

Pledging Guidelines for Non-Owner-Occupied 1-4 Family Residential Loans (Investment Properties, Second Homes)

I. Collateral Eligibility:

The FHLB Boston's ("the Bank") Products and Solutions Guide defines non-owner-occupied 1-4 family residential loans as follows:

- Fully disbursed whole first mortgages on non-owner-occupied 1-4 family residential property. (Investment properties, second homes)

These loans must comply with the following provisions:

- These loans must be owned by the member free and clear of all other liens and encumbrances, including tax liens, and can not have been in default in within the most recent 12-month period.
- These loans cannot be made to directors, officers, employees, attorneys, or agents of the member institution or the Bank, and loans with loan-to-value (LTV) ratios over 90 percent must have private mortgage insurance. Loans with a LTV > 100% are not considered eligible collateral to pledge to the Bank.
- This collateral must be classified by the member and its primary regulator as "minimal risk". That is, the collateral must not be classified by the member or its regulator as substandard, doubtful, or loss.

II. Listing of Loan Information:

In order to receive credit for this collateral the member must submit a detailed loan listing to the Bank. The Bank has established a minimum number of fields of loan information that the member must provide the Bank in order to pledge these loans as collateral. This loan file template must be completed according to the Bank's collateral system's required fields of data. If the member is in delivery collateral status due to its weak financial condition or for other reasons, the member must deliver this collateral to the Bank. For instructions on how to complete the loan listing or template see the *Format for 1-4 Family Residential Loans* document on the Bank's website at www.fhlbboston.com

Collateral Valuation

Members can receive a collateral value of up to 75% of the total unpaid principal balance of the pledge based on the valuation of each member's specifically pledged portfolio of non-owner-occupied, one-to-four family loans.

Update of Loan Information

Members are required to submit a quarterly update of the listing of mortgages pledged as collateral with the Bank, or more often as determined by the Bank. Members can add new loans and submit an updated list as often as desired.

Release of Mortgage Collateral

Members are required to maintain at all times an amount of qualified collateral that satisfies the collateral maintenance level established by the Bank. Members may not use, commingle, encumber, or dispose of mortgage collateral that has been specifically listed with the Bank without the express written consent of the Bank.

If the value of a member's collateral declines because of market depreciation, loan amortization, or loan payoffs, the Bank may, at its discretion, require the member to substitute qualified collateral that is acceptable to the Bank to offset the decline in the value of the collateral held by the Bank.

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