## 

BORROWER-IN-CUSTODY (BIC) PROGRAM: AUDIT CERTIFICATION

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| Part I: Institution Information | | | | | | | | | | |
| Date | | |  | | | ABA Number | | |  | |
| Legal Name of Institution | | |  | | | | | | | |
| Headquartered Address | | |  | | | | | | | |
| City/State/Zip | | |  | | | | | | | |
| **Contact (OC-10/Other BIC Contacts)** | | | | | | | | | | |
| Name/Title | |  | | | Name/Title | | |  | | |
| Phone | |  | | | Phone | | |  | | |
| Email | |  | | | Email | | |  | | |
| **Part II: Pledge Arrangement Overview** | | | | | | | | | | |
| 1. Indicate the loan types that your institution is **currently pledging** (check all that apply, refer to the latest r BIC-1 and/or CCR1/CCR2 Transmittal submitted by your institution ): | | | | | | | | | | |
|  | **FRB Loan Category[[1]](#footnote-2)** | | | **FFIEC Call Report Codes** | | | **NCUA Call Report Codes** | | | **FBO Call Report Codes** |
| ☐ | Agricultural Loans (705): | | | See the link for Call Report details: [frbdiscountwindow.org/Pages/Collateral/pledging\_collateral](https://www.frbdiscountwindow.org/Pages/Collateral/pledging_collateral) | | | | | | |
| ☐ | Agricultural Loans secured by farmland (780): | | |
| ☐ | Commercial Leases (710): | | |
| ☐ | Commercial Loans (710): | | |
| ☐ | Commercial Real Estate Loans (780): | | |
| ☐ | Construction Loans (790): | | |
| ☐ | Consumer Leases—Auto, Marine (743): | | |
| ☐ | Consumer Loans—Secured Auto, Marine (741): | | |
| ☐ | Consumer Loans—Unsecured (740): | | |
| ☐ | Home Equity Loans or Lines (760): | | |
| ☐ | Mortgage 1-4 Family Loans (750): | | |
| ☐ | Multifamily 5+ Mortgage Loans (780): | | |
| ☐ | Municipalities Loans (550): | | |
| ☐ | Owner Occupied CRE (780): | | |
| ☐ | Raw Land Loans (791)[[2]](#footnote-3): | | |
| ☐ | Student Loans (744): | | |
| ☐ | US / US Agency Guaranteed Loans (720 )[[3]](#footnote-4): | | |
| ☐ | Credit Card Receivables (842) | | |
| ☐ | Credit Card Receivables - Subprime (845) | | |

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| Part III: Documentation and Perfection Overview | | | | | | | | | | |
| 1. Are documentation exceptions tracked (e.g., missing notes, insurance, etc.)? | | ☐ Yes | | ☐ No | | |  | | |
| * 1. If yes, are there procedures in place for tracking exceptions? What is the name of the tracking system? | | | | | | | | | | |
| * 1. If no, explain why: | | | | | | | | | | |
| 1. Are there procedures to remove loans with documentation exceptions from the monthly pledge listing?   If no, explain why: | | ☐ Yes | | ☐ No | | |  | | |
| 1. Are any pledged Payment Documents[[4]](#footnote-5) signed and stored electronically (in lieu of wet signature), and/or signed on paper and then imaged and stored electronically with the paper original destroyed? | | ☐ Yes | | ☐ No | | |  | | |
| 1. If yes, please complete the Electronic Collateral Questionnaire and Attestation and submit the form located at [12th District San Francisco - Forms (frbdiscountwindow.org)](https://www.frbdiscountwindow.org/Pages/Select-Your-District/San-Francisco/12th-District-San-Francisco-Forms). 2. If no, does your institution image and retain original Payment Documents, with the imaged copies maintained as convenience copies? ☐ Yes ☐ No 3. Are any pledged Payment Documents signed electronically and then printed and stored physically as the authoritative copy?  Yes  No    * 1. If yes, attach a copy of the procedure/policy that governs this practice by your institution. | | | | | | | | | | |
| 1. Do the pledged loans designate your institution as lender or payee? | | ☐ Yes | | | | ☐ No |  | | |
| If not:   * 1. Which entity originated the loans (i.e. affiliate or subsidiary of the institution, dealership – indirect loans, or other)? | | | | | | | | | | |
| * 1. How are the loan assignments or transfers to your institution evidenced? | | | | | | | | | | |
| 1. If your institution originates any pledged loans from U.S. Territories, did your institution receive approval to pledge these loans? | | ☐ Yes | | | | ☐ No | ☐ N/A | | |
| If yes, describe how your institution ensures compliance with additional controls in place: | | | | | | | | | |
| If no, please provide the following information and contact your Portfolio Manager immediately:   * 1. Which U.S. Territory(ies) are these loans originated from?   2. Are the loan documents stored with a third-party? | | | | | | | | | | |
| 1. Is the institution pledging the following to the FRB? | | | | | | | | | | |
| * 1. Loan participations/syndications   (If yes, complete Audit Addendum section 1 at the end) | | ☐ Yes | | ☐ No | | |  | | |
| * 1. Credit Card Receivables   (If yes, complete Audit Addendum section 2 at the end) | | ☐ Yes | | ☐ No | | |  | | |
| Part IV: Collateral Management Overview | | | | | | | | | | |
| 1. Is the current Appendix A location(s) correct and up to date? | | ☐ Yes | | ☐ No | | |  | | |
| If no, explain why, and action/next steps taken to update the Appendix A: | | | | | | | | | | |
| 1. Does the latest BIC-1/CCR-1 or 2 transmittal form indicate the current location(s) and/or document format (as applicable) of all pledged collateral? | | ☐ Yes | | ☐ No | | |  | | |
| If no, explain why, and action/next steps taken to ensure correct information is reflected on the transmittal forms: | | | | | | | | | | |
| 1. If any pledged loan collateral is in original hardcopy format, describe where the documents are held for the following: (N/A if the proposed pledged loans payment documents are in electronic format)    1. Payment Documents:    2. Supporting Legal/Collateral Documents:    3. Credit Documents: | | | | | | | | | | |
| 1. Has the location of the pledged Payment Documents and/or document format changed since the last BIC Audit Certification? | | ☐ Yes | ☐ No | | | | | |  |
| If yes:   1. When did the change occur, and was notification given to the Reserve Bank prior to the change? 2. Was an approval for the changes received? | | | | | | | | | | |
| 1. Does the institution monitor access and removal of Payment Documents held in the storage area(s)? | | ☐ Yes | | ☐ No | | |  | | |
| 1. If yes, describe the monitoring process: 2. If no, explain why: | | | | | | | | | | |
| 1. In general, how much time elapses from loan origination until storage of the Payment documentation in the storage area(s)? The loan cannot be pledged until the Payment documentation is stored at the location per Appendix A. | | | | | | | | | | |
| 1. Does the institution use a third-party service provider for the maintenance or storage of pledged Payment Documents and/or Certificate of Titles? | | ☐ Yes | | ☐ No | | |  | | |
| If Yes*:*   1. Provide the full legal name of the third-party service provider(s). Please refer to the full legal name on the most recently executed Agreement For Third Party Custodian to Hold Collateral form(s): | | | | | | | | | |
| 1. Does Audit, or a similar function, periodically conduct a review of the third-party service provider? | | | | | | | | | | |
| 1. What was the date of the last audit (excluding FRB BIC Inspections) relating to the pledged loans or the relevant loan operations area(s)? Provide a copy of the most recent audit report. [If applicable, include information for internal/external review of third-party servicer]  * Detail any findings and/or observations noted in the most recent audit report, as well as management’s responses to address the findings and/or observations. | | | | | | | | | | |
| 1. Are personnel involved in the daily maintenance of loans familiar with the terms and conditions of the BIC program?     If no, explain why: | ☐ Yes | | | | ☐ No | | |  | | |
| 1. Are there internal procedures in place relating to the BIC Program compliance?   If no, explain why: | ☐ Yes | | | | ☐ No | | |  | | |
| 1. Is any collateral being pledged to the FHLB or another lender? | ☐ Yes | | | | ☐ No | | |  | | |
| If yes:   1. What is/are the name of the lender(s): 2. How does the institution distinguish between collateral pledged to the FRB and the other lender? | | | | | | | | | | |
| 1. Are loans sold to other entities? | ☐ Yes | | | | ☐ No | | |  | | |
| If yes, how does the institution ensure that pledged loans are not sold to other entities? | | | | | | | | | | |
| Part V: Monitoring and Maintenance Overview | | | | | | | | | | |
| 1. Are pledged loans subject to your institution’s internal loan grading/risk rating system?   If no, proceed to question 3. | ☐ Yes | | | | ☐ No | | |  | | |
| 1. Have there been any changes to the loans grading/risk system since the most recent examination conducted by your institution’s regulator or last BIC Audit Certification submission? | ☐ Yes | | | | ☐ No | | |  | | |
| If yes, indicate when this occurred and provide the current risk ratings with the completed audit certification. | | | | | | | | | | |
| 1. How does your institution monitor for bankruptcies, foreclosures, changes in credit grades, and delinquencies, and how are these loans removed from the monthly pledge listing? | | | | | | | |  | | |
| 1. Describe the process of gathering information for the monthly pledge listing and communicating submission to internal parties, including frequency and department/individual(s) responsible: | | | | | | | |  | | |
| 1. Does your institution have a program or process to ensure the accuracy of loan data elements reported on the monthly BIC-1/CCR-1 or 2 Transmittals? If no, describe why this is not necessary. | | | | | | | |  | | |
| 1. If the pledged portfolio value decreases by more than 10% at any given time between reporting periods, an interim report with a new BIC-1/ CCR-1 or 2, and detailed pledge listing must be submitted immediately. Describe your institution’s monitoring process, including frequency within the monthly reporting period and department/individual(s) responsible: | | | | | | | |  | | |
| 1. How does your institution ensure compliance with the latest guidance on Federal Reserve’s [Collateral Eligibility](https://www.frbdiscountwindow.org/pages/collateral/collateral_eligibility), [Valuation](https://www.frbdiscountwindow.org/pages/collateral/collateral_valuation), and [Pledging requirements](https://www.frbdiscountwindow.org/pages/collateral/pledging_collateral) for loans pledged under the [Borrower-in-Custody Program](https://www.frbdiscountwindow.org/pages/select-your-district/san%20francisco/12th-district-san-francisco-borrower-in-custody-program-information)? | | | | | | | |  | | |
| **Part VI: Miscellaneous** | | | | | | | | | | |
| 1. Do obligation (loan) numbers contain customer deposit account or social security numbers? | ☐ Yes | | | | ☐ No | | |  | | |
| 1. In the next twelve months, do you anticipate any changes that would affect the administration of the BIC program by the Institution? | | | | | | | | | | |

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| **Part VII: Certification** | | | | |
| I certify that all information provided in this Audit Certification is complete and truthful.  I acknowledge that if the institution holds pledged loan documents with a third-party custodian, the Federal Reserve Bank of San Francisco may contact the custodian directly to request certain information regarding their policies and practices.  I certify that all relevant internal policies and procedures have been reviewed and examined for the BIC Program and confirm this institution to be in compliance with the [BIC Guidelines](https://www.frbdiscountwindow.org/~/media/Documents/12bicgdl.ashx?la=en). | | | | |
| Authorized Signature\*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | Date\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | |
| Print Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | | | |
| Print Title\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Appointed by Board of Directors? | | ☐ Yes  ☐ No |
| \**The Audit Certification must be signed by the institution’s internal or external auditor, Chair of the Board of Directors, or Chair of the Audit Committee. For smaller institutions that are not required by their primary regulator to have an internal audit function, the Audit Certification may be signed by an executive officer. Contact FRBSF for any questions at sf.crmcco@sf.frb.org.* | | | | |
| **Please Return the Completed and Signed Certification to:**  [sf.crmcco@sf.frb.org](mailto:sf.crmcco@sf.frb.org) | | | | |

**AUDIT CERTIFICATION ADDENDUM**

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| **Section 1: Participation or Syndication Loans** | |
| 1. Are pledged loans originated by the institution or purchased?   Does the institution have copies of the loan documents and an origination participation certificate/agreement to evidence its interest? If no, then explain: | |
| 1. If the institution originated these loans, does it have possession of the original loan documents and original participation agreement? If no, then explain: | |
| 1. Are there any restrictions in the participation certificates/agreements that would limit or restrict assignability, transfer, sale or pledging? If yes, then explain: | |
| 1. Are there further obligations to lend funds under these participations? If yes, then explain: | |
| 1. Only the portion of a participation retained or purchased by the institution is eligible for pledging to the FRB. Does the institution have processes/procedures in place to ensure that the retained/purchased balance is reported accurately on the pledge listing? If no, explain: | |
| **Section 2: Credit Card Receivables** | |
| 1. Confirm the composition of the credit card portfolio that your institution is pledging (type e.g. General purpose, affinity, corporate, secured): | |
| * 1. Range or legal description of the accounts in the pool that is pledged: | |
| 1. Was there a change to how prime and subprime customers are distinguished since the previous Audit Certification or approval to pledge credit card receivables? | ☐ Yes ☐ No |
| If yes, describe what has changed: | |
| 1. Was there a change to the following policies governing the credit card receivables pledged since the previous Audit Certification or approval to pledge credit card receivables? | ☐ Yes ☐ No |
| If yes, describe what has changed and attached the most current internal policy document:   1. New Accounts: 2. Re-Aging of Past Due Accounts: 3. Charge-Off: 4. Recoveries: 5. Have the policies above changed since your last regulatory examination? ☐ Yes ☐ No   If yes, what elements? | |
| 1. Provide your internal performance statistics for pledged credit card receivables for the past year below.   As of Date:   * 1. Number of accounts to be pledged:   2. Total outstanding balance:   3. Gross rate of charge-offs and amounts:   4. Total delinquencies reported according to regulatory guidelines:   5. Roll rates according to delinquency bucket (attached if needed): | |
| 1. Attach with this Audit Certification, a pledge listing of the most recent CCR-1 or 2 submissions. The data elements should include the following details for each account: 2. As of Date: 3. FRB Loan Category Code (842 or 845) 4. Internal Loan Number (not credit card number) 5. Credit Limit 6. Current Balance 7. Days Past Due 8. Current Credit Score | |

1. For Reserve Bank pledging purposes, loans should be classified and coded according to the Report of Condition and Income (“call report”) definitions. Refer to the Federal Reserve Collateral Guidelines for additional information or contact the Federal Reserve Bank of San Francisco at (866) 974-7475, option 1 if you have any questions. [↑](#footnote-ref-2)
2. For FFIEC, NCUA, and FBO, raw land loans fall under the construction loan category. For FRB pledge purposes, raw land loans are secured by land that has not been improved upon, e.g. no plumbing, sewage, electricity, etc. [↑](#footnote-ref-3)
3. Only the guaranteed portion of the US Agency Guaranteed loans will receive the guaranteed margin. The remaining non-guaranteed portion may be pledged under the respective loan category, depending on the agency, and the regular loan margin will be applied. [↑](#footnote-ref-4)
4. The Payment Document is the loan document where the underlying debtor promises to pay the Institution (i.e., the payment obligation), usually the promissory note, loan agreement, or lease agreement. [↑](#footnote-ref-5)