

Lien Protection Products

Effective July 28, 2004, the Bank is amending its member requirements regarding lien priority status for home equity lines of credit (HELOC) and closed end second mortgage loans on 1-4 family residences. The change allows members purchasing lien protection products (LPP) to pledge those loans to the Bank under certain conditions instead of performing traditional lien validation methods such as title policies or attorney's opinions.

In order to pledge HELOC and closed-end second mortgage loans containing LPP, the Bank must review and approve the terms and conditions of the LPP prior to pledging. The collateral may be eligible for pledging if the Bank:

- Approves the LPP provider
- Determines the terms of the policy are reasonable (e.g. coverage period, policy does not exclude borrower fraud, etc.)
- Is named as an additional insured party
- Verifies the member complies with all required LPP provisions and has made payment of premium

The Bank, in its discretion, may also apply a higher collateral maintenance level to loan portfolios using LPP as an alternative to traditional lien validation methods to mitigate risks associated with the product. The acceptance of collateral using LPP by the Bank should not be viewed as an endorsement of the product.

If you would like to take advantage of this expanded collateral program at the Bank, please contact your regional vice president or Eric LeSher, collateral risk manager at 800.544.3452, ext, 1053 or by email at elesher@fhlbdm.com.