

FEDERAL COMPLIANCE POLICY MANUAL

Table of Contents

TABLE OF CONTENTS	1
CHAPTER 1 EXECUTIVE SUMMARY	6
CHAPTER 2 GENERAL DEFINITIONS	7
CHAPTER 3 CONSUMER PROTECTION & PRIVACY	9
3.1 CONSUMER EDUCATION	9
3.2 CONSUMER COMPLAINTS	9
3.3 PRIVACY—GRAMM-LEACH-BLILEY ACT	9
3.4 FAIR LENDING	10
3.4.1 Fair Housing Act and Fair Lending.....	10
3.4.2 UDAP and Fair Lending.....	11
3.5 TELEPHONE CONSUMER PROTECTION ACT (TCP)/DO NOT CALL/DO NOT FAX	11
3.6 ANTI-PREDATORY LENDING POLICY	12
3.7 PATRIOT ACT—CUSTOMER IDENTIFICATION PROGRAM	13
3.8 APPROVED INVESTORS AND PRODUCTS	13
3.8.1 Minimum Loan Amount.....	14
3.8.2 Escrow Deposit Accounts.....	14
3.9 MANDATORY ARBITRATION AND SINGLE-PREMIUM CREDIT LIFE INSURANCE	14
3.10 APPLICATION FEE POLICY	15
CHAPTER 4 FEDERAL AND ELECTRONIC DISCLOSURES	16
4.1 APPLICATION AND PROCESSING DISCLOSURES	16
4.2 OTHER NOTICES	19
4.3 ELECTRONIC DISCLOSURES	20
4.4 APPLICABLE LAWS	20
4.5 METHODOLOGY	21
4.6 CONSUMER ACCEPTANCE	21
4.7 CONTENT OF E-DISCLOSURE PROCESS ACKNOWLEDGEMENT	21
4.8 PRIVACY AND SECURITY	22
4.9 EQUAL CREDIT OPPORTUNITY ACT (ECOA)—REGULATION B	22
4.10 TRUTH IN LENDING ACT (TILA)—REGULATION Z	23
CHAPTER 5 FLOOD INSURANCE AND RECORD RETENTION	24
5.1 FLOOD INSURANCE	24
5.2 RECORDKEEPING REQUIREMENTS	25
5.3 RECORD RETENTION	25

FEDERAL COMPLIANCE POLICY MANUAL

CHAPTER 6	FCRA/FACTA	26
6.1	FCRA—REQUEST FOR CREDIT REPORT	26
6.2	CONSUMER CREDIT SCORE DISCLOSURE	26
CHAPTER 7	HMDA AND NMLS REPORTING, ECOA NOTICES	28
7.1	HMDA.....	28
7.2	NMLS REPORTING	28
7.3	ECOA.....	29
7.4	APPLICATIONS AND PRE-APPROVALS DEFINED FOR HMDA, NMLS, AND ECOA	29
7.5	PRE-QUALIFICATION POLICIES	30
7.5.1	Inquiries.....	30
7.6	PRE-QUALIFICATIONS WITHOUT A PROPERTY.....	30
7.7	NO RESPONSE TO REQUESTS FOR ADDITIONAL INFORMATION	32
7.8	PRE-APPROVAL PROGRAM	32
7.9	APPLICATIONS	33
7.10	APPROVED BY UNDERWRITING.....	33
7.11	APPLICATION DENIED BY UNDERWRITING.....	34
7.12	ACCEPTABLE REASONS FOR DENIAL.....	34
7.13	APPLICATION WITHDRAWN	35
7.14	NO RESPONSE TO REQUESTS FOR ADDITIONAL INFORMATION	36
7.15	COUNTEROFFERS—ECOA	36
7.16	APPLICATION APPROVED BY INVESTOR AND NOT CLOSED	37
7.17	APPLICATION DENIED BY INVESTOR	37
CHAPTER 8	COMPLETING APPLICATION FORM AND INTENT TO PROCEED	38
8.1	OVERVIEW.....	38
8.2	EQUAL CREDIT OPPORTUNITY ACT (ECOA, REGULATION B)	39
8.3	COMPLETED APPLICATION—ECOA.....	41
8.4	INTENT TO PROCEED.....	42
CHAPTER 9	REAL ESTATE SETTLEMENT PROCEDURES ACT	43
9.1	LOANS COVERED UNDER RESPA	43
9.2	TRANSACTIONS EXEMPT FROM RESPA.....	43
9.3	SECTION 8 VIOLATIONS—UNEARNED FEES AND KICKBACKS	44
9.4	INITIAL ESCROW ACCOUNT CALCULATION AND STATEMENT	44
CHAPTER 10	APPRAISER INDEPENDENCE AND RIGHT TO RECEIVE APPRAISAL	46
10.1	REMOVAL FROM APPROVED APPRAISER LIST	47
10.2	APPLICANT NOTIFICATION AND RECEIPT OF APPRAISAL.....	47
CHAPTER 11	REGULATION Z-TRUTH IN LENDING ACT	49
11.1	TILA-RESPA INTEGRATED DISCLOSURE RULE (TRID).....	49

FEDERAL COMPLIANCE POLICY MANUAL

11.24.6	Itemization of Amount Financed	63
11.24.7	Amount Financed and Section 32 Fees	63
11.24.8	Corrections and Re-disclosure of the Closing Disclosure	65
11.24.9	Additional Three-Day Waiting Period	65
11.24.10	CD Waiting Period Waiver	66
11.24.11	Waiver of Closing Disclosure Three-Day Waiting Period	67
11.24.12	Post-Closing Corrections	67
11.24.13	Seven-Day Waiting Period	68
11.24.14	Staff Responsibilities	68
11.25	RIGHT OF RESCISSION	69
11.25.1	If the Borrower Wishes to Rescind	69
11.25.2	Waiver of Right to Rescind	70
11.26	OTHER TILA-RESPA EARLY DISCLOSURES	70
11.26.1	Adjustable Rate Mortgage Program Disclosures	70
11.26.2	Your Home Loan Tool Kit: A step-by-step guide	70
11.26.3	List of Homeownership Counseling Organizations	71
11.27	HIGH-COST MORTGAGES—SECTION 32 OF REGULATION Z	71
11.27.1	APR Test	71
11.27.2	Points and Fees Test	72
11.27.3	Prepayment Penalty Test	72
11.27.4	Requirements for Section 32 Loans	72
11.28	HIGHER-PRICED MORTGAGE LOAN RULES (HPML)—SECTION 35 OF REGULATION Z	73
11.28.1	Requirements	73
11.28.2	APOR	74
11.29	HIGHER-PRICED COVERED TRANSACTIONS (HPCT)—QM	74
11.30	LOAN ORIGINATOR COMPENSATION	75
CHAPTER 12	REGULATION Z & REGULATION N—ADVERTISING	76
12.1	ADVERTISING	76
12.2	TRIGGER TERMS	77
12.3	RECORD RETENTION OF ADVERTISING	78
12.4	PROHIBITIONS	78
CHAPTER 13	SAFE ACT POLICIES AND PROCEDURES	80
13.1	[COMPANY] LICENSING/REGISTRATION POLICIES	80
13.2	LOAN ORIGINATOR LICENSING	80
13.3	UNIQUE IDENTIFIER	81
13.4	WHEN TO ALERT THE NMLS	81
CHAPTER 14	MORTGAGE INSURANCE—HOMEOWNERS PROTECTION ACT	82

FEDERAL COMPLIANCE POLICY MANUAL

14.1	BORROWER REQUESTED CANCELLATION OF PMI	82
14.2	AUTOMATIC TERMINATION OF PMI	83
14.3	FINAL TERMINATION OF PMI	83
CHAPTER 15	UNFAIR, DECEPTIVE, OR ABUSIVE ACTS AND PRACTICES (UDAAP)	84
15.1	PRODUCT INFORMATION AND STEERING	85
15.2	ADVERTISING	85
15.3	COMPLIANCE AND OVERSIGHT	86
CHAPTER 16	LOBBY POSTING REQUIREMENTS	87
16.1	EQUAL HOUSING LENDER POSTER	87
16.2	HOME MORTGAGE DISCLOSURE ACT NOTICE	87
CHAPTER 17	INTERNAL CONTROLS	88
17.1	REQUIRED REVIEW	88
17.2	INTERNAL CONTROLS	88
17.3	EXECUTIVE OVERSIGHT	89
CHAPTER 18	STAFF TRAINING	90
18.1	ONGOING TRAINING	90
18.2	NEW HIRE TRAINING	91
18.3	EMPLOYEE RESPONSIBILITIES AND TRAINING	91
CHAPTER 19	APPENDIX	92
19.1	MAP AND TILA ADVERTISING CHECKLIST	92
19.2	POLICY MANUAL UPDATE RECORDS	96

In no event, shall Indecomm Global Services, its subsidiaries, successors and/or assigns, be liable to [COMPANY], a subsequent assignee or purchaser of [COMPANY], or to any other person for (i) the repurchase of any loan for any reason, including the default of the borrower, (ii) any loss or financial loss or consequential, special or punitive damages incurred by [COMPANY] or other person based on policies and/or statements referenced in this publication.

FEDERAL COMPLIANCE POLICY MANUAL

Chapter 2 General Definitions

Advertisement

A commercial message in any medium that promotes, directly or indirectly, a credit transaction.

Application

[COMPANY] monitors the definition of an application in TILA, RESPA, ECOA and other regulations that specify action items related to the application date.

The Real Estate Settlement Procedures Act defines an application as the consumer's submission of financial information in anticipation of a credit decision relating to a federally related mortgage loan, which shall include 1) the borrower's name, 2) the borrower's monthly income, 3) the borrower's social security number to obtain a credit report, 4) the property address, 5) an estimate of the value of the property, 6) the mortgage loan amount sought, and 7) any other information deemed necessary by the loan originator. An applicant may either be in writing or electronically submitted, including a written record of an oral application.

The Truth-In-Lending Act defines an application as the consumer's submission of financial information for the purposes of obtaining an extension of credit, which shall

include 1) the consumer's name, 2) the consumer's income, 3) the consumer's social security number to obtain a credit report, 4) the property address, 5) an estimate of the value of the property, and 6) the mortgage loan amount sought.

The Equal Credit Opportunity Act defines an application as an oral or written request for an extension of credit that is made in accordance with procedures used by a creditor for the type of credit requested. Additionally, ECOA defines a completed application as an application in connection with which a creditor has received all the information that the creditor regularly obtains and considers in evaluating applications for the amount and type of credit requested. ECOA requires the creditor to exercise reasonable due diligence in obtaining a completed application.

Inquiry

A consumer request for mortgage information whereby the loan originator explains and provides only general information, such as loan terms, interest rates, loan-to-value ratios, debt-to-income ratios, or the process the consumer must follow to submit a mortgage application. The loan remains an inquiry if the loan originator does not discuss the

FEDERAL COMPLIANCE POLICY MANUAL

Chapter 3 Consumer Protection & Privacy

3.1 Consumer Education

An informed consumer is equipped to make a good decision and less likely to be a victim of predatory lending. Loan originators are required to provide complete, clear, and accurate information to the consumer about a product. Originators will provide information about mortgage financing and credit scores for consumers, even for those who do not appear to meet the investor requirements. A consumer should never be discouraged from applying for credit.

3.2 Consumer Complaints

Consumer complaints must be given immediate attention. When complaints cannot be resolved through standard procedures, management must be notified of the complaint. In cases where complaints are of a serious or repetitive nature, managers are expected to notify senior management or the compliance officer.

The Consumer Financial Protection Bureau (CFPB) website offers consumers a way to file a complaint with this agency. Consumers may also submit complaints to other regulatory agencies, attorney general or state regulators. Any complaints filed by a consumer about [COMPANY] must be given immediate attention.

RESPA contains specific requirements with regard to a consumer's Notice of Error or Request for Information.

Refer to [COMPANY]'s Consumer Complaint Policy and procedures for more information.

3.3 Privacy—Gramm-Leach-Bliley Act

The information obtained for a loan application and throughout processing is private and confidential (i.e., non-public personal information). All employees are required to maintain the confidentiality of all applicants' information. This includes the following:

- An applicant's information may not be discussed with anyone other than the underwriter, an investor's representatives, or [COMPANY]'s employees who have a need to know such information
- Realtors can only be given the status of the loan process and may not be given any personal information of the applicant