



AML/BSA/OFAC Risk Assessment

Dated:

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GLOSSARY

AML	Anti-Money Laundering
BSA	Bank Secrecy Act
CIP	Customer Identification Program
EFT	Electronic Funds Transfer
FACTA	Fair and Accurate Credit Transactions Act
FinCEN	Financial Crimes Enforcement Network (U.S. Treasury Dept.)
FFIEC	Federal Financial Institutions Examination Council
FTC	Federal Trade Commission
HIDTA	High Intensity Drug Trafficking Area
HIFCA	High Intensity Financial Crimes Area
NCDOR	North Carolina Department of Revenue
NCHFA	North Carolina Housing Finance Agency
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control (U.S. Treasury Dept.)
QLO	Qualified Loan Originator
RMLO	Residential Mortgage Lenders and Originators
SAR	Suspicious Activity Report
SDN	Specifically Designated Nationals and Blocked Persons List



2021-2022/BSA/OFAC Risk Assessment

I. OVERVIEW

A. Background and Purpose

Regulatory guidance requires that an AML/BSA/OFAC Risk Assessment be performed in order for Residential Mortgage Lenders and Originators (RMLOs) to determine their money laundering risk. Performing the risk assessment enables Habitat for Humanity of Catawba Valley [Habitat] to identify and mitigate gaps in its controls. Regulatory agencies will typically request a copy of the risk assessment during the initial “*Scoping and Planning*” phase of the AML examination. The risk assessment will be used by the examiner to assist in the development of an appropriate examination plan based on the risk profile of the RMLO. The results of the risk assessment will be communicated by the Compliance Officer to senior management for the purpose of educating them regarding Habitat’s money laundering and terrorist financing risks.

Habitat for Humanity of Catawba Valley will execute this AML/BSA/OFAC Risk Assessment process within a regular 18 month cycle and more frequently if circumstances dictate. Execution of a new risk assessment is required with the expansion of Habitat into new geographies outside its existing footprint.

B. Scope

In performing this risk assessment, Habitat has considered its products, services, customers, and geographic locations. Accordingly, this assessment is a comprehensive analysis of Habitat’s AML/BSA risks.

C. Methodology

Habitat used the following four phase process in completing the risk assessment:

- Phase 1: AML Risk Identification/Quantification and Control Mitigation
- Phase 2: OFAC Risk Assessment
- Phase 3: Results with the FFIEC Risk Assessment Matrix
- Phase 4: Conclusion Regarding AML Risk and Establishment of an Action Plan

The activity and analysis involved in each phase of the process are described below.

II. Phase 1: AML Risk Identification and Control Mitigation

A. Risk Overview

Attempts to launder money, finance terrorism, or conduct other illegal activities through an RMLO can emanate from many different sources. However certain products, services, customers, and geographic locations are more vulnerable or historically have been abused by money launderers and criminals. Therefore, the initial phase of the risk assessment process concentrates on reviewing our products, customers, and geographic locations for any heightened risk factors. We then must determine whether the unique screening process and other controls in place mitigate such risk.

Summarized below is our analysis of the risk involved with Habitat's customers, products, services and geography.

1. Customers

The Federal Financial Institutions Examination Council ("FFIEC") Manual section entitled "Expanded Examination Overview for Persons and Entities" was consulted in identifying certain high risk customer categories. Those high risk customer types include: (1) non-resident aliens; (2) resident aliens; (3) secondary signers/guarantors; (4) customers with a Suspicious Activity Report (SAR); and (5) borrowers with filed Form 8300s.

a. Non-Resident and Resident Aliens

Because Habitat requires that all borrowers use the property securing the mortgage loan as their primary residence, loans are not made to non-resident aliens. However, it is possible that Habitat may accept a borrower who is a resident alien.

b. Secondary Signers/Guarantors

It is highly unlikely that any secondary signers or guarantors will be involved in a loan made by Habitat. Pursuant to Habitat for Humanity International [HFHI] national policy, Habitat is required to make certain unique findings as to the "need" and "ability to pay" on the part of the borrower. In that aim, Habitat strives to serve only families whose income does not exceed 75% of the area median income and caps the loan payment amount at 24% of the borrower's monthly income. Furthermore, a borrower's sweat equity generally serves as the majority of, if not the entire, down payment on the property. For these reasons, it is highly unlikely that a borrower will need to have a secondary signer or guarantor.

c. Customers with SARs or Form 8300's

Habitat has not previously been required to file SARs in connection with its loan activity. It is highly unlikely that Habitat has or will file a Form 8300 on a borrower in connection with a loan made by Habitat. As mentioned above, any down payment contributed to loans made by Habitat is typically in the form of "sweat equity" rather than a financial contribution. Furthermore, applicants must demonstrate financial need to be accepted into the program.

Mitigating the risk involved in dealings with any high-risk consumers is the homeowner partner selection process utilized by Habitat and mandated for all U.S. affiliates of HFHI. In addition to verifying a borrower's identity and ability to pay, Habitat is required to make a determination as to the borrower's "need" and "willingness to partner." Habitat evaluates a borrower's need by considering the adequacy, safety, and expense of the borrower's current living situation against the backdrop of any applicable local factors. A borrower's willingness to partner is proven by requiring at least 250 hours of "sweat equity" per applicant. Habitat also evaluates a borrower's willingness to partner through other objective criteria such as the completion of documentation in a timely manner, the acceptance of down payment and closing costs, and the completion of homeowner educational classes. These unique requirements in Habitat's selection process result in an ongoing personal relationship with the borrower and the borrower's family, and an in-depth knowledge of their background and circumstances. For these reasons, Habitat's customer risk is assessed as: **Low**.

2. Products

The FFIEC Manual section entitled "Expanded Examination Overview for Products and Services" was consulted in identifying certain high risk product categories. Those categories include: (1) debt consolidation loans; (2) bridge financing; (3) loan re-modifications; (4) second mortgages; (5) interest only loans; (6) investment property loans; and (7) balloon mortgages.

Habitat offers fixed, multi-year, fully amortizing loans with certain augmenting products or variances on that loan type in limited circumstances. All loans are made on a no-profit basis and are zero interest equivalent to the borrower. All borrowers are granted a first lien fully-amortizing loan, with a term of 15-30 years except in circumstances where a first lien is to be held by a third-party private lender. Certain borrowers are granted a second lien fully-amortizing loan, with a term of 15-30 years. In the event a first and second lien are granted, the second lien may be held jointly with Habitat and North Carolina Housing Finance Agency (NCHFA). The NCHFA is a self-supporting public agency whose mission is creating affordable housing in the state of North Carolina. The NCHFA holds equally rigorous loan underwriting standards as Habitat. All properties securing the loans must be used as the borrower's primary residence.

The loans are made under a strict ability to repay standard, requiring that the monthly payment be no more than 24% of the borrower's income. To further assist in making the home affordable under these standards, Habitat may complete the financing using the following permitted variations:

(1) Habitat may extend an interest-free, 100% forgivable, 100% deferred, subordinate-lien mortgage loan to the borrower, covering any unaffordable equity. These loans are repayable in full in the event of sale, default, transfer of title or refinancing of the first mortgage by a third-party lender. Habitat is permitted to forgive the subordinate-lien loan in whole or in part.

(2) Habitat may require a borrower's first mortgage lien be held by a third-party private lender, such as a commercial bank. Any third-party lender used must be regulated by federal and state agencies and subject to all applicable mortgage laws and guidelines.

(3) Habitat does not incorporate a "shared appreciation" provision into the mortgage.

(4) Habitat may participate in, or establish, Affordable Housing Land Trusts, in order to preserve the long-term affordability of homes by separating the ownership of a residential structure from the ownership of the land on which it is located. Title to the land is held by a community-based entity or by Habitat.

(5) Habitat may use Deed Restrictions or Deed Covenants running with the land to preserve the affordability of homes or perform the same function as a second mortgage or shared mortgage.

Of the high-risk product categories, Habitat offers only second (or subordinate) mortgage loans. The risk involved with such loans is very low, however, as they are made only to augment the first mortgage loan, if necessary, in order to meet Habitat's ability to repay standard. Thus, the need for a second (or subordinate) mortgage loan(s) is well documented and analyzed by Habitat.

For the reasons detailed above, Habitat's product risk is assessed as: **Low**.

3. Services

This section analyzes certain "High Risk Services" involved in residential mortgage lending. The FFIEC Manual section entitled "Expanded Examination Overview for Products and Services" was consulted in developing this section's high risk service categories. Those services include: (1) telephone/mail loan applications; (2) on-line loan applications; and (3) monetary instruments.

a. Telephone, Mail and Online Applications

The acceptance of applications over the telephone, through the mail, or online, is potentially high-risk because of the inherent uncertainty regarding the borrower's identity or other application information. While Habitat may accept application information through one of these mediums, the prolonged and personal interaction required for the selection process negates any risk involved. As stated above, in making the required finding that a borrower has "need" and shows a "willingness to partner", Habitat develops an ongoing personal relationship with the borrower and the borrower's family, and an in-depth knowledge of their background and circumstances.

b. Monetary Instruments

The purchase of monetary instruments, i.e., bank checks, money orders and cashiers' checks, in amounts less than \$10,000 is a common method used by money launderers to evade large currency transaction reporting requirements. Similarly, the receipt of monetary instruments in amounts less than \$10,000 by an RMLO may be an indication of an attempt to launder funds and evade the filing of a Form 8300. Once converted from currency, money launderers typically use these funds as deposits for luxury items, including residential real estate, in an effort to integrate the funds into the commerce system and facilitate the movement of funds. In some cases, the persons involved in these purchases use nominees or straw parties to open accounts and apply for loans.

While Habitat accepts monetary instruments, such monetary instruments would most likely be used by the borrower for scheduled periodic payments, the source of which is income carefully documented in the borrower selection process. In the unlikely event that a monetary instrument is provided by a borrower for a down payment, due to the financial situation of Habitat's borrowers, it is likely that instrument will be in an amount under \$10,000.

Any service risk involved in Habitat's business activities are mitigated by the following controls implemented in the selection process:

- Habitat performs due diligence for every borrower, whether applying in-person, online, via mail, or by telephone, to verify the borrower's identity, income, credit history, and other household debt.
- Habitat evaluates every borrower's "need" by considering the adequacy, safety, and expense of the borrower's current living situation against the backdrop of any applicable local factors. This evaluation gives Habitat's staff an in-depth knowledge of the borrower's background and circumstances.
- Habitat evaluates every borrower's "willingness to partner" by requiring at least 250 hours of "sweat equity" per applicant. Habitat also reviews certain objective criteria such as the completion of documentation in a timely manner and the completion of homeowner educational classes. These requirements involve extensive personal interaction with the borrower and the borrower's family and result in ongoing personal relationships.
- Because of the financial need requirement, the borrowers accepted into Habitat's program contribute a down payment of \$700 at the time of closing. This small dollar amount poses a low risk for involvement in money laundering.
- Borrowers are deselected from the program in the event of demonstrated fraud on the application, failure to complete the requirements set forth in the letter of acceptance, negative change in financial condition significantly impacting the ability to pay, or presence on a sexual offender database.

For the reasons detailed above, Habitat's services risk is assessed as: **Low**.

4. Geographic Locations

This section assesses Habitat's risk related to its operational geography. Habitat for Humanity of Catawba Valley is located in Hickory, North Carolina and provides services to Catawba County, North Carolina.

a. Domestic Geographic Analysis

i. HIDTA

The High Intensity Drug Trafficking Areas ("HIDTA") program, created by Congress with the Anti-Drug Abuse Act of 1988, provides assistance to Federal, state, local, and tribal law enforcement agencies operating in areas determined to be critical drug-trafficking regions of the United States. There are currently 28 HIDTAs, which include approximately 16% of all counties

in the United States and 60% of the U.S. population. HIDTA-designated counties are located in 46 states, as well as in Puerto Rico, the U.S. Virgin Islands, and the District of Columbia.

The attached Appendix includes a schedule of all [HIDTAs](#) in the U.S. **Habitat does not operate in any HIDTAs.**

ii. HIFCA

The High Intensity Financial Crimes Area (“HIFCA”) program concentrates law enforcement efforts at the federal, state, and local level to combat money laundering and related crimes in identified and designated high intensity money laundering zones.

The attached Appendix lists the geographic areas designated by the government as [HIFCAs](#). **Habitat does not operate in any HIFCAs.**

b. International Geographic Analysis

Habitat does not have an international footprint or an international area of operation. No borrowers have international addresses. Habitat does not accept applications for loans from non-U.S. residents. However, it may accept applications from resident aliens.

c. Conclusion

Habitat recognizes that high risk geographies may be international and domestic. Therefore, Habitat has conducted a geographic analysis. **The analysis revealed that Habitat does not operate in any HIDTAs and does not operate in any HIFCAs.**

Because Habitat does not offer many of the products normally rated high risk, and its selection process includes unique criteria that require an in-depth knowledge of the borrower, any geographical risk is substantially mitigated. Additionally, our analysis documented Habitat’s minimal money laundering risk relative to international transactions. Therefore, based on the HIDTA and HIFCA geographic risk factors, Habitat’s geographic risk is assessed as: **Low.**

B. Controls Overview

After reviewing Habitat’s customers, products and services and the risks related to each, we reviewed the control processes Habitat employs to mitigate potential money laundering risks and/or OFAC risks. The controls detailed below are utilized in connection with all lending activity of Habitat.

- **Loan Product Restrictions** – Habitat offers a very limited range of conservative loan products. These loans are low risk in nature and are described in further detail in Section II. A. 2. above.
- **Borrower Eligibility Restrictions** – Habitat only accepts borrowers who demonstrate financial need for Habitat’s unique **zero interest equivalent** loan products. Because of the in-depth review of the borrower’s background and circumstances, Habitat’s borrowers are low risk in nature. The borrower eligibility requirements are described in further detail in Section II. A. 1. above.

- **Borrower Selection Process** – Habitat uses a unique, stringent borrower selection process. As part of that process, borrowers are required to contribute “sweat equity” or labor towards the construction of the home. The borrower selection process is described in further detail in Section II. A. 1. above.
- **Borrower Due Diligence** – Apart from the unique loan product restrictions, borrower eligibility restrictions, and borrower selection process, Habitat conducts a due diligence review on all borrowers, including the verification of borrower identity and other application information, and credit and OFAC customer screening.
- **Training** – Habitat’s staff shall undergo training on their responsibilities and obligations regarding AML issues on at least an annual basis.
- **Formal Policies and Processes** – Habitat utilizes formal policies and procedures for its lending program. Those pertaining to borrower eligibility, loan product restrictions, and the borrower selection process are mandated for all U.S. affiliates of Habitat for Humanity.

III. Phase 2: OFAC Risk Assessment

A. OFAC Overview

The Office of Foreign Assets Control (“OFAC”) of the U.S. Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against entities such as targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

All U.S. persons, U.S. financial institutions, bank holding companies, RMLO’s and non-bank subsidiaries must comply with OFAC’s regulations. In general, the regulations require the following:

- blocking of accounts and other property of specified countries, entities, and individuals;
- prohibiting or rejecting unlicensed trade and financial transactions with specified countries, entities, and individuals;
- reporting to OFAC of all blockings within ten days of the occurrence and annually by September 30 concerning those assets blocked (as of June 30); and
- depositing blocked assets or funds into a blocked account.

As a matter of sound practice and in order to ensure compliance, RMLOs should establish and maintain effective, written OFAC compliance programs commensurate with their OFAC risk profile (based on products, services, customers, and geographic locations). As OFAC sanctions can reach into virtually all areas of its operations, Habitat’s risk assessment reviewed its products, customers, and services, as detailed in the above Section II. A. The OFAC risk assessment then considered those customers, products and services in light of the following internal controls for screening and reporting of OFAC-related issues:

- OFAC screening of customer at account opening;

- periodic OFAC screening of customer if involved in on-going relationship;
- identification and review of suspect transactions; and
- reporting of suspect transactions.

B. Conclusion

The chart in this section entitled “OFAC Quantity of Risk Matrix” illustrates and analyzes Habitat’s OFAC risk level. The matrix is based on The Quantity of Risk Matrix – OFAC Procedures found in Appendix M of the FFIEC BSA/AML Examination Manual. The matrix measures Habitat’s OFAC risk in seven categories. Habitat’s operations scored as **low risk in all seven risk categories.**

Habitat conducts OFAC screenings relating to any and all of Habitat’s products and services once information on the applicant has been reviewed and approved by the underwriter. Therefore, the final OFAC risk rating -- comprised of the results of the OFAC Quantity of Risk Matrix, shown below, and the results of the AML and OFAC Controls Analysis in Section II. B. above is: **Low**

OFAC Quantity of Risk Matrix

Low	Moderate	High
Stable, well-known customer base in a localized environment. Habitat’s program involves unique borrower eligibility restrictions, loan product restrictions, and borrower selection procedures, resulting in a small customer base, with which staff is closely familiar.	Customer base changing due to branching, merger, or acquisition in the domestic market.	A large, fluctuating client base in an international environment.
Few high-risk customers; these may include nonresident aliens, foreign individuals (including accounts with U.S. powers of attorney), and foreign commercial customers. Habitat has few high-risk customers.	A moderate number of high-risk customers.	A large number of high-risk customers.
No overseas branches and no correspondent accounts with foreign entities. This affiliate has no overseas offices and only accepts funds from accounts established in the U.S.	Overseas branches or correspondent accounts with foreign entities.	Overseas branches or multiple correspondent accounts with foreign entities.
No electronic services offered, or products available are purely informational or non-transactional. Habitat offers no on-line or other electronic mortgage transaction services. Any products available online are purely informational.	Habitat offers limited electronic products and services.	Habitat offers a wide array of electronic products and services
Limited number of funds transfers for customers and noncustomers, limited third-party transactions, and no international	A moderate number of funds transfers, mostly for customers. Possibly, a few international funds transfers from	A high number of customer and noncustomer funds transfers, including international funds transfers.

funds transfers. Habitat does not conduct funds transfers and only accepts funds from a limited number of known sources from accounts established in the U.S.	personal or business accounts.	
No other types of international transactions. Habitat conducts no business internationally.	Limited other types of international transactions.	A high number of other types of international transactions.
No history of OFAC actions. No evidence of apparent violation or circumstances that might lead to a violation. Habitat has no history of OFAC actions. There is no evidence of apparent circumstances that might lead to a violation.	A small number of recent actions (i.e., actions within the last five years) by OFAC, including notice letters, or civil money penalties, with evidence that Habitat addressed the issues and is not at risk of similar violations in the future.	Multiple recent actions by OFAC, where Habitat has not addressed the issues, thus leading to an increased risk of Habitat undertaking similar violations in the future.

IV. Phase 3: Results with FFIEC Risk Matrix

Habitat independently prepared an AML Quantity of Risk Matrix, which is a tool employed by regulators to plot the AML risk of products, services, customers and geographies. The Quantity of Risk Matrix is found in Appendix J of the FFIEC BSA/AML Examination Manual and has been adapted for use in the RMLO process. This matrix utilizes nine risk categories to determine the potential of money laundering risk of a financial institution. Habitat scored as **low risk in all nine categories**, which resulted in an overall AML risk rating of **Low**.

AML Quantity of Risk Matrix

Low	Moderate	High	
Stable, known customer base. Habitat’s program involves unique borrower eligibility restrictions, loan product restrictions, and borrower selection procedures, resulting in a small customer base, with which staff is closely familiar.	Customer base increasing due to branching, merger, or acquisition.	A large and growing customer base in a wide and diverse geographic area.	
No electronic services or the web site is informational or non-transactional. Habitat’s website is informational or non-transactional. No online or electronic mortgage transaction services are offered.	Habitat is beginning electronic offering limited products and services.	Habitat offers a wide array of electronic products and services	
Low	Moderate	High	Moderate
On the basis of information received from the BSA-reporting database, there are few or no large currency or structured transactions. Habitat receives few or no large currency or structured transactions.	On the basis of information received from the BSA-reporting database, there is a moderate volume of large currency or structured transactions.	On the basis of information received from the BSA-reporting database, there is a significant volume of large currency or structured transactions.	

Identified a few high-risk customers. Habitat has very few high risk customers, with substantial mitigating factors for any such individuals.	Identified a moderate number of high-risk customers.	Identified a large number of high-risk customers.
No foreign financial accounts or offices in foreign countries. This affiliate has no overseas offices, no foreign banking relationships and only accepts funds from accounts established in the US.	Habitat has a few foreign financial accounts, but typically with financial institutions with adequate AML policies and procedures from low-risk countries.	Habitat maintains a large number of foreign financial account relationships with financial institutions with inadequate AML policies and procedures, particularly those located in high-risk jurisdictions.
Few international customers. Habitat does not accept applications from nonresident aliens or foreign-based individuals.	Moderate level of international customers.	Large number of international customers.
A limited number of funds transfers for customers, noncustomers, limited third-party transactions, and no foreign funds transfers. Habitat does not conduct funds transfers and only accepts funds from a limited number of known sources from accounts established in the U.S..	A moderate number of funds transfers. A few international funds transfers from personal or business accounts with typically low-risk countries.	A large number of noncustomer funds transfer transactions. Frequent funds from personal or business accounts to or from high-risk jurisdictions, and financial secrecy havens or jurisdictions.
Habitat is not located in a High Intensity Drug Trafficking Area (HIDTA) or High Intensity Financial Crime Area (HIFCA). No fund transfers or account relationships involve HIDTAs or HIFCAs. Habitat does not operate in any HIDTA or HIFCA regions.	Habitat is located in an HIDTA or an HIFCA. Company has some fund transfers or account relationships that involve HIDTAs or HIFCAs.	Habitat is located in an HIDTA and an HIFCA. A large number of fund transfers or account relationships involve HIDTAs or HIFCAs.
No transactions with high-risk geographic locations. Habitat does not have an international footprint or an international area of operation.	Minimal transactions with high-risk geographic locations.	Significant volume of transactions with high-risk geographic locations.

V. Phase 4: Donor and Restore operations Risk Assessments

A. Donations to Habitat

Habitat recognizes that it could unwittingly be used in a fraud, terrorist financing, or money laundering scheme carried out by individuals or organizations posing as donors to Habitat. As Habitat receives monetary donations from a variety of sources it is imperative that Habitat assess the risk to the affiliate of its donor operations and protocols. The greatest risks to nonprofits come from large cash donations, anonymous donations, donations made from international sources, or donations made via dubious wire transfers, or EFTs. Nonprofits can

minimize their risk by maintaining thorough donor records. Habitat's risk assessment will review its donor recordkeeping practices and the history and likelihood of receiving high-risk donations.

B. ReStore Operations

Bank Secrecy Act Title 31 Subtitle B Chapter X Part 1027 gives 'Rules to Dealers in Precious Metals, Precious Stones, or Jewels'. These rules define which private organizations (dealers) must institute an anti-money laundering program and dictate the terms under which said AML program must operate. For the purposes of these regulations a dealer is defined as 'a person engaged within the United States as a business in the purchase and sale of covered goods and who during the prior calendar or tax year a) purchased more than \$50,000 in covered goods and b) received more than \$50,000 in gross proceeds from the sale of covered goods.

Covered goods are defined as jewels, precious metals, precious stones, or finished goods (including, but not limited to, jewelry, numismatic items, and antiques), that derive 50 percent or more of their value from jewels, precious metals, or precious stones contained in or attached to such finished goods.

These rules grant exceptions to various types of businesses such as certain jewelry retailers, industrial manufacturers, pawnbrokers, and consignment stores. Habitat recognizes that its ReStore operations do not expressly place it in the category of a dealer. However, Habitat also recognizes that its ReStore operations also do not expressly exempt it from the category of a dealer. Habitat believes there is the possibility its ReStore operations could be exploited to further money laundering or terrorist financing purposes. With this in mind, Habitat feels it is prudent to include ReStore operations under the umbrella of its Anti-Money Laundering Risk Assessment. This portion of the Risk Assessment will review: 1. Donations of covered goods valued in excess of \$50,000. 2. Purchases of these covered goods.

The Habitat ReStore does have an online retail store. Payments made over this website must be made via credit card and are processed through Stripe Payment Processing. These payments must be manually entered into the ReStore point of sale system each day for order completion. The Stripe Payment Processing has its own anti-fraud, identity theft, vetting, and due diligence procedures as confirmed by Stripe's payment security literature. The ReStore relies on Stripe's procedures for credit card processing but will continue to review online orders for potential red flags.

C. AML Conclusion

Habitat does not receive large cash donations and has not received an anonymous donation above \$1,000 in the past 3 years. Habitat does not receive donations from international sources or via wire transfer. Habitat utilizes Blackbaud eTapestry software to maintain its donor records. This is an industry leading donor management software. The overall level of risk based on Habitat's donor history and anticipated donor activity is **Low**.

The Habitat ReStore has never received a donation of covered goods valued in excess of \$50,000. Thus, the ReStore has never received proceeds from the sale of such covered goods. ReStore managerial staff believe it to be highly unlikely that the ReStore will find itself in a situation to receive a donation of or sell such covered goods. The ReStore's online payment

processing vendor limits its fraud and AML risk. The overall level of risk based on the ReStore's historical and anticipated operations is **Low**.

VI. Phase 5: Conclusion Regarding AML Risk and Development Of Action Plan

A. AML Conclusion

Overall, Habitat has a low AML risk profile. Phase 1 of this risk assessment showed minimal high risk customers, products and services. Furthermore, as detailed throughout this Risk Assessment, unique factors inherent in Habitat's lending program, such as borrower eligibility requirements, loan product restrictions, and an in-depth borrower selection process, significantly mitigate any risk associated with its customers, products, and services. Thus, the overall level of risk based on Habitat's customers, products and services/transaction is **Low**.

Habitat **does not conduct business in any HIDTA or HIFCA region**. Habitat has no international activity or presence. For these reasons, Habitat's geographic AML risk is **Low**.

In conclusion, the AML/BSA/OFAC Risk Assessment composite analysis related to customers, transactions, services, geography, monitoring and investigative factors determined that the overall AML risk for Habitat is **Low** for **2021-2022**. Furthermore, the results of Habitat's AML/BSA/OFAC Risk Assessment are corroborated by the results of the FFIEC Risk Matrix and also support a finding of a **Low** AML risk level.

B. Action Plan

Habitat has utilized the risk assessment execution as an opportunity to analyze and compare the current processes and procedures as they relate to AML. In doing so, Habitat identified potential enhancement opportunities for its newly-established AML program. As part of its AML Program, Habitat is committed to establishing comprehensive AML policy and procedures which will include a **Customer Identification Program [CIP]**. An action plan has been established in order to:

- state the goals necessary to enhance the AML program;
- specify the actions necessary to meet each goal; and
- organize and track the status of each step.

The Action Plan will also fill the role of a strategic plan, in that the Action Plan will be the roadmap for the continued enhancement of Habitat's AML Program. The Action Plan is described in the following chart:

Action Plan					
Action #	Item	Date Required	Required Actions	Date Completed	Date of Implementation
1	AML/BSA Policy		Develop appropriate AML/BSA Policy to include and address all risks identified in the Risk Assessment process.		
2	CIP Policy		Design a comprehensive and detailed Customer Identification Program process with documented Policy/Procedures which will ensure that Habitat: <ul style="list-style-type: none"> • Maintains an adequate description of or a copy of the document(s) that were relied on to verify the customer's identity; and • Provides risk-based guidance as to when to request documentary verification, when to perform non-documentary verification, and when to request additional verification 		
3	AML/BSA Procedures				
3.1	SAR Reporting & Submission		Complete SAR reporting and processing procedure including the following: <ul style="list-style-type: none"> • procedures for capturing SAR decisions and escalating those decisions to senior management, • procedures for retaining SARs and their supporting documentation, including maintenance of a SAR log; • procedures for complying with the strict confidentiality requirements pertaining to SARs, • procedures for monitoring for suspicious activity, and • procedures for notifying the board of SARs. 		
3.2	AML Referral Process		Design a process for staff/volunteers to refer suspicious activity.		
3.3	Subpoenaed Accounts		Design a process relative to the receipt of subpoenas.		
3.5	Standard Investigative Protocol		Complete a procedure detailing how and by whom suspect activity will be investigated		

APPENDIX

HIDTA & HIFCA Regions

I. HIDTA

The High Intensity Drug Trafficking Areas (HIDTA) program, created by Congress with the Anti-Drug Abuse Act of 1988, provides assistance to Federal, state, local, and tribal law enforcement agencies operating in areas determined to be critical drug-trafficking regions of the United States. There are currently 28 HIDTAs, which include approximately 16% of all counties in the United States and 60% of the U.S. population. HIDTA-designated counties are located in 46 states, as well as in Puerto Rico, the US Virgin Islands, and the District of Columbia.

HIDTA COUNTIES BY STATE

State/Territory	HIDTA Region	HIDTA Counties	Number of Counties
Alabama	Gulf Coast HIDTA	Baldwin, Jefferson, Madison, Mobile, Montgomery, Morgan	6
Arizona	SW Border-AZ Region	Cochise, La Paz, Maricopa, Mohave, Navajo, Pima, Pinal, Santa Cruz, Yuma	9
Arkansas	Gulf Coast HIDTA	Benton, Jefferson, Pulaski, Washington	4
California	Los Angeles HIDTA	Los Angeles (City of Los Angeles), Orange, Riverside, San Bernardino	4
	Central Valley California HIDTA	Fresno, Kern, Kings, Madera, Merced, Sacramento, San Joaquin, Shasta, Stanislaus, Tulare	10
	Northern California HIDTA	Alameda, Contra Costa, Lake, Marin, Mendocino, Monterey, San Francisco, San Mateo, Santa Clara, Santa Cruz, Sonoma	11
	SW Border-CA Region	Imperial, San Diego	2
Colorado	Rocky Mountain HIDTA	Adams, Arapahoe, Boulder, Denver, Douglas, Eagle, El Paso, Garfield, Grand, Jefferson, La Plata, Larimer, Mesa, Moffat, Pueblo, Routt, Weld	17
Connecticut	New England	Fairfield, Hartford, New Haven	3

	HIDTA		
Florida	Central FL HIDTA	Hillsborough, Orange, Osceola, Pinellas, Polk, Seminole, Volusia	7
	North Florida HIDTA	Alachua, Baker, Clay, Columbia, Duval, Flagler, Marion, Nassau, Putnam, St. Johns	10
	South Florida HIDTA	Broward, Miami-Dade, Monroe, Palm Beach	4
Georgia	Atlanta HIDTA	Barrow, Bartow, Cherokee, Clayton, Cobb, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, and Henry	12
Hawaii	Hawaii HIDTA	City and County of Hawaii (the Islands of Hawaii and Oahu), Honolulu, Kauai County (the Island of Kauai), Maui County (the Islands of Maui, Molokai and Lanai)	4
Illinois	Chicago HIDTA	Cook, (City of Chicago), Grundy, Kendall, Will	4
Indiana	Lake County HIDTA	Lake, Porter	2
Iowa	Midwest HIDTA	Black Hawk, Linn, Marshall, Muscatine, Polk, Pottawattamie, Scott, Woodbury	8
Kansas	Midwest HIDTA	Barton, Cherokee, Crawford, Finney, Franklin, Johnson, Labette, Leavenworth, Miami, Saline, Sedgwick, Seward, Shawnee, Wyandotte	14
Kentucky	Appalachia HIDTA	Adair, Bell, Breathitt, Clay, Clinton, Cumberland, Floyd, Harlan, Jackson, Knott, Knox, Laurel, Lee, Leslie, Letcher, Magoffin, Marion, McCreary, Owsley, Perry, Pike, Pulaski, Rockcastle, Taylor, Warren, Wayne, Whitley	28
Louisiana	Gulf Coast HIDTA	Bossier, Caddo, Calcasieu, East Baton Rouge, Jefferson, Lafayette, Orleans and Ouachita	8

Maine	New England HIDTA	Cumberland	1
Maryland	Wash/Baltimore HIDTA	Anne Arundel, Baltimore, Baltimore City, Charles, Harford, Howard, Montgomery, Prince George's (City of Baltimore)	8
Massachusetts	New England HIDTA	Essex, Hampden, Middlesex, Plymouth, Suffolk, Worcester	6
Michigan	Michigan HIDTA	Allegan, Genesee, Kalamazoo, Kent, Macomb, Oakland, Saginaw, Van Buren, Washtenaw, Wayne	10
Mississippi	Gulf Coast HIDTA	Hancock, Harrison, Hinds, Jackson, Lafayette, Madison, Rankin	7
Missouri	Midwest HIDTA	Boone, Buchanan, Cape Girardeau, Christian, Clay, Cole, Franklin, Greene, Jasper, Jackson, Jefferson, Marion, Platte, Scott, St. Charles, Texas, St. Louis, and City of St Louis	18
Montana	Rocky Mountain HIDTA	Cascade, Flathead, Lewis and Clark, Missoula, Yellowstone	5
Nebraska	Midwest HIDTA	Dakota, Dawson, Dodge, Douglas, Gage, Hall, Jefferson, Lancaster, Madison, Platte, Sarpy, Scott's Bluff	12
Nevada	Nevada HIDTA	Clark, Washoe	2
New Hampshire	New England HIDTA	Hillsborough	1
New Jersey	NY/NJ HIDTA	Bergen, Essex, Hudson, Mercer, Middlesex, Passaic, Union	7
	Philly/Camden HIDTA	Camden, (City of Camden)	1
New Mexico	SW Border-NM Region	Bernalillo, Chaves, Dona Ana, Eddy, Grant, Hidalgo, Lea, Lincoln, Luna, Otero, Rio Arriba, San Juan, Sandoval, Santa Fe, San Juan, Torrance, Valencia	16
New York	NY/NJ HIDTA	Albany, Bronx, Nassau, Clinton, Erie, Franklin, Jefferson, Kings, Monroe,	17

		Nassau, New York,, Onondaga, Orange, Queens, Richmond, St. Lawrence, Suffolk, and Westchester	
North Carolina	Atlanta HIDTA	Alamance, Buncombe, Durham, Gaston, Guilford, Henderson, Johnston, McDowell, Mecklenburg, Randolph, Union, Wake, Wayne, and Wilson	14
North Dakota	Midwest HIDTA	Burleigh, Cass, Grand Forks, Morton, Ramsey, Richland, Walsh, Ward	8
Ohio	Ohio HIDTA	Cuyahoga, Fairfield, Franklin, Greene, Hamilton, Lucas, Mahoning, Montgomery, Stark, Summit, Warren	11
Oklahoma	North Texas HIDTA	Cleveland, Comanche, Muskogee, Oklahoma, Sequoyah, Tulsa	6
Oregon	Oregon HIDTA	Clackamas, Deschutes, Douglas, Jackson, Lane, Marion, Multnomah, Umatilla, Warm Springs Reservation, and Washington	10
Pennsylvania	Philly/Camden HIDTA	Chester, Delaware, Philadelphia (City of Philadelphia)	3
Rhode Island	New England HIDTA	Providence	1
South Carolina	Atlanta HIDTA	Lexington, Richland	2
South Dakota	Midwest HIDTA	Beadle, Brookings, Brown, Clay, Codington, Custer, Lawrence, Lincoln, Meade, Minnehaha, Pennington, Union, Yankton	13
Tennessee	Appalachia HIDTA	Bledsoe, Campbell, Claiborne, Clay, Cocke, Cumberland, Fentress, Franklin, Grainger, Greene, Grundy, Hamblen, Hamilton, Hawkins, Jackson, Jefferson, Knox, Macon, Marion, Overton, Pickett, Putnam, Rhea, Roane, Scott, Sequatchie, Sevier, Unicoi, Washington, White	30
Tennessee	Atlanta HIDTA	Shelby	1
Texas	Houston HIDTA	Aransas, Brooks, Fort Bend, Galveston, Hardin, Harris, Jefferson, Jim Wells,	17

		Kennedy, Kleberg, Liberty, Montgomery, Nueces, Orange, Refugio, San Patricio, Victoria, (City of Houston)	
	North TX HIDTA	Collin, Dallas, Denton, Ellis, Henderson, Hood, Hunt, Johnson, Kaufman, Lubbock, Navarro, Parker, Rockwall, Smith, Tarrant, (Cities of Dallas and Fort Worth)	15
	SW Border-S TX Region	Bexar, Brewster, Cameron, Crockett, Culberson, Dimmit, Ector, El Paso, Hidalgo, Hudspeth, Jeff Davis, Jim Hogg, Kinney, La Salle, Maverick, Midland, Pecos, Presidio, Reeves, Starr, Terrell, Travis, Val Verde, Webb, Willacy, Zapata, Zavala	27
	SW Border-W TX Region	Brewster, Crockett, Culberson, Jeff Davis, El Paso, Hudspeth, Pecos, Presidio, Reeves, Terrell	10
Utah	Rocky Mountain HIDTA	Davis, Salt Lake, Summit, Utah, Washington, Weber	6
Vermont	New England HIDTA	Chittenden	1
Virginia	Wash/Baltimore HIDTA	Alexandria, Arlington, Chesterfield, Fairfax, Fairfax City, Falls Church, Hanover, Henrico, Hopewell, Loudon, Manassas, Manassas Park, Petersburg, Prince George, Prince William, City of Richmond	16
Washington	Northwest HIDTA	Benton, Clark, Cowlitz, Franklin, King, Kitsap, Lewis, Pierce, Skagit, Snohomish, Spokane, Thurston, Whatcom, Yakima	14
West Virginia	Appalachia HIDTA	Boone, Cabell, Kanawha, Lincoln, Logan, Mason, McDowell, Mercer, Mingo, Putnam, and Wayne	11
Wisconsin	Milwaukee HIDTA	Brown, Dane, Kenosha, Milwaukee, Racine, Rock, Waukesha	7

Wyoming	Rocky Mountain HIDTA	Albany, Campbell, Laramie, Natrona, Sweetwater, Uinta	6
Wash., D.C.	Wash/Baltimore HIDTA	District of Columbia	0
Puerto Rico	PR/VI HIDTA	Territory of Puerto Rico	0
Virgin Islands	PR/VI HIDTA	Territory of U.S. Virgin Islands	0

II. HIFCA

HIFCA stands for High Intensity Financial Crime Area. The HIFCA program is intended to concentrate law enforcement efforts at the federal, state, and local level to combat money laundering in designated high-intensity money laundering zones.

HIFCA Counties by State

State/Territory	HIFCA Region	HIFCA Counties/Areas
Arizona	Southwest Border	All Counties
California	California Northern District	Monterey, Humboldt, Mendocino, Lake, Sonoma, Napa, Marin, Contra Costa, San Francisco, San Mateo, Alameda, Santa Cruz, San Benito, Monterey, Del Norte
	California Southern District	Los Angeles, Orange, Riverside, San Bernardino, San Luis Obispo, Santa Barbara, Ventura
Florida	South Florida	Broward, Miami-Dade, Indian River, Martin, Monroe, Okeechobee, Palm Beach and St Lucie
Illinois	Chicago	Cook, McHenry, Dupage, Lake, Will, Kane
New Jersey	New York	all counties
New York	New York	all counties
Puerto Rico	Puerto Rico	all areas
Texas	Southwest Border	Counties bordering, and adjacent to those bordering, the US and Mexico border
US Virgin Islands	Puerto Rico	all areas