95, subject to the limitations described in the MAP Underwriting Guide.

#### 5. Date of First Payment

The date of the first scheduled Monthly Payment must be no more than sixty-two (62) days from the Note Date, unless specifically authorized by FHLBNY.

#### 6. Amortization

Each Mortgage Loan must commence Amortization no later than the month immediately following the month in which the Mortgage Loan is purchased by FHLBNY.

#### 7. Delinquency Status

If any of the following occur as of the Settlement Date, FHLBNY shall not purchase the Mortgage Loan:

- a. at any time during the twelve (12) months prior to the Settlement Date, the Mortgagor failed to make a Monthly Payment within thirty (30) days after such Monthly Payment was due;
- b. if any Monthly Payments are past due as of the Settlement Date; and/or
- c. Mortgage Loan(s) in a loss mitigation plan (such as forbearance plans or repayment plan) or Mortgage Loan(s) with material modifications, such as changes to the original loan amount, interest rate, final maturity, or product structure.

Any such Mortgage Loan shall be deemed a Defective Mortgage Loan.

## 8. Repurchases

FHLBNY has the right to require the Seller to repurchase any Mortgage Loan under the following circumstances:

- a. The Collateral File is deficient with respect to the parameters set forth in the Schedule I in Appendix A of this Selling Guide.
- b. A claim with respect to a Mortgage Loan under the private mortgage insurance policy has been denied resulting from a breach by the Seller or the Servicer, as applicable, of any representation, warranty, or covenant made in this MAP Selling Guide or any other Program Document.
- c. Any circumstance occurs that constitutes a breach of any of the representations, warranties, or covenants made with respect to the Mortgage Loan as stated in the Program Documents.

## 5.2 Purchase Price

1. Following Custodian Certification, the Purchase Advice will be available in AMS, which discloses the allocation of the Purchase Price to Principal, interest, and fees for each Mortgage Loan sold to FHLBNY. The Seller must verify the accuracy of the data contained in such Purchase Advice and promptly report any discrepancies to FHLBNY.
2. The Purchase Proceeds remitted by FHLBNY to the Seller in connection with the purchase of a Mortgage Loan will equal the product of the applicable Purchase Price Percentage stated in the DC and the scheduled UPB on the Cut-Off Date immediately prior to the Settlement Date, increased or decreased by accrued interest on the Mortgage Loan during the month of purchase, as described directly below, less any amounts due by the Seller to FHLBNY and subject to a setoff in favor of FHLBNY.

The following paragraphs describe the calculation of the Purchase Price for Mortgage Loans sold to FHLBNY minus any applicable fees:

### a. UPB Purchased

- i. The scheduled UPB against which the purchase price is applied will be the scheduled UPB of the Mortgage Loan at the close of business on the first day of the calendar month in which the Settlement Date occurs.
- ii. The Seller shall be entitled to retain all scheduled principal and interest payments due on the Mortgage Loan on or before the Settlement Date.
- iii. Payoffs, curtailments, and other unscheduled payments made by Mortgagors after the Cut-Off Date immediately prior to the Settlement Date will be the property of FHLBNY.

### b. Accrued Interest

- i. FHLBNY is entitled to receive the principal and interest payments scheduled to be received on the first day of the month in the month immediately following the Settlement Date.
- ii. FHLBNY will pay the Seller accrued interest at the Pass-Through Rate from and including the first day of the calendar month following the cut-off date through and including the day prior to the Settlement Date. All calculations of accrued interest shall be made on the basis of actual days elapsed in a 360-day year.

For Example:

Seller will pay FHLBNY accrued interest if the first payment due date on the loan is the month after the month immediately following the Settlement Date.

- a. The Purchase Price is calculated on scheduled UPB at close of business on February 1; FHLBNY will pay accrued interest at the Pass-Through Rate from and including February 1 through and including February 24.
- b. Seller retains all scheduled payments of principal and interest due on or before January 31; all payoffs, curtailments, and unscheduled payments received after January 31 are property of FHLBNY.

### 5.3 Early Payoffs and Prepayments (Updated 8/26/2024)

In accordance with section IV.D.3 of the PFI Seller Agreement, the Seller will reimburse FHLBNY for the premium of Mortgage Loans that prepays in full on or prior to the last day of the fourth (4<sup>th</sup>) month following the related Settlement Date. In addition, Seller will reimburse FHLBNY for a prorated amount of the premium for a Borrower's cumulative Curtailments made on or prior to the last day of the fourth (4<sup>th</sup>) month following the related Settlement Date, if such Curtailments are equal to or greater than 33% of the amortized loan amount as stated on the Purchase Advice following the related Settlement Date.

## 6. Document Custodian

### 6.1 Role & Responsibilities

#### 1. Role

The role of the Document Custodian is primarily to maintain physical and custodial control of Collateral Files on behalf of the Seller and FHLBNY. This responsibility continues for the life of the Mortgage Loan or until custodial responsibilities are transferred to another Document Custodian by FHLBNY.

The Document Custodian is required to assure FHLBNY that Mortgage Loans are represented by the documents placed in the Document Custodian's control. The Document Custodian performs this function through a process of Custodian Certifications.

#### 2. Responsibilities

As the holder of collateral documents for FHLBNY, the Document Custodian's primary responsibilities are as follows:

- Physical safekeeping of Collateral Files;
- Certifying the completeness and consistency of Mortgage Documents; and
- Maintaining physical and custodial control over the release and transfer of Mortgage Documents.

### 6.2 Delivery of Collateral (Updated 11/1/2023)

Once the loan to be sold to FHLBNY is closed the PFI is responsible for delivering the collateral to the Document Custodian at least two (2) business days prior to DC expiration. Trailing documents must be delivered to the Document Custodian within 180 days of the Settlement Date. Documents are to be delivered to:

US Bank Global Corporate Trust Services  
 Document Custody Services  
 7861 Bayberry Rd  
 Jacksonville, FL 32256  
 Attention: FHLBNY Certification of FHLBNY Final Docs

Collateral File documents must be delivered in a legal-size manilla file folder, clearly labeled with the current contract number and borrower name, with the files sorted in the same order as the electronic data file delivered.

The following documents together form the Collateral File:

- Requirements for Funding
  - The original Mortgage Note (or in the absence of such original Note, a lost note affidavit together with a copy of the Mortgage Note lost) bearing all intervening endorsements from the originator to the last endorsee endorsed, "Pay to the order of \_\_\_\_, without recourse" and signed in the name of the last endorsee by an officer of the last endorsee;

- If the Mortgage Note has been signed by a third party on behalf of the Mortgagor, the original power of attorney or other instrument that authorized and empowered such entity to sign or a copy of such power of attorney
  - The original Assignment of Mortgage for any Mortgage Loan that is not a MERS Designated Mortgage Loan, which assignment shall be executed but delivered in blank, and be in form and substance acceptable for recording
  - Either the originals or copies of all intervening Assignments of Mortgage, showing a complete chain of title from the originator to PFI, with evidence of recording thereon. If the intervening Assignment has not been recorded when the pre-funding custody documents are presented to the custodian, an original Certified Copy can be substituted. The original recorded intervening Assignment must be sent as a trailing document when available immediately after the PFI receives it from the recorder's office. For a MERS Designated Mortgage that is not a MOM Loan, the intervening assignments shall show a complete chain of title from the originator to MERS
  - original or certified copy of a power of attorney (if applicable)
- Trailing Documents
    - Either the original or copy of the Mortgage with evidence of recording thereon
    - Originals of each unrecorded assumption, modification, written assurance or substitution agreement, and to the extent that the recordation thereof is necessary to maintain the priority of the related Mortgage lien, either an original or copy thereof with (A) evidence of recording thereon or (B) together with an Officer's Certificate from PFI (or a certificate from the county recorder's office or the settlement agent) certifying that such copy presents a true and correct reproduction of the original and that such original has been delivered for recordation in the appropriate records of the jurisdiction in which the related Mortgaged Property is located
    - the original or a copy of the long or short form policy of title insurance (or a commitment for title insurance, if the policy is being held by the title insurance company pending recordation of the Mortgage) or attorney's opinion of title
    - any riders, addenda, modifications including, but not limited to, consolidation, extension, and modification agreements (CEMA), or assumption that modifies the Mortgage Note

### 6.3 Certification Process

The Document Custodian will receive a data file from FHLBNY Asset Management System weekly identifying commitments ready for review.

Prior to providing certification, the Document Custodian is required to review the Collateral Files for missing, incomplete, or inconsistent Mortgage Documents.

If defective documents are identified, the Document Custodian is required to notify the Seller in a timely manner. It is the Seller's responsibility to correct or resolve any defects identified by the Document Custodian or to provide the Document Custodian with adequate clarification for those defects that are not considered material.

This responsibility continues for the life of the Mortgage Loan. The Document Custodian is responsible for verifying that all necessary corrections have been made by the Seller before making any certification.

## 6.4 Release and Return of Documents (Updated 1/1/2023)

### 1. Release Procedures

The Document Release Form lists the following reasons that a Seller/Servicer may use to request the release of a Collateral File or Mortgage Document from a Document Custodian:

- a. Mortgage paid in full
- b. Foreclosure
- c. Liquidation
- d. Correction
- e. Other

Seller/Servicers are authorized to request Mortgage Documents or Collateral Files from the Document Custodian for one of the four (4) reasons listed above using the release form (MAP-604). The MAP-604 form, Request for Release of Documents, should be sent to the e-mail address on the form and include a self-addressed shipping label for the custodian to use when they return the documents to the seller/servicer.

## 7. Repurchase (Updated 8/26/2024)

### 7.1 Involuntary Repurchase

FHLBNY has the right to require the Seller or the Servicer, as applicable, to repurchase any Mortgage Loan under any of these circumstances:

1. If the Seller or Servicer breaches any of the representations, warranties, or covenants made with respect to the Mortgage Loan in this MAP Selling Guide or any other Program Documents.
2. If a Mortgage Loan fails to meet the QC review of FHLBNY requirements and the defects are not corrected within thirty (30) days of notice.
3. Delays in foreclosing on the mortgage property violate the MAP Servicing Guide, which requires a Servicer to protect FHLBNY's interest.

Within thirty (30) Calendar Days of the Seller/Servicer's receipt of a repurchase demand, the Seller/Servicer shall repurchase the Mortgage Loan for an amount equal to both of the following:

1. The value described below in Section 7.3 Repurchase Process.
2. All out-of-pocket costs and expenses incurred by FHLBNY in connection with the repurchase of the Mortgage Loan, including all documentary stamp taxes, recording fees, transfer taxes, attorney's fees, court costs, and legal expenses.
3. If the Seller is required to repurchase the Mortgage Loan, the Seller may not submit a Claim for Loss form to FHLBNY.

### 7.2 Voluntary Repurchase

The Seller/Servicer may repurchase a Delinquent Government Mortgage Loan as detailed in the MAP Servicing Guide.

The Seller/Servicer may repurchase any Mortgage Loan if the Seller/Servicer becomes aware that the Mortgage Loan does not meet FHLBNY requirements. Such repurchase requires notification to FHLBNY and the repurchase amount is calculated as described in [Section 7.1](#) above.

The Seller/Servicer may repurchase Mortgage Loan(s) for other reasons only with the prior approval by FHLBNY.

### 7.3 Repurchase Process

The Mortgage Loans must be purchased or repurchased by the cutoff date of the accounting cycle in which the PFI or Servicer receives the purchase/repurchase notice from FHLBNY. FHLBNY will affect the purchase or repurchase by withdrawing the required funds from the PFI's or Servicer's DDA.

The repurchase price for all Mortgage Loans (regardless of remittance option) required to be repurchased under various provisions in the Guide is determined using one of the following methods, chosen by FHLBNY at its discretion:

1. The market value of the Mortgage Loan as determined by FHLBNY plus interest at the “Pass-through Rate” (i.e. the Note Rate minus the Servicing Fee Percentage) through the remittance date; or
2. The book value of the Mortgage Loan according to Generally Accepted Accounting Practices plus interest at the “Pass-through Rate” (i.e. the Note Rate minus the Servicing Fee Percentage) through the remittance date.

## 7.4 Indemnification

The Seller shall indemnify FHLBNY against, and hold FHLBNY harmless from, all costs, including attorney's fees, arising out of any breach of a representation, warranty, or covenant made by the Seller under the PFI Seller Agreement, this MAP Selling Guide, or any other Program Documents.

The foregoing indemnification shall include any costs incurred by FHLBNY in connection with enforcing its rights under the PFI Seller Agreement, this MAP Selling Guide, or any other Program Documents, or defending against any claim, demand, or assertion against FHLBNY by a third party arising out of a breach of a representation, warranty, or covenant made by the Seller in this PFI Seller Agreement, this MAP Selling Guide, or any other Program Documents.

The Seller's indemnification pursuant to this [Section 7.3](#) shall survive the purchase and delivery of the Mortgage Loans, their liquidation or repurchase, and any suspension or termination of the Seller's selling privileges or the termination of this PFI Seller Agreement or any other Program Documents.

## 7.5 Offset

FHLBNY may offset against FHLBNY's obligation to remit the Purchase Proceeds for any Mortgage Loan delivered for purchase by the Seller, and any other amounts owed by FHLBNY to the Seller, any outstanding amounts owed to FHLBNY by the Seller or any affiliate of the Seller as provided in the PFI Seller Agreement.

## 7.6 Seller Obligations (Updated 11/29/2024)

The Seller agrees at the FHLBNY's direction to adjust the Mortgage Loans delivered under the Master Commitment either through (a) delivery of additional Mortgage Loans with more favorable credit risk characteristics, (b) repurchase of certain delivered Mortgage Loans with less favorable credit risk characteristics, or (c) to contribute Cash payment to the MPA, if the delivered Mortgage Loans do not meet the investment quality requirements under MAP Guides and Agreements. For more information about the MPA, see Section 2.3.1 above.

## 8. Predatory Lending (Updated 5/17/2021)

In addition to the representations and warranties provided in the Applicable Agreement and elsewhere in the Guide, PFIs and Servicers must be aware of and be in compliance with anti-predatory lending laws, rules, and regulations as they apply to any origination or servicing practices. Compliance with these anti-predatory lending laws must be accomplished 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. MAP will not purchase a loan that meets the anti-predatory definition under the state law in which the property is located (Exhibit A) regardless of whether the state law is preempted by the federal law.

A PFI which purchases loans to be delivered under MAP is required to take steps to ensure that loans originated by third parties are in compliance with all Applicable Laws, including without limitation, applicable predatory lending laws.

Loans classified as high cost, high rate, high risk, subject to HOEPA, or loans in similar categories as defined by applicable predatory abusive lending laws are ineligible for delivery under MAP.

### 8.1 Points and Fees (Updated 1/1/2026)

High-cost mortgage loans are not eligible for delivery under MAP, which includes any loan that:

- 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;
- Is part of a larger transaction that is structured in a manner intended to circumvent the requirements of HOEPA and Section 32 of Regulation Z.
- Is a high-priced loan as defined by the state law in which the property is located (Exhibit A);
- Is subject to the requirements of any federal, state or local laws that apply to loans identified as high cost, high risk, higher-priced, or high-rate loans or loans in other similar categories as defined by the applicable predatory or abusive lending law; or
- In addition, a mortgage loan secured by a Primary Residence or a second home is not eligible for delivery under MAP if the total points and fees charged to the Borrower exceed the following:

Mortgage Loans with a Loan Application Date on or after January 1, 2026		
Loan Amount <sup>1</sup>	Percentage of the Total Loan Amount Cap <sup>1</sup>	Dollar Amount Cap
>= \$137,958	3%	N/A
> = \$82,775 and < \$137,958	N/A	\$4,139
> = \$27,952 and < \$82,775	5%	N/A
> = \$17,245 and < \$27,952	N/A	\$1,380
< \$17,245	8%	N/A

### 8.2 Product Steering

The PFI should offer the Borrower the lowest cost mortgage alternative for which the Borrower qualifies.

### 8.3 Credit Life Insurance Policies

The Borrowers may obtain credit life insurance but are not required to do so. Credit life insurance is acceptable if the payment structure includes:

- Premiums paid by the Borrower on a monthly or annual basis; or
- Prepaid coverage that is of no cost to the Borrower.

Mortgage loans with a single-premium credit life insurance policy obtained at origination are not eligible for delivery under MAP, regardless of whether the premium is paid directly from the borrower's funds or financed in the loan amount.

### 8.4 Prepayment Penalties

Mortgage loans that include prepayment penalties are not eligible for delivery under MAP.

### 8.5 Mandatory Arbitration

Mortgage loans that include mandatory arbitration clauses are not eligible for delivery under MAP.

### 8.6 Higher-Priced Mortgages

Higher-priced mortgages are not eligible for MAP.

### 8.7 Non-Traditional Mortgage Loans

Non-traditional mortgage loans are not eligible for MAP.

### 8.8 Subprime Mortgage Loans

Subprime mortgages are not eligible for MAP.

A subprime mortgage is a first-lien mortgage loan or a simultaneous second-lien loan secured by an owner-occupied 1-4 family residential property made at the time of origination to a borrower with:

- A representative FICO®61 score below 620; or
- If a FICO score is not available:
  - A DTI ratio of 43% or greater for a conventional mortgage loan underwritten manually; or
  - Any DTI ratio for a conventional mortgage loan underwritten with Fannie Mae or Freddie Mac's automated underwriting system (AUS) that received a recommendation/decision that the loan is not acceptable and not eligible for sale to the respective agency.

The definition of a subprime mortgage loan does not include loans originated under an affordable housing program or Government Mortgage Loans.

### 8.9 Interest Rate and Late Fees

The interest rate and late fees must be assessed pursuant to the terms provided for in the loan documents.

## 9. Quality Control Program

### 9.1 FHLBNY's Quality Control Review (Updated 12/1/2020)

The FHLBNY reserves the right to conduct a quality control (QC) review of any Mortgage Loan delivered under MAP.

The QCC will review each Mortgage Loan selected for post-funding QC review to verify that it meets the definition of investment quality and complies with the Guides and the Applicable Agreements.

The FHLBNY or its designee will send a request to the Seller via email to submit specified Mortgage Loan Files to the QCC or its designee. The Seller must upload the requested information through the link provided in the email.

The files must be delivered within fifteen (15) days of the date of the letter. See Exhibit M, MAP QC Document Checklist for list of documents that make up a complete QC file. Failure to promptly forward a file selected for QC review may result in suspension of the PFI's origination or Servicing activities under MAP. An offer by the PFI to purchase or repurchase the Mortgage Loan from the FHLBNY will not release the PFI from the requirement to submit the file for the QC review.

After the QC review is complete, the PFI will be notified via email of those Mortgage Loans with defects. No notice will be given relating to nondeficient Mortgage Loans. The PFI must remediate the defects within thirty (30) days from the date of the notification issued by the FHLBNY. Failure of the PFI to take corrective action within the required time may result in suspension of origination and/or Servicing as a PFI. Such suspension shall not limit the FHLBNY's prerogative to take other steps to enforce its rights or to protect its interests.

The FHLBNY, at its sole discretion, may require the PFI to repurchase a deficient Mortgage Loan.

In addition to other available remedies, the FHLBNY may demand repurchase when the PFI:

- Does not submit Mortgage Loan documents support within the time provided;
- Has not complied with any requirement, term or condition of the Applicable Agreement;
- Has submitted a Mortgage Loan deemed to be other than of investment quality;
- Has breached warranties or representations contained in the Applicable Agreements;
- Has been unable to furnish satisfactory evidence of compliance with the Applicable Agreements; or
- Has inappropriately underwritten and/or documented a Mortgage Loan at the time of origination.

The PFI may appeal the FHLBNY's repurchase directive if the PFI has additional supporting information and/or documentation that may affect the FHLBNY's decision.

### 9.2 Overview of PFI's or Servicer's Quality Control Program

PFI's must maintain a QC program for Mortgage Loans originated and serviced under MAP. Each QC program must be designed to fit the specific needs of the individual organization's operating environment.

The QC program must ensure that Mortgage Loans delivered to MAP:

- Conform to MAP Requirements;

- Are of a quality acceptable to the FHLBNY and other institutional investors; and
- Comply with the insurer and/or guarantor requirements.
- The PFI's QC program must comply with the following requirements:
- Be documented in writing;
- Provide standard QC procedures for all personnel involved with or impacted by the QC process;
- Include the performance of pre-Closing and post-Closing QC reviews;
- Provide for the independence of the post-Closing QC process from the mortgage origination, processing and underwriting departments;
- Include a process for identifying a representative sample of loans for QC review using both random and targeted selection processes that include loans from the following:
  - Originated through each applicable production channel (retail, correspondent, and/or third party originations);
  - Originated under all product lines; and
  - Originated using all underwriting methods (manual and AUS).
- Have the capacity to monitor and evaluate the overall quality of mortgage production on a regular and timely basis including the reverification of Appraisals and appraiser review procedures or of the property value used to obtain an Appraisal Waiver offer;
- Include procedures for the review of Early Delinquency Review (EDR) loans;
- Comply with the specific requirements relating to sample size and selection, reverification, file review, Appraisal and appraiser review, and reporting;
- Outline requirements for validating that Mortgage Loans are originated in accordance with established policies and procedures;
- Include a process for reviewing QC work performed by vendors;
- Include a process for maintaining records for three (3) years of QC findings and reports, loan files reviewed, and all related documentation. The location of the records must be documented;
- Include an audit process to ensure the QC processes and procedures are followed by QC staff and that its assessments and conclusions are recorded and consistently applied;
- Ensure the Mortgage Loans comply with the Guides, which includes compliance with Applicable Laws and Applicable Agreements, and are in all respects eligible for delivery under MAP; and
- Guard against fraud, negligence, errors, and omissions by officers, employees, contractors (whether or not involved in the origination of the Mortgage Loans) brokers, Borrowers, marketing partners, and others involved in the mortgage process; and
- Have written procedures for reporting the results of the QC reviews that include the following:
  - Method of monthly reporting of review findings;
  - Identification of critical components to be included in the reports;
  - Distribution of loan-level findings to senior management;
  - Distribution of loan-level findings to the business unit(s), specifically to parties responsible for resolution;
  - Requirement for a timely response to and resolution of (or a plan for resolution of) findings identified in the QC review process; and
  - Maintenance of accurate and detailed records of the results of the QC reviews. The structure of the QC program should take into account:
    - The size and structure of the organization;
    - The qualifications of the staff;
    - The geographic areas of operations;

- The branch structure;
- The volume and types of mortgages originated; and
- The origination sources used. The FHLBNY reserves the right to conduct a quality control (QC) review of any Mortgage Loan, including any significant changes in the product lines, origination sources or production processes.

### 9.2.1 Quality Standards and Measures

The PFI is responsible for developing and maintaining standards of mortgage quality and for establishing and designing a process to achieve those standards. The PFI's QC Plan must include a general overview of their QC philosophy, plan objectives, and identification of the specific risks the PFI intends to measure, monitor, and manage. The QC Plan must establish a methodology for identifying, categorizing, and measuring defects and trends against an established target defect rate.

At a minimum, the PFI must identify any Mortgage Loans with a defect (defined as a Mortgage Loan not in compliance with the Guides, Applicable Agreements, or Applicable Standards) and establish a methodology by which all Mortgage Loans with identified defects can be categorized based on the severity of the defect. The QC reports must define the severity levels that are appropriate for the organization and reporting needs. However, the highest level of severity must be assigned to those Mortgage Loans with defects resulting in the Mortgage Loan not being eligible as delivered under MAP.

The QC Plan must also establish a post-Closing target defect rate for its organization, reflecting its quality standards and goals. The establishment of a target defect rate is based on the post-Closing random QC sample. Different target defect rates may be established for different severity levels. However, at a minimum, a target defect rate must be established for the highest level of severity. Target defect rates are not required, although recommended, to be set for lower severity level post-Closing QC reviews, pre-Closing QC reviews, or targeted QC reviews.

A target defect rate must be established that is as reasonably low as possible. Once the targets are set, performance against the targets must be measured at least quarterly and reported to management. The target defect rate(s) must be evaluated and, if necessary, reset at least annually. The PFI must document the rationale for establishing the target rate(s). The FHLBNY or the QCC may assess how the chosen target defect rate affects risk and may provide input on a more appropriate target.

### 9.2.2 Quality Control Staffing

All post-Closing QC employees (including those related to establishing, monitoring, and enforcing procedures) must be independent of the production, underwriting, and closing departments, except in situations when the size of the organization is insufficient to support adequate resources to allow for separation of these functions. In these cases, the QC plan must include the rationale for the lack of separation as well as the controls that have been established to mitigate the potential risks associated with the lack of separation of these functions.

The QC Plan must include minimum skill set and expertise requirements for the staff performing the pre-Closing and post-Closing QC reviews and document these minimum job qualifications in its QC

plan. PFIs are responsible for ensuring that all individuals conducting QC reviews are adequately trained and have sufficient experience relative to the reviews being conducted. This training and experience should cover manually underwritten Mortgage Loans and those underwritten with the assistance of DU or Loan Product Advisor. Reviewers conducting more complex or specialized reviews (for example, Appraisal reviews and self-employed Borrower reviews) must have the proper knowledge and experience to do so.

Detailed policies and procedures for the QC review process must be provided to all employees who will be involved with the QC reviews.

### **9.2.3 Quality Control Outsourcing**

Third-party QC service providers are permitted for all or a portion of the QC process. When using such vendors, the PFI is responsible for developing and maintaining loan quality standards and developing a QC plan to achieve those standards. The PFI is accountable for its overall QC program and for ensuring the QC reviews comply with MAP requirements, regardless of whether the work is performed by the PFI itself or by an outsourced QC service vendor. Use of QC vendor is not a substitute for the PFI establishing and maintaining its own QC plan.

The PFI must ensure that the QC vendor conducts its reviews in accordance with the PFI's QC plan. The QC vendor must have written policies and procedures detailing its review methodologies, including selections and identification of defects and trends, as well as the required reporting of any results. The vendor's review staff must possess the qualifications and experience required to provide quality reviews and meaningful analysis, and that the vendor's policies and procedures align with the PFI's policies and procedures and meet MAP's guidelines.

The PFI must fully incorporate the results of the vendor's reviews into its QC reporting and remediation processes. The PFI must have procedures to associate the appropriate severity level to the identified defects, and to implement corrective actions within the PFI's organization, the same as it would for defects identified by the PFI's staff.

### **9.2.4 Pre-Closing Quality Control Plan Requirements**

The PFI must maintain and implement a written pre-Closing QC plan that outlines requirements for reviewing a sample of its loans prior to Closing, or in the case of mortgages acquired from a third party, prior to acquisition. The PFI must have documented procedures that include, at a minimum, the following elements:

- Timing of the pre-Closing QC reviews;
- Loan selection process;
- Verification of data and documents; and
- Reporting

The PFI's pre-Closing QC process should operate independently of the PFI's loan production department, if practical. At a minimum, pre-Closing QC reviews must be conducted by individuals who have no involvement in the processing and underwriting decision of the loan being reviewed.

The PFI's pre-Closing QC plan must contain requirements for full reviews of loan files and analysis of data and documents prior to Closing. As a supplement to the required full file reviews, the lender may choose to make targeted loan selections designed to focus solely on a specific element of the loan or underwriting component (for example, income and employment, assets, credit, or property). These targeted reviews may be completed without performing a full file QC review.

The PFI's pre-Closing targeted review selection methodologies must be regularly re-evaluated to ensure effectiveness. PFIs must have the ability to change the selection methodology if needed to accommodate results from prior reviews or changes such as new product offerings, staffing changes, sources of business, or other risk factors.

### 9.3 Quality Control for Transferred Servicing

When Servicing is transferred, the originating PFI must complete the QC reviews, except for reviews of Early Delinquency Review (EDR) loans, which the Servicer must complete. To comply with this requirement, the originating PFI must either:

- Retain copies of the file documents; or
- Arrange with the new Servicer to assist in the QC reviews.

The originating PFI must furnish records of completed QC reviews to the new Servicer.

An Assuming Servicer that acquires Servicing must include provisions in its QC program that address transfers of servicing.

### 9.4 Early Delinquency Review (EDR) Mortgages (Updated 8/26/2024)

The QC review of each Conventional Mortgage Loan that reaches EDR status is required, even if the Mortgage Loan has subsequently been brought current. The QC review must be initiated by the PFI or Servicer within sixty (60) Calendar Days after the date the Mortgage Loan reaches EDR status.

The scope of all EDR QC reviews must include reverification of income and employment, sources of funds and credit reports. A review Appraisal, in the form of a new Appraisal or field inspection, or a review of the property value used to obtain an Appraisal Waiver offer, if an Appraisal Waiver was used, must also be conducted in accordance with the Guides.

### 9.5 Sample Selection

This section addresses guidelines for the sample selection process

#### 9.5.1 General Sample Selection Requirements

A PFI's sample selection process must target areas that the PFI identifies as having a higher potential for errors, misrepresentation, or fraud. This selection must include a sampling of loans with the characteristics of loans that were found to have defects in previous pre-Closing and post-Closing QC reviews in order to prevent the repetition of data and documentation errors. A PFI must regularly review its loan sampling methodology to ensure its effectiveness.

For each twelve (12) month period, the pre-Closing and post-Closing samples selected must be representative of the full scope of the PFI's production and products. The "full scope" of a PFI's product line and origination process includes home mortgages sampled from:

- All product lines;
- All states of operations;
- Each branch office;
- Each third-party involved in the origination process; and
- Mortgage Loans with high-risk attributes. For example, high Loan-To-Value (LTV) ratios, lower credit scores, Manufactured Homes, cash-out refinance mortgages and Early Delinquency Review (EDR).

Any loan that would be excluded from the PFI's quality control sample population is not eligible for delivery under MAP.

### 9.5.2 Pre-Closing Sample Selection

The pre-Closing sampling process must be documented and must take into account the PFI's assessment of the risks inherent in its origination processes, business sources, volume and product mix, and must be reviewed regularly to ensure that the sample selected, including the sample size, is appropriate.

A PFI must time its pre-Closing sample selection:

- So that every Mortgage Loan within the selected population has a chance of being selected for review; and
- To allow adequate time for the completion of the pre-Closing reviews in order to properly inform origination personnel so that data and documentation corrections and revisions can be made prior to Closing.

It is recommended that the personnel who perform the pre-Closing QC review of Mortgage Loans have the authority to prevent Mortgage Loans from closing until all defects are cured.

The sample selection process should include both random sampling and the targeted sampling of Mortgage Loans with the characteristics of Mortgage Loans that were found to have defects in previous pre-Closing and post-Closing QC reviews in order to prevent the repetition of data and documentation errors.

A pre-Closing QC sampling methodology should include:

- Loans with multiple layers of credit risk such as, but not limited to:
  - LTV ratios >90%;
  - A primary credit score less than 660;
  - Self-employed Borrowers;
  - Cash-out refinances; and
  - High debt-to-income ratios.
- Loans originated by brokers and correspondents;
- Loans to be secured by all property types including 3-4 units, condominiums, and manufactured housing;

- Loans originated or processed by newly hired loan officers, processors, appraisers, other personnel or third parties involved in the loan origination process;
- Loans underwritten by all underwriters;
- Loans with complex income calculations (e.g., rental income, self-employed income, and a short history of receipt of any income type);
- Loans to be secured by properties located in areas with high delinquency rates or areas experiencing rapid increases or decreases in property values; and
- Loans requiring the use of non-standard processing or underwriting guidelines (e.g., delayed financing, multiple financed properties, assets used as income or manual reserve calculations).

### 9.5.3 Post-Closing Sample Selection

Post-Closing QC review samples must include a random sample chosen by either statistical sampling or a percentage of loans closed sampling methodology and a targeted sample.

#### **Random Sampling**

A PFI may utilize a statistical sampling method to determine its random sample size. This method must be designed to achieve a ninety-five percent (95%) level of confidence. If the PFI uses a statistical sampling method for its selection process in lieu of the standard 10% random selection process, it must document the methodology and provide to its FHLB NY upon request a detailed written justification of the methodology which must including the following:

- Method for making a statistical selection;
- Variables used in the selection model and how they are defined;
- The results of periodic evaluations of the process and variables; and
- Establishment of time periods for the evaluations.

The FHLB NY or the QCC may require adjustments to the statistical sampling methodology based upon a review of the statistical sampling methodology.

A PFI that does not use a statistical sampling method must use the following post-Closing random sample selection procedures:

- Select for review at least ten percent (10%) of one of the following origination populations:
  - Total annual home mortgage production;
  - Total annual secondary market home mortgage production; or
  - Total annual MAP originations.
- The selection of the post-Closing QC Sample from within the chosen population must be made throughout the year based on the following schedule:

Production	Sample Selection Timing
10 or more Mortgage Loans closed in a month	The selection of at least 10% of the mortgages closed within that month must be made no later than the last day of the following month. The PFI must notify the FHLBNY if their sampling cycle is in, or will be in, significant arrears.
Example: In December, the PFI closes 12 loans; the sample must be selected by January 31.	
Less than 10 Mortgage Loans closed in a month	The PFI may defer the sample selection until the month after which a combined 10 or more mortgages have closed since the last sample was selected. However, the PFI must select a sample no less than every ninety (90) days. If after three consecutive months the combined production is <10 mortgages, the PFI must select one Mortgage for QC review. The selection must then be made no later than the end of the month following the accumulation of 10 or more closed mortgage or three consecutive months.
<p><b>Example 1:</b> In December, the PFI closes 3 mortgages; a sample selection is not required in January. In January, the PFI closes 8 loans; a sample selection is required by February 28 as the combined December and January production is ≥10 mortgages.</p> <p><b>Example 2:</b> In December, the PFI closes 3 mortgages; a sample selection is not required in January. In January, the PFI closes 4 mortgages; a sample selection is not required in February as the combined December and January production is &lt; 10 mortgages. Regardless of the number of loans the PFI closes in February, a sample selection is required by March 31 of the greater of 1 mortgage or 10% of the combined number of mortgage closed in December, January and February because a sample selection is required no less than every ninety (90) days.</p>	

If a PFI’s sampling is being done over the extended 90-day period, it must notify its FHLBNY if the QC sampling cycle will be in arrears for any reason.

When Mortgage Loans are originated by a third party, the PFI’s QC process must include additional steps to monitor the quality of third-party originations. At a minimum, the PFI’s QC selection process must include a representative sample of the Mortgage Loans received from the third-party originator to ensure that those originations meet the PFI’s standards for loan quality, and that originations to be sold under MAP meet MAP Requirements. The review cycles must be structured to ensure that transactions originated by each third-party originator are reviewed at least once annually, and in a timely manner.

Post-Closing QC samples must not exclude loans that underwent a pre-Closing QC review. If a loan chosen for a post-Closing QC review underwent a pre-Closing QC review, the PFI must:

- Examine the pre-Closing QC review report and verify that all deficiencies from that review were cured prior to Closing; and

- Reverify only the items required to be reverified that were not satisfactorily validated, verified or cured as a result of the pre-Closing QC review.

### **Targeted Sampling**

The PFI must establish a process for selecting loans for its targeted post-Closing QC sample. The process must take into account the PFI's assessment of the risks inherent in its origination processes, business sources, volume, and product mix, and must be reviewed regularly and when necessary, adjusted to ensure that the sample selected, including sample size, is appropriate.

Loans selected for post-Closing targeted QC reviews must target areas that the lender identifies as having a higher potential for errors, misrepresentation, or fraud. Targeted areas may include the following:

- Loans with characteristics related to errors or defects identified in prior pre-funding and post-Closing review results;
- Loans with complex income calculations (for example, rental income, self-employed income or a short history of receipt of any income type);
- Loans requiring the use of non-standard processing or underwriting guidelines (for example, delayed financing, multiple financed properties, assets used as income, or manual reserve calculations);
- Loans secured by properties located in areas with high delinquency rates or areas experiencing rapid increases or decreases in property values;
- Loans with multiple layers of credit risk, such as high LTV ratios, low credit scores, or high Debt to Income ratios;
- Loans originated or processed through various business sources, a particular branch office, staff person, contractor, third-party originator, or appraiser;
- Loans originated or processed by newly hired loan officers, processors, appraisers, or other personnel or third parties involved in the loan origination process; and
- Loans that may be subject to concerns about delinquency rates or patterns identified in other reviews.

## **9.6 Verification of Data and Documents**

This section addresses the requirements for verifying the data and documents relied upon in the underwriting decision are complete and accurate.

### **9.6.1 Pre-Closing Verification**

It is recommended that pre-Closing QC reviews be conducted after the final loan approval. However, they must be done when there is sufficient documentation in the file to perform the required review of data and documents.

In addition to any pre-Closing reverifications that the PFI may have determined were necessary, the pre-Closing QC process must include a review of the following data and documents to ensure the documents are present and complete, and that the data relied upon in making the underwriting decision is accurate:

- Data entered into Desktop Underwriter® (DU®) or Loan Product Advisor®;

- All documentation required by the loan's DU or Loan Product Advisor feedback certificate;
- Borrower Identity;
- Borrower Social Security number(s) or Individual Taxpayer Identification Number (ITIN);
- Employment Documentation;
- Calculation of income used to qualify the Borrower(s);
- Calculation of sufficient assets needed to close or meet reserve requirements;
- Appraisal or other property valuation data;
- The conditions of Closing established by the PFI's underwriter are or will be able to be satisfied;
- Documentation of adequate mortgage insurance coverage by an eligible mortgage insurer; and
- Condominium project documentation. PFIs must also ensure that they have a method for retaining in the Mortgage File the condominium project documentation needed to support their warranty that the project meets MAP's eligibility criteria. In addition, for units in condominium projects that were approved through Fannie Mae's Condo Project Manager (CPM), PFI's should validate that the Mortgage Loan File has been documented with the CPM decision and verify that the loan has been identified with the correct project review type code in the ULDD file.

If a Borrower's employment has not yet been verbally verified as required and the verbal verification would be completed within the required timeline, the PFI may complete the verbal verification of employment during the pre-Closing QC review.

Data verification may be obtained either directly from the information source, for example, the Social Security Administration, IRS, employer, financial institution, or reliable third parties. The responsibility for the review should be delegated to personnel other than those with a vested interest in the Closing and must be independent of the PFI's loan production staff. At a minimum, pre-Closing QC reviews must be conducted by individuals who have no involvement in the processing and underwriting decision of the loan being reviewed.

### **9.6.2 Post-Closing Verification (Updated 12/1/2020)**

PFIs must review the final terms of the Mortgage Loan to ensure they align with the data on which the underwriting decision was based. When a PFI's QC review identifies discrepancies between the data that was used in the underwriting decision and the data verified through the QC process, the underwriting decision must be reassessed based on the newly verified information to determine whether the Mortgage Loan remains eligible as delivered.

For Mortgage Loans processed through DU or Loan Product Advisor, the PFI must ensure that all data submitted to the AUS is true, correct, and complete. The PFI must verify that the Mortgage Loan File contains documentation that supports all data submitted to the AUS. In addition, the PFI must ensure that all of the Borrower's liabilities were included in the analysis by the AUS.

When there are inconsistencies between the data used for manual underwriting or the information submitted to the AUS and the verification or post-Closing QC reverification documents, the PFI must do the following:

Step	Description
1	Determine whether the discrepancies are within the tolerances allowed for the AUS as permitted by the MAP Guide.
2	For loans underwritten through an AUS, if discrepancies are outside the allowed tolerances, the Mortgage Loan must be resubmitted to the AUS using the correct data. If the PFI is unable to resubmit the Mortgage Loan, the PFI must manually perform a risk assessment using the documentation required by the AUS to determine if the Mortgage Loan meets the requirements of the Guides for manually underwritten Mortgages Loans. In these cases, the AUS limited waiver of representations and warranties is invalidated when Mortgage Loans that exceed AUS tolerances are not resubmitted to the AUS. For manually underwritten Mortgage Loans, if discrepancies cause the total debt ratio to increase by 3% or more, the PFI must manually underwrite the Mortgage Loan to determine if it meets the MAP Guide requirements.
3	Make a determination as to whether or not the Mortgage Loan, with the correct data taken into consideration, remains eligible as delivered either through the receipt of a DU recommendation of Approve/Eligible, a Loan Product Advisor recommendation of Accept and Eligible to Purchase, or through manually underwriting it, if appropriate.
4	If the PFI determines that the Mortgage Loan is eligible as delivered, the PFI must document the underwriting file to reflect its decision.
5	If the PFI determines that the Mortgage was not eligible as delivered, the PFI must advise its QCC of these findings.

## 9.7 Reverifications (Updated 12/1/2020)

If a PFI had determined during a pre-Closing QC review that certain red flags found in the origination and underwriting information or documentation warranted a reverification of that information or documentation, the reverification standards set forth in this section must be followed. In addition, when information obtained through the reverification process differs from the information utilized in the underwriting of the loan, the PFI must re-underwrite the loan to determine that the loan remains eligible as delivered under MAP.

When conducting the required post-closing reviews on loans selected through the random selection process, the reverifications or reviews noted below must be performed for all selected loans. For targeted samples, the only reverifications that need to be completed are those that apply to the reason the loans were selected under the targeted sample's criteria. When conducting the required targeted post-Closing QC reviews, the PFI must consider the purpose of the targeted selection when determining whether certain reverifications are needed. For example, if the purpose of the targeted selection is to focus on income calculations, the reverification of assets and credit or a review of the Appraisal or of the property value used to obtain an Appraisal Waiver offer may not be within the scope of that review and would not be required to be completed; however, reverifications of income and employment are required in that type of sample.

### 9.7.1 Reverifications Made by Vendor

When the reverifications are performed by a vendor, it is acceptable for the reverification documentation to be maintained with the vendor rather than in the Mortgage Loan File or QC file. In such cases, the vendor must provide the PFI with the results of the reverification findings, which must be accessible along with the reverification documentation for at least three (3) years from the date of the review and must be provided to the FHLBNY or the QCC upon request.

### 9.7.2 Employment and Income

Original documentation verifying employment and income may include the following:

- Verification of employment and income forms;
- Paystubs;
- Salary vouchers;
- W-2 forms;
- Tax returns;
- Financial statements;
- Compensation award letters; and
- Other documents supporting income.

Verbal verification of employment is required to be obtained prior to Closing and must be documented in every Mortgage Loan File. The completion of the pre-Closing verbal verification of employment in compliance with the requirements of the Selling Guide must be verified during the post-Closing QC.

The PFI must re-verify all documentation of income used in the original underwriting process. Confirmations must be obtained as to the validity of the documents by sending the issuers copies of the original documentation with a request for validation.

Regardless of the sources of the Borrower's income, a completed and signed IRS Form 4506-C from each Borrower is required at or before Closing.

If tax transcripts were not obtained prior to Closing, the PFI is required to obtain the tax transcripts from the IRS (or designee) using the Form 4506-C signed at Closing for all Mortgage Loans it selects for a post-Closing QC review (including targeted reviews as applicable), regardless of the type of income documentation provided in the Mortgage Loan File. If tax returns were used in the underwriting of the loan, the PFI must obtain transcripts for the same tax years as documented by the Borrower's tax returns.

The PFI must reconcile the transcript information received from the IRS with the income documents in the loan file. The PFI is required to maintain the IRS tax transcripts in the Mortgage Loan File.

The IRS will not process requests for transcripts received beyond one hundred twenty (120) days from the date the Borrower signed the IRS Form 4506-C. Therefore, if the Form 4506-C signed at Closing cannot be sent to the IRS within one hundred twenty (120) days from the Closing date for Mortgage Loans selected for a QC review, it is highly recommended that the PFI obtain the tax transcripts before the Closing for all Mortgage Loans.

The reverification of employment and income should be in writing. A verbal reverification may be accepted provided it is documented in writing. The written documentation must state the following information:

- The name of the PFI's employee making the contact;
- The name of the Borrower's employer;
- The name and title of the person contacted at the employer;
- The date of the conversation; and
- Whether or not the information in the original verification was accurate and, if not, disclose the nature of the inaccuracy.

If the employer does not provide reverification of a Borrower's income, the Mortgage Loan File must be documented with a copy of the reverification request and a notation that states the date the information was requested, and that it was not returned by the employer. Reverification procedures may be supplemented with alternative information sources available on the internet, maintained by state or local licensing authorities, and other third parties that may be used if the employer does not provide the requested reverification. This documentation is required to be retained in the Mortgage Loan File or in the QC records.

If bank statements showing the deposit of Social Security income into the Borrower's account were obtained and used to verify Borrower's receipt of Social Security income prior to Closing, then reverification of the income with the Social Security Administration is not required. However, if a copy of the Social Security Administration award letter was used to verify the Borrower's receipt of income prior to Closing, then the PFI must contact the Social Security Administration to reverify the income.

### 9.7.3 Sources of Funds

Original documentation verifying the sources of funds used for the down payment, closing costs, reserves and prepaid items may include:

- Verification of deposit forms;
- Depository account statements;
- Stock or security account statements;
- Gift fund letters or equivalent; and
- A signed settlement statement or other evidence of conveyance and transfer of funds if a sale of assets was involved.

The PFI is required to reverify all verifications of sources of funds used in the original underwriting process. Confirmations should be obtained as to the validity of the documents, by sending the issuers copies of the original verification documentation with a request for validation.

The reverification of the source of funds should be in writing. A verbal reverification may be accepted provided it is documented in writing. The written documentation must:

- State the name of the PFI's employee making the contact;
- State the name of the institution;
- State the name and title of the person contacted at the institution;
- State the date of the conversation; and

- State whether or not the information in the original verification was accurate, and if not, disclose the nature of the inaccuracy.

In the rare instance where the reverification of asset information cannot be obtained from the financial institution, the PFI must document its attempt in its QC records with a copy of the reverification request and a notation that states the date the information was requested, and that it was not returned by the financial institution.

This documentation is required to be retained in the Mortgage Loan File or in the PFI's QC records. If necessary, the PFI must pay any fee that the financial institution may charge to provide the reverification. The necessity of paying a fee is not considered a reason to not obtain the required reverification.

For these loans, a new tri-merged credit report is required to be secured.

#### **9.7.4 Credit Report (Updated 12/1/2020)**

The Borrower's credit history must be re-verified for all loans chosen via the random selection process (and targeted as applicable). If evaluated by using nontraditional credit or a nontraditional mortgage credit report, the PFI must reverify each of the credit references on that report. If the PFI obtained written references from creditors, the PFI's QC review process must include reverification of each of these written credit references.

The new and original reports must be compared for discrepancies or the existence of any debt that may not have been taken into account when the loan was underwritten. The PFI must also review any "potential red flag" messages appearing on the report from the AUS if the loan was underwritten with DU or Loan Product Advisor®, or any other alerts created by sources other than the AUS associated with the credit report to ensure all messages have been addressed and documented, and that the loan is eligible for delivery under MAP. The documentation must be retained in the Mortgage Loan File or in the PFI's QC records.

#### **9.7.5 Owner Occupancy**

The post-Closing QC review must include a verification of owner-occupancy for all Mortgage Loans secured by a Primary Residence. The PFI must review the property insurance policy and any other documentation in the file that is necessary to confirm there are no indicators that the property is not the Borrower's Primary Residence. Documentation could include such items as the Appraisal, income tax returns, or tax transcripts. In addition, the changing of the mailing address by the Borrower to an address other than that of the Mortgaged Property's shortly after Closing may be an indication that the Mortgaged Property is not the Borrower's primary residence.

### **9.8 Mortgage Loan File Reviews**

QC review procedures must involve the following:

- A review of the completeness and accuracy of the information obtained in the Mortgage Loan origination process;
- A review of the Closing Documents to ensure that the Mortgage Loan File information is complete, accurate and internally consistent;

- Verification of the existence and accuracy of documentation required by Applicable Laws and/or MAP;
- A review of the documentation that was used to verify the Borrower's identity, Social Security or Individual Taxpayer Identification Number.

The PFI is required to review the Mortgage Loan File documents, including any reverifications, to ascertain that the Mortgage Loan was underwritten properly, based upon prudent underwriting practices and sound underwriting judgment. When the QC review identifies discrepancies between the data that was used in the underwriting decision and the data verified through the QC process, the PFI must reassess the underwriting decision based on the newly verified information to determine whether the Mortgage Loan remains eligible as delivered under MAP. The post-Closing Mortgage Loan File review process must also include a review of the Mortgage Loan to assess the accuracy and integrity of the information used to support the credit decision and the documentation of any defects identified through the review.

### 9.8.1 Borrower Identity

Each Borrower's identity must be confirmed and documented in accordance with the Selling Guide and to assure compliance with OFAC rules. Original documentation verifying the Borrower's identity may include:

- State-issued identification, such as a driver's license or state ID with photo; or
- Federally-issued identification, such as a passport (may be a foreign passport for legal resident aliens).

Any other documents deemed necessary to comply with federal obligations (birth certificate, social security card, military ID, US alien registration card, etc.) must be verified.

Some states or jurisdictions may prohibit retaining a copy of government issued identification (ID) in the Mortgage Loan File. Under these circumstances, in lieu of copying the ID, follow the steps below to document verification of the Borrower's identity:

- Verify the accuracy of the data contained on the ID against the information provided by the Borrower;
- Record the following information on a document to be retained in the Mortgage Loan File:
  - The type of ID provided (State issued ID, passport, etc.);
  - The expiration date of the ID document provided by the Borrower;
  - Any unique number assigned to the ID by the issuer (driver's license number, passport number, etc.);
  - Personal data listed on the identification that specifically identifies the Borrower (photograph, home address, Social Security number, birth date, etc.); and
  - Any additional information regarding other steps or procedures performed in order to validate the Borrower's identity.
- The document should be certified and dated, including the printed name, signature, and title of the individual authorized.

It may be necessary to validate the ID with the issuing government agency in some instances.

### 9.8.2 Borrower's Social Security Number

The Borrower's name and Social Security number (SSN) listed in all other documents provided in the Mortgage Loan File must be consistent. Minor name discrepancies, such as a Borrower who uses a shortened or abbreviated name are acceptable provided the Mortgage Loan File contains documentation that the Borrower is the same person as the name variations. The Mortgage Loan File must also contain documentation that resolved any inconsistencies or multiple SSNs for an individual that were revealed during the loan processing and underwriting. In any instance of a discrepancy where the PFI was unable to independently verify that the SSN belongs to the Borrower, the Mortgage Loan File must contain either:

- Verification of the Borrower's SSN by the Social Security Administration (SSA), through the submission of Form SSA-89 or any other acceptable form or method by the SSA; or
- Verification of the Borrower's SSN by a vendor that validates directly with the SSA.

If the PFI's QC review indicates that the Mortgage Loan File does not satisfactorily address any SSN discrepancy or the SSN was not subsequently determined to be valid (by the SSA), the PFI must notify the FHLBNY or the QCC immediately.

### 9.8.3 Borrower's Individual Taxpayer Identification Number

Where a Borrower is either a permanent or non-permanent resident alien and is not required to have an SSN, he must have an individual taxpayer identification number (ITIN) (in addition to meeting existing legal residency and documentation requirements) for the Mortgage Loan to be eligible under MAP. If any Borrower does not have either a valid ITIN or SSN, or if the Mortgage Loan File contains any inconsistency in any ITIN, the PFI must notify the FHLBNY immediately of the ITIN discrepancy.

### 9.8.4 Origination Documents to Review

At a minimum, the PFI is required to review the following origination documents for completeness, accuracy, and compliance with all underwriting and eligibility requirements of the Guides and compare them to the reverifications received during its post-Closing QC review:

- Uniform Residential Loan Application (FNMA Form 1003 / FHLMC Form 65);
- Credit documentation;
- Employment and income documentation;
- Sources of funds documentation;
- Appraisal documentation, if an Appraisal is obtained;
- Sales contract;
- For manually underwritten Mortgages, the Uniform Underwriting and Transmittal Summary (FNMA Form 1008 / FHLMC Form 1077); and
- For Mortgage Loans underwritten with the assistance of either DU or Loan Product Advisor, the output certificate must be reviewed, and the PFI must ensure that all conditions from the respective automated underwriting system have been met. Adequate documentation must be in the Mortgage Loan File for each condition listed on the final approval certificate.

### 9.8.5 Closing Documents to Review

During the post-Closing QC review, a review of the Closing Documents is required to ensure the information therein is accurate, complete, internally consistent, and is in compliance with all regulatory requirements and the underwriting and eligibility requirements of the Guides. Otherwise, the Closing Documents and delivery data must be corrected, as applicable.

The Mortgage Loan File must be examined to verify that the closing conditions established by the underwriter were satisfied and that the information on the Settlement Statement complied with the closing instructions.

A PFI is required to include examination of the following Closing Documents in its QC review. This list is not meant to be exhaustive and PFIs should use judgment when determining other documents that may need to be reviewed in addition to the ones listed below:

- Notes and riders;
- Security Instruments, riders and Assignments;
- Final Truth-In-Lending/Closing Disclosure;
- FHA Mortgage Insurance Certificate (MIC), VA Loan Guaranty Certificate (LGC) or RHS Loan Note Guarantee;
- Modification or Assumption agreement;
- Title binder or final title insurance policy (both, if available) or other evidence of title;
- Plat or survey;
- Settlement statements (HUD-1, Closing Disclosure, or equivalent);
- Leasehold estate documents;
- Other documents required by Applicable Laws;
- Hazard insurance policy or certificate;
- Flood insurance policy or certificate;
- Mortgage insurance certificate;
- Underwriter's approval and any conditions of closing;
- Closing instructions;
- Property eligibility documentation, as applicable (manufactured homes, property is residential for highest and best use, not commercial or agricultural, etc.); and
- Condominium project documentation.

PFIs must also ensure that they have a method for retaining in the Mortgage Loan File the condominium project documentation needed to support that the project meets MAP's eligibility criteria. In addition, for units in condominium projects that are approved through Fannie Mae's Condo Project Manager (CPM), the PFI should validate that the Mortgage Loan File has been documented with the CPM decision and verify that the loan has been identified with the correct project review type code in the ULDD file.

If recorded documents are not available when the post-Closing QC review is performed due to timing requirements of the reviews and the length of time the applicable jurisdiction needs for recording, the PFI must review a copy of the document sent for recordation. The PFI must also have a process to review the recorded documents when they are received to ensure accuracy and remediate any errors.

If errors are found in the post-Closing review process, PFIs must adhere to the following requirements:

- Determine the significance of the errors;
- Promptly correct the documents or obtain corrected documents from the vendor; and
- Provide corrected documents to the document custodian, if applicable.

## 9.9 Review of Appraisals

As part of the post-Closing QC process, the PFI must continually evaluate the quality of its Appraisals through the normal underwriting review of all Appraisal reports, and by utilizing field reviews and desk reviews. The PFI should also utilize third-party tools and information when appropriate (such as analytical tools, public record databases, and automated valuation models) to help identify areas of inaccuracy and/or inconsistencies that may be indicators of appraisal deficiencies.

A field review Appraisal must be performed for one out of ten (10) Mortgage Loans selected in the post-Closing QC random sample. The 10% field review requirement is for loans in the random sample that have an Appraisal.

For targeted samples, a field review Appraisal is only required for reviews that are chosen for Appraisal related issues.

The PFI must determine if the field review or its desk review identified any defects in the original Appraisal. If the PFI determines that the Mortgage Loan was not eligible as delivered, the PFI must notify the FHLBNY immediately of its findings.

### 9.9.1 Appraiser Oversight

The purpose of the review of Appraisals by the PFI during its post-Closing QC process is to determine the quality of the Appraisal itself as well as the quality of the work of the appraiser. Therefore, the QC plan must include requirements for the monitoring and assessment of the quality of work performed by appraisers used for Mortgage Loans sold under MAP.

A PFI must also develop and maintain a documented process to monitor the appraisers it uses. The process, at a minimum, must include an annual review of an appraiser's state licensing or certification status and a procedure for suspending or terminating business with individual appraisers. Additionally, the PFI must have a procedure for referring appraisers to the applicable state licensing and regulatory board if necessary.

The FHLBNY may refuse to accept an Appraisal prepared by a specific appraiser or may notify a PFI that it will no longer accept Appraisals prepared by a given appraiser based on its QC reviews.

PFIs are accountable for the quality of the QC Appraisal reviews regardless of whether the work is performed by the PFI itself or by an outsourced QC service provider or vendor.

### 9.9.2 Field Review

The field review Appraisal must be written on one of the following forms, based on the property type:

- One-Unit Residential Appraisal Field Review Report (FNMA Form 2000 / FHLMC Form 1032); or

- Two-to-Four Unit Residential Appraisal Field Review Report (FNMA Form 2000A / FHLMC Form 1072)

A field review Appraisal is required for ten percent (10%) of the Mortgage Loans selected in the random sampling process that have an Appraisal. The ten percent (10%) sample may be selected using a random or targeted sampling methodology, allowing PFIs to choose certain loans or Appraisals.

The field review Appraisal must be performed by a qualified, appropriately licensed or certified appraiser independent of the original appraiser or appraisal firm.

A field review Appraisal must include at least the following:

- Clear and detailed copied, digital, or electronically imaged photographs of:
  - the Mortgaged Property (front, back and street scene);
  - the comparables used in the Appraisal under review;
  - any additional comparables used in the field review Appraisal.
- All addenda and explanations.
- A location map that shows the location of:
  - the subject property;
  - all comparables included in the Appraisal report under review;
  - any additional comparable sales provided by the review appraiser.
- A review of the accuracy of the factual data in the original Appraisal report.

### 9.9.3 Desk Review

A desk review of the original Appraisal for the remaining 90% of the Mortgage Loans in a PFI's post-Closing QC random sample must be performed. It is acceptable for the desk review to be completed by an individual who is not a licensed or certified appraiser. However, the Appraisal reviewer must be competent in the application of basic appraisal theory for the following:

- Assessing market risk;
- Determining if a property meets eligibility requirements, including the LTV, TLTV and HLTIV ratios;
- Determining that the value and marketability established as of the date of the original Appraisal are acceptable;
- Assessing the quality of the original Appraisal; and
- Prescribing corrective actions in the underwriting process when defects are identified.

The use of an automated valuation model as a tool in the completion of the valuation assessment is also permitted. However, it is not to be used as a replacement for a desk review.

The related documentation must be retained in the Mortgage Loan File or in the PFI's QC records.

## 9.10 Reporting Requirements

This section describes the processes PFIs must have in place to report defects identified during pre-Closing and post-Closing QC reviews.

### 9.10.1 PFI's Internal Pre-Closing Reporting

PFIs must establish and implement a process to report defects identified in the pre-Closing reviews, which must include:

- Monthly reporting to senior management;
- Communicating to the parties responsible for resolving the defects; and
- Documenting the resolution of the defects.

At a minimum, the reports must include:

- Descriptions of the sample selection;
- Defect trending information; and
- A summary of the results into one report of all pre-Closing quality control findings.

### 9.10.2 PFI's Internal Post-Closing Reporting

The entire post-Closing QC process must be completed within one hundred twenty (120) days from the first day of the month of sampled loans' Closing. PFIs should allow sixty (60) days from the end of the sampling month to complete the QC review and rebuttal phase. An additional thirty (30) days should be included for the reporting phase of the QC process.

For example:

- Month of Closings: March
- Sample Selection month: By April 30
- Review and rebuttal phase: May and June
- Reports due to management: By July 30

The outcomes of the post-Closing QC reviews must be reported in writing directly to the PFI's senior management within thirty (30) days after the month in which the QC review was completed. When trends are identified through the review process, the PFI must establish a plan for specific corrective action to be taken, including the expected resolution and time frames for implementation.

A specific report format is not mandated for reporting purposes. However, it is vital that the reports sent to senior management are useful for evaluating and monitoring the quality of the PFI's Mortgage Loan production. Management reports must cover QC results at a high level and focus on defects and trends that are encountered during the review process. The reports must also identify any Mortgage Loans or specific items that need corrective action.

Reporting needs may be tailored to each PFI. However, at a minimum, post-Closing QC reports must be produced monthly and include the following:

- The final defect rate for the results of the current review period;
- Trending information (issues and top defects);
- Distinction between defects related to compliance with federal, state, or local laws and regulations and defects related to underwriting and eligibility;
- A report on each type of review (random and targeted) that provides results using consistent methodology and terminology across review types;
- Intended corrective action; and

- A summary of the results of each individual review type into a comprehensive, summary report of all QC findings

### 9.10.3 Reporting to the FHLBNY

A PFI is required to inform the FHLBNY in writing within thirty (30) days of the PFI's determination that a post-Closing QC finding adversely affects the investment quality or eligibility of a Mortgage Loan. Any incident of suspected fraud or false representation must be reported to the FHLBNY immediately.

Prior to notifying the FHLBNY of such items, the PFI should conduct the appropriate due diligence to determine whether a reasonable basis exists to conclude that false representation or suspected fraud may have occurred. The FHLBNY may demand purchase, repurchase and/or reimbursement by the PFI when the Borrowers or any other party to the Mortgage Loan transaction has been found to have made false representations relating to such transaction, whether or not the PFI was a party to or had knowledge of such fraud or false representations. The FHLBNY reserves the right to increase the sampling size or to impose other QC review requirements on a case-by-case basis.

In addition, PFIs and Servicers must report to the FHLBNY all instances of suspicious activity, as defined under the Financial Crimes Enforcement Network (FinCEN) anti-money laundering and Bank Secrecy Act (BSA) regulations, related to Mortgage Loans sold and serviced under MAP.

### 9.10.4 Audit Review (Updated 7/7/2023)

The PFI must have an audit process in place to ensure that its QC processes and procedures are followed by the QC staff, and that assessments and conclusions are recorded and consistently applied. The findings must be accurately recorded and consistent with the defects noted in the PFI's system of record.

Results of the audit of QC processes and procedures must be distributed to senior management. Senior management must then distribute the results to the appropriate areas within the organization and an action plan must be put in place for remediation or changes to any policies or processes, if necessary. The PFI must provide a copy of the audits of the QC processes and procedures to the QCC or its FHLBNY upon request.

## 9.11 Quality Control Record Retention

A PFI must maintain complete records for each Mortgage Loan File selected for QC review. All records of the PFI's pre-Closing and post-Closing QC findings, together with substantiation of any remedial action taken, must be retained for a minimum of three (3) years from the date of the completion of the QC review.

These records must include:

- A listing, by year, of all Mortgages Loans:
  - Sampled for pre-Closing and post-Closing QC review; and
  - Reviewed as an Early Delinquency Review (EDR) Mortgage Loan.
- The following documentation for each Mortgage Loan for which a QC review was completed:

- An explanation and documentation of any disparities or inconsistencies found in the Mortgage Loan File that impact the investment quality or eligibility of the Mortgage Loan under the PFI's, the mortgage insurer's, or MAP's requirements;
- All explanations and documentation obtained to remediate any disparities or inconsistencies found in the Mortgage Loan File that impacted the investment quality or eligibility of the Mortgage Loan under the PFI's, a mortgage insurer's, or MAP's Requirements;
- All reverification documentation obtained and used for the QC review; and
- All of the PFI's internal loan-level QC documents used in its review process such as, but not limited to, checklists, forms and reports.
- These records shall be made available to the FHLBNY upon request.

## 10. Contractual Relationship

### 10.1 Assignment of Security Interest

Sellers shall not, in whole or in part, assign or transfer or grant a security interest in, any of their obligations, rights or interest under any Applicable Agreement, including any of their rights or obligations under the Guides, without the FHLBNY's, as applicable, prior written consent. Any purported or attempted assignment or transfer of, or grant of a security interest in, any such obligations, rights or interest is prohibited and shall be null and void.

The FHLBNY, as applicable, has the right to sell, assign, convey, pledge or in any way transfer, in whole or in part, its interest under the Applicable Agreements with respect to any Mortgage Loan purchased or serviced thereunder.

### 10.2 PFI and Servicer Representations and Warranties

This section includes information on the contractual and selling representations and warranties that PFIs and Servicers make by selling or Servicing Mortgage Loans under the MAP.

#### 10.2.1 PFI's Internal Pre-Closing Reporting

In order to sell or service Mortgage Loans under the MAP, the PFI or Servicer makes representations and warranties concerning the origination or the Servicing of those Mortgage Loans, which are incorporated into the Applicable Agreements as well as these Guides. Violation of any representation or warranty is a breach of the Applicable Agreements, which provides the FHLBNY, as applicable, with certain rights and remedies.

Prior to any mortgage loan being acquired by an FHLBNY, the FHLBNY has the right, at its discretion, to refuse to accept such mortgage loan if:

- The mortgage loan is not of investment quality;
- The PFI has not satisfied or has breached a provision of the Applicable Agreements;
- Any of the warranties or representations of the PFI or Servicer to the FHLBNY are untrue; or
- The PFI has provided the FHLBNY with information that is untrue, incomplete, or inaccurate.

#### 10.2.2 Accurate Data Submission (Updated 12/1/2020)

By submitting information to the FHLBNY, the Master Servicer, Custodian, or investor regarding any Mortgage Loan, each PFI or Servicer warrants that all information submitted to the FHLBNY is true, complete and accurate, including without limitation, information submitted with respect to each Mortgage Loan, whether sent electronically, telephonically, entered manually through AMS, or in any other manner. The PFI or Servicer must complete all MAP forms according to the instructions or guidance provided in the Guides, by the FHLBNY. By transmitting data to the FHLBNY, either by written form or electronically, the PFI or Servicer warrants the following:

- The transmission contains all the required information; and
- The terms, conditions, and requirements stated in the Guides are adhered to and fully satisfied.

The PFI or Servicer acknowledges that the FHLBNY, as applicable, purchases and retains Mortgage Loans in reliance on the accuracy and truth of the PFI's and Servicer's representations and warranties and on its compliance with the Applicable Agreements. Therefore, the PFI or Servicer must ensure that its staff is conversant with the terms, conditions, and requirements of the Applicable Agreements.

Upon the FHLBNY's request, the PFI or the Servicer will supply evidence to the FHLBNY's satisfaction that there was compliance with all provisions of the Applicable Agreements.

Prior to the FHLBNY acquiring a mortgage, the PFI must obtain the FHLBNY's written approval of any waivers or modifications to the provisions of the Applicable Agreements or Guides. PFI's and Servicers must obtain the FHLBNY's prior written approval for waivers or modifications to any servicing related provisions of the Applicable Agreements, and, unless Guides require Master Servicer approval for a waiver, approvals for waivers or modifications of the Guides.

### 10.2.3 Other Participating Interest

The PFI warrants to the FHLBNY that as of the Settlement Date, the Mortgage Loan is not subject to any participation interest.

Each PFI and/or Servicer warrants and agrees not to alter, assign, convey, hypothecate, pledge, or in any other way transfer, conditionally or otherwise, its interest in a Mortgage Loan delivered under the MAP, except as expressly permitted in the Applicable Agreements.

### 10.2.4 Business Continuity / Disaster Recovery Program

Each PFI and/or Servicer warrants that it has an effective business continuity and disaster recovery program that will assure continued normal business processing of MAP-related transactions in the event of a disaster or disruption, and that its program includes monitoring and ensuring third-party vendors have adequate business continuity and disaster recovery procedures in place.

## 10.3 Seller Representations and Warranties

PFI's selling loans under the MAP are required to make certain additional representations and warranties as described in this section.

### 10.3.1 PFI's Internal Pre-Closing Reporting

By selling a Mortgage Loan under the MAP, the PFI warrants and represents the following for each Mortgage Loan, as of the Settlement Date:

- The terms, conditions, and requirements stated in the Applicable Agreements have been fully satisfied;
- The Mortgage Loan meets all MAP Requirements in the Guides;
- The PFI does not have knowledge, of any proceedings pending for condemnation of all or any portion of the Mortgaged Property.

- There are no adverse circumstances involving the Mortgage Loan, the Mortgaged Property or credit worthiness of the Borrower that would reduce the value or marketability of the Mortgage Loan or Mortgaged Property;
- All warranties and representations of the PFI are true and correct;
- The PFI is in compliance with the Applicable Agreements;
- The PFI has not misstated or omitted any material fact about the Mortgage Loan to the Borrower, the FHLBNY;
- All disclosures and notices required under Applicable Law and the terms of the Note and Security Instrument have been presented fully, clearly, and on a timely basis to the Borrower;
- The PFI has filed and will continue to file all information and forms required under the Home Mortgage Disclosure Act and the Internal Revenue Code;
- The PFI's hiring process includes verification that all vendors, contractors, and employees, including managers, who will be involved in the origination of Mortgage Loans (including application through Closing) are not on the HUD Limited Denial of Participation (LDP) List, the U.S. General Services Administration (GSA) Excluded Party List (available through the GSA's System for Award Management website), the FHFA's Suspended Counterparty List (SCP), or any other such lists.
- The PFI does not permit any employee to manage or perform origination functions on Mortgage Loans who are on the HUD Limited Denial of Participation (LDP) List, the U.S. General Services Administration (GSA) Excluded Party List (available through the GSA's System for Award Management website), the FHFA's Suspended Counterparty List (SCP), or any other such lists.
- If the PFI obtains third-party originated loans, or loans originated by an affiliate, that are subsequently delivered under the MAP, the PFI verifies that the third-party originator, or the affiliate, has a documented procedure for checking their potential and current employees against the HUD Limited Denial of Participation (LDP) List, the U.S. General Services Administration (GSA) Excluded Party List (available through the GSA's System for Award Management website), the FHFA's Suspended Counterparty List (SCP), or any other such lists.
- All persons executing documents on behalf of the PFI are duly authorized to do so; and
- The PFI and any agent acting on its behalf have complied with all Applicable Laws relating to licensing, qualification to do business or approval to originate mortgages.

#### 10.4 Examinations, Books, and Records

The PFI or Servicer must allow the FHLBNY, or either of their agents and representatives, including, without limitation the Master Servicer, to conduct periodic examinations, reviews, and audits of the PFI or Servicer's books, records and operating procedures on any Business Day during normal business hours. The PFI or Servicer must make a knowledgeable person available during the conduct of any such examination for the purpose of answering questions regarding the financial statements and any developments affecting the financial condition of the PFI or Servicer. The PFI or Servicer agrees that the FHLBNY is entitled, at reasonable times and upon reasonable notice to the PFI or Servicer, to audit the PFI or Servicer's origination and servicing procedures and practices, including, without limitation, the escrow funds' records and any and all other relevant documents and materials, whether held by the PFI or Servicer or by another on behalf of the PFI or Servicer, and to examine any other records and policies regarding the Mortgage Loans as may be necessary to satisfy the FHLBNY that the PFI or Servicer has the ability to service the Mortgage Loans in compliance with the terms and conditions of this Guide and the Applicable Agreement. The Servicer

authorizes the FHLBNY and the Master Servicer to cooperate fully with any federal, state or local authority conducting a formal or informal investigation, examination or audit of the PFI or Servicer.

### **10.5 Audit Reporting Requirements (Updated 11/1/2023)**

In the event the PFI or Servicer is audited by any agency such as Fannie Mae, Freddie Mac, HUD, CFPB, etc., the PFI or Servicer must send a copy of each such audit to the FHLBNY with the Annual Eligibility Certification.

### **10.6 Government Reporting Requirements**

PFI and Servicers of MAP Government Mortgage Loans must notify the FHLBNY within five (5) Business Days of receipt of a notice of administrative action from the applicable Government Agency, including, but not limited to, any letter of reprimand, probation, suspension or withdrawal of Government Agency approval, or the imposition of a fine. If requested by the FHLBNY, the PFI or Servicer must submit a summary of the pending Government Agency action and accompanying documentation.

A PFI or Servicer must submit its most recent Government Agency audit to the FHLBNY within five (5) Business Days of receipt of the audit.

## 11. Failure to Perform

### 11.1 Disqualification or Suspension

The FHLBNY, as applicable, may, at its discretion, disqualify or suspend a PFI or Servicer. During the period of disqualification or suspension, the FHLBNY may, at its discretion, determine whether outstanding Delivery Commitments held by the PFI must be honored or the outstanding balance of the Delivery Commitment fulfilled by using the pair-off procedure. The FHLBNY, as applicable, will, at its discretion, determine the length of any suspension period and may prescribe the terms and conditions for reinstatement.

#### 11.1.1 Cause for Disqualification or Suspension

The FHLBNY, as applicable, has the right to disqualify or suspend a PFI or Servicer for any reason it deems necessary in order to protect its interests, including, but not limited to the following:

- Any impending, pending, or adjudicated status of the PFI or Servicer related to or the actual inability to pay debts, insolvency, and/or bankruptcy;
- The failure of the PFI or Servicer, as applicable, to maintain qualified loan origination staff, and/or servicing staff, and/or adequate physical facilities and systems to assure the required quality of the Mortgage Loans originated and/or serviced;
- The change of any organizational, physical, and/or financial condition of the PFI or Servicer which the FHLBNY construes as adversely affecting its interests;
- The failure of the PFI or Servicer to meet any eligibility requirement as stated in the Applicable Agreements;
- Any probationary action or restriction of the PFI's or Servicer's activities by a federal or state government agency;
- The judgment by the FHLBNY that the PFI's or Servicer's warranty obligations are disproportionate to its capital and/or assets;
- Any judgment, order, finding or regulatory action to which the PFI or Servicer is subject that would adversely affect its ability to comply with the terms and conditions of the Applicable Agreement;
- Disqualification or suspension of the PFI or Servicer by any Government Agency; and
- Failure of the PFI or Servicer to perform under any agreement with the FHLBNY, as applicable.

In cases where the PFI is also the Servicer, suspension or disqualification in one capacity will be cause for suspension or disqualification of both financial functions under the Applicable Agreement.

#### 11.1.2 Notice of Intent to Disqualify or Suspend

The FHLBNY will not provide the PFI or Servicer with prior notice of intent to disqualify or suspend if it deems that the FHLBNY's interests, as applicable, would be at risk by such a notice. In such cases, disqualification or suspension will become effective upon oral notice from the FHLBNY, as applicable, followed by a written confirmation of that oral notice.

When prior notice of intent is deemed not to adversely affect the FHLBNY's interests, thirty (30) days' prior written notice will be given.

The written notice of intent, both for prior notice and for confirmation of oral notice, shall include a brief statement of the reason for the FHLBNY's actions.

## 11.2 Events of Default under the Applicable Agreement

Each of the following shall constitute an Event of Default on the part of the PFI or Servicer under the Guides and the Applicable Agreement:

1. Any breach by the PFI or Servicer, its officers, directors, employees or agents of any representation, warranty or covenant contained in the Applicable Agreements or the Guides, or any failure to disclose any matter that makes any representation or warranty misleading or inaccurate, or any inaccuracy in material information furnished by the PFI or Servicer, including, without limitation, the PFI's or Servicer's failure to comply fully with the Applicable Standards or the eligibility requirements set forth in the Guides;
2. Any breach by the PFI or Servicer of any representation, warranty or covenant, failure to disclose, or inaccuracy in information furnished by the PFI Servicer regarding itself;
3. The occurrence of an act of insolvency or bankruptcy concerning the Servicer, including, without limitation:
  - A decree or order of a court or agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Servicer;
  - The PFI or Servicer shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings of, or relating to the Servicer of, or relating to all of, or substantially all of its property; or
  - The PFI or Servicer shall admit in writing its inability to pay its debts generally as they become due, or the PFI or Servicer files a petition to take advantage of any applicable insolvency or reorganization statute, makes an assignment for the benefit of creditors, or voluntarily suspends payment of its obligations.
4. The PFI or Servicer fails to meet any capital, leverage or other financial standards imposed by any applicable regulatory authority;
5. The PFI or Servicer is placed on probation or suspension by a federal or state governmental or quasigovernmental, agency, or by FHLMC, FNMA or GNMA;
6. The PFI or Servicer assigns or attempts to assign any of its interests, rights, or obligations under the Applicable Agreements without the FHLBNY's prior written consent, as applicable;
7. The PFI or Servicer defaults under the terms of any other agreement to which the PFI or Servicer and the FHLBNY are parties;

8. The PFI's or Servicer's failure to comply with any Applicable Laws;
9. The finding by a court that the PFI or Servicer or any principal officer thereof has committed an act constituting civil fraud, or the conviction of the PFI or Servicer or an officer thereof of any criminal act that relates to lending or mortgage loan servicing activities; or
10. A change in the PFI's or Servicer's financial or business condition, or in its operations, which in the FHLBNY's sole judgment, as applicable, is material and adverse.

### 11.3 Remedies

Upon the occurrence of an Event of Default, the FHLBNY, as applicable, has the right to terminate for cause the PFI's or Servicer's Servicing Rights and Servicing Responsibilities with respect to certain Mortgage Loans or all Mortgage Loans serviced under the Applicable Agreement, and to revoke the PFI's or Servicer's status as an approved PFI or Servicer. Without terminating any Credit Enhancement obligation of the PFI or Servicer, upon the occurrence of an Event of Default, the FHLBNY, as applicable, has the right to terminate for cause the Applicable Agreement and close any open Master Commitments and require the pair off of any open Delivery Commitments. In addition to any other remedies it may have at law or in equity, for any Mortgage Loan which has been delivered under the MAP, the FHLBNY may require the PFI or Servicer to comply with the following:

- To indemnify and hold harmless (a) the FHLBNY, (b) the Master Servicer, and (c) the officers, directors, employees, agents and affiliates of the FHLBNY and Master Servicer from and against any and all claims, losses, damages, judgments, and any other costs, fees and expenses (including reasonable attorneys' fees and court costs) arising out of, based upon, or relating to an Event of Default;
- In addition, the PFI or Servicer shall provide legal representation on behalf of the indemnified parties in connection with any legal proceeding involving a Mortgage Loan. Neither an indemnified party nor any investor in a Mortgage Loan shall be liable for any attorneys' fees, court costs or other expenses incurred in connection with such litigation, except to the extent that the attorneys' fees, court costs or other expenses result from the negligence or wrongful misconduct of the party entitled to indemnification. Any judgment against the FHLBNY or Master Servicer, or their officers, directors, employees, agents and affiliates shall be satisfied by the PFI or Servicer under the Applicable Agreements, except to the extent that the judgment results from the negligence or wrongful misconduct of the party entitled to indemnification;
- To purchase the Mortgage Loan from the FHLBNY at any time if the Borrower or any other party in the Mortgage Loan transaction made any false representation in conjunction with such transaction, whether or not the PFI or Servicer was a party to or had knowledge of such false representation;
- To purchase the Mortgage Loan from the FHLBNY under any of the circumstances set forth in the Guides describing reasons for PFIs or Servicers to be disqualified or suspended from MAP; and
- To close any open Master Commitments (and pair-off any open Delivery Commitments) and/or terminate the Servicing of Mortgage Loans under the provisions stated in the Guides relating to PFIs or Servicers being disqualified or suspended from MAP.

When the Applicable Agreement is terminated for cause, the PFI or Servicer will not be entitled to any termination fee, nor will it have any further rights in the Servicing of the Mortgage Loans.

### **11.3.1 Consequences of Servicing Termination**

If the PFI's or Servicer's Servicing is terminated, the PFI or Servicer shall at the direction of the FHLBNY, deliver all Mortgage Loan Files, in their entirety, for those Mortgage Loans serviced under the Applicable Agreements, as well as any other documents, reports or any other materials held by the PFI or Servicer concerning such Mortgage Loans, to the transferee designated by the FHLBNY, which may be the Master Servicer, and the PFI or Servicer will assist in the efficient and timely transfer of the Servicing to such transferee. If such Servicing termination is based on the occurrence of an Event of Default, the Servicer shall not be entitled to compensation for Servicing after the termination date. In such case, the Servicer will be responsible for all expenses incurred in connection with transfer of the Servicing and any damages, including, without limitation, consequential damages or losses resulting from such termination.

### **11.3.2 Member Performance Account Obligations Not Terminated**

Unless such obligations are earlier modified, waived or released by the FHLBNY in writing, the PFI's CE under the PFI Agreement, including without limitation, the representations and supporting obligations, are not subject to termination and shall survive termination of the PFI Agreement.

## **11.4 Termination Without Cause**

As provided in the Applicable Agreements, the FHLBNY, as applicable, has the right to terminate Servicing without cause. In the event the PFI's or Servicer's Servicing Rights are terminated without cause, the PFI or Servicer will be paid a termination fee to compensate it for the fair market value of the Servicing Rights. The termination fee shall be equal to the fair market value of such terminated Servicing, which shall be mutually agreed upon by the PFI or Servicer, the FHLBNY, as applicable, and the designated buyer of the Servicing.

## 12. Compliance with Applicable Laws

### 12.1 Introduction

#### 12.1.1 PFI's Compliance Obligations

PFIs are required to comply with Applicable Law as defined in the MAP Guide, whether they are originating or acquiring Mortgage Loans, selling Mortgage Loans to FHLBNY, or servicing Mortgage Loans.

PFIs must have policies and procedures to ensure compliance with all Applicable Laws. Such policies and procedures should include methods and processes for both training current and new employees, and for ensuring that compliance is re-evaluated periodically both to reflect changes in Applicable Law, and to optimize the PFI's practices. The policies and procedures should apply from pre-marketing and origination, through servicing and pay off or liquidation (including REO management). PFIs are encouraged to think holistically to ensure that their technology, organizational structure and business practices are oriented toward ensuring compliance with Applicable Laws. PFIs must also ensure that their vendors and service providers are in compliance with all Applicable Laws insofar as they relate to the work being performed for the PFI. The policies and procedures of PFIs, including those relating to vendor management, should be structured accordingly. All policies and procedures of PFIs are subject to audit by FHLBNY or its designee at any time.

#### 12.1.2 Applicable Law (Updated 11/29/2024)

Without limitation of the MAP Guide's definition of "Applicable Law," PFIs are advised that FHLBNY takes the view that Applicable Law includes all applicable federal, state and local laws, ordinances, regulations, orders and regulator guidance with respect to each stage of a mortgage loan's existence and management, including, without limitation, each of the following:

- a) The Truth-in-Lending Act, as amended
- b) The Real Estate Settlement Procedures Act, as amended
- c) The Fair Debt Collections Practices Act, as amended
- d) The Fair Credit Reporting Act, as amended
- e) The Equal Credit Opportunity Act, as amended
- f) The Homeowners Protection Act, as amended
- g) Titles VI and VIII of the Civil Rights Act, as amended
- h) Section 527 of the National Housing Act, as amended
- i) The Gramm-Leach-Bliley Financial Modernization Act, as amended
- j) The U.S. Bankruptcy Code, as amended
- k) The Servicemembers Civil Relief Act, as amended
- l) The Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended
- m) Section 5 of the Federal Trade Commission Act, as amended, and similar laws that prohibit unfair or deceptive acts or practices
- n) The foreign assets control regulations, 31 C.F.R. Chapter V, as amended

- o) The Bank Secrecy Act, the Money Laundering Control Act and Title III of the USA PATRIOT Act, as amended
- p) The Electronic Signatures in Global and National Commerce Act, as amended, and the state-implemented versions of the Uniform Electronic Transactions Act, as amended
- q) Fair Housing Act, as amended

The applicable regulations, regulator guidance and bulletins are to be incorporated into the foregoing, together with decisional case law applicable to these matters. PFIs must acquaint themselves with the Applicable Laws relating to their business, taking the same expansive view that FHLBNY takes in interpreting what is within the ambit of “Applicable Laws.” At the same time, PFIs must take a detailed approach to establish, and document in an auditable way, compliance with each requirement. PFIs may not assume that, because they are in compliance with explicit requirements published in the MAP Guide, they are therefore in compliance with all Applicable Laws.

PFIs are reminded that their contractual relationship with FHLBNY includes an indemnification by the PFI for all losses arising out of the PFI’s violation of any Applicable Law. Violations of Applicable Law may be grounds for FHLBNY to impose additional sanctions on PFIs, including possible suspension of its eligibility under MAP, withdrawal or transfer of servicing rights, or termination from participation in MAP.

### **12.1.3 MAP Data Privacy Standards (Updated 12/1/2020)**

In order to assist PFIs, Servicers, and their agents (e.g., foreclosure attorneys) with respect to protecting consumer privacy data, the following standards are in place to address the privacy of confidential information, which is received in MAP.

1. Nonpublic personal information of Borrowers and nonpublic confidential information of PFIs or Servicers, which are received in connection with MAP, are not used or disclosed to third parties, other than uses and disclosures which are permitted by law.
2. With respect to the Borrower, PFI, and Servicer information received in connection to MAP, FHLBNY has instituted appropriate administrative, technical, and physical safeguards to enforce the following:
  - a. Maintain the security and confidentiality of such information;
  - b. Protect against anticipated threats or hazards to the security or integrity of such information; and
  - c. Protect against unauthorized access to or use of such information.
3. Third parties engaged by FHLBNY to provide services in connection with MAP who receive nonpublic personal information of Borrowers or nonpublic confidential information of PFIs or Servicers are required to adhere to these requirements:
  - a. To comply with all applicable privacy laws;
  - b. To protect against unauthorized use or release of such information;

- c. To limit their use of nonpublic personal information to the purposes for which it was provided to them; and
  - d. To timely notify FHLBNY of a data security breach related to such information.
4. In the event the FHLBNY becomes aware of a data security breach, the FHLBNY, after its investigation, will notify the affected parties of the breach. Where applicable, the FHLBNY will assist the PFI in complying with the requirements of Applicable Law, including Privacy of Consumer Financial Information Regulation (16 C.F.R. Part 313, as amended), Interagency Guidelines Establishing Information Security Standards (12 C.F.R. Part 30, Appendix B, as amended; 12 C.F.R. Part 364, Appendix B, as amended), and the National Credit Union Administration Regulation (12 C.F.R. Part 748, as amended).

## 12.2 Specific Requirements

### 12.2.1 Fair Lending, Fair Housing, Equal Opportunity and Diversity

FHLBNY requires strict adherence to all Applicable Laws relating to fair lending, fair housing, equal opportunity and diversity. Applicable Laws in these areas include both those that are consumer-facing, and those that are internal to the operations of the PFI.

With respect to consumer-facing laws, PFIs should evaluate the specific Applicable Laws in relation to their business and operations and ensure that procedures are established for employees, agents and contractors to interact with consumers and the public in a manner that is in compliance with Applicable Laws. Interactions may be covered by one or more of the specific laws enumerated in [Section 12.1.2](#) above.

With respect to internal operations of the PFI, Applicable Laws may include regulations adopted by the Federal Housing Finance Agency pursuant to the Housing and Economic Recovery Act of 2008, as amended (HERA). In accordance with those regulations, each PFI must:

1. Practice the principles of equal employment opportunity and non-discrimination in all its business activities
2. Contractually require each subcontractor that the PFI engages to provide services to FHLBNY in connection with MAP to practice the principles of equal employment opportunity and non-discrimination in all its business activities, and
3. Upon request, provide FHLBNY with information and appropriate certifications regarding:
  - The diversity status of the PFI
  - The diversity status of subcontractors the PFI engages to provide services to FHLBNY in connection with MAP
  - The amounts FHLBNY pays to the applicable Servicer for servicing under MAP
  - The amounts the applicable Servicer pays to subcontractors to provide services to FHLBNY in connection with MAP, and

- Any other information FHLBNY requests to comply with HERA and applicable diversity and inclusion regulations

### 12.2.2 Predatory Lending

Applicable Laws relating to predatory lending may apply to both origination and servicing, and have been implemented by many states. FHLBNY regards predatory lending practices as entirely inconsistent with MAP and requires PFIs to be in compliance all anti-predatory lending Applicable Laws. PFIs should note that FHLBNY requires compliance with all state-based Applicable Laws relating to predatory lending without regard to possible federal preemption. PFIs that believe that compliance with Applicable Laws at both the state and federal level (or with pronouncements or requirements of the applicable regulator(s) for such PFI) should discuss their concerns with FHLBNY *before* originating or selling any Mortgage Loans under MAP. Any discussions with FHLBNY after the origination or sale of Mortgage Loans under MAP will be without prejudice to FHLBNY's rights under the MAP Guides and the PFI Seller Agreement.

PFI sourcing loans from correspondent lenders for sale under MAP are required to establish policies and procedures, including documented auditable evaluations, to ensure that Mortgage Loans originated by third parties are in compliance with all Applicable Laws, including without limitation, applicable anti-predatory lending laws.

### 12.2.3 OFAC Screening (Updated 5/17/2021)

PFIs must establish and maintain an effective, written OFAC compliance program that ensures compliance with OFAC regulations. OFAC regulations may apply during any stage of origination and servicing, through pay off or liquidation, including REO. PFIs must have adequate policies and procedures in place to ensure compliance with OFAC regulations and the USA PATRIOT Act, including without limitation documentation obtained to verify the Mortgagor's identity as required in the MAP Guides and by Applicable Law.

PFIs underwriting and selling Mortgage Loans to FHLBNY must screen each Mortgagor against OFAC's current list of Specially Designated Nationals and Blocked Persons (the "SDN List") prior to delivery to FHLBNY. If a Mortgagor is on the SDN List, the Mortgage Loan is ineligible for sale to FHLBNY. PFIs acting as Servicer must periodically screen the Mortgage Loans that it services for FHLBNY against the SDN List, with the frequency of such screening determined by the OFAC compliance program established by such PFI. Any PFI that identifies a valid Mortgagor match against the SDN List must notify FHLBNY via e-mail as soon as practicable and in any event within 24 hours of identifying such match. Such e-mail notification must include the Mortgagor's name, the MAP loan number, and the PFI's (and, if different, the Servicer's) contact information. PFIs must cooperate with FHLBNY as to any potential next steps, which may include, but are not limited to, the blocking and/or segregation of Mortgage-related funds and ceasing certain servicing-related activities.

Notifying FHLBNY of a confirmed match against the SDN List is an obligation under MAP, and does not relieve the PFI of any of its responsibilities under Applicable Law including OFAC regulations.

### 12.2.4 Fraud, Anti-Terrorism and Anti-Money Laundering (AML) Compliance

The USA PATRIOT Act applies to all PFIs. Accordingly, among other requirements, all PFIs must establish and maintain, and abide by, a Customer Identification Program (CIP) compliant with Applicable Law. PFIs subject to the AML provisions of the Bank Secrecy Act are expected to establish and maintain a compliance program that ensures compliance with the applicable provisions of the Bank Secrecy Act and implementing federal regulations including, where applicable, those issued by the Financial Crimes Enforcement Network (FinCEN).

All PFIs, including those not subject to the AML provisions of the Bank Secrecy Act, must develop internal controls, policies and procedures designed to detect suspicious activity, and to report such suspicious activity to FHLBNY via e-mail as soon as practicable and in any event within 24 hours. Suspicious activity in connection with Mortgage Loans includes:

- Theft of custodial funds, lack of collateral, non-remittance of pay-off funds or multiple deliveries of the same Mortgage Loan
- Actual or possible terrorist financing or ongoing or possible money laundering schemes or activity

In addition, PFIs must report the following to FHLBNY as soon as practicable and in any event with five (5) Business Days:

- Non-compliance or compliance failures related to CIP, applicable AML and FinCEN or Bank Secrecy Act regulations
- The imposition or notice of the proposed imposition (including receipt of a “show cause” letter or similar communication) of sanctions on the PFI in connection with non-compliance or compliance failures related to CIP, applicable AML and FinCEN or Bank Secrecy Act regulations
- Notification by law enforcement of an investigation or prosecution for fraud relating to one or more Mortgage Loans sold to FHLBNY by the PFI (whether or not under MAP) or to another Federal Home Loan Bank, or relating to a board member, officer, employee or contractor of the PFI

PFIs must follow the confidentiality restrictions of applicable AML and FinCEN or Bank Secrecy Act regulations. The report to FHLBNY must not include sharing with FHLBNY any Suspicious Activity Report (SAR) or the existence of a SAR. Whether or not a SAR is required to be filed by a PFI is governed by Applicable Law, and not the MAP Guide.

### 12.2.5 Electronic Signatures

Mortgagors cannot be required to sign documents electronically.

PFIs proposing to use electronic signatures must familiarize themselves with Applicable Law relating to the use and enforceability of electronic signatures. Applicable Laws in this area include:

- The Electronic Signatures in Global and National Commerce Act (E-SIGN)
  - As a federal law, preemption issues must be understood by PFIs, including the limitations on such preemption and relevant case law
- The Uniform Electronic Transactions Act (UETA)

- Including all non-uniform provisions where adopted by various states. For example, the California version of UETA contains non-uniform provisions
- State legislation not based on UETA, such as the New York Electronic Signatures and Records Act (ESRA)

Electronic signatures are permitted to be used on documents delivered to or to be signed by Mortgagors in the origination and servicing of loans delivered under MAP, subject to the following:

- Electronic signatures are not permitted on the Note, Security Instrument, Assignment, Note endorsement, or any document modifying or supplementing the Note or Security Instrument
- Electronic signatures are not permitted for any notice of default, acceleration, repossession, foreclosure, eviction, or the right to cure
- The guarantor, insurer or Government Agency (as applicable) for the related Mortgage Loan permits the use of electronic signatures, their requirements for the use of such electronic signatures are met, and the document is otherwise permitted to be electronically signed pursuant to these requirements
- The PFI (and Servicer, if different) and their processes, must be in full compliance with all Applicable Laws relating to the use of electronic signatures
- The documented process for use of electronic signature must result in a contract that is valid under Applicable Law and must, at a minimum:
  - address and establish the intent of the signer
  - address and establish the consent to conduct business electronically
  - provide association of the signature with the record
  - provide for retention of the record in a manner allowing for accurate reproduction of the record
- The Mortgage Loan File must contain appropriate evidence of:
  - the parties' agreement to the use of the electronic record and/or electronic signature in a way that creates a binding electronic record under E-SIGN, UETA, ESRA or other Applicable Law
  - the signer's execution of a particular electronic signature
  - attribution of the electronic signature to the signer
  - any required disclosures made before obtaining the signer's consent and the signer's consent to receiving subsequent disclosures electronically
  - the borrower's ability to receive the electronic disclosures for which consent was provided
- The PFI (and Servicer and Custodian, if different) and their processes are responsible for ensuring that any electronic record includes all of the information that would have been required had the record been in paper document form, including:
  - the name of the person and related entity, if applicable, who signed each document in the Mortgage Loan File
  - the signer's consent for the use of any electronic signature or disclosure
  - the method by which the document was signed
  - any associated information that can be used to verify the electronic signature
- The PFI's process and the Mortgage Loan File must contain sufficient evidence and attribution information to permit FHLBNY to conduct a thorough post-purchase quality control review of the Mortgage Loan, which, for example, means that the evidence of a Mortgagor's electronic

signature for employment verification must permit the FHLBNY to reverify information from the employer

- The PFI (and Servicer, if different) must determine the most appropriate procedures and controls to use in connection with the use of electronic signatures and electronic records given the nature of their operations and their business, but at minimum, their processes must ensure the integrity of any electronic record is maintained, must permit reproduction of electronic records in paper or other format if requested and full compliance with E-SIGN, UETA, ESRA or other Applicable Law

Because the property sale contract in a purchase mortgage transaction is viewed as being signed outside of the loan transaction, a PFI acting as originator is not required to comply with the provisions of this section as they relate to electronic signatures, but is required to retain a copy of the sales contract and take reasonable steps to determine that the sales contract is validly signed by the correct parties in all required places (i.e. the same steps the Originator would follow for a non-electronic sales contract). PFIs should also note that Applicable Law may impose requirements on PFIs as originators with respect to the use of electronic signatures and electronic records with respect to property sale contracts.

By delivering or servicing Mortgage Loans with electronically signed documents, the PFI ((and Servicer, if different) will be deemed to have represented to FHLBNY that they understand and agree that FHLBNY will rely conclusively on the accuracy, authenticity, integrity, and validity of the electronic records (including any delivery instructions) and that FHLBNY is under no obligation to verify or authenticate inaccuracies or inconsistencies through any communication, review or authentication method.

All other documents must be 'wet ink' signed.

### 12.2.6 Vendors; Privacy Obligations

PFIs must make themselves familiar with privacy requirements set forth in state and federal law, including:

- the California Consumer Privacy Act of 2018, as amended, and its implementing regulations or guidance provided by the California Attorney General (collectively, the "CCPA)
- the Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801 *et seq.*, the Federal Trade Commission's Privacy Regulations, 16 CFR Part 313, and Standards for Safeguarding Customer Information, 16 CFR Part 314 (collectively, the "GLBA)

PFIs may from time to time utilize vendors to provide services (the "Services") to PFI in connection with MAP. In the course of providing the Services, such vendors may obtain Personal Information (as defined in CCPA) in the vendor's capacity as a service provider to the PFI. While FHLBNY takes the view that the Personal Information FHLBNY provides to PFIs is not subject to the GLBA's privacy provisions, or the CCPA, FHLBNY nevertheless wishes to provide consumers many of the protections the GLBA and CCPA would otherwise afford those consumers. Accordingly, in addition to abiding by Applicable Laws relating to privacy matters that apply to the PFI, each PFI must establish and maintain procedures and contractual restrictions with certain vendors, including audit rights, designed to ensure that vendors abide by the requirements set forth below. The vendors the subject of these requirements are those that are provided Personal Information by or at the

direction of FHLBNY or its affiliates in connection with MAP, or which such vendor otherwise receives or collects in the course of such vendor's performance of the Services (collectively, "Applicable Personal Information"). The requirements are as follows:

- Each such vendor must comply with all Applicable Laws (including, without limitation, any state-specific privacy laws) in its collection, receipt, transmission, storage, disposal, use and disclosure of the consumer's Applicable Personal Information
- Each such vendor must that the terms and conditions herein shall apply with respect to its collection, receipt, transmission, storage, disposal, use and disclosure of any Applicable Personal Information
- Each such vendor must comply with any applicable requirements regarding consumer requests for information or deletion requests as communicated by FHLBNY or PFI on its behalf, subject to any exceptions set forth in the CCPA
- Each such vendor must:
  - Keep and maintain all Applicable Personal Information in strict confidence, using the degree of care appropriate to avoid unauthorized access, use or disclosure of Applicable Personal Information
  - Not sell Applicable Personal Information
  - Not access, use, disclose or share Applicable Personal Information in violation of any Applicable Laws
  - Not retain, use or disclose Applicable Personal Information for any purpose other than the specific and exclusive purpose of performing the Services, and for which the Applicable Personal Information, or access to it, is provided
  - Not retain, use, sell, rent, transfer, distribute, or otherwise disclose or make available Applicable Personal Information for its own purposes or for the benefit of anyone other than FHLBNY and its affiliates
  - Not, directly or indirectly, disclose Applicable Personal Information to any person other than:
    - Employees
    - Sub-contractors, vendors, agents, outsourcers and auditors whose use or engagement has been approved in writing by FHLBNY in advance, who have a need to know or otherwise access Applicable Personal Information to enable Vendor to perform the Services, and who are bound in writing by confidentiality and data security obligations sufficient to protect Applicable Personal Information in accordance with these requirements

### **12.2.7 Address Confidentiality Programs (Updated 9/6/2023)**

PFIs (and Servicers, if different) must comply with all applicable state Address Confidentiality Program requirements.

For a loan in which a borrower is enrolled in a state Address Confidentiality Program, the PFI (and Servicer, if different) must:

- include both a property address and a legal substitute mailing address at loan delivery, and
- provide notice of program enrollment and the borrower's legal substitute mailing address to any transferee servicer upon the transfer of servicing rights.
- See MAP Servicing Guide sections 1.B.2 and 18.D for additional guidance.

## Appendix A (Document Custodian Manual)

### SCHEDULE I

#### MORTGAGE LOAN DOCUMENTS

For Mortgage Loans:

- (i) The original Mortgage Note (or in the absence of such original Note, a lost note affidavit together with a copy of the Mortgage Note lost) bearing all intervening endorsements from the originator to the last endorsee endorsed, "Pay to the order of \_\_\_\_, without recourse" and signed in the name of the last endorsee by an officer of the last endorsee;
- (ii) If the Mortgage Note has been signed by a third party on behalf of the Mortgagor, the original power of attorney or other instrument that authorized and empowered such entity to sign or a copy of such power of attorney;
- (iii) Either the original or copy of the Mortgage with evidence of recording thereon;
- (iv) The original Assignment of Mortgage for any Mortgage Loan that is not a MERS Designated Mortgage Loan, which assignment shall be executed but delivered in blank, and be in form and substance acceptable for recording;
- (v) Either the originals or copies of all intervening Assignments of Mortgage, showing a complete chain of title from the originator to PFI, with evidence of recording thereon. If the intervening Assignment has not been recorded when the pre-funding custody documents are presented to the custodian, an original Certified Copy can be substituted. The original recorded intervening Assignment should be sent as a trailing document when available. For a MERS Designated Mortgage that is not a MOM Loan, the intervening assignments shall show a complete chain of title from the originator to MERS;
- (vi) Originals of each unrecorded assumption, modification, written assurance or substitution agreement, and to the extent that the recordation thereof is necessary to maintain the priority of the related Mortgage lien, either an original or copy thereof with (A) evidence of recording thereon or (B) together with an Officer's Certificate from PFI (or a certificate from the county recorder's office or the settlement agent) certifying that such copy presents a true and correct reproduction of the original and that such original has been delivered for recordation in the appropriate records of the jurisdiction in which the related Mortgaged Property is located;
- (vii) the original or a copy of the long or short form policy of title insurance (or a commitment for title insurance, if the policy is being held by the title insurance company pending recordation of the Mortgage) or attorney's opinion of title;
- (viii) any riders, addenda, modifications including, but not limited to, consolidation, extension, and modification agreements (CEMA), or assumption that modifies the Mortgage Note; and
- (ix) original or certified copy of a power of attorney (if applicable).

Note: PFIs that are delivering loans to MAP which are registered with MERS are responsible for ensuring that Security Instruments and Assignments, including intervening Assignments, are prepared, executed, and recorded as necessary. The PFI is also responsible for taking any steps necessary to ensure information pertaining to MERS is updated and accurate at all times.