



1-4 FAMILY RESIDENTIAL FIRST MORTGAGE LOANS – Whole Loans and Participations

This Eligibility Checklist assists pledgors who have executed the appropriate Advances, Pledge and Security Agreement in determining eligibility of loans for pledging to FHLB Des Moines. A “NO” answer indicates the loan is not eligible under FHLB Des Moines guidelines.

GE	GENERAL ELIGIBILITY	YES	NO
	The requirements of this checklist are <u>specific</u> to the collateral type shown above. Additional Eligible Member Collateral requirements common to pledged loan collateral are identified in <u>Collateral Procedures and the General Eligibility Checklist</u> . The preparer should have familiarity with all eligibility guidance prior to proceeding with eligibility determination via this checklist.		

PN	PROMISSORY NOTE	YES	NO
	<ol style="list-style-type: none"> 1. Note Execution: Executed with proper signatories and capacities as authorized by any applicable borrowing resolution/other authority. 2. Loan Terms: Matures and requires principal & interest payments to amortize the loan within a 40 year term or less (measured from first payment date following origination or last modification). 3. Disbursement: Loan is fully disbursed and non-revolving. 4. Whole Loans and Participations: Loans must be reported properly based on ownership of the loan. See the Type Code Reporting Instructions section at the end of this checklist for proper type code reporting. <ul style="list-style-type: none"> • For participation loans, the loan meets the eligibility requirements found in the Participation Loan Guidelines. (Note: 100% participations purchased are not eligible). 		

SI	SECURITY INSTRUMENT: Mortgage (or Deed of Trust) and/or Security Agreement	YES	NO
	<ol style="list-style-type: none"> 1. Security Instrument Existence: Note is secured with an unexpired mortgage recorded in the proper jurisdiction. Recorded mortgage or a copy of is in file. Loan disbursements are supported by the security instrument type (e.g. closed end, future advance). 2. Note Security: Mortgage (or collateral property) is linked to/cited as security for subject note. 3. Secured Party Citation: Mortgage directly cites member (or pledgor on behalf of member) as secured party or via recorded assignment. 4. Instrument Execution: Mortgage is properly executed and acknowledged: <ul style="list-style-type: none"> • By all title holders/owners of record including spouses if required by state law (fractional or undivided interests not acceptable). If title is vested in a former name, affidavit of identity or similar notation on mortgage required. • Non-natural persons: Executed by and in proper capacity(s) per authorizing documentation. • 3rd Party Pledge/Secured Guarantee/Hypothecation Agreement: Executed by and in proper capacity(s) and acknowledged as security for subject loan or borrower. • Mortgage notarized acknowledging signers in proper capacity. 5. Secured Debt Amount: Amount equals or exceeds loan’s current unpaid principal balance (UPB). 6. Assumptions: For assumed loans, executed assumption agreement is recorded. 		

LV	LIEN VERIFICATION	YES	NO
----	-------------------	-----	----

1. **Lien Search Existence:** Evidenced lien search of the encumbered property (e.g. title policy, attorney's opinion, O&E/title report, or detailed internal lien search).
2. **Lien Search Date and Quality:** Lien search is dated on or after recording date and confirms: Execution by all titleholders, legal description of encumbered property, recordation, and lien position (lien search must assess all potential prior liens).
 - **Loans originated within six months of Collateral Reporting Date:** File evidences at a minimum, a pre-closing lien search while required post-closing lien search is pending.
 - **Loans with UPB ≤\$250,000:** Post closing lien search is not required. In lieu, file evidences a pre-closing lien search dated no more than 75 days prior to mortgage date.
3. **Lien Position:** Lien search cites subject mortgage as **first** lien:
 - **Prior Liens:** If lien search does not cite subject mortgage as first lien, file documents recorded satisfactions, subordinations, releases, or title insurance endorsement ensuring a first lien position.
 - Property must not be subject to unreleased prior nonmortgage liens or unsubordinated contracts.
 - For loans without post-closing lien search if permitted per LV.2 above (i.e. Loans originated within six months of Collateral Reporting Date or UPB ≤\$250,000), pay-off documentation of prior liens ensuring requisite lien position is acceptable to demonstrate prior lien satisfaction.
 - **Property Taxes/Other Subsequent Liens:** Taxes and assessments not past due one year or more. Security Interest not subordinated to Property Assessed Clean Energy (PACE) or other liens.
 - **Prior Ground Leases:** Mortgages primed by ground lease not eligible unless recorded ground lease subordination or Non-Disturbance and Attornment Agreement executed by lessor.
 - **Leasehold Mortgage:** File evidences lessor consent, leasehold interest property valuation and lease maturity equal ≥ note maturity. Assignments of leasehold interests are not eligible.

--	--

CV	COLLATERAL CONDITION, PURPOSE and VALUATION	YES	NO
----	---	-----	----

1. **Collateral Property Type, Purpose and Conditions:** Secured by a habitable, four season 1-4 family dwelling(s) located in the U.S. or its territories used for residential purposes.
 - **Manufactured Homes:** Pledged dwelling meets real property definition under applicable state law.
 - **Mixed Use Property:** Value of dwelling > 50% of total property value.
 - **Condition/Use/Occupancy:** Property is not deteriorated, contains unremediated recognized environmental conditions or used (including via leasing rights) for matters which imperil value or encumbrance. Use is lawfully permissible by all federal, state and local regulations. Property is not currently vacant.
 - **Property Insurance:** Loans with UPB ≥ \$5,000,000, file evidences property insurance for benefit of pledgor with coverage sufficient for the improved property.
 - **Ineligible Property Type:** Not type listed in Collateral Procedures: Section 2.2.
2. **Valuation Existence and Requirements:** Depository Members: File evidences property valuation in compliance with member's regulatory requirements. Nondepository Members: Certified appraisal is required unless prior arrangements have been agreed.
 - **Newly constructed properties:** Verification of construction completion to original plans and specs.
 - **Subsequent partial releases:** File evidences remaining collateral value.
 - **Non-Appraisal Valuation:** Internal evaluations compliant with *Interagency Appraisal and Evaluation Guidelines Appendix B - Evaluations Based on Analytical Methods or Technological Tools*: Tax Assessment Value (TAVs) supported by regulatory required market value correlation analysis. Automated Valuation Model (AVMs) supported by required model validation. Broker Price Opinions (BPOs) not permitted for consumer purchase transactions.

--	--

3. **Qualifying LTV (QLTV):** Note: See General Eligibility Checklist for QLTV definition.

- Owner Occupied: ≤ 90% (≤100% with assignable Mortgage Insurance)
- Non-Owner Occupied: ≤ 85% (≤100% with assignable Mortgage Insurance)

Exceptions: Loans in excess of the above limits but ≤100% qualifying LTV are eligible if:

- Bank/Thrifts: Compliant with the regulatory percentage of capital limitations and reporting requirements for loans in excess of Supervisory LTVs.
- Credit Unions: As permitted by internal policy limits; subject to concentration risk monitoring for High LTV loans (if required by NCUA supervision).

AP	ANTI-PREDATORY LENDING	YES	NO
-----------	-------------------------------	------------	-----------

1. **Anti-Predatory Lending:** Complies with [FHLB Des Moines Anti-Predatory Lending Policy](#) (Found on Page 4 of the Members Product Policy).

SN	SUBPRIME and NONTRADITIONAL LOAN (Definition and Requirements)	YES	NO
-----------	---	------------	-----------

Nontraditional Loan: A loan permitting the deferral of payment of principal and/or interest.

Subprime Loan: A loan originated, modified or purchased after July 10, 2007 where the primary borrower has a FICO score of ≤ 660.

- The primary borrower is the borrower with the highest income.
- The determining credit score is lowest score if two scores are listed; middle score if multiple scores listed of the primary borrower.
- If no FICO was obtained, the loan is subprime if any of the following subprime characteristics are present:
 - DTI ≥ 50% or not assessed;
 - A foreclosure or judgment in prior 24 months; or a bankruptcy in prior 60 months;
 - Two+ 30-day delinquencies in the prior 12 months; or One+ 60-day delinquencies in the prior 24 months
- If no credit report was obtained, the loan is subprime.

See the Type Code Reporting Instructions section at the end of this checklist for proper type code reporting

1. **Adjustable Rate Subprime or Nontraditional Loans:** For adjustable rate subprime or any nontraditional loan meeting the above definitions, the loan is underwritten based on verified cash or income to meet PITI and other monthly obligations at the fully-indexed rate and fully amortizing repayment schedule.

2. **Nontraditional Non-Owner Occupied Lns:** Assessment of vacancy cash reserves in file.

AT	ABILITY TO REPAY - Consumer Purpose Application on/after January 10, 2014	YES	NO
-----------	--	------------	-----------

1. **Requirements:** File documents evaluation of the following repayment ability factors: (Exceptions: Loans originated by Housing Associates or CDFIs; loans originated per the requirements of an authorized Qualified Mortgage type; or temporary loans with term ≤ 12 months).

- Borrowers' assets or expected income
- Borrowers' current employment status when employment income is relied upon for repayment
- Borrowers' monthly payment for the loan, determined in accordance with regulation
- Borrowers' monthly payment on any simultaneous loan associated with the pledged loan
- Borrowers' monthly payment for mortgage related obligations
- Borrowers' current debt obligations, alimony and child support
- Borrowers' monthly debt to income ratio or residual income calculated per regulation
- Borrowers' credit history

Type Code Reporting Instructions: The loan must be reported in the proper type code based on the following requirements:

Wholly Owned Loans:

- If loan is subprime, report as type code 1103 (3103 if eNote).
- If loan is nontraditional but not subprime, report as type code 1102 (3102 if eNote)
- If loan is neither subprime or nontraditional, report as type code 1101 (3101 if eNote)
- If loan is underwritten with Debt Service Coverage Ratio instead of DTI, report based on above (Blanket members only) or type code 1402

Participation Loans:

- If the loan is a participation loan but is either subprime or nontraditional, the loan is not eligible loan collateral and should not be reported.
- If the loan is a retained participation loan, the loan is reported as type code 1461.
- If the loan is a purchased participation loan, the loan is reported as type code 1561

Loan is eligible for pledging as 1-4 Family Residential First Mortgage Loan collateral and reported in the proper type code:	YES	NO
Completed By/Date:		