Approved 8/7/12

PHFH Anti-Money Laundering Policy

It shall be the policy of Palouse Habitat for Humanity to adhere to the requirements of the Bank Secrecy Act (BSA) and the Patriot Act as agreed between Habitat for Humanity International and the US Department of Treasury. PHFH understands this agreement is in response to a new rule (Anti-Money Laundering Program and Suspicious Activity Report Filing Requirements for Residential Mortgage Lenders and Originators) issued by the Financial Crimes Enforcement Network (FinCEN) within the Treasury Department that is designed to prevent fraud among residential mortgage loan originators. PHFH further understands that failure to comply with this new rule could result in severe criminal and civil penalties.

<u>Anti-Money Laundering Compliance Program:</u>

1. The PHFH Board shall appoint an Anti-Money Laundering Compliance Officer (CO). This officer may be a staff member, volunteer or board member.

2. The CO shall establish & implement a program to make sure PHFH is in compliance with AML requirements as agreed between HFHI and Treasury Department. This program is subject to annual review and approval by the PHFH Board of Directors.

3. The program will include initial and annual training for non-construction staff and volunteers. Training will include how to identify red-flags and signs of money laundering, what to do after the risk is identified, the employee's role in PHFH compliance efforts, PHFH AML record retention requirements, and summarize consequences of non-compliance with BSA. Non-construction volunteers and staff will receive training within 2 months of their start date with PHFH. The CO will keep records of trainings (including rosters, dates and subject matter) for 6 years.

4. The program will include a risk assessment (based on AML/BSA/OFAC risk assessments) every 18 months or whenever material changes occur to products, services, customers or geographies that would impact the risk assessment. The risk assessment will review all areas of PHFH business to identify potential money laundering risks, terrorist activity or terrorist financing risks, or risks of other criminal activity including mortgage fraud. It will consider mitigating controls and determine the overall residual money laundering risk. The risk assessment will be reviewed and approved by the Executive Committee. The results (including methodology, analysis and supporting documentation) will be kept for 3 years.

5. The program will include an audit of the AML program every two years, using either a third party such as a banking or accounting partner or an affiliate employee or volunteer who is independent from PHFH's AML compliance team. The audit report will be reviewed and approved by the Executive Committee and the CO, who will respond to the resulting recommendations. The report will include:
   a. A review of how suspicious activity is monitored and identified;

   b. Whether all identified suspicious activity was reviewed and appropriately handled;
   c. Whether suspicious activity was properly reported; and
   d. A summary of deficiencies and recommended corrective measures.

   CO will keep records of audits for 6 years.

6. The Compliance Officer will report directly to ______________________________.

Customer Identification and Verification

1. PHFH will comply with the Office of Foreign Assets Control (OFAC) regulations.

2. PHFH will collect specific identification information from each mortgage loan applicant:
   a. Name
   b. Address (confirmed by a current utility bill mailed to the customer at the address)
   c. Date of Birth (verified by an unexpired government issued ID showing nationality or residence & bearing a photograph – a passport or driver's license)
   d. Government Issued ID Number (SSN or other tax payer ID number)

3. If an applicant refuses to provide the above information, or appears to intentionally provide misleading information, PHFH will reject the application and the CO will determine if a Suspicious Activity Report (SAR) is required (see below).

4. PHFH will compare identification information with government provided lists of suspected terrorists, including the OFAC Specifically Designated Nationals and Blocked Person's List (the SDN List).

5. PHFH will take reasonable steps (ie request a monthly bank statement) to verify if an applicant is from or engaging in transactions with people or entities from countries or regions subject to economic sanctions or embargo that are listed on the OFAC website.

6. If PHFH research finds a potential match, PHFH will perform additional due diligence to determine if it is an actual match or a false positive.

7. If PHFH determines that the applicant is on the SDN list, or engaging in transactions with a person or entity in an embargoed or sanctioned country, PHFH will reject the application or block the applicant's assets as appropriate under OFAC regulations, and file a Blocked Assets or Rejected Transaction form with OFAC.

8. The CO will review any blocking reports sent to the OFAC to determine whether an SAR is required.

Suspicious Activity Reporting:

1. The Compliance Officer shall monitor enough PHFH mortgage loan origination activity to permit identification of suspicious activity. The CO will document when and how the monitoring occurs.

2. The CO will be familiar with "red flag" signals identified by the Treasury Department and share that information with relevant PHFH volunteers (such as the Family Selection committee chair).

3. The CO will file a Suspicious Activity Report (SAR) as required by the Treasury Department within 30 days* of detecting a transaction of at least $5,000 that the affiliate knows, suspects or has reason to suspect:
   a. Involves funds from an illegal activity or is intended or conducted to hide or disguise funds or assets derived from an illegal activity;
   b. Is designed to evade the requirements of the Bank Secrecy Act;
   c. Has no business or other apparent lawful purpose and the affiliate knows of no reasonable explanation for the transaction after examining available facts; OR
   d. Involves the use of the affiliate to facilitate3 criminal activity.
   *If no suspect is identified on the date of initial detection, PHFH may delay filing the SAR for up to a total of 60 days after the initial detection of the facts.

4. PHFH will collect and maintain supporting documentation for the SAR required by BSA regulations.

5. The CO will maintain copies of SARs and their supporting documentation for 5 years separately from all other books or records.

6. The CO will handle all requests for SAR information. The CO will make the SAR and supporting documentation available to appropriate law enforcement agencies, federal or state regulators on request.

7. The CO will ensure that SARs and their supporting documentation are kept confidential. PHFH will not notify any person involved that an SAR has been filed except as permitted by BSA regulations. Any PHFH volunteers or employees who are subpoenaed or required to disclose the existence of an SAR or information contained in the SAR will report the subpoena to the CO prior to disclosing any information. Unless disclosure is requested by FinCEN or other appropriate law enforcement or regulatory authority, as determined by the CO, PHFH and the employee or volunteer will decline to produce any information disclosing that an SAR was prepared or filed.

Vendor Management

1. PHFH will:

a. Require, by contract, that its mortgage service providers have policies and procedures designed to detect, prevent and mitigate the risk of money laundering, terrorist financing or other crimes, such as mortgage fraud.
b. Require, by contract, that its mortgage service providers review PHFH's AML policy and procedures and report any red flags to the PHFH CO.

Employees

1. Employee transactions will be subject to the same AML policies and procedures as non-employee customers.

Adopted by the Board of Directors (DATE)

Supporting Resource:
New Anti-Money Laundering Rules: What Affiliates Need to Know, HFHI August 2012
Anti-Money Laundering Policy and Program Procedures, HFHI template August 2012