

## On-site Residential Collateral Review Preparation

The collateral review team in the Bank’s Credit Department conducts periodic on-site collateral reviews to determine if a member’s collateral pledges comply with the collateral requirements of the Bank’s “Agreement for Advances, Collateral Pledge and Security Agreement” and current Products and Solutions Guide. Although the Bank may request an on-site review at any time, the typical member review cycle is detailed below.

Category 1	Approximately every 4 – 5 years
Category 2	Approximately every 3 years
Category 3	Approximately every 2 years

For Category 1 members pledging one-to-four family loans on a Qualified Collateral Report (QCR), the review team selects a random sample of loans from the one-to-four family electronic loan listing submitted by the member prior to the review. This electronic loan listing must total the member’s QCR for the same period.

### Electronic Loan Listing Preparation

In order to satisfy the Bank’s one-to-four eligibility criteria, it is important for members to remove all ineligible loans prior to submitting their quarterly QCR. Removal of these loans will prevent the application of loan eligibility exception rates by the Bank during on-site collateral reviews. In addition to the member’s normal filtering process of removing ineligible loans from the QCR, the member will want to perform the following sorts as additional due diligence.

- Sort the loan listing by borrower name. Determine if duplicate names are the same borrower. If so, investment properties and second homes should be removed. Determine if any names are business names or names that may not be a one-to-four-family loan.
- Sort the loan listing by product type. Make sure all product types are properly categorized as reported on the QCR (e.g. nontraditional- interest only and balloon loans).
- Sort the loan listing by FICO score. Make sure loans with lower FICO scores (660 and less) are properly categorized on the QCR. If FICO scores are not available on the loan listing, report an amount on the QCR that is representative of the entire loan listing. One way to more accurately report lower FICO score loan amounts on the QCR when FICO scores are not available is to select a random sample of loans.
- Sort the loan listing by internal type codes to identify ineligible loans that include but are not limited to:
  - Land only loans;
  - Loans that do not contain verification of income;
  - Trouble debt restructure loans, and;
  - Chronic delinquent loans.