

Home Equity and 2ND Lien 1-To 4-Family Residential Mortgage Loans

Collateral Certification as of:

For quarterly certifications, this form must be submitted to the FHLB of Seattle within 45 days after each quarter-end.

Member Name: _____ FHLB No: _____
 City: _____ State: _____
 Contact Person: _____ Title: _____
 Phone: _____ Fax: _____

Loans owned by a subsidiary or affiliate of the Member are NEVER eligible collateral unless specifically approved by the Seattle Bank.

Loans must comply with the Seattle Bank Responsible Lending Policy, as amended.

“*” Indicates a required field below. The other fields are optional, as long as loans with those characteristics are excluded from line III. Eligible Home Equity and 2ND Mortgage Loans.

Avoid double-counting. Some loans may fit into more than one of the ineligible categories. Take care not to subtract ineligible loans more than once.

* I. **Total Home Equity/2ND Mortgage Loans** (per regulatory or financial report): \$ _____

II. Subtractions:

- 1. Loans more than 30 days past due, or on non-accrual, or classified as substandard, doubtful or loss; or the equivalent \$(_____)
 - 2. Loans exceeding 100% combined Loan-to-Value \$(_____)
 - 3. Subprime loans \$(_____)
 - 4. Construction or development loans \$(_____)
 - 5. Loans on raw land or unimproved property \$(_____)
 - 6. Loans held for sale \$(_____)
 - 7. Loans to employees, officers, directors, attorneys or agents \$(_____)
 - 8. Loans pledged to other entities \$(_____)
 - 9. Any other ineligible loans (see instructions) \$(_____)
- Total Ineligible Loans:** \$(_____)

* III. **Eligible Loans Originated January 1, 2006 or Later:** \$ _____

Collateral Certification – Home Equity and 2ND Lien Mortgage Loans

* **IV. Eligible Loans Originated Prior to January 1, 2006:** \$ _____
Calculated add back value of loans: \$ _____

V. Net Eligible Home Equity and 2ND Mortgage Loans: \$ _____

I certify that the above balance of Net Eligible Home Equity and 2ND Lien Mortgage Loans represents only loans that meet the Federal Home Loan Bank of Seattle’s collateral guidelines and that all loans are free and clear of all other liens or encumbrances.

* **Signed:** _____ * **Date:** _____

* **Printed Name/Title:** _____

The Collateral Certification form must be signed by an officer of the Member institution.

Please fax the final signed Collateral Certification to:

If for Quarterly Certification - FHLB COLLATERAL DEPARTMENT / FAX: 206.340.2318

If for Collateral Review - FHLB COLLATERAL REVIEW DEPARTMENT / FAX: 206.340.2318

Collateral Certification Form Instructions – Home Equity and 2ND Lien Mortgage Loans

Form Purposes: This certification form is primarily used for pledging collateral but can also be used in preparation for a collateral review. If this form is being used for pledging collateral, the fields which are required to complete are marked with an "*" and the certification form must be submitted quarterly in order to receive collateral credit. If this form is being used in preparation for a collateral review, the fields which are required differ from those required for the quarterly certification and are identified in the various section descriptions.

Form Submission Due: If this form is being used for a quarterly certification, it must be submitted to the Federal Home Loan Bank - Seattle ("Seattle Bank") no later than 45 days after each quarter-end, or the date determined by the Seattle Bank.

Member Name: Name of the member financial institution that wholly owns the reported loans on the collateral certification form.

FHLB Number: The identification number assigned to the Member by the Seattle Bank.

Date of Loan Balances: For pledging collateral, use the quarter-end date of all loan balances entered in sections I, II, III, IV and V. If using this form for a collateral review, use the collateral review "as-of date" of all loan balances entered in sections I, II, III, IV, and V.

I. Beginning Loan Balance:

Banks – Use the amounts from call report schedule RC-C, Loans and Lease Financing Receivables, RCON 1797 and 5368.

Thriffs – Use TFR Schedule SC, Statement of Condition line item 253, Revolving, Open-end Loans.

Credit Unions – Use an internally generated list of qualifying home equity and 2nd mortgage loans.

II. Subtractions: Home Equity and 2ND Lien Mortgage Loans that can be pledged as collateral for extensions of credit are limited to those that comply with the policies and guidelines of the Seattle Bank and its regulators, as amended from time to time. If this form is being used in preparation for a collateral review, the Subtractions section is not optional. Subtractions can be provided either on the certification form or in a separate trial balance report.

1. Subtract loans that are more than 30 days past-due, on non-accrual, classified as substandard, doubtful or loss by the member or their regulator, or where a notice of tax foreclosure has been received.
2. Loan must be fully secured by improved 1-To 4-Family residential real estate with a combined loan to value (first and second) no greater than 100% of the most current estimated property value. Member need not pledge the first mortgage, but third liens or greater are not eligible. For revolving lines of credit, the LTV calculation should be based on the maximum line of credit limit.
3. Subprime loans are not eligible. The Seattle Bank defines subprime loans as those with FICO scores of 660 or less.
4. Subtract construction loans where construction is not 100% complete, or loans for land development.
5. Subtract loans against raw land, unimproved property, or property without a completed dwelling.
6. Subtract any loans classified as "available for sale". Be sure to not include any applicable loans that are reported in RC, Section 4, Line 4.a (Banks) or SI387 (Thriffs) as these loans will be counted against the 1st Lien SFR Mortgages as part of the quarterly call report download. This download applies this entire amount against the 1st Lien SFR Mortgages, regardless of the collateral type which may be included.
7. Subtract any loans that are made to employees, officers, directors, attorneys or agents of the Member or the Federal Home Loan Bank of Seattle.
8. Subtract loans pledged to other entities, such as the Federal Reserve Bank, a correspondent bank, etc., including loans pledged to or on behalf of an affiliate institution.
9. Subtract any other loans identified as ineligible according to the Federal Home Loan Bank of Seattle's policies, including loans on properties located outside of the United States or its territories; loans where the Member is not the named payee on the note or is not in possession (or control) of the original note (exceptions as to the named

payee requirement are generally allowed if the Member is successor in interest to the payee on the note due to a merger or acquisition); loans without appropriate hazard and flood insurance; loans where the appraisals do not comply with FIRREA standards; loans already pledged to the Seattle Bank under a different collateral type; and any additional loans in which the member chooses not to pledge to the Seattle Bank.

III. Eligible Loans Originated January 1, 2006 or Later:

Report Home Equity and 2ND Mortgage Loans issued January 1, 2006 or Later that meet all other collateral requirements.

IV. Eligible Loans Originated Prior to January 1, 2006:

Report Home Equity and 2ND Mortgage Loans issued prior to January 1, 2006 that meet all other collateral requirements. These loans are eligible with a borrowing capacity rate of 60%, but will be added into the total Home Equity and 2ND Mortgage Loan balance which have a borrowing capacity rate of 45% applied by the Seattle Bank's collateral system. The loan balance listed in Section IV is automatically multiplied by a factor of 1.3334 to account for the borrowing capacity rate of 45% being applied by the system. This adjustment will net out a borrowing capacity rate of 60% for loans reported in this category.

V. Net Eligible Home Equity and 2ND Mortgage Loans:

The Net Eligible Home Equity and 2nd Mortgage Loan balance is calculated by the form starting with the balance reported in Section III. Eligible Home Equity and 2ND Mortgage Loans Issued January 1, 2006 or Later and adding in the adjusted value in Section IV. Eligible Loans Originated Prior to January 1, 2006 to come up with a Net Eligible Home Equity and 2ND Mortgage Loan Balance. This amount will be discounted at the Seattle Bank's discount rate and added to the collateral calculation subject to the limitations on use of Other Real Estate Related Collateral described in the Credit and Collateral Administration section of the Financial Products and Services User Guide, as amended.