

Anti-Predatory Lending Policy for Collateral And Acquired Member Assets

The Federal Home Loan Bank of Boston (“FHLBank Boston”) supports the expansion of fair and equitable home ownership opportunities. To discourage predatory lending practices, which are inconsistent with such opportunities, and to protect FHLBank Boston from potential liabilities, FHLBank Boston has established the following anti-predatory lending policy (“APL Policy”) with respect to residential mortgage loans and securities backed by residential mortgage loans pledged by members to it as collateral (“Residential Mortgage Collateral”) or purchased from members (“Acquired Member Assets”).

FHLBank Boston requires that Residential Mortgage Collateral and Acquired Member Assets comply with applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to prevent or regulate abusive and deceptive lending practices and loan terms (collectively, “Anti-Predatory Lending Laws”). For example, Anti-Predatory Lending Laws may prohibit or limit certain practices and characteristics, including, but not limited to the following:

- Requiring the borrower to obtain prepaid, single-premium credit life, credit disability, credit unemployment, or other similar credit insurance;
- Requiring mandatory arbitration provisions with respect to dispute resolution in the loan documents; or
- Charging prepayment penalties for the payoff of the loan beyond the early years of such loan.

Any Residential Mortgage Collateral that does not comply with all applicable Anti-Predatory Lending Laws will be ineligible as collateral to support advances or other activity with FHLBank Boston. Additionally, FHLBank Boston will not give collateral value for any residential mortgage loans on owner-occupied property, whether pledged individually or as part of a private label (non-agency) mortgage-backed security, if it meets one or more of the following criteria:

- The annual interest rate and/or points and fees charged for the loan exceed the thresholds of the Home Equity Ownership Protection Act of 1994 (HOEPA);
- The loan has been identified by a member’s primary federal regulator as possessing predatory characteristics;
- The loan includes prepaid, single-premium credit insurance;
- The loan is subject to state and/or local laws where one or more of the major credit-rating agencies (Standard and Poor’s, Moody’s Investors Service, and/or Fitch Ratings) will not rate a security (or securities) in which the underlying collateral pool contains such a loan; or
- The loan is defined as a High Cost Loan, Covered Loan, or Home Loan as are loans categorized under one or more federal, state, or local predatory lending laws as having certain potentially predatory characteristics.

- The loan includes penalties in connection with the prepayment of the mortgage beyond the early years of the loan.
- The loan requires mandatory arbitration to settle disputes.

Members are responsible for avoiding all unlawful practices and terms prohibited by applicable Anti-Predatory Lending Laws, regardless of whether they originate or purchase the Residential Mortgage Collateral being pledged to FHLBank Boston. FHLBank Boston will take those steps it deems reasonably necessary in order to confirm or monitor members' compliance with this policy. The FHLBank Boston will adopt procedures to monitor for member compliance with this APL Policy which will:

1. Ensure that all members have executed the representation and warranty Certification;
2. Ensure that all pledging subsidiaries and affiliates of members have executed the representation and warranty Certification;
3. Review member regulator exam reports for findings pertaining to fair lending and/or abusive lending practices;
4. Monitor member regulator alerts for newly issued supervisory agreements, memoranda of understanding, or cease and desist orders pertaining to unfair lending and/or abusive lending practices;
5. If abusive lending issues are identified by the member's regulator, or if, FHLBank Boston staff identifies APL abuses then the member will be required to undertake a review of its policy and procedures for compliance with the FHLBank Boston's collateral policies. At its discretion, the FHLBank Boston may permit such a review to be conducted by the member's internal auditor or the FHLBank Boston may choose to conduct the review itself or use a third party, at the expense of the member.

In addition, FHLBank Boston reserves the right to require evidence reasonably satisfactory to FHLBank Boston that Residential Mortgage Collateral does not violate applicable Anti-Predatory Lending Laws. With respect to Residential Mortgage Collateral purchased by the member, the member is responsible for conducting due diligence that it deems sufficient to support its certification and indemnification agreements with FHLBank Boston.

In addition to the terms and conditions of the FHLBank Boston Advances and Security Agreement ("Advances Agreement"), each member must execute a Certification agreement with FHLBank Boston that: (1) certifies its understanding and compliance with FHLBank Boston's APL Policy and all applicable Anti-Predatory Lending Laws; and (2) certifies it will maintain qualifying collateral and will (a) substitute eligible collateral for any Residential Mortgage Collateral that does not comply in all material respects with applicable Anti-Predatory Lending Laws or this APL Policy; and (b) indemnify, defend and hold FHLBank Boston harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the pledge of any Residential Mortgage Collateral that does not comply in all material respects with applicable Anti-Predatory Lending Laws or this APL Policy.

FHLBank Boston will not knowingly accept as eligible collateral Residential Mortgage Collateral that violates applicable Anti-Predatory Lending Laws or this APL Policy. If FHLBank Boston knows or discovers that such Residential Mortgage Collateral violates applicable Anti-Predatory Lending Laws or this APL Policy, FHLBank Boston may, in addition to all available rights and remedies at law or in equity (1) require the member to substitute eligible collateral, (2) value such Residential Mortgage Collateral at zero for collateral purposes, and (3) require the member to undertake a review of its policies, practices, and procedures for complying with FHLBank collateral policies.

Per the terms and conditions of the FHLBank Boston Participating Financial Institution Agreement (“PFI Agreement”), each member-PFI has represented and warranted to FHLBank Boston that it: (1) is aware of and will comply at all times with the Mortgage Partnership Finance Origination Guide and the Mortgage Partnership Finance Servicing Guide (collectively the “MPF GUIDES”), including the anti-predatory lending policy and provisions contained therein; (2) will comply at all times with the requirements of all applicable Anti-Predatory Lending laws; (3) will sell only eligible Residential Mortgages that comply in all material respects with applicable Anti-Predatory Lending Laws; and (4) will indemnify, defend and hold FHLBank Boston harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the sale of any Residential Mortgage that does not comply in all material respects with applicable Anti-Predatory Lending Laws. The anti-predatory lending policy and related provisions contained in the MPF Guides, as may be amended, are adopted as policy by FHLBank Boston as they relate to Acquired Member Assets.