

Borrower In Custody of Collateral (BIC) Program

Frequently Asked Questions

What is the BIC program?

The BIC Program is an arrangement that permits depository institutions (DIs) in sound financial condition to pledge loan collateral for Federal Reserve discount window and payment system risk program purposes and retain possession of that collateral. Typically, BIC arrangements are used to facilitate pledging large volumes of loans evidenced by instruments.

Which institutions are qualified to participate in the BIC program?

To participate in a BIC arrangement, generally, DIs meet the following qualifications:

- CAMELS composite rating “1” or “2” (composite ratings of “3” can be considered)
- At least adequately capitalized
- No significant financial concerns
- Adequate internal controls in place, particularly in the area of loan administration and processing as determined by the Federal Reserve Bank (FRB) of Dallas

What documents are required to borrow from the discount window?

Prior to applying for the BIC program, a DI must have the necessary [Operating Circular No. 10](#) documentation on file with the FRB Dallas.

Can a DI borrow against the collateral for the seasonal lending program?

All collateral under the BIC program is available for overnight and seasonal borrowing, as well as for payment system risk collateral requirements.

What documents are required to be submitted for the BIC program?

The following documents are required specifically for the BIC program:

- BIC Application
- The DI's policy on the internal loan risk rating system (for commercial loans)
- Any documentation connected to a blanket lien on the DI's assets
- An initial listing of loans to be pledged (ongoing monthly listings are required to be submitted once the BIC arrangement is approved)

Why does the Federal Reserve Bank of Dallas perfect their interest in the loans held in the BIC arrangement?

The FRB's policy is to perfect its security interest in collateral pledged for the discount window and payment system risk purposes. To ensure that the FRB Dallas will continue to have a first priority security interest in pledged collateral, the FRB completes a UCC-1 Financing Statement as well as a UCC-11 Information Request to ensure no other entities hold a lien over the same collateral. If the FRB discovers a conflicting UCC-1 filing, the FRB will seek to secure intercreditor agreements from the lien holder. The FRB will not accept collateral until its interest is perfected.

What if the DI already has a blanket lien on all assets?

If the DI is a member of the Federal Home Loan Bank of Dallas (FHLB) or uses a correspondent, there may be a blanket lien filed on the DI's assets. An agreement that releases certain asset types to be pledged to the Federal Reserve System, "an intercreditor agreement," must be completed prior to a BIC application being considered. The DI's management should contact the FHLB or any correspondent early in the application process to request this release.

What are the ongoing requirements for the BIC program?

On a monthly basis, a current listing of all loans pledged to the FRB Dallas must be submitted with a completed cover letter signed by an authorized individual listed in the OC 10 and emailed to Dal.Discount.Window@Dal.frb.org. Any loan included on the listing with a stated maturity date at or near the day of submission will receive zero value. A delay in submitting this information may cause the pledged assets to receive zero lendable value until an updated listing is received and processed. If the outstanding pledge balance declines more than 10% prior to the deadline for the monthly pledge listing, a new listing must be submitted with the new balances. BIC program participants are also required to complete the Borrower-In-Custody of Collateral Certification, with an initial submission in the first six months of pledging and then approximately every eighteen months, as well as on-site inspections at the discretion of FRB Dallas.

How is the monthly pledge submitted to the FRB Dallas?

All pledge submissions must be encrypted and sent to Dal.Discount.Window@dal.frb.org. The email's subject line should contain: DI's ABA, DI Name and the pledge's as of date. The pledge information may be encrypted by a secure message site, FRSecure. For first time users, please register using the following link: <https://secureemail.federalreserve.com>.

What types of loans are acceptable to pledge in the BIC program?

Several types of performing loans held by DIs are generally acceptable collateral, including:

- 1-4 family mortgage loans
- Home equity loans and lines of credit
- Unsecured personal loans
- Commercial and industrial loans and leases
- Agricultural loans
- Consumer notes
- Credit card receivables
- Commercial real estate loans
- Construction and raw land loans
- Participations

Please refer to the [Discount Window & Payment System Risk Collateral Margins Table](#) for a complete list.

How are loan types classified on the cover letter and pledge listing?

Loans should be classified and coded according to Schedule RC-C Loans and Lease Financing Receivables of the Federal Financial Institutions Examination Council's Report of Condition and Income ("call report") or the NCUA's 5300 Call Report definitions.

What loan information should the monthly pledge listing include?

The following information should be included (when applicable):

- DIs name
- Name and account number of the obligor or maker
- Current outstanding principal balance in currency format (\$0.00)
- Maturity date in short date format (mm/dd/yy or mm/dd/yyyy)
- Internal loan grades for commercial and industrial loans

The following information may be requested:

- Paid through or next payment due date
- Current interest rate in percentage format to two decimal places
- Total number of loans pledged and the current total outstanding principal balance for each loan type
- Original principal balance in currency format (\$0.00)
- Interest rate method (words "fixed" or "floating" must be used)
- Any additional fields requested by the Reserve Bank

For further information, please see [Automated Loan Deposit \(ALD\) file specifications.](#)

What collateral is NOT accepted for pledge?

- Consumer loans or residential real estate mortgage loans more than 60 days past due
- Agricultural, commercial, commercial real estate, construction, and vacant land loans more than 30 days past due
- Loans to affiliates of the pledging institution, including direct/indirect subsidiaries and consumer finance companies
- Insider loans (i.e. loans to a director, officer or bank employee)

- Loans already pledged or secured under a specific or blanket lien unless expressly subordinated to the FRB Dallas
- The non-guaranteed portion of the principal of a U.S. agency guaranteed loan.
- Loans that fall below the approved acceptable internal/credit risk ratings
- Loans issued to an affiliate or affiliated employee stock ownership plan (ESOP), or stock held by an ESOP
- Loans that have been restructured from original terms
- Loans that have not received a pass rating by the DI's primary regulator

How are new individual loans added or removed from the pledge?

Loans can be added or removed from the pledge during monthly reporting. If you would like to add new loans to the pledge in between the reporting periods, a new pledge listing and cover letter must be submitted to Dal.Discount.Window@dal.frb.org.

Who can be contacted with additional questions?

Please contact the discount window at Dal.Discount.Window@dal.frb.org or the Hotline at 1-877-682-3256 with any additional questions.