

Introduction¹

The Federal Reserve Bank of New York (“FRBNY”) accepts pledges of “imaged loans” from qualifying institutions. An imaged loan is a loan whose original paper documentation has been imaged, and the image is relied upon as the primary source of the document. The original documentation associated with an imaged loan might be destroyed or might be stored, perhaps at a third party custodian, known as a Records and Information Management company (“RIM”). A loan that originated in paperless form is not an imaged loan for the purposes of these guidelines.

If an institution wishes to pledge imaged loans, the FRBNY will conduct an initial interview to discuss issues that are unique to electronic imaging and (if applicable) RIMs. The interview will highlight any significant issues that need to be addressed before proceeding. Prior to the interview, the institution should complete a pre-certification form that details the processes, procedures, and controls it intends to employ.

The remainder of this document provides general guidelines that institutions should follow with respect to the imaging of loan documents and the handling of original paper documents.

Imaging and Storage Guidelines

Quality Control

Adequate controls should be in place to ensure the quality of the image, and to prevent alterations or deletions of imaged documents. An adequate verification process should be in place to ensure that all the pages of the loan documents have been successfully imaged. Partial imaging is not encouraged. If a loan file is to be imaged, the entire file should be imaged, not only a portion of the file.

Access

Whether images are stored on a network or on disks, the labeling or indexing of the images should allow for easy retrieval. It should be possible to retrieve images by obligor and/or obligation number.

Contingency

An adequate contingency plan should be in place to prevent loss of images including a regular schedule for replicating images to serve as back-up.

Storage of Original Paper Documents

Original paper documents may be destroyed, kept on the institution’s premises, or sent to a Records and Information Management company (RIM) for storage. Below are three options for handling original paper documents:

- 1) If original paper documents are destroyed, an adequate monitoring and verification process should be in place including use of a log or destruction receipts to ensure that the documents are fully destroyed.
- 2) If original paper documents are stored on the institution’s premises, they should be stored in accordance with established BIC guidelines.

¹ Prior to or concurrent with setting up an imaging arrangement, an institution must establish a Borrower-in-Custody (“BIC”) arrangement. For more information on the BIC program, please review the relevant guidelines and forms at http://www.newyorkfed.org/banking/collateral_pledging.html.

3) If original paper documents are stored at a RIM, the institution must take adequate steps to ensure that the documents are protected from loss, fire, theft, and other dangers at the RIM. The institution should perform periodic checks to ensure the documents are still located at the RIM.

- *Recalled Boxes*

In most cases, institutions send documents to a RIM and intend to rely on imaged versions thereafter, with few exceptions. As such, the FRBNY generally expects recall requests to be infrequent. Institutions should exclude loans in recalled boxes from the monthly listing.

Other Requirements

Monitoring and Reporting

Along with the BIC certification, institutions must complete an Addendum to the BIC Certification on imaged loan documents.

If a RIM is employed to store original paper documents, institutions should furnish the FRBNY with results of recent financial and operational audits they have performed on the RIM, and any other due diligence assessments. In addition, institutions should indicate the RIM-assigned box number(s) of the original paper documents on the collateral schedule.

Inspections

Initial Inspection

The FRBNY will conduct its initial inspection on the institution's premises and at the RIM, if a RIM is employed. Therefore, the institution should make arrangements for the FRBNY to visit the RIM for the initial inspection.

When inspecting the RIM as part of the initial inspection, FRBNY staff would look to meet with operations management staff from the RIM to discuss their procedures and security. In addition, the FRBNY will select a sample of loans to review and instruct the institution to submit the list of corresponding box numbers to the RIM; the institution should download the imaged documents for the sample of loans onto a disk for the FRBNY. In addition, the institution should print detailed information from their loan system for the entire sample.

Ongoing Inspections

Successive inspections of imaged loan documents may be completed on the institution's premises. While onsite, the FRBNY should be granted access to the institution's imaging system. As noted above, the institution should be able to print detailed information from its loan system for the entire sample.