



Carrington

mortgage services, llc

CMS Correspondent Seller Guide

DOCUMENT OVERVIEW

Purpose The Carrington Mortgage Services, LLC (CMS) Correspondent Seller Guide (“Seller Guide”) governs certain aspects of the business relationship with CMS approved mortgage loan sellers (each a “Correspondent” and collectively the “Correspondents”). This Seller Guide provides information to assist the Correspondent with transacting business with CMS from loan submission through the purchase of the loan.

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Revision Summary

See the [Revision Summary](#) section.

Section 1. Overview

1.1 Introduction

This Seller Guide contains requirements for doing business with CMS pursuant to a Mortgage Loan Purchase Agreement (MLPA) and any other agreements between CMS and the Correspondent. The Correspondent is bound by all provisions of this Seller Guide and must adhere to all requirements contained in this Seller Guide, as well as CMS published guidelines. The Seller Guide provides information that will assist the Correspondent with transactions from loan submission to the purchase of the loan. The Seller Guide includes information on how to become an approved Correspondent, requirements for acceptable loans, lock policy, compliance requirements, delivery requirements and details on our underwriting policy. The Seller Guide contains general information, policies and procedures, terms and conditions, and requirements which are applicable to all loan transactions. CMS may terminate its relationship with the Correspondent at any time if the Correspondent fails to meet its obligations contained within this Seller Guide.

CMS program offerings include Carrington Advantage Non-QM Products to meet our Correspondent's needs.

CMS operates in accordance with all provisions of the Fair Housing Act and the Equal Credit Opportunity Act and adheres to all applicable federal and state fair housing and anti-predatory lending laws. In addition, CMS will always comply with all state and local laws.

CMS has a ZERO tolerance fraud policy. A Correspondent will be terminated if there is any evidence of loan misrepresentation or fraudulent activities.

1.2 Terms and Use of the Seller Guide

This Seller Guide contains confidential information and is the sole property of Carrington Mortgage Services, LLC (CMS). This Seller Guide cannot be reproduced or used for any other reason than conducting business with CMS. Unauthorized use of the Seller Guide, websites, and systems are strictly prohibited.

1.3 Updates to the Seller Guide

CMS reserves the right to amend or supplement the Seller Guide at any time in its sole discretion. All updates to the Seller Guide are effective as of the date stated on the update and/or Announcement. The Correspondent is responsible to review and comply with any update and/or announcement issued by CMS. CMS reserves the right to terminate relationship with a Correspondent at any time if the Correspondent fails to meet its obligations within this Seller Guide.

Section 1. Overview (continued)

1.4 Announcements

Announcements, revisions or updates to the Seller Guide are available on the CMS Correspondent website under Forms and Announcements at www.CarringtonCorrespondent.com. It is the responsibility of the Correspondent to remain current on all updates and address any questions regarding CMS policies and guidelines. Changes are effective immediately, unless the Announcement indicates a different effective date.

1.5 Carrington Correspondent Website

The Correspondent website for CMS is www.CarringtonCorrespondent.com. Upon Correspondent approval, a login and password will be assigned by the Client Administration Department to allow the Correspondent's access to the secure area of the website. The information contained on the website and the terms and conditions of the access to and the use of such information and materials are subject to change without notice.

1.6 Customer Support

CMS strives to maintain superior customer support to effectively handle all our Correspondent's needs. Contact your Relationship Manager and/or your Account Executive for assistance to any questions you may have.

1.7 Hours of Business

CMS hours of operation are Monday through Friday 8:00 AM to 5:00 PM Pacific Standard Time.

The CMS Lock Desk is available from 7:30 AM to 4:00 PM Pacific Standard Time Monday through Friday.

1.8 Holiday Schedule

CMS will be closed for business in observance of the following holidays:

- New Year's Day
- Martin Luther King, Jr. Day
- President's Day
- Memorial Day
- Juneteenth National Independence Day
- Independence Day
- Labor Day
- Veteran's Day
- Thanksgiving Day and Day after Thanksgiving Day
- Day before Christmas Day and Christmas Day

Section 2. Participation Requirements – Approval Process

Non-Delegated Correspondent (“Non-Delegated”) relationships are defined as mortgage loan bankers who originate, process, close, and submit for purchase loans that meet the program parameters and have been underwritten and approved subject to conditions by CMS. A completed Correspondent application submitted by the prospective client and approved by CMS is required prior to the submission of any loans for underwriting and purchase.

2.1 Applicant Eligibility

The below guidelines will be applied in evaluating Correspondent applicants for approval to do business with CMS:

- Originate loans directly through their retail operations.
 - NOTE - Loans originated by a third-party broker for the correspondent are not eligible.
- Be properly licensed and authorized to originate and sell loans meeting CMS’ product line and underwriting requirements.
- Have been in business for at least two (2) years with demonstrated experience selling loans on a correspondent basis with other lenders.
 - NOTE - In the case of newer firms, principals should have a minimum of seven (7) years’ experience in mortgage lending.
- Have a good reputation in the industry with proven references as a correspondent.
- Have a minimum tangible and verifiable net worth of \$100,000 derived from current financial statements.
- Be able to close loans in own name and have established at least one (1) funding facility with an industry-recognized warehouse lender.
 - NOTE – Financial institutions subject to oversight by the FDIC, NCUA, OTS, Federal Reserve Bank or Comptroller of the Currency will be allowed to fund loans with their own cash.
- Maintain a current Mortgagee Errors and Omissions Insurance Policy and Fidelity Bond with minimum coverage of \$300,000 per occurrence.
- Have a “good standing” rating with all governmental licensing and revenue collection agencies, including a public record clear of any significant civil or criminal judgments.
 - NOTE – An applicant whose firm has been suspended, is currently under investigation by governmental agencies or has an open judgment in excess of \$25,000 may not be approved.

Section 2. Participation Requirements (continued)

- All principal officers, owners and/or partners must have an acceptable personal credit profile. In the case of corporations, the entity must have a satisfactory corporate report.
 - NOTE - Past credit difficulties will be reviewed on a case-by-case basis. A letter from the Correspondent explaining the derogatory item(s) is required.
 - NOTE - Financial institutions subject to oversight by the FDIC, NCUA, OTS, Federal Reserve or Comptroller of the Currency may have this requirement waived.

2.2 Fair Lending Statement

CMS is fully committed to the principle that all credit decisions should be made without regard to race, color, religion, national origin, sex, marital and familial status, military status, disability, age (provided the applicant has the capacity to contract and the applicant is of an age meeting the underwriting requirements for the loan program), or any other basis prohibited by law. CMS fulfills this commitment while maintaining prudent credit discipline and sound business practice. The Correspondent must strictly comply with all applicable Fair Lending laws and regulations. All loans must be prudently originated. The Correspondent must treat each of its borrowers in a fair and consistent manner.

CMS recognizes affirmative steps must be taken to ensure this principle is applied consistently and continuously throughout all aspects of its credit operation, including product design, sales and marketing, underwriting, training, performance evaluation and servicing practices. Discrimination based on race, color, sex, sexual orientation, disability, national or ethnic origin, marital or familial status, religion, or age is unlawful and is not tolerated. Should a regulator cite the Correspondent for a Fair Lending violation, CMS shall exercise its right to terminate the relationship.

Section 2. Participation Requirements (continued)

2.3 Application Processing / Required Documentation

Applicants interested in obtaining approval to become a CMS Correspondent are directed as follows:

1. Access the CMS correspondent website located at www.CarringtonCorrespondent.com,
2. Select [Become an Approved Correspondent](#) button, and
3. Submit the requested contact information.

Applicants will be contacted by an account executive to discuss our requirements and expectations. If there is a mutual understanding that the requirements and expectations can be met, the account executive will send an application package via e-mail to the applicant. The completed application along with the requested supporting documents should be returned via e-mail to the account executive directly for their review. They will confirm delivery and forward the application for further processing to the CMS Client Administration department.

Applications for approval as a CMS Correspondent must provide the below documentation for review:

- Completed Correspondent Application, signed and dated.
- Completed Mortgage Loan Purchase and Sale Agreement ("Agreement"), signed and dated.
- Completed Corporate or Limited Liability Company Resolution, if applicable.
- Completed Compliance Attestation and Loan Fraud Zero Tolerance forms
- Completed Power of Attorney, signed and notarized.
- Completed Authorization to Release Information
 - NOTE – Employees of financial institutions subject to governmental agency oversight are exempt from providing personal credit profiles.
- Previous two (2) years' Financial Statements (balance sheet and profit and loss statements) and most recent interim financial statements (within the past five (5) months). Audited financials required for delegation.
 - NOTE – Applicants with unaudited financial statements will be required to provide three (3) most recent concurrent monthly statements for all operating and investment accounts held by the applicant.
- Resumes for principal officers, senior management (including Underwriting Manager).
- Organizational Chart
- Copy of Fidelity Bond Coverage and Mortgagee Errors & Omissions Insurance with minimum coverage of \$300,000 per occurrence and a deductible provision no greater than \$50,000

Section 2. Participation Requirements (continued)

- Appraisal Independence Requirements (AIR) Policy
- Anti-Steering Policy (or other policy incorporating anti-steering measures)
- Quality Control Policy and Procedures or Executed QC Vendor Contract
- Most recent QC report with management response to adverse findings (required for delegation).
- Copies of Agency Approval Letters with approval date and ID number (required for delegation).
- Most recent Investor Scorecards, if applicable.
- IRS Form W-9, completed and signed.
- Copy of wire instructions for each warehouse provider.

A due diligence will be performed on the client's documentation as well as information obtained through our verification process including reliance on search engines, government agency and proprietary exclusionary lists, credit repositories, public records and MIDEX. Upon review of the application and documentation along with the results of our investigative due diligence, a determination will be made on the application and the applicant will be advised of the decision by e-mail from the CMS [Client Administration](#) department.

Applicants who are approved for CMS Correspondent status will be further notified by letter of their account activation, including the key CMS contacts for their account, the steps to follow for orientation and the release of correspondent website ("corrlQ") credentials.

2.4 Insurance Policy Requirements

Correspondents must have a blanket fidelity bond or bankers bond and an errors and omissions insurance policy in effect at all times that satisfy current agency guidelines. These policies must insure the Correspondent against losses resulting from dishonest or fraudulent acts committed by the Correspondent's personnel, any employees of outside firms that provide data processing services for the Correspondent and temporary contract employees or student interns.

The fidelity bond also should protect against dishonest or fraudulent acts by the Correspondent's principal owner, if the Correspondent's insurance underwriter provides such coverage. The Correspondent must also obtain a direct surety bond to cover any officers, including its principal owner, if not covered by the fidelity bond.

Coverage for fidelity bond and errors and omissions, must be based on the Correspondent's total servicing portfolio, residential and commercial loans, which the Correspondent services itself and all other investors, including CMS, during the preceding 12 months. If the Correspondent does not service any loans it originates, minimum coverage of \$300,000 is required for Non-Delegated.

Section 2. Participation Requirements (continued)

Calculations are as follows:

Total Portfolio	Minimum Coverage Required
\$100 million or less	\$500,000
More than \$100 million but no more than \$500 million	\$500,000 + 0.15% of total portfolio exceeding \$100 million
More than \$500 million but no more than \$1 billion	\$1,500,000 + 0.125% of total portfolio exceeding \$500 million
Over \$1 billion	\$2,550,000 + 0.1% of total portfolio exceeding \$1 billion

The policy's deductible clause may be for any amount up to the greater of \$100,000 or 5% of the face amount of the bond.

2.5 Hiring Policy Requirements

Correspondent must have a hiring policy in place that ensures all employees including management involved in the managing or performing of origination functions on mortgage loans sold to CMS are verified as not present on any of the following lists prior to hiring:

- U.S. General Services Administration (GSA) Excluded Parties ("EPL") List
- OFAC Specially Designated National ("SDN") List
- HUD Limited Denial of Participation ("LDP") List
- FHFA Suspended Counterparty ("SCP") List

2.6 Compliance Reporting

Correspondents subject to the jurisdiction of any governmental agency or state or local regulatory agency (e.g., Fannie Mae, Freddie Mac, HUD, VA or FDIC), the Correspondent must deliver copies of any disciplinary action taken by such agency, including suspension or termination of the Correspondent's selling or servicing rights, within three business days of any such action to CMS Client Administration at: ClientAdministration@carringtonms.com.

Section 2. Participation Requirements (continued)

2.7 Notification of Significant Changes

Correspondents must notify CMS Client Administration in writing of any contemplated major changes in its organization, including with its notice copies of any filing with, or approvals from, its regulators. Significant changes where notification is required include, but are not limited to:

- Any mergers, consolidations or reorganizations
- Any direct or indirect material change in ownership (15% share or greater) including any change in ownership of the Correspondent's parent, any owner of the parent, or any beneficial owner of the Correspondent that does not own a direct interest in the Correspondent.
- Any change in corporate name
- Any change from a federal charter to a state charter (or vice versa) when the Correspondent is a savings and loan association or a bank
- A material adverse change in financial condition
- The sale of a substantial portion of the Correspondent's assets or a line of business

2.8 Early Payoff

Per the terms of Early Payoff as detailed in the Mortgage Loan Purchase and Sale Agreement executed by both parties, Correspondent will repay CMS for the premium paid for a loan if that loan is paid in full during the Early Payoff period.

2.9 Recertification

Approved Correspondents will be notified annually by e-mail that they must recertify or renew their approval with CMS. Completion of the recertification process is required if the Correspondent wishes to continue doing business with CMS. If the Correspondent is non-responsive, CMS will provide an additional notification with the final due date to submit the requested forms and documents.

Failure to recertify by the due date will result in the suspension of Correspondent's access to the CMS secure website, preventing further access to CMS products and the ability to submit, lock or fund loans.

NOTE: CMS reserves the right to conduct this review on a quarterly basis if it should determine that the Correspondents' overall performance so warrants.

Required documentation for the recertification process will include:

- Completed Correspondent Recertification Form, signed and dated.
- Last annual financial statements (balance sheet and profit and loss statement) and most recent interim financial statements (within the past five (5) months)

Section 2. Participation Requirements (continued)

- Resumes for any senior managers or company executives hired during the prior twelve (12) months
- Evidence of current Mortgagee Errors and Omissions Insurance Policy and Fidelity Bond with minimum coverage of \$300,000 per occurrence for Non-Delegated.
- Appraisal Independence Requirements (AIR) Policy
- Quality Control Policy and Procedures

2.10 Dormancy

To ensure that our clients remain knowledgeable about CMS products and trained on loan file preparation and delivery, CMS requires a minimum level of loan production activity from our clients. Review of account activity will occur quarterly and, based on the parameters in place at the time, inactive clients may be notified by e-mail that the account will be placed in a dormant status in thirty (30) days until client is able to generate loans for delivery to CMS. Recertification of the account may be a prerequisite to reactivation of a dormant account.

2.11 Termination

There may be occasions when a termination of the account becomes unavoidable with or without cause:

Termination With Cause

Client may be terminated with cause for reasons including, but not limited to:

- Fraud or misrepresentation of material facts
- Criminal conviction of organization, owner or executive officer
- Suspension or revocation of any of the Correspondent's state lending licenses
- Terminal breach of representations and/or warranties of the Agreement
- Excessive number of repurchase demands

Terminations with cause are effective immediately upon notification to the client. Loans which have not been purchased by CMS may be returned to the client under the terms of the Agreement.

Termination Without Cause

The client may be terminated without cause upon 30-day written notice by CMS. Only loans locked prior to the date of termination will be eligible for purchase. A terminated client must close out its pipeline by the expiration date of the lock agreement.

Section 3. Rate Lock Requirements

The following rate lock requirements and policies have been developed to minimize CMS' interest rate exposure for loans purchased by CMS. CMS Secondary Marketing will handle any circumstance not covered specifically in this document, on a case-by-case basis.

3.1 Rate Locks

Pricing/Locks

Secondary Marketing is responsible for establishing pricing for loans purchased by CMS. The rate sheets published on a daily and intraday basis are only indications. Market conditions are volatile and may cause intraday rate/price changes. Pricing is subject to change without notice due to market conditions or technical issues. No promises or guarantees concerning pricing and rates shall be communicated to a Correspondent prior to a Rate Lock Confirmation received from the Lock Desk or Secondary Marketing. Intraday rate/price changes do occur.

A lock is an agreement between the Correspondent and CMS. It stipulates the specific number of days CMS guarantees the rate/price. If interest rates rise during the stipulated lock period, CMS is committed to honor the original rate/price. If interest rates decline during the stipulated lock period, the Correspondent must honor the original rate/price. Although a loan may be locked, there is no guarantee that the borrower will be qualified for the loan, that is, the loan is subject to CMS underwriting approval and other eligibility requirements not assessed at the time of lock.

Lock Option Best Efforts

A Best Effort commitment is a commitment whereby the Correspondent locks a single loan with a pledge of best efforts to sell that loan to CMS. The Best Efforts lock commitment is a lock for a specific borrower, with a specific property and specific program and price. If the loan does not close, and the Correspondent cannot deliver the loan for purchase, a pair off fee will not be applied provided the Correspondent's 90 day pull through is at, or above CMS's pull through benchmark of 75%. If pull through is less than 75%, a pair off fee will be applied. During the first 90 days, all new clients will be subject to a \$200.00 non-delivery fee for loans that are locked but not sold to CMS.

Non Delegated

Correspondents can lock loans with CMS by going to www.CarringtonCorrespondent.com. Loans can be locked prior to, or after submission. Locking is available each business day (excluding weekends and holidays) until 4:00 PM PST.

Lock Periods

CMS lock period begins the day a loan is locked. Example; a 15 day lock is taken on August 1st and would expire on August 15th. Generally, CMS offers the following lock periods:

- 15-day lock
- 30-day lock
- 45-day lock
- 60-day lock

Lock periods may vary by loan product and which state the loan is at the time of lock.

Section 3. Rate Lock Requirements (continued)

Lock Terms

The following terms and lock periods are available for each program.

Term	Lock Period
30 Year	301 months to 360 months
25 Year	241 months to 300 months
20 Year	181 months to 240 months
15 Year	121 months to 180 months

Lock Times and Cutoff

Rate lock requests and rate lock extensions can be sent to the Lock Desk between the hours of 7:30 a.m. and 4:00 p.m. Pacific Time.

Any lock requests received after 4:00 p.m. Pacific Time will be processed the next business day.

Rates and Pricing

All rates and pricing are subject to change without notice due to market conditions or technical issues.

Lock Requests

All initial lock requests must be generated through *carringtoncorrespondent.com*. Non-system generated emails to the Lock Desk requesting initial rate locks will not be processed and the loans will not be locked.

Required Information

The following data must be provided to Secondary Marketing to establish a price and to track rate locks:

- Borrower name
- Property address
- Loan amount
- Loan type
- Program type
- Credit score(s)
- DTI ratios
- LTV/CLTV
- Occupancy
- Doc Type
- Loan Term
- Loan Purpose
- Note rate
- Lock period

Note: The Lock Desk may ask for additional information to complete a rate lock request.

Section 3. Rate Lock Requirements (continued)

3.2 Rate Lock Confirmation

Notice of Receipt

Secondary Marketing will send a notice indicating that the lock has been completed. If a notice of lock completion has not been received within two hours, the Lock Desk must be contacted. Lock requests do not guarantee the loan is or will be locked. Correspondent will be notified by email that the lock has been completed. Correspondent can obtain a copy of lock confirmation in corrlQ.

Lock Expiration

The Lock Expiration Date is listed on the Rate Lock Confirmation sent by Secondary Marketing. The Lock Expiration Date should be viewed by the Correspondent as the date the loan will be delivered for purchase. The lock expiration is the expiration of CMS's commitment to honor a locked loan at a particular interest rate. If the Correspondent requires additional time and a rate lock extension was not requested prior to the lock expiration, the mortgage loan will be subject to relock at worst case pricing. Locks expiring on a weekend or holiday, the expiration will roll to the next business day.

Please Note: Locks which have been expired for more than 30 days and not delivered for purchase review, are subject to current pricing.

Lock Extensions

Lock Extensions are the responsibility of the Seller and must be requested no later than 4:00 PM PST, Monday through Friday, except holidays. It is CMS's policy to purchase loans prior to their lock expiration dates. CMS understands that loans will not always close during the original lock period. Lock extensions cost CMS money and every step should be taken to limit their use. When requesting an extension or re-lock, proper procedures must be followed.

Lock Extensions are only available on loans still within their lock period. If a lock has expired and is requested to be extended, it will be relocked at worst case pricing pursuant to the Relock Policy. If a lock expires it will be automatically canceled from the system if there is no request for extension on or prior to the expiration date. Lock extensions are available for up to a maximum of 28 days, after which the loan may be considered for relock at the sole discretion of Secondary Marketing. Fees for extensions are below and are subject to change without notice.

- 7-day lock extension is available at a cost of 0.125% (no other extension terms are available)
- Loans are limited to four 7-day extensions
- One free 2-day lock extension is available in addition to the terms above

Locked Loan Delivery Policy

All loans locked under best efforts must be received on or before the expiration date of the lock. When the review of the file is completed, a purchasing disposition is issued to notify the Correspondent of certain conditions including, but not limited to, underwriting and purchasing conditions, which have not yet been met.

The purchasing disposition will be issued with a Conditions Cleared by Date, which will be the greater of seven (7) calendar days from the date of the disposition or the lock expiration date. If the Conditions Cleared by Date is on a holiday or weekend, it will roll to the next business day.

If the Correspondent is not able to clear the conditions for purchase by the Conditions Cleared by Date, the Correspondent is responsible for all deficiency fees.

Section 3. Rate Lock Requirements (continued)

Deficiency Fees

Deficiency fees to purchase loans are as follows:

Number of Calendar Days to Extend Conditions Cleared by Date	Deficiency Fee
0-7 days	No Fee
8-14 days	.125%
15-22 days	.250%
23-30 days	.375%
Over 30 days	Re-lock loan at worst case pricing

3.3 Loan Data Change Requests

If any of the items listed in the [Required Information](#) section above change after the loan has been locked, the Lock Desk must be notified immediately of the change via email to the lockdesk@carringtonms.com. The Lock Desk will notify the requestor if there will be any pricing impact due to the change. Loan data change requests received within the [Lock Times and Cutoff](#) hours will be processed the same day (confirmation will be sent by the next business day).

The Correspondent is responsible for providing proper notification to CMS of any changes to the structure of the loan that may affect pricing. Any changes to the structure of the loan that affect pricing must be validated by the Lock Desk. CMS must be notified immediately if the Correspondent makes any changes to the mortgage loan that differ from the most recent Rate Lock Confirmation. Mortgage loans delivered for purchase must meet the terms of the latest Confirmation. Once a loan is locked, any changes to the loan that may affect pricing (i.e., LTV, DTI, FICO) may invalidate the lock. Please email the Lock Desk at lockdesk@carringtonms.com to validate the lock to reflect the new terms of the loan.

Section 3. Rate Lock Requirements (continued)

3.4 Locked Rate Changes

Policy - Non Delegated

The requirements for changing a locked rate vary based on the status of the loan, as follows:

- **Loans that have not yet been approved by Underwriting**, require a written lock rate change request to be sent to the lock desk as detailed in the [Requests](#) section below.
- **Loans that have been approved by Underwriting**, require a new Underwriting approval at the new rate. Once Underwriting approval at the new rate has been issued, a written lock rate change request must be sent to the lock desk as detailed in the [Requests](#) section below.

Lock change requests received within the [Lock Times and Cutoff](#) hours will be processed the same day (confirmation will be sent by the next business day).

Requests

All Lock Rate Change requests require a written request to the Lock Desk via email at lockdesk@carringtonms.com. The subject line of the email must contain the borrower name, loan number, and Note Rate Change Request.

3.5 Maximum Rate

Policy - Non Delegated

Lock requests are subject to maximum rates determined by the Underwriter. If the requested interest rate exceeds the maximum rate allowed by the Underwriter, the loan will not be locked and the request to increase the maximum rate should be made to the Underwriter prior to the rate lock request.

Section 3. Rate Lock Requirements (continued)

3.6 Loan Program Change

Policy

All loan program changes must be re-locked with Secondary Marketing.

Requests

Any program request that requires a resubmission to Underwriting may require a rate lock extension, which will be subject to the [Rate Lock Extension](#) policy. If a loan program change is requested by the Correspondent, use the following requirements when determining how to process the request:

- If the request for the change to a new loan program is received prior to 10 days before the lock expiration, Secondary Marketing will use its best efforts to set the price of the loan of the desired program to the price that was set on the day the loan was originally locked-in. This will be subject to the discretion of Secondary Marketing.
- If the requested program change is from a Fixed to an ARM or vice versa, or the amortization terms change, the rate and price will be the worst case of the date of the original commitment or the date of the change.
- When changing from one FRM to another FRM product with the same amortization terms or a note rate change under the original FRM product, the applicable pricing for that change will be based on the pricing at the time the rate lock was originally locked-in. There will be no change to the expiration date due to the change.
- The rate lock is tied to the property, so if the property changes, a new rate lock will be obtained at the current pricing available.

All Loan Program Change requests require a written request to the Lock Desk via email at lockdesk@carringtonms.com. The subject line of the email must contain the borrower name, loan number, and Loan Program Change Request. Loan program change requests received within the [Lock Times and Cutoff](#) hours will be processed the same day (confirmation will be sent by the next business day).

3.7 Transferred Rate Locks

Policy

Locks are generally not transferable, if a duplicate loan submission exists and has been locked, only the first locked price and lock expiration will be honored, one may not be transferred to the other loan number. In the case where a Correspondent requests a transfer of an original lock from one loan number to a new loan number, the client will receive worse-case pricing of either the pricing that was originally locked into or the current available pricing. In addition, an extra .125 points will be charged for transferring the lock.

Section 3. Rate Lock Requirements (continued)

3.8 Market Improvement / Renegotiation - Non Delegated Only

Policy

CMS understands that an improving market may create circumstances where the borrower requests a better rate/price than their original lock. A renegotiation will be considered on a case by case basis by Secondary Marketing to prevent loan fallout.

Renegotiation Criteria

The following are the criteria for a renegotiation:

- Current market must be at least 1.00 point better in price than the original locked rate/price.
- Loan must be approved with all prior to document conditions signed off; must be ready to have documents drawn.
- The rate must be lowered by at least 0.125 (pricing will be compared at new lower rate). Correspondent compensation amount cannot change, up or down. The improvement must be for the borrower's benefit only.
- Loan must close with 15 days of new negotiated rate/price.
- Renegotiated terms are not eligible for additional extensions. If the lock expires or the loan does not get purchased within the 15 days included with the renegotiation, the loan will be re-locked at worse case pricing.
- Loans with docs out will be charged a re-draw fee.
- CMS will not guarantee the ability to meet the borrower's request, CMS will do everything possible to negotiate to a successful close.

The cost for a renegotiated rate is as follows:

- To lower the rate up to 0.250%, the charge will be the current net price minus 0.500%
- To lower the rate 0.375%, the charge will be the current net price minus 0.625%
- To lower the rate 0.500%, the charge will be the current net price minus 0.875%
- Extensions and/or re-lock requests for loans that have been renegotiated will be subject to the terms of the Re-Lock Policy.
- Rate Lock renegotiations for all Carrington Non-QM programs will be considered on a case by case basis.

Section 3. Rate Lock Requirements (continued)

3.9 Worse Case Pricing

Policy

Worse case pricing is calculated by comparing the original lock rate/price to the current market rate/price and applying the lower (worst) price of the two calculations.

3.10 Relock Pricing

Policy

Relock pricing is worse pricing case PLUS a 0.25 relock fee.

3.11 Prepayment Penalties

Policy

CMS permits prepayment penalties on Carrington Investor Advantage, Carrington Flexible Advantage and Carrington Flexible Advantage Plus products for non-owner-occupied, investment property loan transactions when permissible by State Law. A *Business Purpose Affidavit* must be executed at Closing.

Unless prohibited by State Law, the Prepayment Penalty Addendum and Rider must not contain verbiage waiving the prepayment penalty during the prepayment penalty period, in the event the consumer sells the property.

In the event the Seller has provided an inaccurate prepayment penalty term or attribute, the loan will be subject to re-pricing without the prepayment penalty.

See the Prepayment Fee Chart in the Resources Section on CarringtonCorrespondent.com for additional information regarding prepayment fee attributes and requirements.

Pricing Prepayment Penalty Options

The prepayment term may be three years, two years, one year or no prepay with a buy out option.

State Restrictions

CMS prohibits Prepayment Penalties in Alaska, Delaware, North Carolina, New Jersey, Vermont, West Virginia and Wisconsin.

Prepayment penalties may be waived in cases of a Bona Fide Sale in Illinois, Minnesota, and Missouri.

Section 4. Register and Upload Process

4.1 Register and Upload Process

The CMS proprietary CarringtonCorrespondent.com portal is the front-end Portal for the Correspondent to manage their pipeline and:

- Register loans
- Upload 3.2 file
- Retrieve Loan Disposition
- Upload conditions
- Lock loans
- Retrieve Lock Confirmation
- Retrieve Loan Purchase Disposition
- Retrieve Purchase Advise

The *corrIQ User Guide* can be located in Resources Section on CarringtonCorrespondent.com.

Section 5. Underwriting

Refer to the complete CMS Underwriting Guidelines and Product Matrices available at CarringtonCorrespondent.com.

- CMS's full Underwriting Guidelines and Product Matrices detail all requirements
- Correspondents must submit all Carrington Advantage loan products for prior approval to CMS.

AUS Findings

Credit and Appraisal Document Age

- Carrington Advantage Non-QM Loans
 - Credit Report – 90 days
 - Appraisal – 120 days

5.1 Approved Property Origination States

Geographical locations and restrictions are as follows:

- None

5.2 Mortgage Insurance

Mortgage Insurance is not required.

Section 5. Underwriting (continued)

5.3 Condo Reviews

CMS will perform limited/streamlined or full condo project reviews for all eligible Carrington Flexible Advantage/Advantage Plus/Prime and Investor Advantage loans.

5.4 Texas 50 (a)(6) Refinances

Refer to the Loan Program Underwriting Guidelines for Texas 50(a)(6) refinance requirements at [CarringtonCorrespondent.com](https://www.CarringtonCorrespondent.com).

5.5 New York CEMA Transactions

New York Consolidation, Extension and Modification Agreement (CEMA) loans are not permitted for some Non-QM loans, please refer to the matrices and guidelines on our website at [carringtoncorrespondent.com](https://www.carringtoncorrespondent.com).

5.6 Ineligible Loan Programs

The following programs are ineligible for the CMS Correspondent Channel:

- Conventional
- FHA
- VA
- USDA
- 203(k)
- 203(h)
- HomePass
- Jumbo
- Loans in a Trust

5.7 Loans for Correspondent, Owners, Partners, or Employees

To avoid any potential conflicts of interest, correspondent is prohibited from submitting purchase packages for loans in the name of, or on behalf of, the correspondent of record, partners or any applicant that has ownership interest in the correspondent's company.

CMS will permit loans to employees of correspondent as long as the employee is not the loan officer or processor on the loan.

Section 6. Escrow Holdback Policy

6.1 Disbursement Policy

Escrow holdbacks are permitted on a case by case, approval is needed from Credit Management.

CMS grants mortgage loans on properties requiring an escrow holdback to complete certain types of repairs. After approval is given by the Underwriter, Correspondent may enter into a contract with the borrower and the closing attorney/agent to hold and disburse the funds on its behalf.

There are limits on the types of improvements permitted for escrow holdbacks and a limit on the maximum dollar amount allowed to be held. In addition to the funds held in escrow, CMS also requires a contingency reserve.

The borrower is given a maximum amount of time to complete the improvements. The borrower authorizes Correspondent to complete the improvements on his/her behalf should the improvements not be completed within the agreed upon time frame and to reimburse itself for any monies spent on the borrower's behalf to improve or repair the property.

A final inspection report from the original appraiser documenting the completion of the improvements is required prior to final release of the funds. This inspection is paid by the borrower. Upon receipt, review, and approval of the inspection report, Correspondent will authorize the release of the escrow holdback funds, including the holdback reserve in accordance with this policy.

CMS will not purchase a loan with an escrow holdback until all repairs have been completed, a satisfactory 1004D has been completed, and Correspondent provides evidence that all funds have been disbursed or refunded to the borrower by closing agent.

6.2 Program and Transaction Types

Program Types

Refer to the Loan Program Underwriting Guidelines for eligible program types at CarringtonCorrespondent.com.

Transaction Types

CMS will allow escrow holdbacks on new construction landscaping.

6.3 Required Documentation

CMS requires the following documentation for an escrow holdback:

- Fully executed Escrow Holdback Agreement.
- An inspection or cost breakdown from the appraiser to include an item by item description and associated cost to complete. The appraiser must specify the repair as a "required repair".

Section 6. Escrow Holdback Policy (continued)

6.4 Types of Repairs

Escrow holdbacks are permitted for new construction landscaping only. Escrow holdbacks are not permitted for any other reasons.

6.5 Approval

All escrow holdbacks require bids/invoices for all work to be completed and must be pre-approved by CMS.

6.6 Maximum Holdback and Holdback Reserve

The maximum escrow holdback allowed is \$4,999 plus a holdback reserve. The holdback reserve amount is 50% of the holdback amount for all product types.

This amount can be in the form of:

- Monies withheld from the property seller's proceeds.
- Funds (sourced and seasoned) from the borrower in addition to any program reserve requirements.

Under no circumstances will CMS allow the holdback amount to exceed \$7,500.

6.7 Payment of Contingency Reserve

Excess funds held on behalf of the borrower as a contingency reserve will be paid upon completion of the improvements and approval by the Underwriter of the final inspection/1004-D from the appraiser, as follows:

- Monies paid by the property seller on behalf of the borrower will be paid to the property seller.
- Funds (sourced and seasoned) from the borrower in addition to any program reserve requirements, held on behalf of the borrower, will be paid to the borrower.
- Funds held on behalf of the borrower from a cash-out transaction will be paid to the borrower.

6.8 Required Timeframe to Complete Repairs

CMS allows up to 30 days to complete the repairs and will not purchase loan from Correspondent until repairs are completed and Correspondent has provided CMS with all required documentation of completion.

6.9 Required Forms

CMS requires a completed HUD-92300 Mortgagee's Assurance of Completion, Executed Holdback Agreement, and Contractor Bid. The forms must be filled out correctly including the amount and completion by date.

Section 6. Escrow Holdback Policy (continued)

6.10 Final Inspection Report

Before disbursement, the appraiser will supply a re-inspection of the property. The appraiser will inspect the improvements/repairs and supply a 1004-D with photos documenting the completion of all repairs/improvements made to the property. The report must list all the items contained in the original invoice/bids and that the improvements were completed in a “workman-like manner”.

The borrower or property seller is required to pay for the 1004-D. If the inspection fee was not contained in the original disclosures, the transaction will require a Change of Circumstance at the time the escrow holdback is approved.

6.11 Title Date Down

Title Date Down endorsement is required and must be ordered by Correspondent to ensure there are no liens or possibilities of liens in connection with said improvements on the premises.

6.12 Disbursement of Funds

It is Correspondent’s responsibility to authorize disbursement of funds in partnership with the Closing Agent or Escrow Company holding the funds.

6.13 Change Policy

CMS does not allow changes to the Escrow Holdback Contract but does recognize there may be situations that are out of the borrower’s control for which exceptions may be granted. All material exceptions require approval from an Underwriting Manager or above prior to purchase of the loan.

Note: CMS is not obligated to accept change requests and may not purchase the loan from Correspondent if exception is not granted.

Section 7. Disaster Declarations

7.1 Disaster Declaration Policy

See [Declared Disasters](#) in the Compliance section of this document.

Section 8. Closing and Purchase Review

8.1 Closed Loan Submission

CMS requires all Mortgage Loans must meet CMS eligibility requirements as set for the in the MLPA, Seller Guide, Underwriting Guidelines, CMS loan program overlays, and any other related documents. All loans will be audited for completeness and quality prior to purchase. Loans submitted to CMS must comply with all federal regulations, state and local laws. CMS reserves the right to perform a quality control audit on all loans.

CMS must receive the complete and accurate closed Mortgage Loan File from a Correspondent on or before the lock expiration date. All loans must be locked prior to purchase by CMS.

CMS requires all files to be delivered electronically and uploaded to our online correspondent portal, corrlQ. Instructions on loading documents into the system can be found online at www.CarringtonCorrespondent.com after the Correspondent logs in to the portal. The corrlQ Portal is a secure website that can be accessed by all Approved Correspondents. Underwriting and purchasing conditions can be viewed and uploaded through the corrlQ Seller Portal.

8.2 Collateral Package Documents

Correspondent must provide original Collateral package of all documents which include Original Note, Bailee Letter and Allonge, a Certified True Copy of the Mortgage (Deeds) and a complete Preliminary Title Report via insured courier, or overnight mail, for tracking purposes to:

Computershare Trust Company, N.A.

Attn: CARR FLOW – Team 1

751 Kasota Ave. SE

Minneapolis, MN 55414

The Collateral package must be delivered within 24 hours after delivery of the closed Mortgage Loan file.

8.3 Trailing Collateral Documents

Correspondent must send all trailing collateral documents via insured courier, or overnight mail, for tracking purposes to:

Carrington Mortgage Services, LLC

Attn: Records Management

1600 South Douglass Road, Suites 110 & 200-A

Anaheim, CA 92806

8.4 Incomplete Closing Packages

A closed loan submitted as an incomplete loan package may be subject to relocking or re-pricing for a lock extension. Upon review of the closing package, a Purchasing Disposition, which outlines outstanding conditions will be issued.

All conditions must be delivered and cleared no later than seven (7) business days following the Purchase Disposition or the Lock expiration date, whichever is greater. If the conditions are not cleared within this time period, the Correspondent will be responsible for a deficiency fee. See [Rate Lock Requirements](#) Section.

Section 9. Loan Delivery

The mortgage loan file and collateral package are reviewed to confirm:

- Accuracy, completeness, and all necessary documents are included
- All documents are executed properly

Should CMS fail to review or discover any deficiency or error in a mortgage loan file, the Correspondent remains responsible for providing any required documentation or correcting any errors.

9.1 Bailee Requirement

CMS requires a Bailment or Bailee Letter from the Warehouse Lender when a loan has been pledged to secure a warehouse line of credit. The Bailee letter must include:

- Correspondent Name
- CMS loan number
- Principal balance
- Wire instructions

When the Note is delivered, the bailment letter must be included with the Note. CMS does not accept Lost Note Affidavits (LNA).

9.2 Original Note Endorsement or Allonge

The Allonge must be completed and executed by an authorized employee of the Correspondent endorsing the Note in blank. If an Allonge is not provided, then an authorized employee of the Correspondent endorsing the Note in blank must endorse the Note itself.

Note Endorsement:

Carrington Mortgage Services, LLC
Without Recourse (Correspondent Seller)
(Signature of Officer)
(Officer's Name and Title)

The original Note, Bailee Letter, and Allonge should be sent to:

Computershare Trust Company, N.A.
Attn: CARR FLOW – Team 1
751 Kasota Ave. SE
Minneapolis, MN 55414

Section 9. Loan Delivery (continued)

9.3 Document Delivery

Correspondent must upload collateral documents using the “Upload Documents” in corrlQ Seller Portal. If a document must be re-recorded per an exception, this must be stipulated as a condition and corrected before CMS will purchase the loan.

Collateral documents must include at minimum:

- Certified copy of Mortgage/Deed of Trust along with any applicable riders
 - MIN must be on the Note and the Security Instrument
- Certified copy of the Note with any applicable addendums, endorsement to Carrington Mortgage Services or an Allonge
- Preliminary Title Report/Title Commitment

9.4 Closing Documents

Correspondent Sellers must adhere to the following:

- All Correspondent closing documents must meet the requirements set forth by CMS.
- Per diem interest calculations are based on a 360-day year on Carrington Advantage Non-QM loan programs, unless otherwise provided by specific state law or usury provisions.
- Correspondent's Mortgage Electronic Registration System (MERS) registered loan Mortgage Identification Number (MIN) is required on each loan security instrument.

9.5 First Payment Date

CMS requires the first payment date must be the 1st of the month no earlier than 30 days from the note date.

9.6 Dates on Closing Documents

CMS will accept Stamped Signature Dates on Closing Documents when other documents are also hand signed and dated by the borrower(s) and match the date of acknowledgment by the Notary. If a Stamped Date is called into question, it is the responsibility of the Correspondent to provide supporting documentation the borrower(s) executed the documents on the Stamped Date, or the loan may be subject to re-purchase.

Section 9. Loan Delivery (continued)

9.7 Signing Date on Closing Documents

Mortgage Loans signed by the borrower(s) before the date on the closing documents are ineligible for purchase by CMS.

9.8 Pre-paid Interest

May not be charged to the borrower prior to the funding date and must comply with state disbursement regulations.

9.9 Power of Attorney (POA)

Refer to the Power Of Attorney Policy on the CarringtonCorrespondent.com Resources page.

9.10 Manufactured Home Documents

Correspondent must ensure the security instrument indicates the manufactured home is secured by real property when submitting collateral documents on a property secured by a manufacture home.

9.11 Texas 50(a)(6) Refinance Transactions

Correspondent must provide a copy of the Deed of Trust from the previous loan on any Texas Rate and Term Refinance loan submitted for purchase.

If the loan is a 50(a)(6) being refinanced as a 50(a)(4) loan, Correspondent must provide an Affidavit Regarding Conventional Refinance of a Home Equity loan signed by the borrower(s).

9.12 Execution Requirements

Below outlines how the Mortgage Loan Documentation are required to be executed:

Document	Document Execution Requirement
Note	All Borrowers as individuals
Note Addendum	All Borrowers as individuals
Security Instrument	All vested individuals and non-title spouse when applicable
Security Instrument Riders (all others)	All vested individuals and non-title spouse when applicable
Borrowers Acknowledgement	All grantor(s)/settlor(s)
Closing Disclosure (CD)	All Consumers as individuals who have a right under TILA
Notice of Right to Cancel	All Consumers as individuals with a rescindable interest

Section 9. Loan Delivery (continued)

9.13 Loans Closing in a Limited Liability Company (LLC)

Below outlines how the Mortgage Loan Documentation are required to be executed for loans closing in an LLC:

Document	Document Execution Requirement
Business Purpose and Occupancy Affidavit (Initial)	The initial disclosure provided is for informational purposes only. No signatures required.
Uniform Residential Loan Application (URLA)	Completed and signed by each owner as an individual.
Disclosures (Notice of Intent to Proceed, Servicing Disclosure, etc.)	Completed and signed by each owner as an individual.
Guaranty	Completed and signed by each owner as an individual (or 'Guarantor'). The owner's signature on the Note as an Individual may also serve as evidence of Personal Guaranty.
Closing Disclosure	Completed and signed by each owner as an individual and by the authorized owners(s) of the Entity that can legally sign and bind Entity.
Other Closing Documents (Closing Disclosure, Business Purpose and Occupancy Affidavit, etc.)	Completed and signed by each owner as an Individual and by the authorized owners(s) of the Entity that can legally sign and bind Entity.
Note, Deed of Trust / Mortgage, and all Riders	Completed by the authorized owner(s) of the Entity who can legally sign and bind Entity.

Section 9. Loan Delivery (continued)

9.14 Title Insurance

Title insurance policy must ensure that the title is acceptable and the mortgage constitutes a lien of the required priority on a fee simple or leasehold estate. CMS requires the following:

Loans must be covered by a title insurance policy that has been paid in full and is valid, binding, and remains in full force and effect.

Preliminary title must indicate that the final title policy will be issued after funding.

The title insurer must be qualified to do business in the state where the subject property is located. The title insurer and policy must conform to Fannie Mae/Freddie Mac requirements.

Borrower Information

All borrower names must be indicated on the title commitment. If the borrower's marital status appears to be different than on 1003, the discrepancy must be addressed. The property seller's name must be cross referenced to the purchase agreement and valuation chain of title.

Coverage Amount

The amount of title insurance coverage must at least equal the original principal amount of the mortgage.

Insured Name

Title policy must insure that CMS's name appears in the security instrument. It must also include the language "its successors and assigns as their interest may appear."

Age of Report

The preliminary title report/title commitment should be dated no later than 90 days prior to closing. Any requirements by title, such as Statements of Information must be cleared prior to closing.

Vesting

Final title policy vesting should reflect the name(s) of the individual borrower(s). See Vesting and Ownership.

Gap Coverage

The preliminary title report/title commitment must be updated after closing in writing to ensure the mortgage is in first lien position and documented through one of the following:

Final Title Policy

Title bring-down search representing the period of time from the original search through the time the mortgage is recorded.

Gap coverage from the time of the original search until the mortgage is recorded, when the mortgage is not recorded at the time of diligence.

Title Policy Forms

The final title policy must be written on one of the following forms:

- 2006 American Land Title Association (ALTA) standard form
- ALTA short form ALTA form with amendments required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted, provided those amendments are acceptable to Fannie Mae/Freddie Mac

Section 9. Loan Delivery (continued)

Title Policy Underwriter

A nationally recognized insurer or reinsurer which has received one of the following ratings must have underwritten the title insurance policy:

- BBB or better rating from Duff and Phelps Credit Rating Company
- C or better rating from LACE Financial Corporation
- Baa or better rating from Moody's Investors Service
- BBB or better rating from Standard and Poor's, Inc.
- A Financial Stability Rating of S (Substantial) or better

Chain of Title

All files are to contain a 24-month title history from an acceptable source. Transfer date, price, and buyer and property seller names on any title transfers that occurred within the previous 24 months should be provided. The vesting history should be reviewed for inconsistencies or any indication of flipping activity.

Title Exceptions

The following items are allowable title exceptions:

- Customary public utility subsurface easements; the location of which are fixed and can be verified. The exercise of rights of easement will not interfere with use and enjoyment of any improvement of the subject property or proposed improvements upon which the appraisal or loan is based.
- Above-surface public utility easements that extend along one or more property lines for distribution purposes, or along the rear property line for drainage, provided they do not extend more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements, or with the use of the subject property; and public utility restrictions, provided their violation will not result in the forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the subject property.
- Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them.
- Encroachments on one foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a 10-foot clearance between the buildings on the subject property and the property line affected by the encroachments.
- Encroachments on the subject property by improvements on adjoining property provided these encroachments extend one foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements.
- Encroachments on adjoining properties by hedges or removable fences.
- Liens for real estate or ad valorem taxes and assessments not yet due and payable.

Section 9. Loan Delivery (continued)

- Outstanding oil, water, or mineral rights as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes

Survey Requirements

If the title company requires a survey or plat map due to an exception noted on the title policy, a copy must be submitted in the loan file. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. Unimproved land surveys are not acceptable.

Surveys should be reviewed for easements, encroachments, flood zone impacts, and possible boundary violations, taking into account the location of the dwelling on the property.

9.15 Property Hazard Insurance Coverage

Refer to the Hazard Insurance Policy on CarringtonCorrespondent.com for hazard insurance requirements.

9.16 Electronic Signatures

CMS will allow Electronic signatures on closing documents; however, the following closing documents must be wet signed:

- Note
- Deed of Trust/Mortgage
- Consummation Closing Disclosure (CD)

The following guidance is not intended as legal or regulatory advice. Correspondent is responsible to ensure the mortgage loan submitted to CMS is in compliance.

Initial disclosures are eligible to be electronically delivered on all loans. Once the borrower has e-consented the electronic delivery and downloads all disclosures, a confirmation email must be generated to satisfy regulatory e-disclosure delivery requirements. The confirmation email must be included in the loan package at the time of the mortgage loan is submitted for purchase to CMS.

Section 9. Loan Delivery (continued)

9.17 MERS Requirements

Correspondent must use MERS (Mortgage Electronic Registration Systems, Inc.) when selling mortgage loans to CMS:

- Correspondent agrees to maintain an active account with MERS and execute all closing documents with a valid MIN.
- The Mortgage Instrument must contain the MIN, which is obtained by registering the loan in the MERS system.
- Beneficial and Servicing rights to the loan should be transferred to CMS with the MERS system within 48 hours of the loan purchase, using the CMS Originator ID #1006037
- Previous MERS MIN number must reflect as inactive prior to purchase.

9.18 Home Mortgage Disclosure Act (HMDA)

The Home Mortgage Disclosure Act, Regulation C requires a Type of Purchaser Code to be identified on an originated loan or a purchased loan. The CMS Type of Purchaser Code is Code 71 and is identified as credit union, mortgage company or finance company.

Correspondent must provide HMDA Universal Loan Identifier (ULI) and Lender Identity Identifier (LEI) at the time of submission acceptance. The ULI must be generated on the Demographic Information Addendum.

9.19 Seasoned Loans

Loans must be delivered for purchase within 30 days of the loan closing date and purchased by CMS prior to the second payment due date. The seasoned loan may have one additional scheduled payment at the time of purchase by CMS. CMS will not purchase a loan when more than one loan payment has been credited.

A printout of the payment history must be included in the loan package indicating how the payment was applied and any disbursements from escrows for all seasoned loans.

9.20 Wire Instructions

Correspondent must provide wiring instructions or a Bailee letter on each mortgage loan. Instructions should include:

- Warehouse bank name, street address, city, state, zip code
- Bank contact name and phone number
- ABA routing number (9 digits)
- Name on the Account
- Account Number

9.21 Funding Into the Month

- Carrington Advantage Non-QM loans – 7 calendar days

Section 9. Loan Delivery (continued)

9.22 Appraisals

Appraiser Exclusionary List

Sellers are responsible for checking every appraisal against the Appraiser Exclusionary List in the corrIQ Seller Portal. If there is a match, CMS will not accept the appraisal and require a new appraisal.

UCDP, Non-QM Loans with Appraisals

- CMS requires that appraisals for all Non QM loans be successfully uploaded to the Uniform Collateral Data Portal (UCDP) by the Correspondent Seller
- The Fannie Mae UCDP must contain a Collateral Underwriter (CU) score
- Non-Delegated Only: In order for CMS to access the information in the Collateral Underwriter (CU), the Correspondent must select Carrington from the aggregator drop down list in the UCDP which permits sharing of data
- Please refer to the link below for more details:

[UCDP Appraisal Sharing Job Aid for Correspondents](#)

Note: If a Desk Review is required, the Correspondent Seller is responsible for ordering the report and CMS does not require a specific Appraisal Management Company (AMC).

Section 10. Loan Purchase

A Closing Disclosure (CD) must be fully completed on every loan indicating all fees, funds and cost involved with the loan transaction.

On purchase transactions the Settlement Agent must provide a signed executed copy of the settlement break down from the property seller's side. The document must be signed by the Settlement Agent/Attorney and Correspondent.

PLEASE NOTE: CMS will no longer purchase loans using the LIBOR ARM index on or after May 1, 2023.

10.1 Closing Disclosure (CD) Clerical Corrections

Correspondent must provide CMS a copy of the corrected CD and the letter of explanation to the Borrower regarding the correction to the Mortgage Loan Documentation. Corrections must be made in compliance with applicable requirements for the Mortgage Loan to be eligible for purchase to CMS.

10.2 Closing Disclosure (CD) TILA/RESPA Tolerance Cure Requiring Refund

Correspondent must provide CMS with a copy of every Post Consummation CD and a copy of the refund check to the Borrower. CD corrections must be made in compliance with applicable TILA/RESPA requirements in order for the Mortgage Loan to be eligible for purchase to CMS.

10.3 Principal Reductions

CMS will allow principal reductions if the principal reduction is applied at closing and it must be documented on the CD and a reason must be provided.

If the principal reduction is applied after closing, the file must include documentation that indicates the amount of the principal reduction and the reason or source of the reduction.

Should the Correspondent receive funds from the borrower for a principal reduction following CMS's purchase of the loan, but prior to the first payment date due CMS, the Correspondent must forward funds to CMS within five days of receipt.

CMS will not purchase a loan past the 10th business day of the month when the next payment due would be the following month. A loan could be purchased based on the unpaid principal balance deducting the following month's payment.

Examples:

- If a loan is purchased on January 6th the effective servicing transfer date would be February 1st.
- If a loan is purchased on January 15th, the effective servicing transfer date would be March 1st.

Section 10. Loan Purchase (continued)

10.4 Federal Emergency Management Agency (FEMA) Disaster Declarations

Refer to [Declared Disasters](#) in the Compliance section of this document.

When an area is declared as a major disaster area, FEMA releases declaration announcements.

- FEMA designates the type of assistance available as individual or public.
- CMS monitors notifications received from FEMA and may delay purchasing loans from any designated major disaster area.
- Seller can access FEMA disaster information at: <https://www.fema.gov/disasters>
- CMS will post FEMA Notification Announcement on the Correspondent website under Announcements at CarringtonCorrespondent.com

10.5 Servicing Documents

CMS will purchase all loans on a servicing released basis. It is the Correspondent's responsibility to continue servicing the loan up to the effective transfer date.

10.6 Purchase Advice

When a loan has been approved for purchase, CMS will notify the Correspondent of the scheduled purchase date by posting the Purchase Advice in the corrlQ Seller Portal. The Purchase Advice will detail the wire amount that will be transmitted via wire transfer.

10.7 Wire Transfer

On the purchase date, CMS will wire all transfer funds due to the depository institution that is identified on the wire transfer instructions or Bailee Letter. The funds will include the principal balance adjusted for interest, premiums, escrow balances and any other applicable fees. Refer to the [Schedule of Fees](#) section.

10.8 Purchasing

On the date of purchase, the unpaid principal balance of the loan will be calculated based on the effective servicing transfer date.

- Loans purchased before the 10th calendar day of the month; the effective servicing transfer date will be the first day of the month following the month of purchase.
- Loans purchased on the 10th calendar day of the month; the effective servicing transfer date will be the first day of the second month following the month of purchase.

Examples:

- If a loan is purchased on January 6th the effective servicing transfer date would be February 1st.
- If a loan is purchased on January 15th, the effective servicing transfer date would be March 1st.

If a loan payment is scheduled before the servicing transfer date, the principal portion of the scheduled payment will be deducted from the principal balance of the loan.

Section 10. Loan Purchase (continued)

10.9 Loans Purchased into the Month

Loans purchased on the 10th business day of the month will amortize the principal balance forward. After purchase, the Correspondent will retain one scheduled P&I payment. All other excess principal or escrow payments received by the Correspondent must be forwarded to CMS.

The Correspondent is required to remit any payments received from a borrower after the transfer date to:

Carrington Mortgage Services, LLC
P.O. Box 660586
Dallas, TX 75266-0586

Correspondent must include the CMS servicing loan number and property address on the payment.

10.10 IRS Reporting

Correspondent must comply with IRS reporting requirements for point(s) and interest paid by the borrower, interest on escrow funds paid by the Correspondent, and tax disbursements as of the effective date of servicing transfer.

10.11 Servicing Letters

A Servicing Transfer Letter (aka Good-bye Letter) is required to transfer servicing and must be prepared for all loans purchased by CMS. Correspondent is required to deliver notification of loan sale and change of servicer to borrower at least 15 days prior to the first payment due to CMS. The Servicing Transfer Letter must reference the correct servicer and reference payment address, Correspondent address, phone numbers, and hours of operation. Correspondent must include the Goodbye Letter in the closed loan package delivered to CMS.

CMS Payment Processing information is as follows:

Carrington Mortgage Services, LLC
P.O. Box 660586
Dallas, TX 75266-0586

10.12 Transfer Letter

A Notification of Transfer of Servicer is required for all of the following:

- Condominium Insurers
- Earthquake Insurers
- Property Insurance Company
- Private Mortgage Insurance Company (PMI)
- PUD Insurers

All mortgage loans must have a hazard policy that insures the mortgaged property.

Correspondent must pay all insurance premiums when the bill is due and available prior to purchase by CMS.

Section 10. Loan Purchase (continued)

10.13 Flood Insurance

CMS will order the Flood Certification and be responsible for life-of-loan flood monitoring. Correspondent is responsible to provide adequate flood coverage when a property is in a flood zone per underwriting requirements as detailed in the CMS Hazard Insurance Policy.

Refer to the Hazard Insurance Policy on CarringtonCorrespondent.com under Forms and Resources for Flood Insurance requirements.

10.14 Tax Certificates

CMS will obtain a tax certificate on all loans purchased at close that will be netted on the Purchase Advice. Refer to the [Schedule of Fees](#) section for the tax certificate fee amount.

10.15 Payments Received by Correspondent

If Correspondent receives a payment due to CMS, it is the responsibility of the Correspondent to endorse and forward the payment within 24 hours of receipt.

Payments should be mailed to the following address:

Carrington Mortgage Services, LLC
P.O. Box 660586
Dallas, TX 75266-0586

10.16 Payment Endorsement

All payments must be endorsed as follows:

Carrington Mortgage Services, LLC
Without Recourse (Correspondent)
(Signature of Officer)
(Officer's Name and Title)

The CMS servicing loan number must be included on all payments to ensure proper credit.

Section 10. Loan Purchase (continued)

10.17 Payment Reversals

When a payment is received by CMS and the Correspondent believes the payment belongs to the Correspondent, the Correspondent needs to provide the following:

- Provide an email with a written explanation, including the payment amount, payment due date belonging to the Correspondent,
- Correspondent's loan history, and
- CMS's loan number, and if available, a copy of the Purchase Schedule/Advice, and
- Email the payment reversal request to the CMS Correspondent Lending Department at: CorrespondentOperations@CarringtonMS.com.

The electronic request must be received not later than 60 days from the date of the loan purchase.

NOTE: If the loan is not paid ahead, the request will be denied. Paid ahead, meaning a reversal of the requested payment will not make the loan past due.

Example: Loan payments are due on the 1st of each month. Using the current month as January 2018, based on a Purchase Advise outlining the Correspondent will be due the 12/01/17 payment, CMS's first payment due is 1/01/2018.

Correspondent reversal request is submitted/received 1/10/18, in reviewing the loan has a current date with CMS 02/01/2018, this request would be declined, the account is not considered a "paid ahead" loan, as it's paid to the current month.

An acceptable scenario; reversal request is submitted/received 1/10/18, in reviewing the loan has a current due date of 3/01/2018. This request would be approved as the account is considered "paid ahead"; changing the due date to 2/01/18, keeping the loan current without any immediate default concerns.

10.18 Loan History

CMS will require a copy of the loan history in the loan file, no exceptions, when the Correspondent is requesting the following:

- An escrow account refund,
- Payment reversal,
- The first loan payment has been received and applied to the loan, or
- Any adjustment has been applied to the loan.

The loan history must be prepared by the Correspondent's Servicer and must include the following:

- Correspondent's company name,
- Borrower's name, and
- Correspondent's loan number

Section 10. Loan Purchase (continued)

10.19 Impound/Escrow Accounts

CMS will require an impound/escrow account where indicated in CMS Guidelines. Correspondent must follow the CMS aggregate escrow cushion guidelines below and follow CMS due dates. Refer to the Resources page on CarringtonCorrespondent.com for the Property Tax Payee Table for applicable property tax due dates.

CMS recommends that when an escrow account for taxes and insurance is established at closing, the taxes and insurance are calculated using the maximum cushion permitted by the mortgage loan documents or applicable law, whichever is lower. If a lesser amount is escrowed, the borrower may experience an unexpected increase in their monthly payment shortly after the transfer date.

Aggregate Escrow Cushion	
Subject Property States	Number of Months Defaulted
NV and ND	0
MT, NE, IA, OR, and UT	1
All remaining states	2

Borrowers have the option to request an impound account for taxes and insurance when impounds are not mandated by policy or state law. Loans with impounds will be purchased with the impound balance.

Please note: CMS will not purchase loans with negative escrow balances.

The Correspondent is responsible for the payment of taxes and hazard insurance prior to CMS's loan purchase date. Any undisbursed escrow funds will be netted from the Purchase Advice.

CMS will set-up the starting escrow balance based on the following:

- Initial Escrow Balance from Seller CD
- One month impound payment, when loan is purchased one payment down

Please note: Any issues resulting in a shortage caused by the Seller will be referred back to the Seller to resolve the customer complaint.

Correspondent is responsible for notifying the current servicer, as appropriate, to place Stops and/or Flags on their system to prevent further disbursements on the loan as of the sale date. Disbursements already made reflected on the loan history must be documented with proof of disbursement by providing a copy of the check and the invoice.

Section 10. Loan Purchase (continued)

10.20 Escrow Reconciliation

If a Correspondent is due escrow funds from CMS, a written request must be submitted for reimbursement; funds will not be issued without a written request. The request must include documentation supporting the request. The Correspondent has 120 days after the date of purchase to request funds.

Federal law prohibits any reimbursement from the escrow account after an escrow analysis has been completed therefore all reimbursement requests received after 120 days will be denied.

Correspondent should conduct a reconciliation of the escrow immediately after purchase.

The borrower is allowed to request an early analysis or an escrow deletion on their loan.

To expedite the request for reimbursement of escrow funds, the Correspondent must submit the following documentation:

- A written request for reimbursement of escrow funds,
- The Closing Disclosure/HUD-1 Settlement Statement,
- The loan history, and
- The loan submission summary

10.21 Tax Information

The Correspondent is responsible for providing CMS with complete and accurate tax information. This information is imperative to properly begin the administration of the tax escrow account for servicing.

The Correspondent is responsible for any tax penalties incurred due to incorrect information being provided to CMS.

10.22 Post Purchase Trailing Documents

Final Documents and Delivery Instructions

The Correspondent must submit final documents to CMS within 180 days of the purchase date. Prior to delivery, the Correspondent must review all post-closing documents. Final documentation includes, but is not limited to:

- Original recorded security instrument,
- Original recorded assignments to CMS, and
- Original Final Title Policy, and
- Any additional documentation specified by CMS.

Upon completion of the review, the Correspondent must send the above final documents to CMS at the following address:

Carrington Mortgage Services, LLC
ATTN: Records Management
1600 South Douglass Road, #400, Suites 110 & 200-A
Anaheim, CA 92806

Section 10. Loan Purchase (continued)

Correspondent Repurchases

Should Correspondent fail to provide complete final documentation within 180 days of purchase date, the loan may be Subject to repurchase.

Section 11. Schedule of Fees

11.1 Loan Purchase Fee Table

This table details the fees associated with loans purchased by CMS.

Loan Product	Non-Delegated Fee Type		
	Underwriting	Flood Cert	Tax Service
Carrington Prime Advantage	\$1695	\$9	\$85
Carrington Flexible Advantage / Advantage Plus	\$1695	\$9	\$85
Carrington Investor Advantage	\$1695	\$9	\$85

11.2 Seller Generated Closing Documents

Non-Delegated Sellers may utilize CMS to generate closing documents on their behalf. The fee for CMS to generate closing documents for the Non-Delegated Seller is \$350.

11.3 Texas Attorney Fee

The fee for Texas Attorney Documents is \$200 paid by Title directly to Polunsky Beitel Green.

11.4 Document Penalties

Fees for outstanding closing documents are as follows:

Final Closing Documents Penalty ¹	Current Fee
Final closing documents outstanding over 180 days.	\$200 per document

Final closing documents include, but are not limited to, title policy and Security Instrument.

Section 11. Schedule of Fees (continued)

11.5 Early Payment Default Fees

If an Early Payment Default Fee is due per the terms of the Mortgage Loan Purchase and Sale Agreement, the fee schedule will be as follows:

Loan Product	Fee
Non-QM Loans	\$1,500

11.6 Right to Collect

CMS reserves the right to collect any outstanding fees from the Correspondent; including pair-off fees, early payoff premiums, repurchases, outstanding final closing documents, attorney's fees and any other fees or expenses identified by CMS. CMS reserves the right to collect monies in any lawful manner including, but not limited to, deducting the amount from the purchase or other payment due to the Correspondent.

Section 12. Portal

12.1 corrlQ Training Manual

Refer to the corrlQ Training Manual on CarringtonCorrespondent.com under Forms and Resources for portal instructions.

Section 13. Compliance

13.1 Adverse Action Policy

Equal Credit Opportunity Act

The Equal Credit Opportunity Act (ECOA) and its implementing regulation, Regulation B, makes it unlawful for Correspondents to discriminate in any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, or age (provided the applicant has the capacity to contract), because all or part of an applicant's income derives from public assistance, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act.

Correspondent is required to comply with all applicable sections of ECOA, which includes requirements that Correspondents notify applicants of actions taken on their applications.

Refer to the Equal Credit Opportunity Act (ECOA) section for detailed information regarding ECOA's requirements.

Definitions

Adverse Action: A refusal to grant credit in substantially the amount or on substantially the terms requested in an application unless the Correspondent makes a counteroffer (to grant credit in a different amount or on other terms) and the applicant uses or expressly accepts the credit offered; a termination of an account or an unfavorable change in the terms of an account that does not affect all or substantially all of a class of the Correspondent's accounts; or a refusal to increase the amount of credit available to an applicant who has made an application for an increase.

Section 13. Compliance (continued)

Application: An oral or written request for an extension of credit that is made in accordance with procedures used by a Correspondent for the type of credit requested. A written application is required for dwelling-related types of credit under ECOA; but an application may be taken over the telephone or using a computerized system.

Note: Different definitions of “application” must be used when evaluating Correspondent’s compliance with RESPA, TILA, and TRID requirements. Refer to the TILA-RESPA Integrated Mortgage Disclosures (TRID) section for additional details.

Completed Application: An application in connection with which a Correspondent has received all the information that the Correspondent regularly obtains and considers in evaluating applications for the amount and type of credit requested (including, but not limited to, credit reports, any additional information requested from the applicant, and any approvals or reports by governmental agencies or other persons that are necessary to guarantee, insure, or provide security for the credit or collateral).

Timing Requirements

A Correspondent shall notify an applicant of action taken within the applicable timeframe as indicated below:

- 30 days after receiving a completed application concerning the Correspondent’s approval of, counteroffer to, or adverse action on the application;
- 30 days after taking adverse action on an incomplete application, unless notice is provided in accordance with the Incomplete Applications section below);
- 30 days after taking adverse action on an existing account; or,
- 90 days after notifying the applicant of a counteroffer if the applicant does not expressly accept or use the credit offered. (Correspondent does not issue counteroffers.)

Multiple Applicants

Notification of action taken must be provided to the primary applicant.

However, if a credit report was generated on more than one borrower on the loan, or if there is participation of both spouses on the loan, the adverse information must be furnished to each borrower or spouse in the name of each borrower/spouse.

Content of Notification when Adverse Action is Taken

If adverse action is taken, notice will be provided in writing to the applicant. An adverse action notice provided Correspondent must contain the following information:

- A statement of the action taken;
- The name and address of Correspondent;
- The ECOA Notice (using the prescribed text),
- The name and address of the federal agency that administers compliance with ECOA with respect to Correspondent; and
- A statement of the specific reason(s) for the action taken.

Section 13. Compliance (continued)

Statement of Specific Reasons: The statement of reasons for adverse action must be specific and indicate the principal reason(s) for the adverse action. Statements that the adverse action was based on Correspondent's internal standards or policies or that the applicant, joint applicant, or similar party failed to achieve the qualifying score on Correspondent's credit scoring system are insufficient.

The notice will provide the applicant with specific reason(s) for the denial such as "Credit Application Incomplete"; "Insufficient Number of Credit References"; "Lack of Credit History"; "Length of Employment"; or "Excessive Obligations in Relation to Income".

Duplicate Applications

Correspondent does not permit duplicate loan applications for the same applicant(s) on an identical subject property. In the event of duplicate applications, the ASK Desk must review the loan file and make a determination how to proceed. The ASK Desk will notify the requestor and notate the Conversation Log with the outcome of the review. Adverse action shall not be taken until the ASK Desk notates the Conversation Log that the application is a duplicate.

Failure to Comply

Failure to comply with the ECOA Regulation B can subject a financial institution to civil liability for actual and punitive damages in individual or class actions. Liability for punitive damages can be as much as \$10,000 in individual actions and the lesser of \$500,000 or 1% of the Correspondent's net worth in class actions.

Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) regulates the collection, dissemination, and use of consumer information, including consumer credit information.

Correspondent is required to comply with all applicable sections of FCRA, which includes requirements that an adverse action notice be provided when a person takes an adverse action based in whole or in part on information in a consumer report. FCRA also requires a person to disclose that a consumer has a right to a free consumer report and a right to dispute the accuracy or completeness of any information in a consumer report.

Definition of Adverse Action: For purposes of credit transactions, FCRA incorporates the definition of adverse action under ECOA which is described above.

Disclosure Requirements

If any adverse action (denial of credit) is taken against a consumer that is based in whole or in part on information contained in a consumer report, the Correspondent must provide the consumer with an adverse action notice that includes:

- The name, address and telephone number of the consumer reporting agency that furnished the report;
- A statement that the consumer reporting agency did not make the decision to take the adverse action and is unable to provide the consumer with specific reasons;
- A statement that the consumer is entitled to a free copy of the report from the consumer reporting agency; and
- A statement that the consumer may dispute the accuracy of the information with the consumer reporting agency.

Section 13. Compliance (continued)

FCRA also requires the adverse action notice to include:

- A numerical credit score used in making the credit decision;
- The range of possible scores under the model used;
- Up to four key factors that adversely affected the consumer's credit score (or up to five factors if the number of inquiries made with respect to that consumer report is a key factor);
- The date on which the credit score was created; and,
- The name of the person or entity that provided the credit score.

Combined ECOA-FCRA Disclosures: Correspondent provides Adverse Action Notices that conform to ECOA and FRCA requirements.

Second Review of Denied Loans

All loans coded on the loan origination system as "Denied" require a second review by an authorized Underwriter.

Second reviews are performed to determine whether there are any options available that might be offered to the applicant to enable Correspondent to provide a loan to that applicant.

13.2 Pre-Closing Disclosures Policy

Initial Disclosures

Phone, Mail, or In Person Applications - Whether accepted in a face-to-face interview, by mail, or by telephone, the Correspondent's Loan Officer and Disclosure Coordinator must work together to ensure that compliant initial disclosures, including the Loan Estimate under TRID, and the other early or initial disclosures required by Federal, state, or applicable local laws are generated timely on approved forms and these documents are placed in the mail or delivered to the applicable consumer(s) within three (3) Business Days (general rule) of the application date. For definition of "Business Day" and "Application Date," see Definition section of this document.

Note: If an application is cancelled, denied or withdrawn within the three (3) business day period, the Loan Estimate and other applicable disclosures required under Federal Law need not be provided. However, an Adverse Action Notice must be provided within the applicable timeframe required by ECOA. Refer to the Equal Credit Opportunity Act (ECOA) section and Adverse Action section for details.

State laws may still require certain notices to be sent.

Section 13. Compliance (continued)

Types of Initial Disclosures - Aside from state-specific or local law requirements, early disclosures to be provided within three (3) business days of application include:

- The Loan Estimate
- Settlement Services Provider List
- Notice of Intent to Proceed with Loan Application (NOI)
- Your Home Loan Toolkit – A step-by-step guide. (CFPB) (Home Purchase Loans Only)
- Consumer Handbook on Adjustable Rate Mortgages (ARM loans only)
- Loan Program Disclosures (ARM loans only)
- Notice of Right to Copy of Appraisal (HPML)
- Federal Equal Credit Opportunity Act Notice (ECOA)
- Fair Credit Reporting Act
- Affiliated Business Arrangement Disclosure Statement
- Credit Score Disclosure & Notice to Home Loan Applicant (FCRA)
- Acknowledgement of Receipt of Disclosures
- USA Patriot Act Information Disclosure
- Homeownership Counseling Organization List
- Correspondent LLC Privacy Policy & Opt-Out Form

The above list is not a comprehensive listing of all documents provided within three (3) business days of application as it covers federally mandated and CMS-required disclosures only.

No Disclosures For Inquiries - Initial Disclosures are not required for credit inquiries as long as they are truly “inquiries.” Carefully review the definitions below and the other provisions in this policy to be sure you accurately determine when a request must be treated as an application and when it is to be treated as an “inquiry.”

State Specific / Program Specific Requirement - You must consult the applicable State Specific or Non-QM Program Specific Guidelines for details on state, local, and program-specific early disclosure requirements.

Section 13. Compliance (continued)

TILA-RESPA Integrated Disclosures (TRID) Waiting Periods - TRID consolidated disclosures required under TILA and RESPA for most closed-end transactions secured by real property into two forms (Loan Estimate and Closing Disclosure).

Under TRID, Correspondent's is required to provide a Loan Estimate within three (3) business days (general rule) of receipt a mortgage loan application and comply with the following restrictions:

- Wait until the borrower has received the Loan Estimate and indicated intent to proceed before any fees may be imposed other than a reasonable credit report fee.

Under TRID, if the Loan Estimate is mailed or e-mailed, the borrower is considered to have received it three (3) business days (specific rule) after it is delivered or placed in the mail.

- Wait seven (7) business days (specific rule) after the Loan Estimate is delivered or mailed before closing a mortgage loan, except in a personal financial emergency such as foreclosure.

Refer to the TILA-RESPA Integrated Disclosures (TRID) section for a detailed description of the types of transactions that subject to the rule and applicable exemptions.

Re-Disclosed Loan Estimates

Change of Circumstance (COC) - Under TRID, revised disclosures must be sent to a borrower when "Changed Circumstances" affect the accuracy of the Loan Estimate that was previously provided to that borrower. A revised Loan Estimate is made in good faith if the revision is due to any of the following reasons:

- An extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction;
- Information specific to the consumer or transaction that the Correspondent relied upon when providing the Loan Estimate and that was inaccurate or changed after the disclosures were provided;
- New information specific to the consumer or transaction that the Correspondent did not rely on when providing the Loan Estimate;
- The borrower is ineligible for an estimated charge previously disclosed because a changed circumstance affected the borrower's creditworthiness or the value of the security for the loan; and/or
- The borrower requests revisions to the credit terms or the settlement that cause an estimated charge to increase.

Triggers for Change of Circumstance and Re-Disclosure - Once a Loan Estimate has been issued to a borrower, the loan terms, fees or charges of the loan are only allowed to change when there are Changed Circumstances, and only those charges specifically related to the Changed Circumstance may be revised.

If ANY fees listed on the Loan Estimate increase as a result of:

- Changed circumstance
- Borrower-requested change
- Loan Amount Change

Section 13. Compliance (continued)

- **Rate Locks:** Going from a float to an interest rate lock, re-lock and or extension (any time a rate is locked a re-disclosed Loan Estimate, as applicable with all the lock information must be generated and mailed to the borrower(s) within three days.) Note that every time a rate is re-locked or extended, a new COC must be requested and a new Loan Estimate will go out with the rate lock information completed on page one.

Note that the Origination Charge quoted on the Loan Estimate may NOT change, even in the event of a Changed Circumstance. **THIS RULE DOES NOT APPLY IF THE CUSTOMER DID NOT SIGN THE NOTICE OF INTENT TO PROCEED (NOI) WITHIN THE 10 DAY PERIOD, AND THE LOAN ESTIMATE HAS EXPIRED.** The only exception would be that if the loan amount increases or decreases, and the Origination Charge is a percentage of the base loan amount, then the actual dollar cost to the borrower may change as long as the originally quoted percentage remains the same. The Origination Charge percentage can be determined by looking at the fee sheet and manually calculating the original percentage. The calculations are done off the base loan amount not the gross loan amount. Refer to the “0% Tolerance” fee discussion below for additional information.

Re-Disclosure Timing Requirements - A revised Loan Estimate may be provided to the borrower, however, it must be delivered or placed in the mail no later than three (3) business days (general rule) after receiving the information sufficient to establish a reason for the re-disclosure.

Relationship to Closing Disclosure - Correspondents may not provide a revised Loan Estimate on or after the date it provides the Closing Disclosure

Correspondents must ensure that the consumer receives the revised Loan Estimate no later than four (4) business days (specific rule) prior to consummation. If the Correspondent is mailing the revised Loan Estimate and relying upon the three (3) business day mailbox rule, the Correspondent would need to place the Loan Estimate in the mail no later than seven (7) business days before consummation of the transaction to allow three (3) business days for receipt.

When a revised Loan Estimate is provided in person, it is considered received by the consumer on the day it is provided. If it is mailed or delivered electronically, the consumer is considered to have received it three (3) business days after it is delivered or placed in the mail.

However, if Correspondent has evidence that the consumer received the revised Loan Estimate earlier than three (3) business days after it is mailed or delivered, it may rely on that evidence and consider it to be received on that date

Loan Estimate Good Faith Requirement and Tolerances

Lenders are responsible for ensuring that the figures stated in the Loan Estimate are made in good faith and consistent with the best information reasonably available at the time they are disclosed.

Tolerance Categories - The revised fees are subject to the below fee tolerances.

Section 13. Compliance (continued)

Charge Permitted to Change (no tolerance) - Lenders are permitted to charge consumers more than the amount disclosed on the Loan Estimate without any tolerance limitation on the following:

- Per-diem (pre-paid) interest
- Property insurance premiums
- Property taxes due at closing
- Amounts placed into an escrow, impound, reserve or similar account
- Charges for services required by Correspondent, where Correspondent permits the consumer to shop, the consumer shopped and selected their own settlement service provider (not on the Correspondent's Settlement Service Provider list)
- Charges paid to third-party service providers for services not required by Correspondent (optional services) (may be paid to affiliates of Correspondent)

10% Aggregate Tolerance - Charges for third-party services and recording fees paid by or imposed on the consumer are subject to a 10% aggregate tolerance. Whether an individual estimated charge subject to this tolerance category is in good faith depends on whether the sum of all charges subject to the tolerance category increases by more than 10%, even if an individual charge increases by more than 10%.

The charges subject to the 10% aggregate tolerance are:

- Recording fees
- Charges for services required by Correspondent, where Correspondent permits the consumer to shop, the consumer does not shop, and Correspondent selected a non-affiliate provider from its Settlement Service Provider list
- Charges for services required by Correspondent, where Correspondent permits the consumer to shop, the consumer shopped and selected a non-affiliate provider from the Settlement Service Provider list

0% Tolerance - Correspondents are not permitted to charge consumers more than the amount disclosed on the Loan Estimate under any circumstances other than changed circumstances that permit a revised Loan Estimate. These zero tolerance charges are:

- Fees paid to Correspondent
- Fees paid to an affiliate of Correspondent
- Lender Credits (cannot be reduced)
- Charges for services required by Correspondent, where Correspondent does not allow the consumer to shop, and Correspondent selects the non-affiliated third party settlement service provider
- Transfer taxes

Section 13. Compliance (continued)

Closing Disclosures

The Closing Disclosure - For loans in which a Loan Estimate has been issued and proceed to closing, Correspondent must provide a final disclosure reflecting the actual terms of the transaction called the Closing Disclosure ("CD").

Correspondent must ensure that the consumer receives the CD no later than three (3) business days (specific rule) before consummation of the loan. Correspondent refers to this as the Pre-Closing CD.

When a Closing Disclosure is provided in person, it is considered received by the consumer on the day it is provided. If it is mailed or delivered electronically, the consumer is considered to have received it three (3) business days after it is delivered or placed in the mail.

However, if Correspondent has evidence that the consumer received the Closing Disclosure earlier than three (3) business days after it is mailed or delivered, it may rely on that evidence and consider it to be received on that date. With regard to evidence of receipt prior to the third business day after mailing, it is Correspondent's policy that the 3 business days prior to consummation STARTS from the day the signed Pre-Closing CD is RECEIVED from the borrower.

Relationship to Loan Estimate - Correspondent must wait one business day after providing a revised Loan Estimate before it provides the initial Closing Disclosure.

Revised Closing Disclosures with a New Waiting Period - If there are any changes discovered after the Pre-Closing CD is issued, a corrected CD is required that contains all of the changed terms.

Generally, the corrected CD must be provided to the borrower at or before consummation. However, certain changes require a new three (3) business day (specific rule) waiting period.

Changes Requiring a New Waiting Period - A new three (3) business day waiting period is required if a corrected CD is issued because:

- The disclosed APR becomes inaccurate. (It is inaccurate if the APR changes more than 1/8 of 1 percentage point);
- Changes to the loan product; or
- The addition of a prepayment penalty.

Tolerance Cures - In the event there is a material difference in fees disclosed from the last revised Loan Estimate or revised Closing Disclosure to the final Closing Disclosure, excess fees must be refunded to the borrower.

A material difference means:

- The Finance Charge increases by more than \$100 on a purchase or non-owner occupied refinance transaction; or
- The Finance Charge increases by more than \$35 on an owner-occupied refinance transaction, i.e., subject to rescission; or
- The previously disclosed fees increased by 10% or more in total fees (per the 10% tolerance restriction); or
- The fee increases and it is a 0% tolerance fee.

Section 13. Compliance (continued)

A refund is **not required** under the following conditions:

The Finance Charge and/or previously disclosed fees decrease from the amount shown on the final disclosures by any amount.

Definitions

Application - “Application” means the submission of a borrower's financial information in anticipation of a credit decision which shall include:

- The borrower's name;
- The borrower's monthly income (credit qualifying programs only);
- The borrower's Social Security number to obtain a credit report (or other unique identifier if the borrower has no Social Security number);
- The property address;
- An estimate of the value of the property; and,
- The mortgage loan amount sought.

An application may either be in writing or electronically submitted, including a written record of an oral application.

Application Date - Application date” means the date the Loan Officer has a company-approved written application containing the six elements of information specified above.

Business Day - The Truth in Lending Act (TILA) provides two definitions of a “business day”, and these are referenced in this policy as the “general” definition and the “specific” definition.

- **General Definition:** A business day is a day on which the Correspondent’s offices are open to the public for carrying on substantially all of its business functions.
- **Specific Definition:** A business day includes all calendar days except Sundays and legal public holidays as specified in 5 U.S.C. 6103(a).

The federal legal holidays identified in 5 U.S.C. 6103(a) are as follows:

Holiday	Date Observed
New Year’s Day	January 1
Martin Luther King, Jr. Day	Third Monday in January
Washington’s Birthday	Third Monday in February
Memorial Day	Last Monday in May
Juneteenth National Independence Day	June 19
Independence Day	July 4
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veteran’s Day	November 11
Thanksgiving Day	Fourth Thursday in November
Christmas Day	December 25

Section 13. Compliance (continued)

Inquiry - "Inquiry" under TRID includes an oral or a written request for credit that is not made in accordance with Correspondent prequalification procedures used by Correspondent (the six elements of an application noted above are not present) for the type of credit provided. However, whether any inquiry becomes an application for purposes of ECOA depends on how Correspondent responds to the consumer, not on what the consumer says or asks. Though Correspondent personnel may evaluate specific information given to them about the consumer(s), Correspondent policy is that they in no case respond by declining the request and communicating that decision to the consumer(s). By doing so, Correspondent would be required to treat the inquiry as an application for ECOA / Regulation B purposes and provide the consumer with an Adverse Action notice within 30 days of making the credit decision.

All applicants must be encouraged to submit an application and under no circumstances does a loan originator, processor or any employee have the authority to discourage an applicant from applying for credit. Only an authorized underwriter has the authority to deny an applicant.

Correspondent personnel should instead require that an approved Correspondent application form and any associated materials be completed for the consumer(s), and the consumer(s) should be advised that they will be evaluated in accordance with company policy.

Refer to the Equal Credit Opportunity Act (ECOA) section and the Adverse Action section and related procedures for additional information.

Pre-Qualification - Pre-qualification" is a request for a preliminary indication of whether a consumer may qualify for credit, in what amount, and on what conditions. A specific property location may or may not have yet been selected by the consumer. Correspondent procedures require that a credit bureau report be obtained as part of the pre-qualification process. Correspondent does not treat a pre-qualification request as a loan application unless a credit decision is communicated to the consumer. If Correspondent personnel render a decision to decline the request, the pre-qualification request is deemed an application for ECOA / Regulation B purposes and the consumer must be provided with an Adverse Action Notice within 30 days of the decision being rendered.

Refer to the Equal Credit Opportunity Act (ECOA) section and the Adverse Action section and related procedures for additional information.

Re-Disclosure - Re-disclosure" means delivering to the borrower an updated Loan Estimate and/or Closing Disclosure and all applicable state specific disclosures.

Section 13. Compliance (continued)

13.3 Declared Disaster Policy

Disasters, both natural and manmade, can cause varying degrees of damage and create a potential risk. This policy provides general guidelines that must be followed in the event of a major disaster.

Definition - For the purpose of this policy, a major disaster is defined as a disaster that causes substantial damage to numerous homes. Disasters include, but are not limited to:

- Hurricanes
- Earthquakes
- Floods
- Landslides
- Tornadoes
- Wildfires
- Volcanic eruptions
- Civil unrest
- Terrorist attacks

FEMA Declared Disaster

Once the federal government has declared a disaster with **individual assistance** (i.e., assistance to individuals and households), FEMA issues a Disaster Notification at <http://www.fema.gov/>. Inspections and re-inspections must be completed on properties within a declared disaster area with individual assistance.

Note: A disaster declared with public assistance (assistance to state and local governments and certain nonprofit organizations for emergency work and the repair and replacement of disaster-damaged facilities) does not require a re-inspection.

Monitoring and Communication

Correspondent must monitor when a disaster has occurred and provide updates as necessary.

The Correspondent is responsible for maintaining a list of impacted areas and communicating the list to the affected MLD Associates and executives via email.

Inspections after a Declared Disaster

Properties Located in Major Disaster Areas - In the event that a subject property, on which the loan has not yet funded, is located in an area that is declared a federal disaster area, Correspondent must ensure that the property continues to meet the collateral requirements of its investors.

If an appraisal was completed prior to the incident date of the disaster, a re-inspection will be required. Every effort must be made to ensure the inspection is completed by the same appraiser who completed the first inspection. If it is not possible to use the same appraiser, evidence of the failed attempts to secure the appraiser for another inspection must be documented in the loan file.

Note: Re-inspections are a valid Change of Circumstance, as allowed by an act of God, war, disaster, or other emergency.

Section 13. Compliance (continued)

If an appraisal was not required due to a property inspection waiver or the product an inspection report may still be required. For product-specific requirements, refer to the applicable program details in the “Inspections after a Declared Disaster” section below.

When product-specific requirements apply, an inspection will be required up to and including 90 days from the date the natural disaster occurred, prior to the Note date. There may be a situation where a longer timeframe is instituted.

Note: Correspondent does not lend on properties located within the Coastal Barrier Resource System.

General Inspection Requirements - Appraisals must be ordered through an Appraisal-Management-Company (AMC via Mercury Network) or use an Appraisal Panel. An appraiser (only appraisals from Certified General Appraisers, Certified Residential Appraisers, or Licensed Residential Appraisers are acceptable. Trainees are unacceptable) must perform the property inspection. Photographs of the subject property must be attached to the Disaster Area Property Inspection Report. The appraiser who performs the inspection should review the original appraisal report and be able to certify that his/her personal inspection of the building revealed no indications of significant disaster-related damages. The appraiser's Disaster Area Property Inspection Report must address the physical condition of the site and improvements; it does not need to address value trends. If the condition of the subject property is acceptable, the value conclusion made prior to the disaster is acceptable.

Verifications of Income/Employment

This section applies to all loan programs. For product-specific information, check the applicable program details in the “Inspections after a Declared Disaster” section above.

Correspondent associates must use diligence when completing verbal verifications of income/employment for borrowers living and working in areas affected by a declared disaster to ensure the Borrower's employment and income will continue.

Damaged Properties

This section applies to all loan programs. For product-specific information, check the applicable program details in the “Inspections after a Declared Disaster” section above.

Properties with Significant Damage - Any damage that affects health, safety, habitability, soundness, or structural integrity is considered significant and must be repaired before the loan is eligible for purchase by an investor.

Properties with Minor Damage - Repairs will not be required for a property with minor damage that does not affect health, safety, habitability, soundness, or structural integrity. However, professional estimates of the repair costs should be obtained and an escrow account established with sufficient funds to guarantee completion of the repairs.

Section 13. Compliance (continued)

13.4 Equal Credit Opportunity Act (ECOA) Policy

Disasters, both natural and manmade, can cause varying degrees of damage and create a potential risk. This policy provides general guidelines that must be followed in the event of a major disaster.

The purpose of ECOA is to promote the availability of credit to all creditworthy applicants without regard to race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to contract); to the fact that all or part of the applicant's income derives from a public assistance program; or to the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

The regulation prohibits Correspondent practices that discriminate on the basis of any of these factors. The regulation also requires Correspondents to notify applicants of action taken on their applications; to report credit history in the names of both spouses on an account; to retain records of credit applications; to collect information about the applicant's race and other personal characteristics in applications for certain dwelling-related loans; and to provide applicants with copies of appraisal reports used in connection with credit transactions.

The Consumer Financial Protection Bureau (CFPB) and prudential regulators enforce ECOA and its implementing regulation, Regulation B.

Correspondent is required to comply with all applicable sections of ECOA.

Scope 12 CFR §1002.1 - ECOA and Regulation B apply to all persons who are Correspondents, meaning a person who, in the ordinary course of business, regularly participates in a credit decision, including setting the terms of the credit. The term Correspondent includes a Correspondent's assignee, transferee, or subrogee who so participates.

Definitions

Adverse Action: A refusal to grant credit in substantially the amount or on substantially the terms requested in an application unless the Correspondent makes a counteroffer (to grant credit in a different amount or on other terms) and the applicant uses or expressly accepts the credit offered; a termination of an account or an unfavorable change in the terms of an account that does not affect all or substantially all of a class of the Correspondent's accounts; or a refusal to increase the amount of credit available to an applicant who has made an application for an increase.

Age: The age of natural persons and means the number of fully elapsed years from the date of an applicant's birth.

Applicant: Any person who requests or who has received an extension of credit from a Correspondent, and includes any person who is or may become contractually liable regarding an extension of credit.

Application: An oral or written request for an extension of credit that is made in accordance with procedures used by a Correspondent for the type of credit requested.

Completed Application: An application in connection with which a Correspondent has received all the information that the Correspondent regularly obtains and considers in evaluating applications for the amount and type of credit requested (including, but not limited to, credit reports, any additional information requested from the applicant, and any approvals or reports by governmental agencies or other persons that are necessary to guarantee, insure, or provide security for the credit or collateral).

Section 13. Compliance (continued)

Note: Different definitions of “application” must be used when evaluating Correspondent’s compliance with RESPA, TILA, and TRID requirements. Refer to the Real Estate Settlement Procedures Act (RESPA) section, Truth in Lending Act (Regulation Z) section and TILA-RESPA Integrated Disclosures (TRID) section for details.

Consumer Credit: Credit extended to a natural person primarily for personal, family, or household purposes.

Contractually Liable: Expressly obligated to repay all debts arising on an account by reason of an agreement to that effect.

Credit: The right granted by a Correspondent to an applicant to defer payment of a debt, incur debt and defer its payment, or purchase property or services and defer payment therefor.

Correspondent: A person who, in the ordinary course of business, regularly participates in a credit decision, including setting the terms of the credit. The term Correspondent includes a Correspondent’s assignee, transferee, or subrogee who so participates.

Credit Transaction: Every aspect of an applicant’s dealings with a Correspondent regarding an application for credit or an existing extension of credit (including, but not limited to, information requirements; investigation procedures; standards of creditworthiness; terms of credit; furnishing of credit information; revocation, alteration, or termination of credit; and collection procedures).

Discriminate Against an Applicant: To treat an applicant less favorably than other applicants.

Elderly: Persons age 62 or older.

Marital Status: The state of being unmarried, married, or separated, as defined by applicable state law. The term “unmarried” includes persons who are single, divorced, or widowed.

Preapproval: An application for credit where a person asks a financial institution to “preapprove” a loan (for example, to finance a house he/she plans to buy) and the institution reviews the request under a program in which the institution, after a comprehensive analysis of the applicant’s creditworthiness, issues a written commitment valid for a designated period of time to extend a loan up to a specified amount. The written commitment may not be subject to conditions other than conditions that require the identification of adequate collateral, conditions that require no material change in the applicant’s financial condition or creditworthiness prior to funding the loan, and limited conditions that are not related to the financial condition or creditworthiness of the applicant that the lender ordinarily attaches to a traditional application (such as certification of a clear termite inspection for a home purchase loan). Note that a preapproval includes a scenario with the same facts as above where the financial institution evaluates a person’s creditworthiness and determines that the applicant does not qualify for a preapproval.

However, if the creditor’s program does not provide for giving written commitments, requests for preapprovals are treated as prequalification requests for purposes of the regulation.

Prohibited Basis: Race, color, religion, national origin, sex, marital status, or age (provided that the applicant has the capacity to enter into a binding contract); the fact that all or part of the applicant’s income derives from any public assistance program; or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act or any state law upon which an exemption has been granted.

Section 13. Compliance (continued)

General Requirements

The Equal Credit Opportunity Act (ECOA) requires Correspondent to take the following steps for compliance:

Discrimination - Correspondent shall not discriminate against an applicant on a prohibited basis regarding any aspect of a credit transaction.

Discouragement - Correspondent shall not make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage on a prohibited basis a reasonable person from making or pursuing an application.

Individual Accounts - Correspondent shall not refuse to grant an individual account to a creditworthy applicant on the basis of sex, marital status, or any other prohibited basis.

Designation of Name - Correspondent shall not refuse to allow an applicant to open or maintain an account in a birth-given first name and a surname that is the applicant's birth-given surname, the spouse's surname, or a combined surname.

Insurance - Correspondent shall not refuse to extend credit and/or terminate an account because credit life, health, accident, disability, or other credit-related insurance is not available on the basis of the applicant's age. Correspondent does not offer such products or originate loans requiring the use of such products.

Requests for Information

Correspondent will adhere to these rules concerning requests for information:

Required Collection of Information for Monitoring Purposes - Correspondent shall request information for monitoring purposes as required by the Government Monitoring Information / Demographic Information section for credit secured by the applicant's dwelling.

Correspondent is also required under the Home Mortgage Disclosure Act (HMDA) to collect and report information about the ethnicity, race, and sex of applicants for certain dwelling secured loans, including some types of loans not covered under ECOA.

Refer to the Home Mortgage Disclosure Act (HMDA) section for a detailed description of those collection and reporting requirements.

Special Purpose Credit - Correspondent may obtain information that is otherwise restricted to determine eligibility for a special purpose credit program (i.e., specific to the eligibility requirements for the specific special purpose credit program).

Sex - Correspondent may request an applicant to designate a title on an application form (such as Ms. Miss, Mr., or Mrs.) if the form discloses that the designation is optional. Application forms shall otherwise use only terms that are neutral as to sex.

Marital Status - Correspondent may inquire about the applicant's marital status but only using the terms: married, unmarried, or separated. Correspondent may explain that the category unmarried includes single, divorced, and widowed persons.

Section 13. Compliance (continued)

Information About a Spouse or Former Spouse - Correspondent may not request any information concerning the spouse or former spouse of an applicant except as provided below. Correspondent may request any information concerning an applicant's spouse or former spouse that may be requested about the applicant if:

- The spouse will be permitted to use the account;
- The spouse will be contractually liable on the account;
- The applicant is relying on the spouse's income as a basis for repayment of the credit requested;
- The applicant resides in a community property state or is relying on property located in such a state as a basis for repayment of the credit requested; or
- The applicant is relying on alimony, child support, or separate maintenance payments from a spouse or former spouse as a basis for repayment of the credit requested.

Correspondent may also request the following from an applicant:

- A list of any account on which the applicant is contractually liable, and to provide the name and address of the person in whose name the account is held.
- A list of the names in which the applicant has previously received credit.

Disclosure About Income from Alimony, Child Support, or Separate Maintenance -

Correspondent shall not inquire whether income stated in an application is derived from alimony, child support, or separate maintenance payments unless it discloses to the applicant that such income need not be revealed if the applicant does not want the Correspondent to consider it in determining the applicant's creditworthiness.

Since a general inquiry about the source of income may lead an applicant to disclose alimony, child support, or separate maintenance income, Correspondent must preface any such request with the required disclosure.

Childbearing and Childrearing - Correspondent shall not inquire about birth control practices, intentions concerning the bearing or rearing of children, or capability to bear children.

Correspondent may inquire about the number and ages of an applicant's dependents or about dependent-related financial obligations or expenditures, provided such information is requested without regard to sex, marital status, or any other prohibited basis.

Permanent Residency and Immigration Status - Correspondent may inquire about the permanent residency and immigration status of an applicant or any other person in connection with a credit transaction.

Evaluation of Applications

Correspondent may consider any information obtained, so long as the information is not used to discriminate against an applicant on a prohibited basis. However, Correspondent may not consider in its evaluation of creditworthiness any information that it is barred from obtaining by the rules regarding requests for information described above.

Correspondent shall not take a prohibited basis into account in any system of evaluating the creditworthiness of applicants.

Section 13. Compliance (continued)

Age - Correspondent shall not take into account an applicant's age (provided the applicant has the capacity to enter into a binding contract) except as provided below:

- In a credit scoring system, a Correspondent may use an applicant's age as a predictive variable, provided that the age of an elderly applicant is not assigned a negative factor or value.
- In a judgmental system of evaluating creditworthiness, a Correspondent may consider an applicant's age (or age related information) only for the purpose of determining a pertinent element of creditworthiness.
- Correspondent may consider the applicant's occupation and length of time to retirement to ascertain whether the applicant's income (including retirement income) will support the extension of credit to its maturity.
- Correspondent may consider the adequacy of security when the term of the credit extension exceeds the life expectancy of the applicant and the cost of realizing on the collateral could exceed the applicant's equity (5% down, 30 year mortgage loan vs. a loan with a larger down payment or shorter loan maturity).
- In any system of evaluating creditworthiness, a Correspondent may consider the age of an elderly applicant when such age is used to favor the elderly applicant in extending credit.

Receipt of Public Assistance - Correspondent shall not take into account whether an applicant's income derives from any public assistance program except as provided below. In a judgmental system of evaluating creditworthiness; a Correspondent may consider whether an applicant's income derives from any public assistance program only for the purpose of determining a pertinent element of creditworthiness.

- Correspondent may consider the length of time an applicant will likely remain eligible to receive such income.
- Whether the applicant will continue to qualify for benefits based on the status of the applicant's dependents (i.e. temporary aid to needy families or social security payments to a minor).
- Whether the income can be attached or garnished to assure payment of the debt in the event of default.

Childbearing / Childrearing - In evaluating creditworthiness, Correspondent shall not make assumptions or use aggregate statistics relating to the likelihood that any category of persons will bear or rear children or will, for that reason, receive diminished or interrupted income in the future.

Telephone Listing - Correspondent shall not take into account whether there is a telephone listing in the name of an applicant for consumer credit but may take into account whether there is a telephone in the applicant's residence.

Income - Correspondent need not consider income at all in evaluating creditworthiness. However, when income is considered Correspondent shall not discount or exclude from consideration the income of an applicant or the spouse of an applicant because of a prohibited basis or because the income is derived from part-time employment or is an annuity, pension, or other retirement benefit.

Section 13. Compliance (continued)

Consideration of an individual applicant: A Correspondent must evaluate income derived from part-time employment, alimony, child support, separate maintenance payments, retirement benefits, or public assistance on an individual basis, not on the basis of aggregate statistics; and must assess its reliability or unreliability by analyzing the applicant's actual circumstances, not by analyzing statistical measures derived from a group.

Payments consistently made: Correspondent may consider the amount and probable continuance of any income in evaluating an applicant's creditworthiness.

When an applicant relies on alimony, child support, or separate maintenance payments in applying for credit, Correspondent shall consider such payments as income to the extent that they are likely to be consistently made. Correspondent may consider the following factors:

- Whether payments are received pursuant to a written agreement or court decree;
- The length of time that the payments have been received;
- Whether the payments are regularly received by the applicant;
- The availability of court or other procedures to compel payment; and
- The creditworthiness of the payor, including the credit history of the payor when it is available to the Correspondent.

Consideration of income: If Correspondent considers income in evaluating creditworthiness, the following methods are acceptable:

- Scoring or taking into account the total sum of all income stated by the applicant without taking steps to evaluate the income for reliability.
- Evaluating each component of the applicant's income, and then scoring or taking into account income determined to be reliable separately from other income. Correspondent may disregard that portion of income that is not reliable when it aggregates reliable income.
- A Correspondent that does not evaluate all income components for reliability must treat as reliable any component of protected income that is not evaluated.

In considering the separate components of an applicant's income, Correspondent may not automatically discount or exclude from consideration any protected income. Any discounting or exclusion must be based on the applicant's actual circumstances.

Part-Time Employment, Sources of Income: Correspondent may score or take into account the fact that the individual has more than one source of earned income -- a full-time and a part-time job or two part-time jobs. Correspondent may also score or treat earned income from a secondary source differently than earned income from a primary source.

However, Correspondent may not, do the following:

- Score or otherwise take into account the number of sources for income such as retirement income, social security, supplemental security income, and alimony.
- Treat negatively the fact that an applicant's only earned income is derived from, for example, a part-time job.

Section 13. Compliance (continued)

Credit History - When using credit history in evaluating the creditworthiness of similarly qualified applicants for a similar type and amount of credit, Correspondent shall consider the following in evaluating an applicant's creditworthiness:

- The credit history, when available, of accounts designated as accounts that the applicant and the applicant's spouse are permitted to use or for which both are contractually liable;
- On the applicant's request, any information the applicant may present that tends to indicate the credit history being considered by the Correspondent does not accurately reflect the applicant's creditworthiness; and
- On the applicant's request, the credit history, when available, of any account reported in the name of the applicant's spouse or former spouse that the applicant can demonstrate accurately reflects the applicant's creditworthiness.

Immigration Status - Correspondent may consider the applicant's immigration status or status as a permanent resident of the United States, and any additional information that may be necessary to ascertain the Correspondent's rights and remedies regarding repayment.

- **National Origin / Immigration Status:** The applicant's immigration status and ties to the community (such as employment and continued residence in the area) could have a bearing on a Correspondent's ability to obtain repayment. Correspondent may consider immigration status and differentiate between a noncitizen who is a long-time resident with permanent resident status and a noncitizen temporarily in this country on a student visa.
- **National Origin / Citizenship:** Under ECOA, a denial of credit on the grounds that an applicant is not a United States citizen is not per se discrimination based on national origin. The notice of action taken should be very specific that it is due to non-citizenship status, not national origin.

Marital Status - Correspondent shall evaluate married and unmarried applicants by the same standards; and in evaluating joint applicants, a Correspondent shall not treat applicants differently based on the existence, absence, or likelihood of a marital relationship between the parties.

Correspondent may consider the marital status of an applicant or joint applicant for the purpose of ascertaining the Correspondent's rights and remedies applicable to the particular extension of credit. For example, in a secured transaction involving real property, a Correspondent could take into account whether state law gives the applicant's spouse an interest in the property being offered as collateral.

Race, Color, Religion, National Origin, Sex - Correspondent shall not consider race, color, religion, national origin, or sex (or an applicant's or other person's decision not to provide the information) in any aspect of a credit transaction.

State Property Laws - Correspondent's consideration or application of state property laws directly or indirectly affecting creditworthiness does not constitute unlawful discrimination under ECOA.

Section 13. Compliance (continued)

Signature of Spouse or Other Person

Correspondent may not require the signature of an applicant's spouse or other person, other than a joint applicant, on any credit instrument if the applicant qualifies under Correspondent's standards for creditworthiness for the amount and terms of the credit requested.

Correspondent shall not deem the submission of a joint financial statement or other evidence of jointly held assets as an application for joint credit.

Correspondent may require the signature of an applicant's spouse or other person only on the instruments necessary to secure the property (e.g., mortgage, deed, etc.) under applicable state law (i.e., community property state) to make the property available to satisfy the debt in the event of default or death of the applicant.

Guarantees - Correspondent may request a cosigner, guarantor, endorser, or similar party to support the credit requested if the personal liability of an additional party is necessary to support the credit requested under Correspondent's standards of creditworthiness.

The applicant's spouse may serve as an additional party, but Correspondent shall not require that the spouse be the additional party.

Correspondent shall not impose requirements upon an additional party that it is prohibited from imposing on an applicant.

- **Personal:** Correspondent may not require personal guarantees on a prohibited basis, such as spouse guarantee only for married officers of a business or only for women-owned or minority-owned businesses. Correspondent may require the personal guarantee of the partners, directors, or officers of a business, and the shareholders of a closely held corporation, even if the business or corporation is creditworthy. This requirement must be based on the guarantor's relationship with the business or corporation.
- **Spousal:** Correspondent may not require the signature of a guarantor's spouse, except as noted above.

Furnishing Credit Information

New Accounts - Correspondent shall designate any new account to reflect the participation of both spouses if the applicant's spouse is permitted to use or is contractually liable on the account (other than as a guarantor, surety, endorser, or similar party).

Report credit history in the names of both spouses on an account - If Correspondent furnishes information to consumer reporting agencies concerning an account that reflects the participation of both spouses, the information must be furnished in a manner that will enable the agency to provide access to the information in the name of each spouse.

Notification of Action Taken – General Requirements

A written application is required for dwelling-related types of credit. However, an application may be taken over the telephone or via the internet.

Section 13. Compliance (continued)

When Notification is Required - Correspondent shall notify an applicant of the action taken within the following time frames:

- 30 days after receiving a completed application concerning Correspondent's approval of, counteroffer to, or adverse action on the application;
- 30 days after taking adverse action on an incomplete application, unless notice is provided in accordance with "Incomplete Applications" as described below;
- 30 days after taking adverse action on an existing account; or
- 90 days after notifying the applicant of a counteroffer if the applicant does not expressly accept or use the credit offered.

Multiple Applicants - When an application involves more than one applicant, notification need only be given to one of them but must be given to the primary applicant where one is readily apparent.

Note: If credit scoring is utilized in a decision to take adverse action, all applicants must be provided with an individual adverse action notice.

When Notification Occurs - Notification occurs when Correspondent delivers or mails a notice to the applicant's last known address.

When an Application is Complete - Once Correspondent has obtained all the information it normally considers in making a credit decision, the application is complete and Correspondent has 30 days in which to notify the applicant of the credit decision.

Although the regulation gives Correspondents the latitude to establish their own information requirements, Correspondent must act with reasonable diligence to collect information needed to complete the application, including:

- Requesting information from third parties, such as a credit report, promptly after receiving the application.
- Contacting the applicant promptly if additional information is needed from the applicant, such as an address or a telephone number to verify employment. See the options for handling incomplete application below.

Credit Denial During Initial Credit Inquiry / Prequalification Request - Whether a creditor must provide an adverse action notice for an inquiry or prequalification request depends on its response to the request, not on what the consumer says or asks.

Correspondent must provide an Adverse Action Notice, if in response to an inquiry or prequalification request Correspondent:

- Evaluates information about the consumer,
- Makes a decision that the consumer is not eligible for the mortgage loan requested based on that information; and
- Communicates that decision to the consumer.

For Example: If Correspondent tells a consumer that it would not approve an application for a mortgage because of a bankruptcy in the consumer's record, CMS has denied an application for credit.

Section 13. Compliance (continued)

In this case, the consumer must be given an Adverse Action Notice stating the specific reasons for the credit denial. "Incomplete Application" cannot be given as the reason for the credit denial.

Note that creditors are also prohibited under ECOA from making any statement that would discourage on a prohibited basis a reasonable person from making or pursuing an application. Refer to the [General Requirements](#) section for details.

Counteroffers

An Adverse Action Notice is required 90 days after notifying an applicant of a counteroffer if the applicant does not accept or use the credit offered as described above.

Length of Counteroffer: A creditor is not required to hold a counteroffer open for 90 days or any other particular length of time.

Counteroffer Combined with Adverse Action Notice: A creditor that gives an applicant a combined counteroffer and adverse action notice that complies with the content requirements outlined below need not send a second adverse action notice if the applicant does not accept the counteroffer.

Content of Adverse Action Notification

A notification given to an applicant when adverse action is taken shall be in writing and shall contain the following:

- A statement of the action taken.
- The name and address of Correspondent, LLC (Correspondent);
- The ECOA Notice, using the prescribed text;
- The name and address of the federal agency that administers compliance with ECOA with respect to Correspondent; and either
 - A statement of the specific reasons for denial, or
 - A disclosure of the applicant's right to a statement of specific reasons within 30 days, if the statement is requested within 60 days of Correspondent's notification.

Correspondent provides a statement of specific reasons for denial with its Adverse Action Notifications.

Name and Address of Federal Agency - The name and address of the federal agency to be identified on Correspondent's ECOA notifications is as follows:

Federal Trade Commission
Equal Credit Opportunity
Washington, DC 20580

Section 13. Compliance (continued)

Statement of Specific Reasons - The statement of specific reasons for adverse action must be specific and indicate the principal reasons for the adverse action.

Statements that the adverse action was based on Correspondent's internal standards or policies or that the applicant failed to achieve the qualifying score on Correspondent's scoring system are insufficient.

The specific reasons must relate to and accurately describe the factors actually considered or scored by a Correspondent.

A Correspondent need not describe how or why a factor adversely affected an applicant. For example, the notice may say "length of residence" rather than "too short a period of residence."

Number of Specific Reasons - Correspondent must disclose the principal reasons for denying an application. The regulation does not mandate that a specific number of reasons be disclosed, but disclosure of more than four reasons is not likely to be helpful to the applicant.

Credit Scoring Systems - If Correspondent bases the denial on a credit scoring system, the reasons disclosed must relate only to those factors actually scored in the system.

No factor that was a principal reason for adverse action may be excluded from disclosure.

Judgmental Systems - If Correspondent uses a judgmental system, the reasons for the denial must relate to those factors in the applicant's record actually reviewed by the person making the decision.

Combined Credit Scoring / Judgmental System - If Correspondent denies an application based on a credit evaluation system that employs both credit scoring and judgmental components, the reasons for the denial must come from the component of the system that the applicant failed. For example:

- If a Correspondent initially credit scores an application and denies the credit request as a result of that scoring, the reasons disclosed to the applicant must relate to the factors scored in the system.
- If the application passes the credit scoring stage but the Correspondent then denies the credit request based on a judgmental assessment of the applicant's record, the reasons disclosed must relate to the factors reviewed judgmentally, even if the factors were also considered in the credit scoring component.
- If the application is not approved or denied as a result of the credit scoring, but falls into a gray band, and the Correspondent performs a judgmental assessment and denies the credit after that assessment, the reasons disclosed must come from both components of the system.

Automatic Denial - Some credit decision methods contain features that call for automatic denial because of one or more negative factors in the applicant's record (such as the applicant's previous bad credit history with that Correspondent, the applicant's declaration of bankruptcy, or the fact that the applicant is a minor). When a Correspondent denies the credit request because of an automatic-denial factor, the Correspondent must disclose that specific factor.

Denial of Incomplete Applications - Denial for Incompleteness: When an application is incomplete regarding information that the applicant can provide and Correspondent lacks sufficient data for a credit decision, Correspondent may deny the application giving as the reason for denial that the application is incomplete.

Section 13. Compliance (continued)

Denial of Incomplete Applications - Denial for Reasons Other than Incompleteness:

When an application is missing information but provides sufficient data for a credit decision, Correspondent may evaluate the application, make its credit decision, and notify the applicant accordingly. If credit is denied, the applicant must be given the specific reasons for the credit denial (or notice of the right to receive the reasons); in this instance missing information or "incomplete application" cannot be given as the reason for the denial.

See below for alternative options for handling incomplete applications.

Denial of Incomplete Applications - Combined ECOA-FCRA Disclosures: The Fair Credit Reporting Act (FCRA) requires a Correspondent to disclose when it has based its decision in whole or in part on information from a source other than the applicant or its own files.

The FCRA also requires a Correspondent to disclose, as applicable, a credit score it used in taking adverse action along with related information, including up to four key factors that adversely affected the consumer's credit score (or up to five factors if the number of inquiries made with respect to that consumer report is a key factor).

Denial of Incomplete Applications - Counteroffer Combined with Adverse Action Notice:

A counteroffer may be combined with an adverse action notice. The notice should conform to the model notice provided with the regulation.

Incomplete Applications

ECOA has specific guidelines for handling an application that is deemed to be incomplete.

Notice Alternatives - Within 30 days after receiving an application that is incomplete regarding matters that an applicant can complete, Correspondent shall provide the applicant with either:

- A Notice of Action Taken (described above), or
- A Notice of Incompleteness (described below).

Notice of Incompleteness - If additional information is needed from an applicant, Correspondent shall send a written notice to the applicant specifying the information needed, designating a reasonable period of time for the applicant to provide the information, and informing the applicant that failure to provide the information requested will result in no further consideration being given to the application.

Correspondent shall have no further obligation if the applicant fails to respond within the designated time period.

If the applicant supplies the requested information within the designated time period, Correspondent shall take action on the application and notify the applicant of its approval or adverse action within the 30 day period of receiving the completed application as described above.

Oral Request for Information - At its option, Correspondent may inform the applicant orally of the need for additional information; but if the application remains incomplete, Correspondent shall send either an Adverse Action Notice or Notice of Incompleteness to the applicant within the 30 day period described above.

If the applicant provides the information pursuant to an oral request, Correspondent must take action on the application and notify the applicant of its approval or adverse action within the 30 day period of receiving the completed application as described above.

Section 13. Compliance (continued)

Withdrawal of Approved Application - If Correspondent approves the application and the applicant has not inquired about the status of the application within 30 days after applying or receiving notification of approval, Correspondent may treat the application as withdrawn.

Correspondent is not required to send any further notification.

Applications Submitted through a Third Party Originator - When an application is made on behalf of an applicant to more than one Correspondent and the applicant expressly accepts or uses credit offered by one of the Correspondents, notification of action taken by any of the other Correspondents is not required.

If no credit is offered or if the applicant does not expressly accept or use the credit offered, each Correspondent taking adverse action must comply with this section, directly or through a third party.

A notice given by a third party shall disclose the identity of each Correspondent on whose behalf the notice is given.

Government Monitoring Information / Demographic Information

Information for Monitoring Purposes - Correspondent shall request as part of its application for credit primarily for the purchase or refinancing of a dwelling occupied or to be occupied by the applicant as a principal residence, where the extension of credit will be secured by the dwelling, the following information regarding the applicant(s):

- Ethnicity and race using either:
 - For ethnicity, the aggregate categories Hispanic or Latino, and not Hispanic or Latino; and for race, the aggregate categories American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, and White; or
 - The categories and subcategories for the collection of ethnicity and race set forth in Regulation C, which implements the Home Mortgage Disclosure Act (HMDA).
- Sex;
- Marital status (using the categories married, unmarried, and separated); and
- Age.

Applications for the types of credit covered by these requirements must be written applications.

A Correspondent that collects information about the ethnicity, race, and sex of an applicant in compliance with HMDA is also in compliance with this ECOA requirement.

Correspondent is subject to HMDA collection and reporting requirements; and thus, Correspondent requests from applicants on applications taken on or after January 1, 2018 information regarding ethnicity and race using the new disaggregated categories and subcategories required by HMDA. HMDA refers to this information as Demographic Information (DI).

Refer to the Home Mortgage Disclosure Act (HMDA) section for a detailed description of the collection and reporting requirements.

Section 13. Compliance (continued)

Obtaining Information - Questions regarding ethnicity, race, sex, marital status, and age may be listed on the application form or on a separate form that refers to the application. The applicant(s) shall be asked but not required to supply the requested information.

The applicant must be offered the option to select more than one ethnicity designation and more than one racial designation.

If the applicant(s) chooses not to provide the information or any part of it, that fact shall be noted on the form. Correspondent shall then also note on the form, to the extent possible, the ethnicity, race, and sex of the applicant(s) on the basis of visual observation or surname. Refer to the Home Mortgage Disclosure Act (HMDA) section for restrictions on the collection of an applicant's ethnicity or race on the basis of visual observation or surname.

If there is more than one applicant, a Correspondent is permitted, but is not required, to collect the demographic information from a second or additional co-applicant.

Required Disclosure - Correspondent shall inform the applicant(s) that the information regarding ethnicity, race, sex, marital status, and age is being requested by the federal government for the purpose of monitoring compliance with federal statutes that prohibit Correspondents from discriminating against applicants on those bases. Correspondent shall also inform the applicant(s) that if the applicant(s) chooses not to provide the information, the Correspondent is required to note the ethnicity, race and sex on the basis of visual observation or surname.

Refer to the Fair Lending Policies and Practices section and the Home Mortgage Disclosure Act (HMDA) section for additional information.

Appraisal Reports

Rules on Providing Appraisal Reports - If an appraisal report or other written valuation is obtained in connection with an application for credit that is to be secured by a first lien on a dwelling, a copy of the appraisal report or other written valuation must be provided to the applicant.

The copy of the appraisal or other written valuation must be provided to the consumer promptly upon completion, or three business days prior to consummation of the transaction (closed-end credit) or account opening (open-end credit), whichever is earlier. The requirement applies whether credit is extended or denied or if the application is incomplete or withdrawn.

Correspondent shall not charge an applicant for providing a copy of appraisals and other written valuations, but may require applicants to pay a reasonable fee to reimburse for the cost of the appraisal or other written valuation unless otherwise provided by law.

Waiver - An applicant may waive the timing requirement noted above (at least three business days before consummation or account opening) and agree to receive any copy at or before consummation or account opening, except where otherwise prohibited by law. If the applicant provides a waiver and the transaction is not consummated or the account is not opened, Correspondent must provide copies of appraisals and other written valuations no later than 30 days after Correspondent determines consummation will not occur or the account will not be opened.

Disclosure of Right to Receive a Copy of the Appraisal Report - Not later than the third business day after receipt of an application, Correspondent must provide the applicant with notice of the applicant's right to receive a copy of all written appraisals developed in connection with the application.

This disclosure should use the text provided in the model form.

Section 13. Compliance (continued)

For loans subject to TRID, the required disclosure is incorporated into the Loan Estimate (LE). The Closing Disclosure (CD) also provides information regarding the right to receive a copy of an appraisal.

Refer to the TILA-RESPA Integrated Disclosures (TRID) section for additional information.

Record Retention

For 25 months after the date that Correspondent notifies an applicant of action taken on an application or of incompleteness, Correspondent shall retain in original form or a copy thereof of the following:

- Any application that Correspondent receives, any information required to be obtained concerning characteristics of the applicant to monitor compliance with the ECOA and Reg. B or other similar law, and any other written or recorded information used in evaluating the application and not returned to the applicant at the applicant's request
- A copy of the following documents if furnished to the applicant in written form (or, if furnished orally, any notation or memorandum made by Correspondent):
 - The notification of the action taken
 - The statement of specific reasons for adverse action
- Any written statement submitted by the applicant alleging a violation of ECOA or Reg. B

13.5 Fair Lending Policies and Practices

Fair Lending

Compliance with State and Federal Laws - Correspondent is committed to fair lending and is dedicated to compliance with applicable state and federal laws regarding credit access and lending. Correspondent provides access to mortgage credit for all qualified applicants, regardless of the applicant's background. It is Correspondent's policy to make credit products available to applicants on a consistent and fair basis, in compliance with safe and sound lending practices.

Correspondent does not discriminate against any applicant on the basis of any factor prohibited by law, including race, color, religion, national origin, age, gender, handicap, disability, sexual orientation, gender identity, military status, predisposing genetic characteristics, familial or marital status, the exercise of any right under the Consumer Credit Protection Act, or the fact that all or part of the applicant's income derives from any public assistance program, and regardless of where the applicant resides, will reside (with the exception of ordinary program restrictions relating to owner occupancy), or where the residential property to be mortgaged is located.

The purpose of Correspondent's fair lending policy is to promote the availability of credit to all creditworthy consumers without regard to any of the prohibited bases listed above.

Every employee whose job duties impact regulatory compliance must perform duties to ensure that Correspondent will:

- Comply with all federal, state, and local laws and regulations relating to the origination and servicing of mortgage loans. Employees and officers must avoid any conduct that would violate any federal, state, or local laws or regulations;

Section 13. Compliance (continued)

- Maintain sufficient internal procedures, systems, and personnel; a sufficient Legal and Compliance Department; and sufficient operations compliance personnel to ensure compliance with this policy;
- Comply with federal and state privacy and safeguarding laws and maintain a separate policy with regard to compliance with privacy and information sharing; and
- Provide and participate in adequate training, including fair lending training as defined by the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act, and communication to its employees to ensure that employees whose job duties impact compliance have a working knowledge of current regulatory compliance requirements (and of Correspondent's procedures to implement those requirements) and to ensure compliance with New York State Executive Law, Human Rights, Article 15, Section 296-a.
- Encourage all potential applicants to submit a credit request and not discourage anyone from applying for loan products that Correspondent offers.

Fair Lending Practices - Correspondent recognizes its responsibility to proactively avoid supporting any type of abusive or predatory lending practice, both in its own loan originations and in its dealings with any other mortgage-related professionals. Correspondent does not engage in abusive or predatory brokering or lending practices and refuses to do business with those who do. Correspondent will require third parties actively and directly involved in primary mortgage business operations to comply with the policies and practices contained in this plan, to the extent that such policies and practices are applicable to the third parties and to the third parties' business operations.

No High Cost Loans - In addition, to assure a level of responsibility in excess of the minimum requirements of law, Correspondent does not originate any high-cost loans as described in Home Ownership and Equity Protection Act (HOEPA) or similar state laws.

Correspondent understands that responsible origination practices materially contribute to loan performance and long-term financial health.

Fair Treatment throughout Loan Process - Correspondent acknowledges that fair lending does not end with the approval or denial of a loan. Rather, fair lending laws and regulations apply to every facet of a loan. Correspondent seeks to ensure that every customer is treated fairly through every phase of the transaction.

Under the ECOA, it is unlawful for a lender to discriminate on a prohibited basis in any aspect of a credit transaction, and under both the ECOA and the Fair Housing Act, it is unlawful for a lender to discriminate on a prohibited basis in a residential real-estate-related transaction.

Under one or both of these laws, a lender may not, because of a prohibited factor:

- Fail to provide information or services or provide different information or services regarding any aspect of the lending process, including credit availability, application procedures, or lending standards.
- Discourage or selectively encourage applicants with respect to inquiries about or applications for credit.
- Refuse to extend credit or use different standards in determining whether to extend credit.

Section 13. Compliance (continued)

- Vary the terms of credit offered, including the amount, interest rate, duration, or type of loan.
- Use different standards to evaluate collateral.
- Treat a borrower differently in servicing a loan or invoking default remedies.
- Use different standards for pooling or packaging loans in the secondary market.
- Express, orally or in writing, a preference for or against protected applicants.
- Discriminate because of a person associated with a credit application.
- Discriminate because of the present or prospective occupants of the area where property to be financed is located.

Process Changes & Training - Correspondent will modify any practice that it determines to involve unlawful discrimination and, where appropriate, provide for necessary personnel training, including adequate fair lending training, to ensure compliance with all applicable laws. Fair Lending training is required for all appropriate employees, including senior management.

The goal of the training program will be to assist personnel to better understand the federal fair lending laws that govern financial institutions offering consumer and mortgage loans. The program will:

- Provide a basic understanding of these laws.
- Discuss how Correspondent incorporates these laws into specific practices.
- Define the role of each affected employee in the implementation of these practices.
- Provide ongoing awareness training to ensure that the Correspondent's fair lending policy and procedures are being adhered to.

13.6 Mortgage Lender Licensing Policy

Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act Requirements

Definitions

Administrative or clerical tasks: The receipt, collection, and distribution of information common for the processing or underwriting of a loan in the mortgage industry and communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

Application: A request, in any form, for an offer (or a response to a solicitation of an offer) of residential mortgage loan terms, and the information about the borrower or prospective borrower that is customary or necessary in a decision on whether to make such an offer.

Clerical or support duties includes:

- The receipt, collection, distribution, and analysis of information common for the processing or underwriting of a residential mortgage loan; and
- Communicating with a consumer to obtain the information necessary for the processing or underwriting of a loan, to the extent that such communication does not include offering or negotiating loan rates or terms, or counseling consumers about residential mortgage loan rates or terms; and

Section 13. Compliance (continued)

Does not include:

- Taking a residential mortgage loan application; or
- Offering or negotiating terms of a residential mortgage loan.

Loan Originator: An individual engages in the business of a loan originator if the individual, in a commercial context and habitually or repeatedly:

- Takes a residential mortgage loan application, and offers or negotiates terms of a residential mortgage loan for compensation or gain; or
- Represents to the public, through advertising or other means of communicating or providing information (including the use of business cards, stationery, brochures, signs, rate lists, or other promotional items), that such individual can or will perform such activities.

The term “loan originator” does not include an individual who:

- Performs only real estate brokerage activities and is licensed or registered in accordance with applicable State law, unless the individual is compensated directly or indirectly by a lender, mortgage broker, or other loan originator or by an agent of such lender, mortgage broker, or other loan originator;
- Is involved only in extensions of credit relating to timeshare plans;
- Performs only clerical or support duties and:
 - Does so at the direction of and subject to the supervision and instruction of an individual who is licensed and registered as described above, or is not required to be licensed; or
 - Who performs such duties solely with respect to transactions for which the individual who acts as a loan originator is not required to be licensed;
- Performs only purely administrative or clerical tasks on behalf of a loan originator;
- Is lawfully registered with, and maintains a unique identifier through the NMLSR, and who is an employee of a covered financial institution (i.e. banks, savings associations, credit unions);
- An employee of a Federal, state, or local government agency or housing finance agency and who acts as a loan originator only pursuant to his or her official duties as an employee of the Federal, state, or local government agency or housing finance agency;
- An employee of a bona fide nonprofit organization who acts as a loan originator only with respect to his or her work duties to the bona fide nonprofit organization, and who acts as a loan originator only with respect to residential mortgage loans with terms that are favorable to the borrower.

Nationwide Mortgage Licensing System and Registry or NMLSR: The mortgage licensing system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the licensing and registration of loan originators and the registration of registered loan originators or any system established by the Director of the CFPB.

Section 13. Compliance (continued)

Offers or negotiates terms of a residential mortgage loan for compensation or gain: If the individual:

- Presents for consideration by a borrower or prospective borrower particular residential mortgage loan terms;
- Communicates directly or indirectly with a borrower, or prospective borrower for the purpose of reaching a mutual understanding about prospective residential mortgage loan terms; or
- Recommends, refers, or steers a borrower or prospective borrower to a particular lender or set of residential mortgage loan terms, in accordance with a duty to or incentive from any person other than the borrower or prospective borrower; and
- Receives or expects to receive payment of money or anything of value in connection with the activities described above or as a result of any residential mortgage loan terms entered into as a result of such activities.

Residential Mortgage Loan: Any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling as defined the Truth in Lending Act or residential real estate upon which is constructed or intended to be constructed a dwelling.

Takes a residential mortgage loan application: If the individual receives a residential mortgage loan application for the purpose of facilitating a decision whether to extend an offer of residential mortgage loan terms to a borrower or prospective borrower (or to accept the terms offered by a borrower or prospective borrower in response to a solicitation), whether the application is received directly or indirectly from the borrower or prospective borrower.

SAFE Act - Minimum State Licensing Standards

In order to operate a SAFE Act compliant program, a state must prohibit an individual from engaging in the business of a loan originator with respect to any dwelling or residential real-estate in the State, unless the individual first:

- Registers as a loan originator and obtains a unique identifier from the NMLSR; and
- Obtains and maintains a valid loan originator license from the state.

Note: The following requirements are the minimum standards for state licensing programs established by the SAFE Act. Individual state laws may require loan originator licensing for individuals engaged in broader categories of job functions and/or require additional licensing requirements.

Licensing Requirements: A state must require and find, at a minimum, that an individual:

- Has never had a loan originator license revoked in any governmental jurisdiction;
- Has never been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court during the 7-year period preceding the date of the application for licensing, or at any time preceding such date of application, if such felony involved an act of fraud, dishonesty, a breach of trust, or money laundering.
- Has demonstrated financial responsibility, character, and general fitness, such as to command the confidence of the community and to warrant a determination that the loan originator will operate honestly, fairly, and efficiently, under reasonable standards established by the individual state.

Section 13. Compliance (continued)

- Pre-License Education: Completed at least 20 hours of pre-licensing education that has been reviewed and approved by the Nationwide Mortgage Licensing System and Registry. The pre-licensing education completed by the individual must include at least:
 - 3 hours of Federal law and regulations;
 - 3 hours of ethics, which must include instruction on fraud, consumer protection, and fair lending issues; and
 - 2 hours of training on lending standards for the nontraditional mortgage product market; and
 - 12 hours of undefined instruction on mortgage origination.
- Pre-License Exam: Achieved a test score of not less than 75 percent correct answers on a written test developed by the NMLSR.
- Be covered by either a net worth or surety bond requirement, or pays into a state fund, as required by the state law.
- Has submitted to the NMLSR fingerprints for submission to the Federal Bureau of Investigation and to any government agency for a state and national criminal history background check; and
- Has submitted to the NMLSR personal history and experience, which must include authorization for the NMLSR to obtain:
 - Information related to any administrative, civil, or criminal findings by any governmental jurisdiction; and
 - An independent credit report.

Annual License Renewal: A state must require the individual loan originator to continue to meet the minimum standards for license issuance and satisfy annual continuing education requirements, which must include at least 8 hours of education approved by the NMLSR.

Continuing Education: The 8 hours of annual continuing education must include at least:

- 3 hours of Federal law and regulations;
- 2 hours of ethics (including instruction on fraud, consumer protection, and fair lending issues); and
- 2 hours of training related to lending standards for the nontraditional mortgage product marketplace; and
- 1 hour of undefined instruction on mortgage origination.

Commitment to Compliance - Correspondent is committed to compliance with all relevant requirements of the SAFE Act, including:

- Compliance with all applicable State law requirements for legal existence and foreign qualification for company licenses;
- Ensuring that each individual loan originator who works for Correspondent is licensed to the extent required by State law before the individual acts as a loan originator.

Section 13. Compliance (continued)

The Carrington Mortgage Holdings, LLC (CMH) Licensing Unit of the Compliance Department is responsible for evaluating state-specific laws related to loan originator licensing requirements and determining which Correspondent employees engage in licensable activity as part of their job function. As such, Correspondent employees in the following positions may be required to obtain loan originator licenses in one or more states: Loan Officers, Branch Managers, Qualifying Individuals, AEs, AE Supervisors/Managers, Loan Processing Supervisors/Managers and Underwriting Supervisors/Managers. In certain states, loan servicing personnel engaged in loan modification functions, which include negotiation of loan terms on pre-existing loans in the loan servicing platform are required to be licensed as MLO.

The CMH Licensing Unit assists Correspondent MLOs in their registration, securing, renewing and maintaining their licenses.

Correspondent's policy to ensure compliance with the SAFE Act and applicable state licensing laws is described below.

Correspondent Licensing Requirements

Nationwide Mortgage Licensing System & Registry (NMLS) - Correspondent complies with the federal and state licensing requirements of the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act). The CMH Licensing Unit of the Compliance Department obtains and maintains the appropriate federal and state licenses for both company and branch licenses, including annual renewals. The Licensing Unit is also responsible for ensuring that Loan Officers, Branch Managers, Qualifying Individuals, and if required by state, AEs, AE Supervisors/Managers, Loan Processing Supervisors/Managers, Underwriting Supervisors/Managers and Loan Modification Personnel are appropriately licensed and that continuing education requirements are met.

State - In order to satisfy all statutory licensing requirements, each Loan Officer, Branch Manager, Qualifying Individual, AE, AE Supervisor/Manager, Loan Processing Supervisors/Managers, Underwriting Supervisor/Manager and Loan Modification Personnel is required to complete any and all national and state licensing and registration prerequisites prior to originating loan applications in any given state. The requirements vary from state to state and may include any combination of:

- Registration on state or national databases.
- Certification that pre-licensure education courses have been completed (national and/or state components).
- Fingerprints for Federal Bureau of Investigation (FBI) criminal history checks and applicable state police or other state-specific criminal history checks.
- Consent to comprehensive state and national background checks and full disclosure of any information requested by various regulatory agencies.
- A passing score on the National Component of the SAFE Act examination.
- Passing scores on the applicable State Component(s) of the SAFE Act examination.
- Other supporting documentation as required, including, but not limited to, copies of respective criminal or civil court documents, authorization for a credit report, administrative orders and/or other related public documents.

Section 13. Compliance (continued)

Compliance

Failure to Comply - Failure to satisfy any initial or recurring state or national licensing or registration requirements (whether for an initial license or for a renewal thereof) may indicate the inability to perform the essential functions of the position and can result in disciplinary action up to, and including, termination or other remedies.

Regardless of any action taken, Loan Officers, Branch Managers, and Qualifying Individuals, AEs, AE Supervisors/Managers, Loan Processing Supervisors/Managers, Underwriting Supervisors/Managers and Loan Modification Personnel are strictly prohibited from engaging in mortgage loan origination activity for compensation or gain, or in the expectation of compensation or gain, including but not limited to advertising or taking a residential mortgage loan application, offering or negotiating loan rates or terms, or counseling consumers about residential mortgage loan rates or terms in any state in which they are not properly licensed and/or when the company's records, systems and software applications have not been updated to reflect their current licensure. If an individual's continuing education has not been completed and updated within the NMLS and Correspondent systems by November 15th or whose MLO license is not renewed by the licensing agency by December 31st, the individual will be prohibited from taking new loan applications after November 15th or if not renewed by the licensing agency, after December 31st. Completion of continuing education after November 15th but prior to December 31st may be allowed under certain circumstances, i.e. newly hired individuals requiring licensure but subject to statutory renewal deadlines.

13.7 Real Estate Settlement Procedures Act (RESPA) Policy

Real Estate Settlement Procedures Act (RESPA)

Background - Congress enacted the Real Estate Settlement Procedures Act (RESPA) to ensure consumers received greater and timelier information regarding costs pursuant to the real estate settlement process. Unlike most of the other consumer protection statutes that are directed to lenders, RESPA applies to all parties involved in the settlement process.

The Consumer Financial Protection Bureau (CFPB) and prudential regulators enforce RESPA and its implementing regulation, Reg. X.

The RESPA-TILA Integrated Mortgage Disclosure Rule (TRID) amended Regulation X to establish new disclosure requirements and forms for most closed-end consumer credit transactions secured by real property.

Correspondent is required to comply with all relevant requirements of RESPA.

Scope - RESPA applies to federally related mortgage loans. A federally related mortgage loan refers to almost every loan secured by a lien on residential real property designed primarily for occupancy as a one- to four-unit dwelling and made by a regulated lender, a government-assisted lender, a lender with intent to sell to an agency, or a truth in lending Correspondent.

Covered transactions include the following:

- A permanent financing for the acquisition of the property to be occupied as a one- to four-unit dwelling, regardless of the lien position, or the refinance of the same
- A construction loan that is made in conjunction with a permanent loan with the same lender
- A home equity conversion mortgage

Section 13. Compliance (continued)

- A reverse mortgage
- Exempted transactions include the following:
- A loan on property of 25 acres or more.
- Business purpose loans.
- Temporary financing with a term of less than two years.
- Vacant land, unless within two years from the date of the settlement of the loan, a structure or a manufactured home will be constructed or placed on the real property using the loan proceeds.
- Assumption without lender approval. Any assumption in which the lender's permission is both required and obtained is covered by RESPA.
- A conversion of a federally related mortgage loan to different terms that are consistent with provisions of the original mortgage instrument, as long as a new note is not required.
- A secondary market transaction.

Partial Exemption for TRID Loans - Loans subject to the RESPA-TILA Integrated Mortgage Disclosure Rule (TRID) are exempt from certain RESPA requirements. Specifically, loans subject to TRID are exempt from the requirements related to the provision of the settlement cost booklet, GFE, HUD-1 Settlement Statement, and application servicing disclosure. This policy provides information regarding the TRID exemption in the description the individual requirements noted above.

Refer to the [TILA-RESPA Integrated Disclosures \(TRID\)](#) section for detailed information regarding the types of transactions subject to the TRID Rule and applicable exemptions.

Definitions

Application: The submission of a borrower's financial information in anticipation of a credit decision relating to a federally related mortgage loan, which shall include the borrower's, the borrower's monthly income, the borrower's Social Security number to obtain a credit report, the property address, an estimate of the value of the property, the mortgage loan amount sought, and any other information deemed necessary by the loan originator. An application may either be in writing or electronically submitted, including a written record of an oral application.

Note: A different definition of "application" applies to transactions subject to the TRID Rule. Refer to the [TILA-RESPA Integrated Disclosures \(TRID\)](#) section for details.

Business Day: A day on which the Correspondent's offices are open to the public for carrying on substantially all of its business functions.

Note: Different definitions of "business day" apply to transactions subject to the TRID Rule. Refer to the [TILA-RESPA Integrated Disclosures \(TRID\)](#) section for details.

Dealer: In the case of property improvement loans, a property seller, contractor, or supplier of goods or services. In the case of manufactured home loans, "dealer" means one who engages in the business of manufactured home retail sales.

Dealer Loan or Dealer Consumer Credit Contract: Generally, any arrangement in which a dealer assists the borrower in obtaining a federally related mortgage loan from the funding lender and then assigns the dealer's legal interests to the funding lender and receives the net proceeds of the loan. The funding lender is the lender for the purposes of the disclosure requirements of this part. If a dealer is a "Correspondent" as defined under the definition of "federally related mortgage loan" in this part, the dealer is the lender for purposes of this part.

Section 13. Compliance (continued)

Federally Related Mortgage Loan: Any loan (other than temporary financing, such as a construction loan) that is secured by a first or subordinate lien upon residential real property, including a refinancing of any secured loan on residential real property.

Loan Originator: A lender or mortgage broker.

Origination Service: Any service involved in the creation of a federally related mortgage loan including, but not limited to, the taking of the loan application, loan processing, the underwriting and funding of the loan, and the processing and administrative services required to perform these functions.

Required Use: A situation in which a person must use a particular provider of a settlement service in order to have access to some distinct service or property, and the person will pay for the settlement service of the particular provider or will pay a charge attributable, in whole or in part, to the settlement service.

Settlement: The process of executing legally binding documents regarding a lien on property that is subject to a federally related mortgage loan. The process may also be called “closing” or “escrow” in different jurisdictions.

Settlement Service: Means any service provided in connection with a prospective or actual settlement, including, but not limited to, any one or more of the following:

- Origination of a federally related mortgage loan (including, but not limited to, the taking of loan applications, loan processing, and the underwriting and funding of such loans)
- Rendering of services by a mortgage broker (including counseling, taking of applications, obtaining verifications and appraisals, and other loan processing and origination services, and communicating with the borrower and lender)
- Provision of any services related to the origination, processing or funding of a federally related mortgage loan
- Provision of title services, including title searches, title examinations, abstract preparation, insurability determinations, and the issuance of title commitments and title insurance policies
- Rendering of services by an attorney
- Preparation of documents, including notarization, delivery, and recordation
- Rendering of credit reports and appraisals
- Rendering of inspections, including inspections required by applicable law or any inspections required by the sales contract or mortgage documents prior to transfer of title
- Conducting of settlement by a settlement agent and any related services
- Provision of services involving mortgage insurance
- Provision of services involving hazard, flood, or other casualty insurance or homeowner's warranties
- Provision of services involving mortgage life, disability, or similar insurance designed to pay a mortgage loan upon disability or death of a borrower, but only if such insurance is required by the lender as a condition of the loan
- Provision of services involving real property taxes or any other assessments or charges on the real property

Section 13. Compliance (continued)

- Rendering of services by a real estate agent or real estate broker
- Provision of any other services for which a settlement service provider requires a borrower or property seller to pay

RESPA Section 8

Prohibitions Against Kickbacks and Unearned Fees - Section 8 of RESPA specifically prohibits kickbacks and unearned fees. It states that “No person shall give and no person shall accept any fee, kickback, or thing of value pursuant to an agreement or understanding that is business incident to or a part of a real estate settlement service involving a federally related mortgage.”

Examples of things of value include, but are not limited to, property seller benefits, borrower benefits for referrals, below market rates for pool insurance, incidental benefits to providers that do not benefit the borrower, duplicate fees, defraying of provider fees, payment of education fees for a provider, volume-based compensation, opportunity to receive a thing of value for referral of business (such as a raffle), reduced price for stock, dividend payments to stockholders for referrals, waived or reduced fees, tickets to events, vacations, gifts, or other incentives.

Section 8 also prohibits the splitting of any charge made or received for the performance of a settlement service except for services actually performed. More specifically, RESPA states that “No person shall give and no person shall accept any portion, split, or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.”

Permissible Payments - Section 8 of RESPA permits the following:

- A payment to an attorney-at-law for services actually rendered
- A payment by a title company to its duly appointed agent for services actually performed in the issuance of a policy for title insurance
- A payment by a lender to its duly appointed agent or contractor for services actually performed in the origination, processing, or funding of a loan
- A payment to any person of a bona fide salary or compensation or other payment for goods or facilities actually furnished or for services actually performed
- A payment pursuant to cooperative brokerage and referral arrangements or agreements between real estate agents and real estate brokers
- Normal promotional and educational activities that are not conditioned on the referral of business and that do not involve the defraying of expenses that otherwise would be incurred by persons in a position to refer settlement services or business incident thereto
- An employer's payment to its own employees for any referral activities

Section 13. Compliance (continued)

Affiliated Business Arrangement Disclosure Statement - An exemption was created for Affiliated Business Arrangements (AfBAs) by the Department of Housing and Urban Development (HUD).

RESPA defines an affiliated business arrangement as an arrangement in which

- A person who is in a position to refer business incident to or a part of a real estate settlement service involving a federally related mortgage loan, or an associate of such person, has either an affiliate relationship with or a direct or beneficial ownership interest of more than 1% in a provider of settlement services; and
- Either of such persons directly or indirectly refers such business to that provider or affirmatively influences the selection of that provider.

The exemption provides that an AfBA does not violate Section 8 of RESPA if three conditions are met:

- The Affiliated Business Arrangement Disclosure Statement is provided at the point of referral to the AfBA that explains the relationship.
- There is no required use of the affiliated business.
- The only thing of value that is received from the arrangement, other than the acceptable payments listed above, is a return on ownership interest or franchise relationship.

Record Keeping - Any documents provided must be retained for a period of five years after the date of execution.

Mortgage Settlement Requirements

Special Information Booklet - The special information booklet requirements described below only apply to loans that are not subject to TRID. Correspondent does not currently originate any transactions exempt from TRID.

Note: As part of its TRID rulemaking, the CFPB incorporated the RESPA special information booklet requirement into the Truth-in-Lending Act (TILA). Refer to the Truth in Lending Act (Regulation Z) section and the TILA-RESPA Integrated Disclosures (TRID) section for information regarding the special information booklet titled "Your Home Loan Toolkit" applicable to TRID loans.

Correspondent must provide the special information booklet titled "Your Home Loan Toolkit" no later than three business days after receipt of an application for a mortgage loan.

The requirement to provide the booklet only applies to purchase transactions for one- to four-unit, owner-occupied properties. The booklet need not be provided in the following transactions:

- Refinancing
- Subordinate lien position closed-end loans
- Reverse mortgages
- Any other federally related mortgage loan whose purpose is not the purchase of a one- to four-family residential property

Section 13. Compliance (continued)

This booklet is not required if the application is denied within the three-business day period.

If there are multiple applicants, the booklet only needs to be provided to one of the applicants. There are no signature requirements for receipt of the booklet.

Open-end Lines of Credit: In this transaction, the applicant must receive a copy of the brochure entitled “When your Home is On the Line: What You Should Know About Home Equity Lines of Credit”.

Good Faith Estimate - Under the RESPA-TILA Integrated Mortgage Disclosure Rule (TRID), effective for applications received on and after October 3, 2015, the Good Faith Estimate (GFE) required under RESPA and the initial Truth in Lending (TIL) disclosure were combined into one new form, the Loan Estimate (LE), to be provided within three business days of loan application.

Lenders continue to use the GFE for loans not subject to the TRID Rule. All Correspondent products are subject to the TRID Rule. Correspondent currently does not originate any exempt transactions.

Refer to the TILA-RESPA Integrated Disclosures (TRID) section for detailed instructions on how the LE is to be completed and used as well as record retention requirements.

Use of HUD-1 or HUD-1A Settlement Statements - Under the RESPA-TILA Integrated Mortgage Disclosure Rule (TRID), effective for applications received on and after October 3, 2015, the final Truth in Lending disclosure and the HUD-1 Settlement Statement required by RESPA were replaced with another form, the Closing Disclosure (CD), to be provided to consumers at least three business days before consummation of the loan.

Settlement agents continue to use the HUD-1 / HUD-1A Settlement Statement forms for settlements involving a mortgage loan not subject to the TRID Rule. All Correspondent products are subject to the TRID Rule. Correspondent currently does not originate any exempt transactions.

Refer to the [TILA-RESPA Integrated Disclosures \(TRID\)](#) section for detailed instructions on how the CD is to be completed and used as well as record retention requirements.

Affiliated Business Arrangements - If Correspondent and the service provider are affiliated, the Affiliated Business Arrangement Disclosure Statement must be provided separately from the Loan Estimate (LE). The disclosure of the relationship must describe the ownership and financial interest between Correspondent and the service provider. Correspondent may not require the use of an affiliated service provider other than Correspondent’s chosen attorney, credit reporting agency, or appraiser.

Title Companies - It is a violation for a seller of a property that will be purchased with the assistance of a federally related mortgage loan to require the use of a provider of a settlement service.

Correspondent must ensure that sellers of properties financed by it are not allowed to require the use of a particular settlement service provider.

List of Homeownership Counseling Organizations - Not later than three business days after Correspondent receives an application, or information sufficient to complete an application, Correspondent must provide the loan applicant with a written list of homeownership counseling organizations. The list of homeownership counseling organizations must be obtained no earlier than 30 days prior to the time when the list is provided to the loan applicant from either:

Section 13. Compliance (continued)

The website maintained by the CFPB for lenders to use in complying with the requirements of this section; or

Data made available by the CFPB or HUD for lenders to use in complying with these requirements, provided that the data is used in accordance with instructions provided with the data.

List and Data Instructions - The CFPB issued an interpretive rule with instructions on how to provide mortgage applicants with a list of local homeownership counseling organizations in compliance with the above requirements:

- **Number of Counselors to Appear on the List** – Lenders comply when they provide a list of ten (10) HUD-approved housing counseling agencies.
- **Location by Zip Code** – Lenders comply when they use the borrower's five-digit zip code to generate a list of the ten closest HUD approved housing counseling agencies to the centroid of the zip code of the borrower's current address, in descending order of proximity to the centroid. The borrower's current zip code satisfies the requirement that the homeownership counseling organizations be in the loan applicant's location.

Lenders may, but are not required to, offer borrowers the option of generating the list from a zip code different than their home address, or from a more precise geographic marker such as a street address.

- **Homeownership Counselor Contact Information** – Lenders comply when they provide the following data fields for each housing counseling agency on the list to the extent available: agency name, phone number, street address, street address continued, city, state, zip code, website URL, email address, counseling services provided, and languages spoken.

Providing a street address is preferable to providing a mailing address, as available.

- **Accompanying Information** – Lenders comply when they provide the following required verbiage with the homeownership counseling list:

"The counseling agencies on this list are approved by the U.S. Department of Housing and Urban Development (HUD), and they can offer independent advice about whether a particular set of mortgage loan terms is a good fit based on your objectives and circumstances, often at little or no cost to you. This list shows you several approved agencies in your area. You can find other approved counseling agencies at the Consumer Financial Protection Bureau's (CFPB) website: consumerfinance.gov/mortgagehelp or by calling 1-855-411-CFPB (2372). You can also access a list of nationwide HUD approved counseling intermediaries at http://portal.hud.gov/hudportal/HUD?src=/ohc_nint."

Requirements for Escrow Accounts

An escrow account is any account that Correspondent or its servicer establishes on behalf of a borrower to pay real estate taxes, hazard or flood insurance premiums, or any other charges that the borrower and Correspondent have voluntarily agreed that the servicer should collect and pay.

Section 13. Compliance (continued)

Escrow Analysis at Creation of Escrow Account - Before establishing an escrow account, Correspondent must conduct an escrow account analysis to determine the amount the borrower must deposit into the escrow account and the amount of the borrower's periodic payments into the escrow account (subject to the limitations described below).

In conducting the escrow account analysis, Correspondent must estimate the amount of escrow account items to be disbursed. If the disbursement amount for the next computation year is known, then that amount shall be used in estimating disbursement amounts. If the charge is unknown, the estimate may be based on the preceding year's charge, or the preceding year's charge as modified by the most recent change in the national Consumer Price Index for all urban consumers (CPI, all items). Correspondent must use a date on or before the deadline to avoid a penalty as the disbursement date for the escrow item.

Upon completing the initial escrow account analysis, the servicer must prepare and deliver an initial escrow account statement to the borrower.

Initial Escrow Account Disclosure Statement - The *Initial Escrow Account Disclosure Statement* (IEAD) is prepared and given to the borrower at closing (or within 45 calendar days of settlement). Correspondent provides this disclosure as part of its closing document package.

This disclosure illustrates for the borrower the establishment of the escrow account, the anticipated monthly payments to the escrow account, the expected ongoing balance of the escrow account, and anticipated disbursements.

If an escrow account is established after settlement, Correspondent or its servicer must submit an initial escrow account disclosure statement to the borrower within 45 calendar days of the date of establishment of the escrow account.

Limitation on Payments - Correspondent shall not require a borrower to deposit more than the following amounts into an escrow account:

- At settlement or upon creation of an escrow account, an amount sufficient to pay the charges respecting the mortgaged property which are attributable to the period from the date the payments were last paid until the initial payment date.
 - The amount sufficient to pay is computed so that the lowest month-end target balance projected for the escrow account computation year is zero.
- Throughout the life of the escrow account, a monthly sum equal to 1/12 of the anticipated total annual escrow payments. In addition, Correspondent may add an amount to maintain a cushion no greater than 1/6 (two months) of the estimated total annual payments, unless state law or the loan documents dictate a lesser amount.

However, if a servicer determines through an escrow account analysis that there is a shortage or deficiency, the servicer may require the borrower to pay additional deposits to make up the shortage or eliminate the deficiency.

Mortgage Servicing Transfer Disclosure

The mortgage servicing transfer disclosure described below only applies to reverse mortgage transactions. Correspondent does not currently originate reverse mortgage transactions.

Note: As part of its TRID rulemaking, the CFPB incorporated the RESPA servicing disclosure requirement into the Loan Estimate (LE). Refer to the TILA-RESPA Integrated Disclosures (TRID) section for information regarding the servicing disclosure requirements applicable to TRID loans.

Section 13. Compliance (continued)

Servicing Disclosure Statement

Correspondent must disclose no later than three business days (excluding legal public holidays, Saturdays, and Sundays) after receipt of an application for a reverse mortgage transaction, a disclosure that contains information on whether the servicing of the loan may be assigned, sold, or transferred to any other person at any time.

This disclosure is not required if the application is denied within the three-business day period.

Each applicant must sign an acknowledgment of receipt of the Servicing Disclosure Statement before settlement.

13.8 TILA – RESPA Integrated Disclosure (TRID) Policy

Integrated Mortgage Disclosures Under TILA-RESPA

Background - On November 20, 2013, the CFPB released the TILA-RESPA Integrated Disclosures Rule which consolidated six existing disclosures required under TILA and RESPA for most closed-end transactions secured by real property into two forms. The intended purpose of the combined/revised disclosures is to allow consumers to more easily shop for a mortgage loan and to provide consumers the opportunity to better understand the terms of the mortgage loan being offered. The final rule became effective for mortgage loan applications received on and after October 3, 2015. It is the intention of Correspondent to comply with this requirement on and after the effective date.

The Good Faith Estimate (GFE) required under RESPA and the initial Truth In Lending Statement (TIL) were combined into the Loan Estimate (LE). The Loan Estimate is designed to provide disclosures that will be helpful to consumers in understanding the key features, costs, and risks of the mortgage for which they are applying.

The final Truth In Lending Statement, required under TILA, and the HUD-1 Settlement Statement required under RESPA were combined and replaced by the Closing Disclosure (CD). The Closing Disclosure is designed to provide disclosures that will be helpful to consumers in understanding all of the costs of the transaction.

The TILA-RESPA Integrated Disclosures Rule provides very detailed instructions on how these new forms are to be completed and used.

Scope - The TILA-RESPA Integrated Disclosure Rule applies to most closed-end consumer mortgage transactions secured by real property or a cooperative unit (regardless of whether cooperative units are treated as real property under state law). Additionally, certain types of loans that are currently subject to TILA, but not RESPA, are subject to the disclosure requirements under the rule, including construction-only loans, loans secured by vacant land, and loans secured by 25 or more acres. Credit extended to certain trusts for tax or estate planning purposes are also covered transactions under the rule.

The rule exempts the following types of transactions:

- Home Equity Lines of Credit (HELOCs)
- Reverse mortgages
- Mortgages not secured by real property (i.e., boat loans, mobile homes, or any dwelling that is not permanently affixed to real property, etc.)

Section 13. Compliance (continued)

- Loans made by persons who are not considered “Correspondents” (Correspondent which makes 5 or fewer loans per year)
- Certain no-interest second mortgage loans used for down payment assistance, property rehabilitation, energy efficiency, or foreclosure avoidance

All Correspondent products are subject to the TILA-RESPA Integrated Disclosure Rule. Correspondent does not currently originate any exempt transactions.

Should Correspondent decide to originate exempt transactions, Correspondent would not be prohibited from using the LE and CD disclosure forms on loans that are exempt under the provisions of this rule (i.e., mortgages associated with housing assistance loan programs for low- and moderate-income borrowers). However, Correspondent may not use the LE and CD disclosure forms instead of the GFE, HUD-1, and the Truth In Lending Statement for transactions that are covered by TILA or RESPA that require very specific disclosures (i.e., reverse mortgages).

Definitions

Affiliate: Any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.).

Application: The submission of a borrower’s financial information for the purpose of obtaining an extension of credit. For purposes of this rule relative to the use of integrated disclosures, an application consists of submission of the following:

- Borrower’s name
- Borrower’s monthly income
- Borrower’s Social Security number to obtain a credit report
- Property address
- An estimate of the value of the property
- Mortgage loan amount sought

An Application may either be in writing or electronically submitted, including a written record of an oral application.

If an application reaches Correspondent through an intermediary agent or broker, the application is received when it reaches the intermediary or broker.

Borrower: A natural person to whom consumer credit is offered or extended, primarily for personal, family, or household purposes. However, for purposes of rescission, the term also includes a natural person in whose principal dwelling a security interest is or will be retained or acquired, if that person’s ownership interest in the dwelling is or will be subject to the security interest. Note: Credit extended to trusts established for tax or estate planning purposes or to land trusts is considered extended to a natural person.

Section 13. Compliance (continued)

Business Day: Regulation Z provides two definitions of a business day. Commonly these are referenced as the “general” definition and the “specific” definition.

- General Definition: A business day is a day on which the Correspondent’s offices are open to the public for carrying on substantially all of its business functions.
- For purposes of the general definition, Correspondent offices are open to the public for carrying on substantially all of its business functions on Monday – Friday.
- Specific Definition: A business day includes all calendar days except Sundays and legal public holidays as specified in 5 U.S.C. 6103(a).
- The specific definition additionally applies to right of rescission and high cost loan provisions.

The federal legal holidays identified in 5 U.S.C. 6103(a) are as follows:

Holiday	Date Observed
New Year’s Day	January 1
Martin Luther King, Jr. Day	Third Monday in January
Washington’s Birthday	Third Monday in February
Memorial Day	Last Monday in May
Juneteenth National Independence Day	June 19
Independence Day	July 4
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veteran’s Day	November 11
Thanksgiving Day	Fourth Thursday in November
Christmas Day	December 25

Changed Circumstance Affecting Settlement Charges or Eligibility: Changed circumstances may cause the estimated charges to increase or, in the case of estimated charges, may cause the aggregate amount of such charges to increase by more than 10 percent. “Changed Circumstance” means:

- An extraordinary event beyond the control of any interested party or other unexpected event specific to the borrower or transaction;
- Information specific to the borrower or transaction that the Correspondent relied upon when providing the disclosures that was inaccurate or changed after the disclosures were provided;
- New information specific to the borrower or transaction that the Correspondent did not rely on when providing the original disclosures;
- The borrower is ineligible for an estimated charge previously disclosed because a changed circumstance affected the borrower’s creditworthiness or the value of the security for the loan; and/or,
- The borrower requests revisions to the credit terms or the settlement that cause an estimated charge to increase.

Section 13. Compliance (continued)

Closed-end Credit: Consumer credit other than “open-end credit”.

Consumer: See Borrower.

Consummation: The time that a borrower becomes contractually obligated on a credit transaction. For mortgage transactions, the date of consummation is determined by state law.

Escrow Account: Any account that a Correspondent or servicer establishes or controls on behalf of a borrower to pay taxes, insurance premiums (including flood insurance), or other charges, including charges that the borrower and Correspondent or servicer have voluntarily agreed that the Correspondent or servicer should collect and pay. It is synonymous with “trust account,” “reserve account,” or an “impound account.”

Open-End Credit: Consumer credit extended by a Correspondent under a plan in which:

- The Correspondent reasonably contemplates repeated transactions;
- The Correspondent may impose a finance charge from time to time on an outstanding unpaid balance; and
- The amount of credit that may be extended to the borrower during the term of the plan (up to any limit set by the Correspondent) is generally made available to the extent that any outstanding balance is repaid.

Total Interest Percentage (TIP): The total amount of interest a borrower pays over the loan term expressed as a percentage of the requested loan amount

Total of Payments: The total amount the borrower will have paid after making all payments of principal, interest, mortgage insurance, if applicable, and loan costs, as scheduled.

TILA Violations -15 U.S.C. 1640(a) clearly defines civil liability for failure to comply with TILA. The penalties for noncompliance relating to closed-end real estate mortgage transactions generally include the following:

- Any actual damages sustained by the affected parties as a result of the failure to comply with TILA
- In the case of an individual action, twice the amount of any finance charge in connection with the transaction
- In the case of an individual action relating to a credit transaction not under an open-end credit plan that is secured by real property or a dwelling, not less than \$400 or greater than \$4,000

In the case of a class action, such amount as the court may allow, except that as to each member of the class no minimum recovery shall be applicable and the total recovery under this subparagraph in any class action or series of class actions arising out of the same failure to comply by the same Correspondent shall not be more than the lesser of \$1,000,000 or 1 per centum of the net worth of the Correspondent

No Fee - No fee may be imposed on any person, as part of the settlement costs or otherwise, by a Correspondent or by a servicer for the preparation of the Loan Estimate (LE) and/or Closing Disclosure (CD).

Annual Percentage Rate (APR) - The APR is a measure of the total cost of credit, expressed as a yearly rate. It relates the amount and timing of value received by the borrower to the amount and timing of payments made by the borrower. The disclosure of the APR is found on the final page of the Loan Estimate and the Closing Disclosure. The TILA-RESPA Integrated Disclosure Rule did not affect the definition or calculation of the APR.

Section 13. Compliance (continued)

Delivery of Disclosures - Correspondent will ensure delivery of the appropriate disclosures in accordance with the timing requirements for each by one or more of the following methods and in accordance with the rule, as necessitated for compliance:

- In person (or via courier)
- Mailing the disclosures, which may include overnight delivery
- Via electronic delivery methods subject to compliance with the borrower consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (ESIGN Act - 15 U.S.C. 7001 et seq.)

Under the timing requirements of the rule, if Correspondent provides appropriate disclosures by mail, electronic delivery or courier, Correspondent may presume that the borrower receives the disclosure three business days after they are mailed, transmitted, or deposited with the courier service, for purposes of determining when the 3-business-day waiting period begins. This is commonly referred to as the three-business-day mailbox rule.

When Correspondent has evidence that the borrower received the disclosures earlier than three business days after mailing or delivery, Correspondent may rely on that evidence under the rule and consider the disclosures to be received on that date.

Electronic Delivery: Correspondent provides the disclosure language required under the ESIGN Act when each borrower attempts to retrieve their electronic disclosures through the Loan Origination System (LOS). Borrowers will not be able to electronically sign the documents unless they agree to receive disclosures electronically by clicking the “accept button” at the bottom of the webpage and then either answering specific questions regarding their loan application or entering the security code provided by Correspondent.

Disclosure of NMLSR ID# - Both the Loan Estimate and Closing Disclosure must disclose the name and National Mortgage Licensing System & Registry (NMLSR) ID number of Correspondent and the individual loan originator.

In the case where the NMLSR ID number may not be available at the time of completion of the Loan Estimate, under certain state allowable conditions to originate loans pending issuance (such as during the transfer between employers), the state license number must be provided at a minimum.

Pre-Disclosure Requirements and Restrictions

The rule includes restrictions on certain activities prior to a borrower’s receipt of the Loan Estimate (LE).

These restrictions became effective October 3, 2015, regardless of whether an application had been received on that date.

Imposition of Fees - With the exception of a credit report fee, fees may not be imposed on a borrower before the borrower has received the Loan Estimate and indicated intent to proceed with the transaction.

A fee is “imposed” if a borrower is required to provide a method for payment, even if the payment is not made at that time.

For example: A Correspondent cannot require the consumer to provide a credit card number to pay for a \$500 “appraisal fee” before the consumer receives the LE, even if the Correspondent promises not to charge the consumer’s credit card for the appraisal fee until after the LE is received by the consumer and waits until after the consumer subsequently indicates an intent to proceed.

Section 13. Compliance (continued)

Pre-application Estimates of Terms or Costs - Correspondent may provide prospective applicants a pre-qualification with estimates of terms or costs for a mortgage loan prior to the consumer receiving the Loan Estimate. This is permitted as long as Correspondent has not received all of the information from the consumer which is defined as an application.

Correspondent must clearly and conspicuously state at the top of the front of the first page of the pre-application estimate in a font size that is no smaller than 12-point font, using a black background and white color font:

“Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan.”

The written pre-qualification estimate of terms or costs also cannot be made with headings, content, and format substantially similar to the Loan Estimate.

Verification of Information - Correspondents must not require borrowers to submit documents verifying information related to the borrower's application before providing the Loan Estimate.

For example: A Correspondent may ask for the sale price and address of the property, but the Correspondent may not require the consumer to provide a purchase and sale agreement to support the information the consumer provides orally before the Correspondent provides the LE.

A Correspondent may ask for the names, account numbers, and balances of the consumer's checking and savings accounts, but the Correspondent may not require the consumer to provide bank statements, or similar documentation, to support the information the consumer provides orally before the Correspondent provides the LE.

The Loan Estimate

For closed-end credit transactions secured by real property (other than exempt transactions), Correspondent is required to provide the borrower with good-faith estimates of credit costs and transaction terms on the Loan Estimate.

The Loan Estimate (LE) disclosure required by 12 CFR §1026.19(e) is three pages long and may require use of an addendum if there is more required information than a section of the form can accommodate. Refer to the Content of the Loan Estimate section for a detailed breakdown and description of the information provided on the LE.

Preparation of the Loan Estimate - Correspondent provides a Loan Estimate to all borrowers in the Retail channel. Correspondent may also provide a Loan Estimate to borrowers with applications received by Correspondent.

In certain cases Correspondent may approve a mortgage broker to issue the Loan Estimate; however, the accuracy of all information presented on the form is the responsibility of Correspondent (as the Correspondent named on the disclosure). Whenever a mortgage broker issues a Loan Estimate, the broker must also provide Correspondent with evidence of a Written Settlement Service Providers List, Borrower's signed Intent to Proceed, RESPA Home Ownership Counseling List Disclosure, and if applicable the CFPB "Your Home Loan Toolkit" Booklet and/or adjustable rate mortgage disclosures.

Section 13. Compliance (continued)

Delivery of the Loan Estimate - Timing Requirements

Three Business Day Delivery: Correspondent will deliver the initial Loan Estimate or place it in the mail no later than the third general business day after receiving the six items which define an application.

If Correspondent determines within the three- general- business-day period that the borrower's application will not or cannot be approved and issues an adverse action notice to the borrower, or if the borrower withdraws the application, Correspondent does not have to provide the Loan Estimate. However, if Correspondent does not provide the Loan Estimate or does not provide it within the appropriate time frame, it will be in violation of the Loan Estimate requirements under TILA if it later consummates the transaction.

Seven Business Day Waiting Period: The initial Loan Estimate must also be delivered or placed in the mail no later than the seventh specific business day before consummation of the transaction.

The seven-business-day waiting period begins when Correspondent delivers or place the LE in the mail, not when the consumer receives or is considered to receive the LE.

Example: Correspondent delivers or mails the LE on Monday, June 1. Consummation may occur on or after Tuesday, June 9 (the seventh business day following delivery or mailing) because Saturday is a business day for purposes of the specific business day definition.

The borrower may modify or waive the seven-business-day waiting period after receiving the Loan Estimate if the borrower has a bona-fide personal financial emergency that necessitates consummating the credit transaction before the end of the waiting period. To modify or waive the waiting period, the borrower must give Correspondent a dated written statement that describes the emergency, specifically modifies or waives the waiting period, and is signed by all borrowers primarily liable on the legal obligation. Correspondent may not provide the borrower with a preprinted waiver form. Any waiver must be approved by Compliance and Legal and authorized by an officer with a title of SVP or higher authority.

Good Faith Requirement

Good Faith Determination for Estimates of Closing Costs - Correspondent is required to act in good faith and exercise due diligence in obtaining information necessary to complete the Loan Estimate. However, there may be some information that is unknown (i.e., not reasonably available to Correspondent at the time the Loan Estimate is made). In these instances, Correspondent may use estimates even though it knows that more precise information will be available by the point of consummation.

Whether or not a Loan Estimate was made in good faith is determined by calculating the difference between the estimated charges originally provided in the Loan Estimate and the actual charges paid by or imposed on the borrower in the Closing Disclosure.

Charges "Paid By or Imposed on the Consumer": For purposes of the good faith determination, a charge "paid by or imposed on the consumer" refers to the final amount for the charge paid by or imposed on the consumer at consummation or settlement, whichever is later.

For example: At consummation, the consumer pays the Correspondent \$100 for recording fees. Settlement of the transaction concludes five days after consummation, and the actual recording fees are \$70. The Correspondent refunds the consumer \$30 immediately after recording. The recording fee paid by the consumer is \$70.

Section 13. Compliance (continued)

Use of Unrounded Numbers: The dollar amounts of certain charges disclosed on the Loan Estimate and Closing Disclosure must be rounded to the nearest whole dollar. However, to conduct the good faith analysis, the Correspondent should use unrounded numbers to compare the actual charge paid by or imposed on the consumer for a settlement service with the estimated cost of the service.

General “Zero Tolerance” Rule - Conducting the Good Faith Analysis - Generally, if the charges paid by or imposed on the borrower exceed the amount originally disclosed on the Loan Estimate, it is not in good faith, regardless of whether Correspondent later discovers a technical error, miscalculation, or underestimation of a charge.

However, a Loan Estimate is considered to be in good faith if Correspondent charges the borrower less than the amount disclosed on the Loan Estimate, without regard to any variance limitations.

The charges that are subject to this general rule include, but are not limited to, the “zero tolerance” charges detailed below.

Lender Credits: For purposes of conducting the good faith analysis for lender credits, the total amount of lender credits, whether specific or non-specific, actually provided to the consumer is compared to the amount of the “lender credits” identified under the “Total Closing Costs” label in the “Other Costs” table on page 2 of the LE.

The total amount of lender credits actually provided to the consumer is determined by aggregating the amount of the “lender credits” identified under the “Total Closing Costs” label in the “Other Costs” table on page 2 of the Closing Disclosure (CD) with the amounts paid by the Correspondent that are attributable to a specific “loan cost” or “other cost”, as disclosed in those tables on the CD.

The actual total amount of lender credits, whether specific or non-specific, provided by the Correspondent that is less than the estimated “lender credits” is an increased charge to the consumer for purposes of determining good faith that would violate the requirements of the general rule.

For example: If a Correspondent discloses a \$750 estimate for “lender credits” but only \$500 of lender credits is actually provided to the consumer, the Correspondent has not complied with the good faith requirement because the actual amount of lender credits provided is less than the estimated disclosed “lender credits”, and is therefore, an increased charge to the consumer for purposes of determining good faith.

If the Correspondent discloses a \$750 estimate for “lender credits” to cover the cost of a \$750 appraisal fee, and the appraisal fee subsequently increases by \$150, and the Correspondent increases the amount of the lender credit by \$150 to pay for the increase, the credit is not being revised in a way that violates the good faith requirement because, although the credit increased from the amount disclosed, the amount paid by the consumer did not.

If the Correspondent discloses a \$750 estimate for “lender credits” to cover the cost of a \$750 appraisal fee, but subsequently reduces the credit by \$50 because the appraisal fee decreased by \$50, then the good faith requirement has been violated because, although the amount of the appraisal fee decreased, the amount of the lender credit decreased.

Exceptions: There are exceptions to the general rule for certain charges. Those charges are detailed in the Fee Variances section below under “10% Tolerance” and “Charges Permitted to Change”.

Section 13. Compliance (continued)

Good Faith Analysis for 10% Tolerance Charges - Certain estimated charges (detailed in the Fee Variances section below) are in good faith if the sum of all such charges paid by or imposed on the consumer does not exceed the sum of all such charges disclosed by more than 10%.

Aggregate Increase Limited to Ten Percent: Whether an individual estimated charge subject to the 10% tolerance is in good faith depends on whether the sum of all charges subject to the 10% tolerance increases by more than 10%, regardless of whether a particular charge increases by more than 10%. This is true even if an individual charge was omitted from the estimate provided on the LE and then imposed at consummation.

For example: The LE includes a \$300 estimated fee for a settlement agent, that fee is subject to the 10% tolerance, and the sum of all charges subject to the 10% tolerance (including the settlement agent fee) equals \$1,000. The Correspondent does not violate the good faith requirement if the actual settlement agent fee exceeds the estimated settlement agent fee by more than 10% (i.e., the fee exceeds \$330), provided that the sum of all such actual charges does not exceed the sum of all such estimated charges by more than 10% (i.e., the sum of all such charges does not exceed \$1,100).

For Example: In the LE, the sum of all estimated charges subject to the 10% tolerance equals \$1,000. If the Correspondent does not include an estimated charge for a notary fee but a \$10 notary fee is charged to the consumer, and the notary fee is subject to the 10% tolerance, then the Correspondent does not violate the good faith requirement if the sum of all amounts charged to the consumer subject to the 10% tolerance does not exceed \$1,100, even though an individual notary fee was not included in the estimated disclosures provided by the LE.

Services for which the Consumer may, but does not, select a Settlement Service

Provider: Good faith is determined under the 10% tolerance instead of the general “zero tolerance” rule, if the Correspondent permits the consumer to shop for a settlement service provider, but the consumer either does not select a settlement service provider or chooses a settlement service provider identified by the Correspondent on the list. However, if the settlement service provider is the Correspondent or an affiliate of the Correspondent, good faith is determined under the general “zero tolerance” rule.

Whether the Correspondent permits the consumer to shop is determined based on all the relevant facts and circumstances. Refer to the Settlement Service Providers List section for details on when shopping is permitted.

For example: The LE discloses an estimated fee for an unaffiliated settlement agent and the Correspondent permits the consumer to shop for that service, but the consumer either does not choose a provider, or chooses a provider identified by the Correspondent on the written settlement service provider list, then the estimated settlement agent fee is included with the fees that may, in aggregate, increase by no more than 10%.

If, however, the consumer chooses a provider that is not on the written list, then good faith is determined according to the good faith analysis for charges permitted to change (described below).

Calculating the Aggregate Amount of Estimated Charges: In calculating the aggregate amount of estimated charges for purposes of conducting the good faith analysis under the 10% tolerance, the aggregate amount of estimated charges must reflect charges for services that are actually performed.

Section 13. Compliance (continued)

For example: A \$100 estimated fee for a pest inspection is disclosed in the LE, and the fee is included in the category of charges subject to the 10% tolerance, but a pest inspection was not obtained in connection with the transaction. For purposes of the good faith analysis, the sum of all charges subject to the 10% tolerance paid by or imposed on the consumer is compared to the sum of all such charges disclosed in the LE, minus the \$100 estimated pest inspection fee.

Good Faith Analysis for Charges Permitted to Change

Certain estimated charges (detailed in the Fee Variances section below) are permitted to change. Estimates for such charges are in good faith if the original estimated charge, or lack of an estimated charge for a particular service, was based on the best information reasonably available to the Correspondent at the time the disclosure was provided.

Prepaid Interest, Property Insurance Premiums, and Escrowed Amounts: Estimates of prepaid interest, property insurance premiums, and amounts placed into an escrow, impound, reserve or similar account must be consistent with the best information reasonably available to the Correspondent at the time the disclosures are provided.

For example: If the Correspondent requires homeowner's insurance but fails to include a homeowner's insurance premium on the LE, then the Correspondent's failure to disclose does not comply with the good faith requirement for charges permitted to change.

For example: If the Correspondent does not require flood insurance and the subject property is located in an area where floods frequently occur, but not specifically located in a zone where flood insurance is required, failure to include flood insurance on the original LE does not constitute a lack of good faith.

Services Chosen by the Consumer: If a service is required by the Correspondent, the Correspondent permits the consumer to shop for that service, the Correspondent provides the required settlement service provider list, and the consumer chooses a service provider that is not on that list to perform that service, then the actual amounts of such fees need not be compared to the original estimates for such fees to perform the good faith analysis.

Differences between the amounts of such charges disclosed on the LE and the amounts of such charges paid by or imposed on the consumer do not constitute a lack of good faith, so long as the original estimated charge, or lack of an estimated charge for a particular service, was based on the best information reasonably available to the Correspondent at the time the disclosure was provided.

For example: If the consumer informs the Correspondent that the consumer will choose a settlement agent not identified by the Correspondent on the written settlement service provider list, and Correspondent discloses an unreasonably low estimated settlement agent fee of \$20 when the average prices for settlement agent fees in that area are \$150, then the under-disclosure does not comply with the exception for charges permitted to change and good faith must be determined under the general "zero tolerance" rule.

For example: If the Correspondent permits the consumer to shop but fails to provide the required written settlement service provider list (or the list is defective), good faith is determined under the 10% tolerance instead of the charges permitted to change. However, if the settlement service provider is the Correspondent or an affiliate of the Correspondent, good faith is determined under the general "zero tolerance" rule.

Section 13. Compliance (continued)

Property Taxes or Non-Required Services Chosen by the Consumer: Differences between the amounts of estimated charges for property taxes or services not required by the Correspondent disclosed on the LE and the amounts of such charges paid by or imposed on the consumer do not constitute a lack of good faith, so long as the original estimated charge, or lack of an estimated charge for a particular service, was based on the best information reasonably available to the Correspondent at the time the disclosure was provided.

For example: If the consumer informs the Correspondent that the consumer will obtain a type of inspection not required by the Correspondent, the Correspondent must include the charge for that item in the LE, but the actual amount of the inspection fee need not be compared to the original estimate for the inspection fee to perform the good faith analysis if it is made based on the best information reasonably available to the Correspondent at the time that the estimate was provided.

For example: If the subject property is located in a jurisdiction where consumers are customarily represented at closing by their own attorney, even though it is not a requirement, and the Correspondent fails to include a fee for the consumer's attorney, or includes an unreasonably low estimate for such fee, on the original LE, then the Correspondent's failure to disclose, or unreasonably low estimation, does not comply with the good faith requirement.

For example: If the Correspondent fails to include a charge for property taxes, or includes an unreasonably low estimate for that charge on the original LE, then the Correspondent's failure to disclose, or unreasonably low estimation, does not comply with the good faith requirement and the charge for property tax would be subject to the good faith determination under the general "zero tolerance" rule.

Fee Variances - An estimated closing cost disclosed on a Loan Estimate is in good faith if the charge paid by or imposed on the consumer does not exceed the amount originally disclosed, except as provided below.

Zero Tolerance: Except as described in the [Revisions and Corrections to Loan Estimates](#) section below, the actual charges at settlement are not to exceed the amounts included on the Loan Estimate for the following:

- Fees paid to Correspondent or a mortgage broker
- Fees paid to an affiliate of Correspondent or an affiliate of a mortgage broker
- Lender Credits (cannot be reduced)
- Transfer taxes

10% Tolerance: Except as described in the [Revisions and Corrections to Loan Estimates](#) section below, the sum of the charges at settlement for the following services may not be greater than 10 percent above the sum of the amounts for the same services included on the Loan Estimate:

- The aggregate amount of charges for any third-party services (not paid to Correspondent or an affiliate of Correspondent) in which the borrower is permitted to shop, and the borrower selected provider(s) from the written settlement service provider list
- Recording fees

Section 13. Compliance (continued)

Charges Permitted to Change: The amounts of charges for all other settlement services included on the Loan Estimate may change at settlement. Examples of these charges include the following:

- Per-diem (pre-paid) interest
- Property insurance premiums
- Property taxes due at closing
- Amounts placed into an escrow, impound, reserve, or similar account
- Charges paid for third-party services not required by Correspondent (optional services)(these can include amounts paid to an affiliate of Correspondent)

Charges paid for third-party services required by Correspondent for which the borrower shopped, and the settlement service provider was not included on any list of settlement service providers provided by Correspondent or its authorized agent (i.e., a mortgage broker).

Revisions and Corrections to Loan Estimates - Correspondent is generally bound by the Loan Estimate provided within three business days of the application, and may not issue revisions to Loan Estimates because it later discovers technical errors, miscalculations, or underestimations of charges.

Correspondent is permitted to provide to the borrower revised Loan Estimates (and use them to compare estimated amounts to amounts actually charged for purposes of determining good faith) only in certain specific circumstances:

- Changed circumstances (affecting settlement charges) - Changed circumstances that occur after the Loan Estimate is provided to the borrower that cause estimated settlement charges to increase, or in the case of estimated charges subject to the 10% tolerance, cause the aggregate amount of such charges to increase by more than 10 percent.
- Changed circumstances (affecting eligibility) - The borrower is ineligible for an estimated charge previously disclosed because a changed circumstance, as defined above, affected the borrower's creditworthiness or the value of the security for the loan.
- Revisions requested by the consumer - The borrower requests revisions to the credit terms or settlement charges that cause an estimated charge to increase.
- Interest rate dependent charges - Any points or lender credits change because the interest rate was not locked when the initial Loan Estimate was prepared, and a subsequent rate lock has occurred.
- Expiration - The borrower indicates intent to proceed after the closing cost expiration date (10 general business days after the initial LE was provided) and time disclosed on the Loan Estimate (found on page 1 under "Rate Lock").
- Delayed settlement (construction loans) - On new construction loan transactions, where Correspondent reasonably expects that settlement will occur more than 60 days after the Loan Estimate is provided, Correspondent may provide a revised Loan Estimate, as long as this fact was clearly and conspicuously disclosed to the borrower on the Loan Estimate originally provided. If no such statement is provided, Correspondent may not issue revised disclosures, unless otherwise provided for above.

Section 13. Compliance (continued)

Timing for Revisions to Loan Estimate - Generally, Correspondent must deliver or place in the mail the revised Loan Estimate to the borrower no later than three business days (general) after receiving the information sufficient to establish that one of the permitted reasons for issuing a revision has occurred.

Note that the seven specific business-day waiting period for consummation after delivery of the initial Loan Estimate as discussed above still applies. The borrower may waive or modify the seven-business-day waiting period after receiving the Loan Estimate if the extension of credit is needed to meet a bona fide personal financial emergency. In these cases, the borrower must give Correspondent a dated hand-written statement that describes the emergency, specifically modifies or waives the waiting period, and bears the signature of all borrowers who are primarily liable on the legal obligation as permitted by Correspondent's senior management and investors, as applicable. Any waiver must be approved by Compliance and Legal and authorized by an officer with a title of SVP or higher authority.

Relationship to Closing Disclosure: Correspondent may not provide a revised Loan Estimate on or after the date it provides the Closing Disclosure.

Correspondent must ensure that the borrower receives the revised Loan Estimate no later than four business days (specific) prior to consummation. If Correspondent is mailing the revised Loan Estimate and relying upon the three-business-day mailbox rule, Correspondent would need to place in the mail the revised Loan Estimate no later than seven business days (specific) before consummation of the transaction to allow three business days for receipt.

Content of the Loan Estimate (12 CFR §1026.37)

The Loan Estimate - The Loan Estimate (LE) shall be made clearly and conspicuously in writing, in a form that the borrower may keep.

Following is a description of the three pages of the Loan Estimate required by 12 CFR §1026.37.

Page 1 of the Loan Estimate - Page 1 of the Loan Estimate includes general information, a Loan Terms table with descriptions of applicable information about the loan, a Projected Payments table, Costs at Closing table, and a link for borrowers to obtain more information about loans secured by real property at a website maintained by the CFPB.

Page 1 of the Loan Estimate

General Information (12 CFR §1026.37(a)) - The LE must include the following general information about the loan:

- The title "Loan Estimate"
- The statement "Save this Loan Estimate to compare with your Closing Disclosure."
- Correspondent's name and address. A logo or slogan can be used along with Correspondent's name and address, so long as the logo or slogan does not exceed the space provided for that information. If a mortgage broker is providing the Loan Estimate, Correspondent's name and loan ID must be shown as the lender. However, under certain circumstances Correspondent may require the broker to leave the Correspondent name blank.
- Date the LE is mailed to the borrower
- Borrower's name and address
- Property address (including zip code)

Section 13. Compliance (continued)

- Sale price (transactions involving a seller) or Property value (transactions not involving a seller)
- Loan term stated in years or months, or both (as applicable)
- Loan purpose (purchase, refinance, construction, or home equity loan)
- Loan product (adjustable rate, step rate, or fixed rate) and description of loan features (negative amortization, interest only, step payment, balloon payment, or seasonal payment) if applicable
- Loan type (Non-QM)
- Loan identification number
- The rate lock statement. If locked, Correspondent must disclose the date and time (including time zone) when the lock period ends.

Loan Terms Table (12 CFR §1026.37(b)) - The loan terms table must contain the following information:

- Loan amount (face amount of the note)
- Interest rate
- Principal and interest payment
- Prepayment penalty
- Balloon payment

Adjustments after consummation: For the loan amount, interest rate, and periodic payment amount, Correspondent must disclose whether each amount may increase after consummation (yes or no). If yes, disclose the following as applicable:

- Loan amount – The maximum principal balance and the due date of the last payment that may cause the principal balance to increase.
- Interest rate – The frequency of rate adjustments, the date the first adjustment may occur, the maximum interest rate, the first date when the interest rate can reach the maximum interest rate, and a reference to the “adjustable interest rate table” found on page 2 of the LE.
- Periodic payment – The scheduled frequency of the adjustment to the periodic payment, the due date of the first adjusted payment, the maximum possible payment, and the date the maximum payment may first occur. Include a reference to the “adjustable payment table” found on page 2 of the LE if any payment adjustments are not the result of a change to the interest rate. If there is an interest only period, include the required statement and the due date of the last interest only payment.

Details about prepayment penalty and balloon payment: Correspondent must disclose whether the loan has these features (yes or no). If yes, disclose the following as applicable:

- Prepayment penalty - The maximum amount of the prepayment penalty that may be imposed and the date the penalty period terminates.
- Balloon payment - The maximum amount of the balloon payment and the due date of the payment.

Section 13. Compliance (continued)

Projected Payments Table (12 CFR §1026.37(c)) - The table titled “Projected Payments” includes an itemization of each separate periodic payment or range of payments, together with an estimate of taxes, insurance and assessments and the payments to be made with escrow account funds.

Payment Calculation: Correspondent must disclose the initial periodic payment or range of payments (minimum and maximum amount). The following events require disclosure of additional separate periodic payments or ranges of payments:

- The periodic principal and interest payment or range of such payments may change.
- There is a scheduled balloon payment.
- Correspondent must automatically terminate mortgage insurance under applicable law.
- The anniversary of the due date of the initial periodic payment or range of payments that immediately follows the occurrence of multiple events where the periodic principal and interest payment or range of such payment may change during a single year.

No more than four separate periodic payments or ranges of payments may be disclosed.

The total of each separate periodic payment or range of payments must be disclosed, and itemized to show the amount payable for principal and interest (or interest only, if applicable), the maximum amount payable for mortgage insurance premiums, and the amount payable into an escrow account.

Estimated Taxes, Insurance & Assessments: Correspondent must disclose the sum of the charges for mortgage related obligations as a monthly amount, even if no escrow account for the payment of some or any such charges will be established.

Mortgage-related obligations mean property taxes, insurance premiums required by the Correspondent (but excluding mortgage insurance), fees and special assessments imposed by a condominium, cooperative, or homeowners association, ground rent, and leasehold payments.

Correspondent must also identify (by use of check boxes) whether the disclosed amount includes payments for property taxes, homeowners insurance, and other amounts along with a description of any such other amounts.

Correspondent must indicate (yes, no, or some) whether such amounts will be paid by the Correspondent using escrow account funds.

The table also includes statements that the amounts may increase over time, that the consumer must pay separately any amounts that are not paid using escrow account funds, and a reference to the itemization of the initial escrow payment at closing shown in the “Other Costs” table on page 2 of the LE.

Costs at Closing Table (12 CFR §1026.37(d))

Closing Costs: Under the label “Estimated Closing Costs”, Correspondent must disclose the dollar amount shown as the “total closing costs” on page 2 of the LE, together with a statement that this amount includes the amounts disclosed as “loan costs”, “other costs”, and “lender credits” on page 2 of the LE, together with those dollar amounts and required reference.

Section 13. Compliance (continued)

Cash to Close: Under the label “Estimated Cash to Close”, Correspondent must disclose the dollar amount shown as the “estimated cash to close” on page 2 of the LE, together with the required statements.

For transactions that do not involve a seller or for simultaneous subordinate financing, Correspondent may alternatively disclose the amount of “cash to or from consumer” shown on page 2 of the LE if the optional alternative calculating cash to close table is used and required statements.

Website Reference (12 CFR §1026.37(e)) - The Loan Estimate contains a statement that the consumer may obtain general information and tools at the Web site of the Bureau, and the link or uniform resource locator address to the Web site: www.consumerfinance.gov/mortgage-estimate

Page 2 of the Loan Estimate

Page 2 of the Loan Estimate contains Closing Cost Details. Four main categories of charges are disclosed on page 2 of the Loan Estimate:

- A good-faith itemization of the Loan Costs and Other Costs associated with the loan.
- A Calculating Cash to Close table to show the borrower how the amount of cash needed at closing is calculated.
- For transactions with adjustable monthly payments, an Adjustable Payment (AP) Table with relevant information about how the monthly payments will change.
- For transactions with adjustable interest rates, an Adjustable Interest Rate (AIR) Table with relevant information about how the interest rate will change.

Loan Costs Table (12 CFR §1026.37(f)) - Loan costs are typically those costs paid by the borrower to Correspondent, a mortgage broker, and third-party providers of services Correspondent requires on its behalf, or to be obtained by the borrower during the origination of the loan. All loan costs associated with the transaction shall be disclosed and itemized as follows:

- Origination Charges (up to 13 items) – Amounts the consumer will pay to each Correspondent and loan originator for originating or extending credit.
- Services You Cannot Shop For (up to 13 items) – Services provided by persons other than Correspondent or the mortgage broker.
- Services You Can Shop For (up to 14 items) – Services provided by persons other than Correspondent or the mortgage broker.
- Total Loan Costs – The sum of the subtotals described above.

Origination charges: Points paid to Correspondent to reduce the interest rate must be separately itemized as both a percentage of the loan amount and a dollar amount.

Section 13. Compliance (continued)

Other Costs Table (12 CFR §1026.37(g)) - All other costs associated with the transaction (not described above) shall be disclosed and itemized as follows:

- Taxes and Other Government Fees – Recording fees and other taxes, and transfer taxes.
- Prepaids – Homeowner's insurance premiums, mortgage insurance premiums, prepaid interest, property taxes, plus up to three additional items.
- Initial Escrow Payment at Closing – Homeowner's insurance, mortgage insurance, property taxes, plus up to five additional items.
- Other (up to 5 items)
- Total Other Costs – The sum of the subtotals described above.
- Total Closing Costs – The sum of the disclosed "Loan Costs" and "Other costs", and any lender credits (disclosed as a negative number). (Total may be a positive or negative number.)

Calculating Cash to Close Table (12 CFR §1026.37(h))

General Requirements: Correspondent must provide a table disclosing the total amount of cash or other funds that must be provided by the consumer at consummation and itemized as follows:

- Total closing costs – The amount disclosed in the "Other Costs" table described above. (May be a positive or negative number.)
- Closing costs to be financed
- Down Payment / Funds from Borrower
- Deposit
- Funds for Borrower
- Seller credits
- Adjustments and other credits
- Estimated Cash to Close

Optional Alternative Calculating Cash to Close Table: For transactions that do not involve a seller or for simultaneous subordinate financing, Correspondent may provide an alternative table disclosing the total amount of cash or other funds that must be provided by the consumer at consummation and itemized as follows:

- Loan amount
- Total closing costs – (Disclosed as a negative number if the amount disclosed in the "Other Costs" table is a positive number. Disclosed as a positive number is the amount disclosed in the "Other Costs" table is a negative number.)
- Payoffs and payments (Paid to third parties.)
- Cash to or from consumer
- Closing costs financed

Section 13. Compliance (continued)

Adjustable Payment Table (12 CFR §1026.37(i)) – If the periodic principal and interest payment may change after consummation (based on a loan term other than a change to the interest rate), a separate table is required that discloses the following information:

- Interest only payments (yes or no) – If yes, the period during which interest only periodic payments are scheduled.
- Optional payments (yes or no)
- Step payments (yes or no)
- Seasonal payments (yes or no)
- Principal and interest payments – The number of the first periodic payment that may change (i.e. 61st payment), the frequency of subsequent changes, the maximum periodic payment that may occur and the first payment where that maximum can be reached.

Adjustable Interest Rate Table (12 CFR §1026.37(j)) – If the interest rate may increase after consummation (based on changes to an index or scheduled changes to the interest rate), a separate table is required that discloses the following information:

- Index and margin
- Increases in interest rate (step rate loans)
- Initial interest rate
- Minimum and maximum interest rate
- Frequency of adjustments – The month after consummation when the interest rate may first change, and the frequency of adjustments after the initial adjustment
- Limits on interest rate changes – Maximum possible change for the first adjustment after consummation, and for subsequent adjustments

Page 3 of the Loan Estimate

Page 3 of the Loan Estimate contains Contact Information, a Comparisons table, and an Other Considerations table under the heading “Additional Information About This Loan”. An optional Signature Statement for the borrower to sign to acknowledge receipt of the Loan Estimate may also be provided at the Correspondent’s option.

Contact Information (12 CFR §1026.37(k)) – Contact Information provides primary contact information to the borrower. Correspondent must include the name and NMLS ID for both Correspondent and the mortgage broker, if any. The name and NMLS ID of the individual loan officer of Correspondent or the mortgage broker, if any, who is the primary contact for the consumer must also be provided, as well as the loan officer’s email address and telephone number.

Comparisons Table (12 CFR §1026.37(l)) – Correspondent will disclose the following in the Comparisons Table:

- In Five Years disclosures
- Annual Percentage Rate (APR)
- Total Interest Percentage (TIP)

Section 13. Compliance (continued)

In Five Years: The total payments scheduled to be made and the amount of principal scheduled to be paid through the end of the 60th month after the due date of the first periodic payment.

Total payments in five years: The total principal, interest, mortgage insurance, and loan costs scheduled to be paid through the end of the 60th month after the due date of the first periodic payment, expressed as a dollar amount.

When calculating the total of payment in five years, assume that the consumer makes payments as scheduled and on time. Mortgage insurance includes prepaid or escrowed mortgage insurance. Loan costs are all loan costs associated with the transaction as disclosed on the "Loan Costs Table" found on page 2 of the LE.

Principal: The amount of principal scheduled to be paid through the end of the 60th month after the due date of the first payment.

Annual Percentage Rate (APR): Costs over the loan term expressed as a percentage rate. Refer to the Truth in Lending Act (Regulation Z) section for details on the APR calculation.

Total Interest Percentage (TIP): The total amount of interest the borrower will pay over the loan term as a percentage of the loan amount.

When calculating the TIP, assume that the consumer will make each payment in full and on time, and will not make any additional payments. Include prepaid interest that the consumer will pay. Prepaid interest that is disclosed as a negative number is included as a negative value.

Other Considerations Table (12 CFR §1026.37(m)) – Correspondent will provide the following disclosures in the Other Consideration table:

- Appraisal – Appraisal disclosure (as required for Higher-priced Mortgage Loans (HPMLs) and loans covered by the ECOA in relation to borrower rights)
- Assumption – A statement of whether a subsequent purchaser of the property may be permitted to assume the remaining loan obligation on its original terms
- Homeowner's insurance – A statement that homeowner's insurance is required but the borrower may choose the provider
- Late Payment – Any charge that may be imposed for a late payment, stated as a dollar amount or percentage charge, and the number of days that a payment must be late to trigger the late payment fee
- Refinance statement
- Servicing disclosure
- Liability after Foreclosure (if applicable)
- Construction loans statement (if applicable)

Other Required Early Disclosures

The following disclosures must be provided in addition to the Loan Estimate, as applicable.

Section 13. Compliance (continued)

Borrower's Intent to Proceed – Correspondent must document, in retainable form, a borrower's intent to proceed with the transaction.

Correspondent requires borrowers to complete an "Acknowledgement of Intent to Proceed" disclosure, which is sent with the initial document set. The disclosure may have a wet signature or be E-signed.

Correspondent may not request supporting documents or impose any fee, other than a reasonable credit report fee, on any borrower until the borrower receives the Loan Estimate and indicates their intent to proceed with the transaction. Correspondent does not impose any fee on the borrower until the loan closes.

Acknowledging receipt of the Loan Estimate does not meet compliance requirements for documenting the borrower's intent to proceed.

Your Home Loan Toolkit – For purchase transactions, Correspondent is required to provide borrowers with the revised special information booklet entitled "Your Home Loan Toolkit," within three business days (general definition) of receiving an application.

The booklet, a step-by-step guide designed to aid borrowers in understanding the home buying and loan process, is required under Regulation Z for transactions to purchase a one- to four-family residential property and is to be used in conjunction with the Loan Estimate and Closing Disclosure.

Adjustable Rate / Variable Rate Mortgages – If the APR may increase after consummation and the transaction is secured by the borrower's principal dwelling with a term greater than one year, Correspondent must provide the following disclosures at the time an application form is provided or before the borrower pays a non-refundable fee, whichever occurs first:

- ARM/Variable Rate Disclosure - must be provided to each borrower that expresses an interest in a particular adjustable/variable rate program
- Consumer Handbook on Adjustable Rate Mortgages (CHARM)

For an application that is completed by the borrower online, the disclosure and handbook may be provided to the borrower in electronic form on or with the application.

RESPA Homeownership Counseling List Disclosure – Correspondent is required to provide mortgage applicants with a list of local homeownership counseling organizations.

The RESPA Home Ownership Counseling disclosure lists local housing counselors that can provide advice regarding buying a home, renting, defaults, foreclosures, and credit issues.

Correspondent must provide the list within three business days of receiving an application so consumers know where to get help when deciding what loan is best for them.

Refer to the Real Estate Settlement Procedures Act (RESPA) section for detailed information regarding the required contents of the list.

Settlement Service Providers List – If the consumer is permitted to shop for a settlement service, Correspondent must provide the consumer with a written list identifying available providers of that settlement service and state that the consumer may choose a different provider for that service.

- **Shopping Permitted** - A Correspondent permits a consumer to shop for a settlement service if the Correspondent permits the consumer to select the provider of that service, subject to reasonable requirements regarding the qualifications of the provider.

Section 13. Compliance (continued)

For example, Correspondent may require that a settlement agent chosen by the consumer must be appropriately licensed in the relevant jurisdiction. In contrast, a Correspondent does not permit a consumer to shop if the Correspondent requires the consumer to choose a provider from a list provided by the Correspondent.

- **Disclosure of Services** - Correspondent must identify settlement services required by the Correspondent for which the consumer is permitted to shop.
- **Written List of Providers** - Correspondent must identify at least one available provider for each settlement service for which the consumer is permitted to shop. Correspondent must ensure that the listed settlement service providers are currently in business and actually provide services where the consumer or property is located.

Correspondent must provide sufficient information to allow the consumer to contact the provider, such as the name under which the provider does business and the provider's address and telephone number.

The settlement service providers identified on the written list must correspond to the required settlement services for which the consumer may shop as identified on the Loan Estimate.

This written list of settlement service providers must be provided in accordance with the timing requirements for the Loan Estimate, but a separate disclosure form is required.

The Closing Disclosure

For applicable loans in which a Loan Estimate has been issued and proceed to closing, Correspondent must provide a final disclosure reflecting the actual terms of the transaction called the Closing Disclosure.

The Closing Disclosure (CD) required by 12 CFR §1026.19(f) is five pages long and may require use of an addendum if there is more required information than a section of the form can accommodate. Refer to the Content of the Closing Disclosure section for a detailed breakdown and description of the information provided on the CD.

The Closing Disclosure, similar to the Loan Estimate, applies to closed-end loans that are secured by real property.

Delivery of the Closing Disclosure

Timing Requirements – The Closing Disclosure must be received by the borrower at least three business days (specific) prior to consummation. Correspondent may not provide a Closing Disclosure on or before the date that it provides a Loan Estimate.

For transactions involving multiple borrowers, Correspondent will ensure that the Closing Disclosure is provided separately to each consumer having the right to rescind under TILA, either directly or via the settlement agent, as appropriate. For transactions that are not rescindable, Correspondent will provide the CD to the consumer with primary liability for the mortgage transaction.

Section 13. Compliance (continued)

Correspondent will ensure delivery of the appropriate disclosures in accordance with the timing requirements for each by one or more of the following methods and in accordance with the rule, as necessitated for compliance:

- In person (or via courier)
- Mailing the disclosures, which may include overnight delivery
- Via electronic delivery methods subject to compliance with the borrower consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. 7001 et seq.) as described in [Delivery of Disclosures](#) above.

Under the timing requirements of the rule, if Correspondent provides appropriate disclosures by mail, electronic delivery or courier, Correspondent may presume that the borrower receives the disclosure three specific business days after they are mailed, transmitted, or deposited with the courier service, for purposes of determining when the 3-business-day waiting period begins. This is commonly referred to as the “mailbox rule.”

If the Closing Disclosure is provided in person, it is considered received by the borrower on the day it is provided. If it is mailed or delivered electronically, the borrower is considered to have received the Closing Disclosure three specific business days after it is delivered or placed in the mail (mailbox rule).

When Correspondent has evidence that the borrower received the disclosures earlier than three business days after mailing or delivery, Correspondent may rely on that evidence under the rule and consider the disclosures to be received on that date.

Delivery of the Closing Disclosure – The borrower may waive or modify the three-business-day waiting period if the extension of credit is needed to meet a bona fide personal financial emergency. In these cases, the borrower must give Correspondent a dated hand-written statement that describes the emergency, specifically modifies or waives the waiting period, and bears the signature of all borrowers who are primarily liable on the legal obligation as permitted by Correspondent’s senior management and investors, as applicable. Correspondent may not provide the borrower with a preprinted waiver form. Any waiver must be approved by Compliance and Legal and authorized by an officer with a title of SVP or higher authority.

Revised Closing Disclosures – Once a Closing Disclosure is delivered or mailed to the borrower, consummation cannot occur until three specific business days after the disclosure is considered received by the borrower. Described below are the changes that require a corrected Closing Disclosure containing all changed terms:

Changes Requiring A New Three-Business Day (Specific) Waiting Period - Correspondent must provide corrected disclosures with all changed terms so that the borrower receives them not later than the third (specific) business day before consummation:

1. **The disclosed APR becomes inaccurate** (is out of tolerance under Regulation Z §1026.22(a)). A revised Closing Disclosure with the correct APR and all other associated terms that have changed must be provided.

Whether Correspondent is required to provide a new three-day waiting period depends on whether the APR that was previously disclosed on the CD is accurate under Regulation Z. For transactions secured by real property or a dwelling, Regulation Z includes several tolerances that might apply.

Section 13. Compliance (continued)

Note: The CFPB FAQs dated January 25, 2019 clarify that an overstated APR is considered accurate (for tolerance purposes) if it results from the disclosed finance charge being overstated (as provided under 12 CFR §1026.22(a)(4)), and a creditor is not required to provide a new three-business day waiting period in these circumstances. Thus, if the disclosed APR decreases due to a decrease in the disclosed interest rate, Correspondent is not required to provide a new three-business day waiting period under the TRID Rule. In this example, Correspondent may provide the corrected CD to the consumer at or before consummation (as described below).

Refer to the [Truth in Lending Act \(Reg. Z\) Policy](#) for a detailed discussion of the various tolerances for accuracy of APR and additional illustrative examples.

2. **The loan product previously disclosed changes.** A revised Closing Disclosure with the correct loan product and all other associated terms that have been changed must be provided.
3. **A prepayment penalty is added to the transaction.** A revised Closing Disclosure with the prepayment penalty provisions and all other associated terms that have changed must be provided.

Changes Not Requiring a New Waiting Period – Changes that occur before consummation that do not require a new three-business-day waiting period (any changes not covered above); however, the revised Closing Disclosure must be provided at or before consummation.

Notwithstanding the requirement to provide a corrected CD at consummation, a borrower has the right to inspect the Closing Disclosure during the business day before consummation. The one day preview request must be in writing. If a borrower asks to inspect the Closing Disclosure the business day before consummation, the Closing Disclosure presented to the borrower must reflect any adjustments to the costs or terms that are known to Correspondent at the time the borrower inspects it.

Content of the Closing Disclosure (12 CFR §1026.38)

Breakdown of the Closing Disclosure – The Closing Disclosure (CD) shall be made clearly and conspicuously in writing, in a form that the borrower may keep.

Following is a description of the pages contained in the Closing Disclosure required by 12 CFR §1026.38.

Page 1 of the Closing Disclosure

Page 1 of the Closing Disclosure contains general information, a Loan Terms table with descriptions of applicable information about the loan, a Projected Payments table, and the Costs at Closing table.

General Information (12 CFR §1026.38(a)) – The CD must include the following general information about the loan:

- The title “Closing Disclosure”
- The statement “This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.”
- Closing information
- Transaction information
- Loan information

Section 13. Compliance (continued)

Closing Information: The following must appear under the “closing information” heading:

- Date the LE is mailed to the borrower
- Closing date (consummation date)
- Disbursement date
- Settlement agent name
- Settlement agent file number
- Property address (including zip code)
- Sale price (transactions involving a seller) or Property value (transactions not involving a seller)

Transaction Information: The following must appear under the “transaction information” heading:

- Borrower’s name and address
- Property seller’s name and address (as applicable)
- Correspondent’s name

Loan Information: The following must appear under the “loan information” heading:

- Loan term stated in years or months, or both (as applicable)
- Loan purpose (purchase, refinance, construction, or home equity loan)
- Loan product (adjustable rate, step rate, or fixed rate) and description of loan features (negative amortization, interest only, step payment, balloon payment, or seasonal payment) if applicable
- Loan type (Non-QM)
- Loan identification number
- Mortgage insurance case number (if applicable)

Loan Terms Table (12 CFR §1026.38(b)) - The “Loan Terms” table contains updated information from what was disclosed in the Loan Terms table on LE. Refer to Page 1 of the Loan Estimate for details.

Projected Payments Table (12 CFR §1026.38(c)) - The table titled “Projected Payments” contains updated information from what was disclosed on the “Projected Payments” table on the LE. Refer to Page 1 of the Loan Estimate for details.

Estimated Taxes, Insurance & Assessments: The estimated escrow payments disclosed on the CD are determined by the escrow account analysis required by RESPA.

The table also includes statements that the amounts may increase over time, that the consumer must pay separately any amounts that are not paid using escrow account funds, and a reference to the “Escrow Account” details on page 4 of the CD.

Section 13. Compliance (continued)

Costs at Closing Table (12 CFR §1026.38(d)) -

- **Closing Costs:** Under the label “Closing Costs”, Correspondent must disclose the dollar amount shown as the “total closing costs” on page 2 of the CD, together with a statement that this amount includes the amounts disclosed as “total loan costs”, “total other costs”, and “lender credits” on page 2 of the CD, together with those dollar amounts and required reference.
- **Cash to Close:** Under the label “Cash to Close”, Correspondent must disclose the dollar amount shown as the “final cash to close” on page 3 of the CD, together with the required statements.

For transactions that do not involve a seller or for simultaneous subordinate financing, Correspondent may alternatively disclose the amount of “final cash to close” (to or from borrower) shown on page 3 of the CD if the optional alternative calculating cash to close table is used and required statements.

Page 2 of the Closing Disclosure

Page 2 of the Closing Disclosure contains Closing Cost Details. Two main categories of charges are disclosed on page 2 of the Loan Estimate:

- Loan Costs
- Other Costs

Loan Costs Table (12 CFR §1026.38(f)) - Loan costs are typically those costs paid by the borrower to Correspondent and third-party providers of services Correspondent requires on its behalf, or to be obtained by the borrower during the origination of the loan. All loan costs associated with the transaction shall be disclosed and itemized as follows:

- **Origination Charges** – Amounts the consumer paid to each Correspondent and loan originator for originating or extending credit, the name of the loan originator ultimately receiving payment, and the total of all itemized amounts designated borrower-paid at or before closing.
- **Services Borrower Did Not Shop For** – Services provided by persons other than Correspondent, the name of the person ultimately receiving payment, and the total of all itemized amounts designated borrower-paid at or before closing.

Items disclosed under “Services You Can Shop For” on page 2 of the LE must be disclosed under this heading if the consumer was provided a written settlement service provider list and the consumer selected a settlement service provider contained on that written list.

- **Services Borrower Did Shop For** – Services provided by persons other than Correspondent, the name of the person ultimately receiving payment, and the total of all itemized amounts designated borrower-paid at or before closing.

Items disclosed under “Services You Can Shop For” on page 2 of the LE must be disclosed under this heading if the consumer was provided a written settlement service provider list and the consumer did not select a settlement service provider contained on that written list.

Items that were disclosed under “Services You Can Shop For” on page 2 of the LE cannot be disclosed under this heading when the consumer selected a provider contained on the written list. Instead, such costs are disclosed under “Services Borrower Did Not Shop For” (described above).

Section 13. Compliance (continued)

- Total Loan Costs – The sum of the subtotals described below.
- Subtotal of loan costs – The sum of the loan cost amounts described above designated borrower-paid at or before closing.

Other Costs Table (12 CFR §1026.38(g)) - All other costs associated with the transaction (not described above) shall be disclosed and itemized as follows:

- Taxes and Other Government Fees – Recording fees (the total amount, plus the itemized total amount for recording deeds, and a separate amount for recording security instruments), and transfer taxes with the name of the government entity assessing the tax.
- Prepays – Homeowner's insurance premiums, mortgage insurance premiums, prepaid interest, and property taxes. The name of the person ultimately receiving payment (except the person receiving the prepaid interest need not be disclosed) or government entity assessing the property tax, and the total of all itemized amounts designated borrower-paid at or before closing
- Initial Escrow Payment at Closing – Homeowner's insurance, mortgage insurance, property taxes, plus the aggregate adjustment determined by RESPA, and the total of all itemized amounts designated borrower-paid at or before closing.
- Other – An itemization of each amount for charges in connection with the transaction that are in addition to the charges disclosed as loan costs or other costs (as designated above) for services that are required or obtained in the real estate closing by the consumer, the seller, or other party. The name of the person ultimately receiving payment, and the total of all itemized amounts designated borrower-paid at or before closing.
- Total Other Costs – The sum of the subtotals described below.
- Subtotal of costs – The sum of the other cost amounts described above designated borrower-paid at or before closing.

Total Closing Costs (12 CFR §1026.38(h)) - The following must be disclosed under the heading "Total Closing Costs (Borrower-Paid)":

- The sum of the "Loan Costs" and "Other costs" (described above).
- Any general lender credits designated borrower-paid at closing (disclosed as a negative number).
- If a refund is provided for a tolerance violation, the amount of the credit (disclosed as a negative number) and required statement.

Page 3 of the Closing Disclosure

Page 3 of the Closing Disclosure provides a Calculating Cash to Close table and either the Summaries of Transactions table or Payoffs and Payments table.

Section 13. Compliance (continued)

Calculating Cash to Close (12 CFR §1026.38(i) or (e))

General Requirements: Correspondent must provide a table disclosing the total amount of cash or other funds that must be provided by the consumer at consummation. The table includes columns for “Loan Estimate”, “Final” and “Did this change?” that allow the borrower to see what has changed for the following categories:

- Total Closing Costs
- Closing Costs Paid Before Closing – The amount shown in the Loan Estimate column must be \$0.
- Closing Costs Financed (paid from loan amount)
- Down Payment / Funds from Borrower
- Deposit
- Funds for Borrower
- Seller Credits
- Adjustments and Other Credits
- Cash to Close

Optional Alternative Calculating Cash to Close Table: For transactions that do not involve a seller or for simultaneous subordinate financing, Correspondent may provide an alternative table disclosing the total amount of cash or other funds that must be provided by the consumer at consummation. The alternative table also includes the columns for “Loan Estimate”, “Final” and “Did this change?” that allow the borrower to see what has changes for the following categories:

- Loan Amount
- Total Closing Costs
- Closing Costs Paid Before Closing – The amount shown in the Loan Estimate column must be \$0.
- Total Payoffs and Payments (Paid to third parties.)
- Cash to Close (to or from borrower)
- Closing Costs Financed (paid from loan amount) – Final amount only

Summaries of Transactions (12 CFR §1026.38(j) and (k)) – This section allows borrower to see summaries of the “Borrower’s Transaction” and the “Seller’s Transaction”.

Borrower’s Transaction: The “Borrower’s Transaction” table includes an itemization of the following amounts:

- Due from Borrower at Closing – The sale price of the property, the sale price of any personal property included in the sale, the total amount of borrower paid closing costs paid at closing disclosed on page 2 of the CD, any additional items paid by seller prior to closing but reimbursed by the borrower at closing, and adjustments for items paid by the seller in advance (city/town taxes, county taxes, assessments, and any additional items paid by seller prior to closing that are due from borrower at closing).

Section 13. Compliance (continued)

- Paid Already by or on Behalf of Borrower at Closing – Any deposit for the sale of the property, the loan amount, the amount of any existing loans assumed or taken subject to, any seller credit, any adjustments for other credits owed the consumer but payable by the seller before closing, and adjustment for items unpaid by seller (city/town taxes, county taxes, assessments, and any additional items not yet paid by seller for the period prior to closing that the seller is expected to pay at closing).
- Calculation – The total amounts “Due from Borrower at Closing” and “Paid Already by or on Behalf of Borrower at Closing” described above, and whether the sum labeled “Cash to Close” is due from or to the borrower.

Seller’s Transaction: The “Seller’s Transaction” table includes an itemization of the following amounts:

- Due to Seller at Closing – The sale price of the property, the sale price of any personal property included in the sale, any additional items paid to property seller, and adjustments for items paid by the property seller in advance (city/town taxes, county taxes, assessments, and any additional items paid by property seller prior to closing that are due from borrower at closing).
- Due from Seller at Closing – Any excess deposit disbursed to the property seller prior to closing, any property seller paid closing costs, the amount of any existing loans assumed by the borrower or taken subject to, the amount of any 1st lien paid off as part of the transaction, the amount of any 2nd lien paid off as part of the transaction, any lump sum seller credit to be provided at closing, any other obligations to be paid off by the property seller at closing (including any lien related payoffs, fees, or obligations), any adjustments for items unpaid by property seller (city/town taxes, county taxes, assessments, and any additional items not yet paid for a period prior to closing that the borrower is expected to pay after closing).
- Calculation – The total amounts “Due to Seller at Closing” and “Due from Seller at Closing” described above, and whether the sum labeled “Cash” is due from or to the property seller.

Payoffs and Payments Table (12 CFR §1026.38(t)(5)(vii)(B)) – For transactions that do not involve a property seller or for simultaneous subordinate financing, Correspondent may alternatively disclose a “Payoffs and Payments” table in lieu of the “Summaries of Transactions” tables described above.

The Payoffs and Payments table itemizes the amounts of payments made at closing to other parties from the credit extended to the consumer or funds provided by the consumer in connection with the transaction, including designees of the consumer, the payee names and a description of the purpose of the disbursement.

Page 4 of the Closing Disclosure

Page 4 of the Closing Disclosure contains loan disclosures under the heading “Additional Information About This Loan”. The Adjustable Payment (AP) and Adjustable Interest Rate (AIR) tables will appear on this page only when applicable.

Section 13. Compliance (continued)

Loan Disclosures (12 CFR §1026.38(l))

The Loan Disclosures table will disclose the following information:

- Assumption (Updated from LE)
- Demand Feature
- Late Payment (Updated from LE)
- Negative Amortization
- Correspondent's partial payment policy
- Security Interest – Required statement and address of property (including zip code) granted as security by borrower.
- Escrow account details

Escrow Account: Correspondent must indicate (check box selection) whether the borrower will or will not have an escrow account.

If an escrow account is or will be established, an itemization of the following amounts must be provided:

- Escrowed Property Costs over Year 1 – The total amount to be paid into the escrow account during the first year after consummation. Calculated as the “Monthly Escrow Payment” amount (described below) multiplied by the number of periodic payments scheduled to be made to the escrow account during the first year after consummation.

This disclosure may be based on less than 12 payments if, based on the payment schedule dictated by the legal obligation, fewer than 12 periodic payments will be made to the escrow account during the first year after consummation.

Alternatively, this disclosure may be based on amounts derived from the RESPA escrow account analysis (beginning with the borrower's initial payment date rather than beginning with consummation), even if those disclosures differ from what would otherwise be disclosed when there are fewer than 12 periodic payments scheduled to be made to the escrow account during the first year after consummation.

- Non-escrowed Property Costs over Year 1 – The estimated amount of non-escrowed property costs during the first year after consummation and a descriptive name of each cost.

If Correspondent bases the “Escrowed Property Costs over Year 1” (described above) on amounts derived from the RESPA escrow account analysis, then this disclosure may be based on a 12-month period beginning with the borrower's initial payment date (rather than beginning with consummation).

- Initial Escrow Payment – The amount disclosed in the “Other Costs” table on page 2 of the CD.
- Monthly Escrow Payment – The amount required with each periodic payment during the first year after consummation.

Section 13. Compliance (continued)

If the borrower will not have an escrow account, Correspondent must indicate (check box selection) whether the escrow account was declined or not offered. Correspondent must also provide an itemization of the following:

- The estimated mortgage related obligations during the first year after consummation. (This amount may be based on either a 12-month period beginning with the borrower's initial payment date or on a 12-month period beginning with consummation.)
- The amount of any escrow waiver fee charged in connection with the transaction.

The escrow account details section also requires statements regarding future changes to property costs and escrow payments, cancellation of any escrow account, and the consequences if the consumer fails to pay property costs.

Adjustable Payment (AP) Table (12 CFR 1026.38(m)) – The “Adjustable Payment (AP)” Table contains updated information from what was disclosed in the AP table on LE. Refer to Page 2 of the Loan Estimate for details.

Like the disclosure found on the LE, the AP Table will only be provided when the periodic principal and interest payment may change after consummation (based on a loan term other than a change to the interest rate).

Adjustable Interest Rate (AIR) Table (12 CFR §1026.38(n)) – The “Adjustable Interest Rate (AIR)” Table contains updated information from what was disclosed in the AIR table on LE. Refer to Page 2 of the Loan Estimate for details.

Like the disclosure found on the LE, the AIR Table will only be provided when the interest rate may increase after consummation (based on changes to an index or scheduled changes to the interest rate).

Page 5 of the Closing Disclosure

Page 5 of the Closing Disclosure contains tables for Loan Calculations, Other Disclosures, Questions Notice, Contact Information, and Signature.

Loan Calculations Table (12 CFR §1026.38(o)) – Correspondent will disclose the following in the Loan Calculations table:

- Total of Payments (TOP)
- Finance Charge
- Amount Financed
- Annual Percentage Rate (APR) – Updated from the amount disclosed on the LE
- Total Interest Percentage (TIP) – Updated from the amount disclosed on the LE

Note: The TOP, finance charge, amount financed, and APR disclosures are “material disclosures” for purposes of rescission. Effective on October 1, 2018, the TOP disclosure will be subject to the same tolerances for accuracy that already apply to the finance charge and other disclosures affected by the finance charge for purposes of the consumer’s right of rescission. Refer to the Truth in Lending Act (Regulation Z) section for a description of the borrower’s right of rescission, tolerances for accuracy of material terms and special tolerance rules for foreclosure.

Section 13. Compliance (continued)

Total of Payments (TOP): The total dollar amount that the borrower will have paid after making all payments of principal, interest, mortgage insurance, and loan costs, as scheduled through the end of the loan term.

When calculating the TOP, assume that the consumer makes payments as scheduled and on time. Mortgage insurance includes prepaid or escrowed mortgage insurance. Loan costs are all loan costs associated with the transaction as disclosed on the “Loan Costs Table” found on page 2 of the CD.

The calculation excludes any payments of principal, interest, mortgage insurance, or loan costs, whether in whole or in part, designated as seller paid or paid by others on the Closing Cost Details Table (i.e. specific credits). However, general non-specific credits do not offset amounts for purposes of the TOP calculation.

The disclosure is treated as accurate if the amount disclosed is understated by no more than \$100 or is overstated.

Finance Charge: The dollar amount the loan will cost the borrower.

Refer to the Truth in Lending Act (Regulation Z) section for details on the amounts included in the Finance Charge calculation.

The disclosed finance charge and other disclosures affected by the finance charge (including the amount financed and the APR) are treated as accurate if the amount disclosed is understated by no more than \$100 or is overstated.

Amount Financed: The loan amount available after paying the upfront finance charge.

Annual Percentage Rate (APR): Costs over the loan term expressed as a rate.

Refer to the Truth in Lending Act (Regulation Z) section details on the APR calculation.

Total Interest Percentage (TIP): The total amount of interest the borrower will pay over the loan term as a percentage of the loan amount.

Other Disclosures Table (12 CFR §1026.38(p)) – Correspondent will provide the following disclosures in the Other Disclosures table:

- Appraisal - Appraisal disclosure (as required for Higher-priced Mortgage Loans (HPMLs) and loans covered by the ECOA in relation to borrower rights)
- Contract Details - Consequences of nonpayment statement to the borrower pursuant to contract details (default, acceleration, and prepayment penalties and rebates)
- Liability After Foreclosure - Statement for state law provision of borrower liability after foreclosure
- Refinance - Statement of borrower’s ability to refinance the loan
- Tax Deductions - Tax deductibility of the mortgage loan interest by the borrower

Questions Notice (12 CFR §1026.38(q)) – The CD includes a separate questions box that includes a statement directing the consumer to use the contact information described below for questions about the CD, and a reference to the CFPB web site.

Contact Information (12 CFR §1026.38(r)) – Correspondent will disclose its contact information, including the NMLS ID or state license ID and the same information for the individual primary contact for the borrower, real estate brokerage of the borrower and the property seller, as applicable, and the settlement agent.

Section 13. Compliance (continued)

Signature Statement (12 CFR §1026.38(s)) – Correspondent elected to add the following optional Signature Statement for confirmation of Closing Disclosure receipt:

“By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.”

Disclosures Required Post-Consummation

Post-Consummation Correction to the Closing Disclosure

Described below are the changes that require a corrected Closing Disclosure after consummation has occurred:

Changes Due to Events After Consummation

When changes occur during the 30-calendar-day period after consummation that results in a change to an amount paid by the borrower from what was previously disclosed, Correspondent must deliver or place in the mail a corrected Closing Disclosure not later than 30-calendar-days after receiving information sufficient to establish that such an event has occurred.

When required as described above, Correspondent will provide a corrected closing disclosure within 60-calendar-days after consummation.

Changes Due to Non-Numeric Clerical Errors

If the Closing Disclosure contains non-numeric clerical errors, Correspondent must deliver or mail a corrected Closing Disclosure no later than 60 calendar days after consummation.

Refunds for Tolerance Violations

If a good faith analysis determines that amounts paid by the borrower exceed the tolerances (zero tolerance or 10% tolerance described in the Fee Variances section above), Correspondent must refund the excess amount to the borrower no later than 60-calendar-days after consummation. In addition, Correspondent must deliver or mail the corrected Closing Disclosure reflecting such refund no later than 60-calendar-days after consummation. Refer to the Good Faith Requirement section for a detailed description of the required good faith determination for estimates of closing costs.

13.9 Truth in Lending Act (Reg Z) Policy

Truth in Lending Act (Regulation Z)

Background - The Truth In Lending Act (TILA) was enacted to promote the informed use of credit by providing the cost of credit and the actual terms to consumers in a way that was easily understandable.

The Consumer Financial Protection Bureau (CFPB) and prudential regulators enforce TILA and its implementing regulation, Regulation Z.

The Dodd-Frank Wall Street Reform and Consumer Protection Act required implementation of new rules and forms that combined certain required disclosures in connection with applying for and closing on a mortgage loan. The RESPA-TILA Integrated Mortgage Disclosure Rule (TRID) amended Regulation Z to establish new disclosure requirements and forms for most closed-end consumer credit transactions secured by real property.

Correspondent is required to comply with all relevant requirements of TILA.

Section 13. Compliance (continued)

Scope - Regulation Z applies to credit that is offered or extended to consumers primarily for personal, family, or household purposes. However, it does not apply to the following:

- Business, commercial, agricultural, or organizational credit
- An extension of credit to other than a natural person, such as a government agency
- Credit in excess of \$54,600 for 2017 (amount adjusted annually) not secured by real property, or by personal property used or expected to be used as the principal dwelling of the consumer, or a private education loan
- Public utility credit
- Securities or commodities accounts
- Home fuel budget plans
- Student loan programs

Definitions

Adjustable-Rate Mortgage (ARM): An adjustable-rate mortgage (ARM) is a closed-end consumer credit transaction secured by the consumer's principal dwelling in which the annual percentage rate may increase after consummation.

Application: The submission of a borrower's financial information for the purpose of obtaining an extension of credit.

For purposes of this rule relative to the use of the integrated TRID disclosures, an application consists of submission of the following:

- Borrower's name
- Borrower's monthly income
- Borrower's Social Security number to obtain a credit report
- Property address
- An estimate of the value of the property
- Mortgage loan amount sought

An application may either be in writing or electronically submitted, including a written record of an oral application.

If an application reaches Correspondent through an intermediary agent or broker, the application is received when it reaches the intermediary or broker.

Business Day: Regulation Z provides two definitions of a business day. Commonly these are referenced as the "general" definition and the "specific" definition.

- **General Definition:** A business day is a day on which the Correspondent's offices are open to the public for carrying on substantially all of its business functions.

For purposes of the general definition, Correspondent offices are open to the public for carrying on substantially all of its business functions on Monday – Friday.

- **Specific Definition:** A business day includes all calendar days except Sundays and legal public holidays as specified in 5 U.S.C. 6103(a).

Section 13. Compliance (continued)

The specific definition applies to certain timing requirements related to delivery of disclosures in mortgage transactions, right of rescission and high cost loan provisions

The federal legal holidays identified in 5 U.S.C. 6103(a) are as follows:

Holiday	Date Observed
New Year's Day	January 1
Martin Luther King, Jr. Day	Third Monday in January
Washington's Birthday	Third Monday in February
Memorial Day	Last Monday in May
Juneteenth National Independence Day	June 19
Independence Day	July 4
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veteran's Day	November 11
Thanksgiving Day	Fourth Thursday in November
Christmas Day	December 25

Closed-End Credit: Consumer credit other than "open-end credit."

Consumer: A natural person to whom consumer credit is offered or extended, primarily for personal, family, or household purposes. However, for purposes of rescission, the term also includes a natural person in whose principal dwelling a security interest is or will be retained or acquired, if that person's ownership interest in the dwelling is or will be subject to the security interest. Note: Credit extended to trusts established for tax or estate planning purposes or to land trusts is considered extended to a natural person.

Consummation: The time that a consumer becomes contractually obligated on a credit transaction.

Dwelling: A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

Open-End Credit: Consumer credit extended under a plan in which

- The Correspondent reasonably contemplates repeated transactions;
- The credit may impose a finance charge from time to time on an outstanding unpaid balance; and
- The amount of credit that may be extended to the consumer during the term of the plan (up to any limit set by the Correspondent) is generally made available to the extent that any outstanding balance is repaid.

Prepaid Finance Charge: Any finance charge paid separately in cash or by check before or at consummation of a transaction, or withheld from the proceeds of the credit at any time.

Section 13. Compliance (continued)

Residential Mortgage Transaction: A transaction in which a mortgage, deed of trust, purchase money security interest arising under an installment sales contract, or equivalent consensual security interest is created or retained in the consumer's principal dwelling to finance the acquisition or initial construction of that dwelling.

Finance Charge

Finance Charge Definition - The finance charge is the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the Correspondent as an incident to or a condition of the extension of credit. It does not include any charge of a type payable in a comparable cash transaction.

Charges by Third Parties - The finance charge includes fees and amounts charged by someone other than the Correspondent, unless otherwise excluded as described below, if Correspondent:

- Requires the use of a third party as a condition of or an incident to the extension of credit, even if the consumer can choose the third party; or
- Retains a portion of the third-party charge, to the extent of the portion retained.

Special Rule: Closing Agent Charges - Fees charged by a third party that conducts the loan closing (such as a settlement agent, attorney, or escrow or title company) are finance charges only if Correspondent:

- Requires the particular services for which the consumer is charged;
- Requires the imposition of the charge; or
- Retains a portion of the third-party charge, to the extent of the portion retained.

Example of Finance Charges:

The finance charge includes the following types of charges, except for charges specifically excluded as described below:

- Interest, time price differential, and any amount payable under an add-on or discount system of additional charges.
- Service, transaction, activity, and carrying charges, including any charge imposed on a checking or other transaction account to the extent that the charge exceeds the charge for a similar account without a credit feature.
- Points, loan fees, assumption fees, finder's fees, and similar charges.
- Appraisal, investigation, and credit report fees.
- Premiums or other charges for any guarantee or insurance protecting the Correspondent against the consumer's default or other credit loss.
- Charges imposed on a Correspondent by another person for purchasing or accepting a consumer's obligation, if the consumer is required to pay the charges in cash, as an addition to the obligation, or as a deduction from the proceeds of the obligation.
- Premiums or other charges for credit life, accident, health, or loss-of-income insurance, written in connection with a credit transaction.
- Premiums or other charges for insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, written in connection with a credit transaction.

Section 13. Compliance (continued)

- Discounts for the purpose of inducing payment by a means other than the use of credit.
- Charges or premiums paid for debt cancellation or debt suspension coverage written in connection with a credit transaction, whether or not the debt cancellation coverage is insurance under applicable law.

Charges Excluded from the Finance Charge:

The following charges are not finance charges:

- Application fees charged to all applicants for credit, whether or not credit is actually extended.
- Charges for actual unanticipated late payment, for exceeding a credit limit, or for delinquency, default, or a similar occurrence.
- Charges imposed by a financial institution for paying items that overdraw an account, unless the payment of such items and the imposition of the charge were previously agreed upon in writing.
- Fees charged for participation in a credit plan, whether assessed on an annual or periodic basis.
- Property seller's points.
- Interest forfeited as a result of an interest reduction required by law on a time deposit used as security for an extension of credit.
- Discounts offered to induce payment for a purchase by cash, check, or other means.
- Real-Estate Related Fees
- The following fees are not finance charges in a transaction secured by real property or in a residential mortgage transaction, if the fees are bona fide and reasonable in amount:
- Fees for title examination, abstract of title, title insurance, property survey, and similar purposes.
- Fees for preparing loan related documents, such as deeds, mortgages, and reconveyance or settlement documents.
- Notary and credit report fees.
- Property appraisal fees or fees for inspections to assess the value or condition of the property if the service is performed prior to closing, including fees related to pest infestation or flood hazard determinations.
- Amounts required to be paid into escrow or trustee accounts if the amounts would not otherwise be included in the finance charge.

Insurance Premiums

Property Insurance Premiums: Premiums for insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, including single interest insurance if the insurer waives all right of subrogation against the consumer, may be excluded from the finance charge if the following conditions are met:

- The insurance coverage may be obtained from a person of the consumer's choice, and this fact is disclosed. (Correspondent may reserve the right to refuse to accept, for reasonable cause, an insurer offered by the consumer.)

Section 13. Compliance (continued)

- If the coverage is obtained from or through the Correspondent, the premium for the initial term of insurance coverage shall be disclosed. If the term of insurance is less than the term of the transaction, the term of insurance shall also be disclosed. Correspondent currently does not offer property insurance coverage to its borrowers.
- TILA also provides conditions with which premiums for voluntary credit life and debt cancellation insurance can be excluded from the finance charge. Correspondent does not originate loans with such features.

Certain Security Interest Charges

If itemized and disclosed, the following charges may be excluded from the finance charge:

- Taxes and fees prescribed by law that actually are or will be paid to public officials for determining the existence of or for perfecting, releasing, or satisfying a security interest.
- The premium for insurance in lieu of perfecting a security interest to the extent that the premium does not exceed the fees that otherwise would be payable.
- Taxes on security instruments: Any tax levied on security instruments or on documents evidencing indebtedness if the payment of such taxes is a requirement for recording the instrument securing the evidence of indebtedness.

Required Disclosures

TRID Disclosures

Loan Estimate

Correspondent must provide the Loan Estimate (LE) no later than three business days (general definition) after receipt of an application for a mortgage loan.

Closing Disclosure

Correspondent must ensure that the consumer receives the Closing Disclosure (CD) no later than three business days (specific definition) before consummation.

Special Information Booklet

Correspondent must provide the special information booklet titled "Your Home Loan Toolkit" no later than three business days (general definition) after receipt of an application for a mortgage loan.

The requirement to provide the booklet only applies to purchase transactions for one- to four-unit, owner-occupied properties. The booklet need not be provided in the following transactions:

- Refinancing
- Subordinate lien position closed-end loans
- Reverse mortgages

This booklet is not required if the application is denied within the three-business day period.

If a consumer uses a mortgage broker, the mortgage broker shall provide the special information booklet and Correspondent need not do so.

If there are multiple applicants, the booklet only needs to be provided to one of the applicants. There are no signature requirements for receipt of the booklet.

Section 13. Compliance (continued)

Subsequent Disclosure Requirements

Refinancing

A refinancing is a new transaction requiring new disclosures to the consumer. The new finance charge must include any unearned portion of the old finance charge that is not credited to the existing obligation.

The following transactions are not treated as a refinancing:

- A renewal of a single payment obligation with no change in the original terms.
- A reduction in the annual percentage with a corresponding change in payment schedule.
- An agreement involving a court proceeding.
- A change in the payment schedule or a change in collateral requirements as a result of the consumer's default or delinquency, unless the rate is increased, or the new amount financed exceeds the unpaid balance plus earned finance charge and premiums for continuation of insurance (voluntary credit insurance premiums, property insurance premiums, voluntary debt cancellation, or debt suspension fees).
- The renewal of optional insurance purchased by the consumer and added to an existing transaction, if disclosures relating to the initial purchase were provided as required by TILA.

Annual Percentage Rate

Annual Percentage Rate (APR) - The APR is a measure of the total cost of credit, expressed as a yearly rate. It relates the amount and timing of value received by the consumer to the amount and timing of payments made by the consumer.

APR calculations do not rely on definitions of interest in state law and often include charges, such as a commitment fee paid by the consumer, that are not viewed by some state usury statutes as interest. Conversely, APR calculations might not include charges, such as a credit report fee in a real property transaction that some state laws view as interest for usury purposes.

Tolerances for Accuracy of APR

General Rule

The APR is considered accurate if it is not more than:

- 1/8 of 1% above or below actual APR for a regular transaction; or
- 1/4 of 1% above or below the actual APR for an irregular transaction.

An irregular transaction is one that includes one or more of the following features: multiple advances, irregular payment periods, or irregular payment amounts (other than an irregular first period or an irregular first or final payment).

Mortgage Loans

If the APR disclosed in a transaction secured by real property or a dwelling varies from the actual APR, in addition to the general tolerances described above, the disclosed APR shall also be considered accurate if:

- The rate results from the disclosed finance charge; and either
- The disclosed finance charge is considered accurate for purposes of the Closing Disclosure (CD) - understated by no more than \$100, or overstated by any amount; or

Section 13. Compliance (continued)

- For purposes of rescission, if the disclosed finance charge would be considered accurate under whichever applies:
 - Understated by no more than the greater of $\frac{1}{2}$ of 1% of the face amount of the note or \$100, or overstated by any amount;
 - In a refinancing with a new Correspondent and no new advance and no consolidation of existing loans - understated by no more than the greater of 1% of the face amount of the note or \$100, or overstate by any amount; or
 - For purposes of rescission after initiation of foreclosure – understated by no more than \$35, or overstated by any amount.

Example: If a creditor improperly omits a \$75 fee from the finance charge on a regular transaction (subject to a $\frac{1}{8}$ of 1% general tolerance), the understated finance charge is considered accurate for purposes of the CD, and the disclosed APR corresponding to that understated finance charge also is considered accurate even if it falls outside the tolerance of $\frac{1}{8}$ of 1% provided under §1026.22(a)(2).

However, in this example (where a \$75 error was made), a disclosed APR corresponding to a \$100 understatement of the finance charge would not be considered accurate.

Additional Tolerance for Mortgage Loans

If the disclosed finance charge is calculated incorrectly but is considered accurate for purposes of the CD or rescission under the tolerance for mortgage loans described directly above, the disclosed APR shall also be considered accurate if:

- If the disclosed finance charge is understated, and the disclosed APR is also understated but is closer to the actual APR than the rate that would be considered accurate for purposes of the CD or rescission under the tolerances for mortgage loans described directly above;
- If the disclosed finance charge is overstated, and the disclosed APR is also overstated but is closer to the actual APR than the rate that would be considered accurate for purposes of the CD or rescission under the tolerances for mortgage loans described directly above.

This tolerance applies when the computation of the APR is not the direct result of the finance charge error.

Example (Understated APR): In an irregular transaction (subject to a $\frac{1}{4}$ of 1% general tolerance), if the actual APR is 9.00% and a \$75 omission from the finance charge corresponds to a rate of 8.50% that is considered accurate under §1026.22(a)(4) above, a disclosed APR of 8.65% is within the tolerance in §1026.22(a)(5). In this example of an understated finance charge, a disclosed APR below 8.50% or above 9.25% will not be considered accurate.

Example (Overstated APR): A regular transaction (subject to a $\frac{1}{8}$ of 1% general tolerance) with an actual APR of 13.00%. The lender included a \$300 title search fee as a finance charge (such fee is not a finance charge). The APR that corresponds to the \$300 overstated finance charge would be 14.71%. In this example of an overstated finance charge, a disclosed APR above 14.71% or below 12.875% will not be considered accurate.

Thus, if the lender disclosed a 14.85% APR (which is unrelated to the overstated finance charge), the disclosed APR is not considered accurate and re-disclosure of the CD, including a new three business day waiting period, would be required.

Section 13. Compliance (continued)

APR and Issuance of Revised Closing Disclosures

Once a Closing Disclosure (CD) is delivered or mailed to the borrower, consummation cannot occur until three business days (specific definition) after the disclosure is considered received by the borrower.

If the disclosed APR becomes inaccurate (is out of tolerance as described above), a revised CD with the correct APR and all other associated terms that have changed must be provided to the borrower and a new three-business day (specific definition) waiting period is required.

However, if the disclosed APR is considered accurate (is within tolerance as described above), the creditor may provide a corrected CD to the consumer at consummation and a new three-business day (specific definition) waiting period is not required.

Refer to the [TILA-RESPA Integrated Disclosures \(TRID\)](#) section for details and information regarding other changes that require a new waiting period and/or corrected CDs.

Use of APR in Oral Disclosures

In an oral response to a consumer's inquiry about the cost of closed-end credit, only the annual percentage rate (APR) shall be stated, except that a simple annual rate or periodic rate also may be stated if it is applied to an unpaid balance.

If the APR cannot be determined in advance, the APR for a sample transaction shall be stated, and other cost information for the consumer's specific transaction may be given.

Right of Rescission

A consumer has the right to rescind/cancel a transaction in which a security interest is or will be retained on the consumer's principal dwelling. Each consumer whose ownership interest is or will be subject to the security interest has the right to rescind.

Exceptions: The following transactions are not rescindable:

- A residential mortgage transaction (i.e. purchase transactions).
- A refinancing or consolidation by the same Correspondent of an extension of credit already secured by the consumer's principal dwelling.

Note: The right of rescission applies to the extent the new amount financed exceeds the unpaid principal balance, any earned unpaid finance charge on the existing debt, and amounts attributed solely to the costs of the refinancing or consolidation (i.e. new money).

- A transaction in which a state agency is a Correspondent.
- An advance (other than an initial advance in a series of advances) or in a series of single-payment obligations treated as a single transaction.
- A renewal of optional insurance premiums that is not considered as refinancing.

Section 13. Compliance (continued)

Exercising the Right to Rescind

The consumer shall notify Correspondent of the rescission by mail, telegram, or other means of written communication. Notice is considered given when mailed, when filed for telegraphic transmission or, if sent by other means, when delivered to Correspondent's designated place of business.

When more than one consumer in a transaction has the right to rescind, the exercise of the right by one consumer shall be effective for all consumers.

Rescission Period

The consumer has until the last of the following events to rescind the transaction:

- Until midnight of the third business day (specific definition) following consummation;
- Delivery of the notice of right to rescind described below; or
- Delivery of all material disclosures.

If the required notice or material disclosures are not delivered, the right to rescind shall expire three (3) years after consummation, upon transfer of all of the consumer's interest in the property, or upon sale of the property, whichever occurs first.

"Material disclosures" are the required disclosures of the APR, the finance charge, the amount financed, the total of payments (TOP), the payment schedule, which are disclosed on the Closing Disclosure (CD). The disclosures and limitations applicable to High-Cost Mortgages and Prepayment Penalties are also material disclosures.

Notice of Right to Rescind

Correspondent must mail or deliver two copies of a Notice of Right to Cancel to each consumer entitled to rescind the transaction. The notice shall be on separate document and shall clearly and conspicuously disclose the following:

- The retention or acquisition of a security interest in the consumer's principal dwelling.
- The consumer's right to rescind the transaction.
- How to exercise the right to rescind, with a form for that purpose, designating the address of the Correspondent's place of business.
- The effects of rescission (as described below).
- The date the rescission period expires.

The Notice of Right to Cancel consistent with the Model Form is delivered to consumers with Correspondent's closing document package in applicable transactions.

Delay of Performance

No funds shall be disbursed other than in escrow, no services performed, and no materials delivered until the rescission period has expired and Correspondent is reasonably satisfied that the consumer has not rescinded.

Section 13. Compliance (continued)**Tolerances for Accuracy of Material Terms - Applications taken on or before September 30, 2018****One-Half of 1% Tolerance**

Except as provided below for loans subject to the 1% tolerance and the tolerance for loans in foreclosure, the finance charge and other disclosures affected by the finance charge (such as the amount financed and the APR) will be considered accurate for right of rescission purposes if the disclosed finance charge:

- Is understated by no more than 1/2 of 1% of the face amount of the note or \$100, whichever is greater; or
- Is greater than the amount required to be disclosed.

1% Tolerance

In a refinancing of a residential mortgage transaction with a new Correspondent (other than a High-Cost Mortgage), if there is no new advance and no consolidation of existing loans, the finance charge and other disclosures affected by the finance charge (such as the amount financed and APR) will be considered accurate for right of rescission purposes if the disclosed finance charge:

- Is understated by no more than 1% of the face amount of the note or \$100, whichever is greater; or
- Is greater than the amount required to be disclosed.

Tolerances for Accuracy of Material Terms - Applications taken on or after October 1, 2018**One-Half of 1% Tolerance**

Except as provided below for loans subject to the 1% tolerance and the tolerance for loans in foreclosure:

Finance Charge - The finance charge and other disclosures affected by the finance charge (such as the amount financed and the APR) will be considered accurate for right of rescission purposes if the disclosed finance charge:

- Is understated by no more than 1/2 of 1% of the face amount of the note or \$100, whichever is greater; or
- Is greater than the amount required to be disclosed.

Total of Payments - The total of payments (for loans subject to the RESPA-TILA Integrated Mortgage Disclosure (TRID) Rule) will be considered accurate for right of rescission purposes if the disclosed total of payments:

- Is understated by no more than 1/2 of 1% of the face amount of the note or \$100, whichever is greater; or
- Is greater than the amount required to be disclosed.

Refer to the [TILA-RESPA Integrated Disclosures \(TRID\)](#) section for information regarding the total of payments calculation.

Section 13. Compliance (continued)

1% Tolerance

In a refinancing of a residential mortgage transaction with a new Correspondent (other than a High-Cost Mortgage), if there is no new advance and no consolidation of existing loans:

Finance Charge - The finance charge and other disclosures affected by the finance charge (such as the amount financed and APR) will be considered accurate for right of rescission purposes if the disclosed finance charge:

- Is understated by no more than 1% of the face amount of the note or \$100, whichever is greater; or
- Is greater than the amount required to be disclosed.

Total of Payments - The total of payments (for loans subject to the RESPA-TILA Integrated Mortgage Disclosure (TRID) Rule) will be considered accurate for right of rescission purposes if the disclosed total of payments:

- Is understated by no more than 1% of the face amount of the note or \$100, whichever is greater; or
- Is greater than the amount required to be disclosed.

Refer to the [TILA-RESPA Integrated Disclosures \(TRID\)](#) section for information regarding the total of payments calculation.

Special Rules for Foreclosures - Applications taken on or before September 30, 2018

After the initiation of foreclosure on the consumer's principal dwelling that secures the credit obligation, the consumer will have the right to rescind the transaction if:

- A mortgage broker fee that should have been included in the finance charge was not included; or
- Correspondent did not provide the properly completed Notices of Right to Cancel.

Tolerance for Disclosures

After the initiation of foreclosure on the consumer's principal dwelling that secures the credit obligation, the finance charge and other disclosures affected by the finance charge (such as the amount financed and the APR) will be considered accurate for right of rescission purposes if the disclosed finance charge:

- Is understated by no more than \$35; or
- Is greater than the amount required to be disclosed.

Special Rules for Foreclosures Applications taken on or after October 1, 2018

After the initiation of foreclosure on the consumer's principal dwelling that secures the credit obligation, the consumer will have the right to rescind the transaction if:

- A mortgage broker fee that should have been included in the finance charge was not included

Section 13. Compliance (continued)

Tolerance for Disclosures

After the initiation of foreclosure on the consumer's principal dwelling that secures the credit obligation:

Finance Charge - The finance charge and other disclosures affected by the finance charge (such as the amount financed and the APR) will be considered accurate for right of rescission purposes if the disclosed finance charge:

- Is understated by no more than \$35; or
- Is greater than the amount required to be disclosed.

Total of Payments - The total of payments (for loans subject to the RESPA-TILA Integrated Mortgage Disclosure (TRID) Rule) will be considered accurate for right of rescission purposes if the disclosed total of payments:

- Is understated by no more than \$35; or
- Is greater than the amount required to be disclosed.

Refer to the [TILA-RESPA Integrated Disclosures \(TRID\)](#) section for information regarding the total of payments calculation.

Effects of Rescission

When a consumer rescinds a transaction, the security interest giving rise to the right of rescission becomes void and the consumer shall not be liable for any amount, including any finance charge.

Within 20 calendar days after receipt of a notice of rescission, Correspondent shall return any money or property that has been given to anyone in connection with the transaction and shall take any action necessary to reflect the termination of the security interest. This procedure may be modified by court order.

If Correspondent has delivered any money or property, the consumer may retain possession until Correspondent has met its obligation to return money or property described above. When Correspondent has complied with that obligation, the consumer shall tender the money or property to Correspondent or, where the latter would be impracticable or inequitable, tender its reasonable value. At the consumer's option, tender of property may be made at the location of the property or at the consumer's residence. Tender of money must be made at Correspondent's designated place of business. If Correspondent does not take possession of the money or property within 20 calendar days after the consumer's tender, the consumer may keep it without further obligation. This procedure may be modified by court order.

Advertising Requirements

If an advertisement for credit states specific credit terms, it shall state only those terms that actually are or will be arranged or offered by the Correspondent. All required disclosures shall be made clearly and conspicuously.

Use of Annual Percentage Rate (APR)

If an advertisement states a rate of finance charge, it shall state the rate as an "annual percentage rate," using that term or the abbreviation "APR".

If the APR may be increased after consummation, the advertisement shall state that fact.

If an advertisement is for credit secured by a dwelling, the advertisement shall not state any other rate, except that a simple annual rate that is applied to an unpaid balance may be stated in conjunction with, but not more conspicuously than, the APR.

Section 13. Compliance (continued)

Advertisement of Terms that Require Additional Disclosures

Triggering terms: If an advertisement states any of the following terms, the advertisement shall disclose the additional terms described below:

- The amount or percentage of any down payment.
- The number of payments or period of repayment.
- The amount of any payment.
- The amount of any finance charge.

High-Cost Mortgage Transactions

High-Cost Mortgage Thresholds

Correspondent does not currently originate “high-cost mortgages”, which are loans that exceed the following thresholds:

High-Cost Mortgage (Covered Loan) Thresholds

A high-cost mortgage is any consumer credit transaction that is secured by the consumer's principal dwelling (owner-occupied, primary residence, 1- 4 units, 1st or 2nd lien purchase and refinance transactions, including HELOCs).

- **Exemptions:** These requirements do not apply to the following:
 - Reverse mortgages
 - Transactions to finance the initial construction of a dwelling
 - Housing Finance Agency transactions
 - US Dept. of Agriculture Rural Development Section 502 Direct Loan program loans

High-cost mortgages exceed one or more of the following thresholds:

- **APR Test:** The annual percentage rate (APR) at consummation will exceed the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by more than:
 - 1st Lien: 6.5 percentage points;
 - 1st Lien where dwelling is personal property and the note amount is less than \$50,000: 8.5 percentage points;
 - 2nd Lien: 8.5 percentage points.
- **Points and Fees Test:** The “total points and fees” payable by the consumer at or before consummation will exceed:
 - Note amount is equal to or greater than \$20,000 (amount adjusted annually): 5% of the “total loan amount”;
 - Note amount is less than \$20,000 (amount adjusted annually): The lesser of 8% of the “total loan amount” or \$1,000 (amount adjusted annually).

Section 13. Compliance (continued)

- **Prepayment Penalty Test:** The Correspondent can charge a prepayment penalty more than 36 months after consummation or account opening, or prepayment penalties can exceed, in total, more than 2% of the amount prepaid.

Required Disclosures, Limitations, and Prohibited Acts or Practices (High-Cost Mortgages)

Correspondent does not currently originate “high-cost mortgage” loans. Should Correspondent decide to originate such loans, Correspondent must comply with the following requirements and limitations:

Notice to Consumer: In addition to other required TILA disclosures, if a loan is a high-cost loan, Correspondent must provide the following notice to the consumer at least three business days (specific definition) prior to consummation of the mortgage transaction:

- Notice: A statement using the prescribed text.
- APR.
- Regular Payment; Minimum Periodic Payment Example; Balloon Payment (if permitted).
- ARM Loans: A statement that the interest rate and monthly payment may increase, and the amount of the single maximum monthly payment, based on the maximum interest rate.
- Amount Borrowers.
- Credit Limit.

Notice to Assignee: Correspondent is prohibited from selling or assigning a high-cost mortgage without furnishing a statement using the prescribed text to the purchaser or assignee.

Limitations: A high-cost mortgage shall not include the following terms:

- Balloon payment: A payment schedule with a payment that is more than two times a regular periodic payment. Permissible in connection with transactions with payment schedules adjusted to seasonal or irregular income of the consumer, “bridge loans” with maturity of 12-months or less, or loans that meets the criteria for “balloon payment QM loans”.
- Negative amortization: A payment schedule with regular periodic payments that cause the principal balance to increase.
- Advance payments: A payment schedule that consolidates more than two periodic payments and pays them in advance from the proceeds.
- Increased interest rate after default.
- Rebates: A refund calculated by a method less favorable than the actuarial method for rebates of interest arising from a loan acceleration due to default.
- Prepayment penalties.

Section 13. Compliance (continued)

- **Acceleration of debt:** A demand feature that permits the Correspondent to accelerate the debt by terminating the high-cost mortgage in advance of the original maturity date and to demand repayment of the entire outstanding balance, except in cases of fraud or material misrepresentation, consumer default, or consumer action or inaction that adversely affects the loan's security.
- **Home Improvement Contracts:** A contractor shall not be paid from the proceeds of a high-cost mortgage, other than by a joint instrument payable to the consumer and the contractor, or at the election of the consumer, through a third-party escrow agent.

Refinancing Within One-Year Period: Within one year of having extended a high-cost mortgage, Correspondent shall not refinance any high-cost mortgage to the same borrower into another high-cost loan, unless the refinancing is in the borrower's interest.

An assignee holding or servicing a high-cost loan shall not, for the remainder of the one-year period following the date of origination of the credit, refinance any high-cost loan to the same borrower into another high-cost loan, unless the refinancing is in the borrower's interest.

Correspondent (or assignee) is prohibited from engaging in acts or practices to evade the above provisions, including a pattern or practice of arranging for the refinancing of its own loans by affiliated or unaffiliated Correspondents, or modifying a loan agreement (whether or not the existing loan is satisfied and replaced by the new loan) and charging a fee.

Repayment Ability for High-Cost Mortgages: Correspondent is prohibited from extending a high-cost mortgage to a consumer without regard to the consumer's repayment ability.

Closed-end high-cost mortgages must comply with the repayment ability requirements described Ability to Repay section below.

- Separate standards for determining repayment ability apply to open-end high cost mortgages. Correspondent does not currently originate open-end loans, including HELOCs.
- **Pre-Loan Counseling Required:** Correspondent may not extend a high-cost mortgage to a consumer unless it receives written certification that the consumer obtained counseling on the advisability of the mortgage from a (non-affiliate) HUD-approved counselor.
- **Recommending Default:** Correspondent or any mortgage broker may not recommend or encourage default on an existing loan or other debt prior to and in connection with a high cost mortgage that that refinances all or any portion of such existing loan or debt.
- **Modification and Deferral Fees:** Correspondent may not charge any fee to modify, renew, extend or amend a high-cost mortgage, or to defer any payment due under the terms of the mortgage.
- **Late Fees:** The maximum late fee for a high-cost mortgage is 4% of the amount of the payment past due; 15-day grace period. No late charge may be imposed more than once for a single late payment. A late charge may not be imposed if any delinquency is attributable only to a late payment charge imposed on an earlier payment, and the payment is otherwise a full payment for the applicable period and is paid by the due date or within the grace period.
- **Payoff Statements:** Correspondent may not charge for the first four payoff statements in a calendar year (may charge a reasonable fee if more than four are requested in a calendar year) and payoff statements must be delivered within five business days of the request.

Section 13. Compliance (continued)

- **Financing Points and Fees:** Charges that are required to be included in the calculation of “points and fees” may not be financed under a high-cost mortgage loan.

Structuring Loans: Correspondent shall not structure any transaction that is otherwise a high-cost mortgage such that it evades the high-cost requirements, including dividing any loan transaction into separate parts.

Higher Priced Mortgage Loans (HPML)

Higher Priced Mortgage Loan Thresholds

A higher-priced mortgage loan (HPML) is a closed-end consumer credit transaction secured by the consumer's principal dwelling (owner-occupied, primary residence, 1- 4 units, 1st or 2nd lien purchase and refinance transactions).

- **Exemptions:** These requirements do not apply to the following:
 - Second homes
 - Investment properties
 - HELOCs

The loan will be considered a HPML if the APR exceeds the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by:

- 1st Lien: 1.5% or more
- 1st Lien (Jumbo Loans): 2.5% or more
- 2nd Lien: 3.5% or more

Higher Priced Mortgage Loan Requirements

Correspondent must comply with the following requirements on all HPML:

Escrow Accounts Required

Correspondent may not extend a higher-priced mortgage loan secured by a first lien on a consumer's principal dwelling unless an escrow account is established before consummation for payment of property taxes and premiums for mortgage-related insurance required by the Correspondent.

Exceptions: An escrow account need not be established for:

- A transaction secured by shares in a cooperative;
- A transaction to finance the initial construction of a dwelling;
- A temporary or “bridge” loan with a loan term of 12 months or less;
- A reverse mortgage transaction.

TILA also provides exceptions to the escrow requirements for Correspondents having assets less than the predetermined threshold, and make more than 50% of its covered transactions secured by a first lien during the preceding calendar year on properties that are located in counties designated as either “rural” or “underserved” by the CFPB.

Section 13. Compliance (continued)

Insurance Premiums: Insurance premiums need not be included in escrow accounts for loans secured by dwellings in condominiums, planned unit developments, or other common interest communities in which dwelling ownership requires participation in a governing association, where the association has an obligation to the dwelling owners to maintain a master policy insuring all dwellings.

Cancellation: The escrow account must be in place for five years, unless the underlying debt obligation is terminated prior to that time. After that date, it may not be cancelled unless the consumer submits a written request and the following conditions are satisfied:

- The unpaid principal balance is less than 80% of the original value of the property securing the underlying debt obligation and
- The consumer currently is not delinquent or in default on the underlying debt obligation.

Higher Priced Mortgage Loan Requirements – Appraisal Rules

Applicability / Exemptions

The HPML appraisal rules do not apply to the following types of transactions:

- Qualified Mortgages (QM), defined as follows:
 - Pursuant to CFPB Rules (see §1026.43 below), or
- Loans equal to or less than the applicable threshold (\$26,700 for 2019) (amount adjusted annually)
- Loans secured by a mobile home, boat, or trailer
- Loans to finance the initial construction of a dwelling
- Bridge loans (with maturity of 12 months or less)
- Reverse mortgages
- “Streamline” first lien refinance loans that meet the following criteria:
 - The holder of the credit risk of the existing obligation remains the same on the refinancing, or the refinancing is insured or guaranteed by the same Federal government agency that insured or guaranteed the existing loan,
 - The periodic payments on the refinance loan must not result in negative amortization, allow the consumer to defer repayment of principal (*i.e.* no interest only features), or result in a balloon payment, and
 - The proceeds from the refinance loan may only be used to pay off the existing obligation and to pay closing or settlement charges.
- Loans secured by a new manufactured home and land are exempt from the requirement that the appraisal include a physical inspection of the interior of the property. All other HPML appraisal requirements apply.
Note: Loans secured by an existing (used) manufactured home and land are not exempt from these rules.

Section 13. Compliance (continued)

- Loans secured solely by a manufactured home (and not land) will be exempt if the creditor obtains one of the following and provides a copy to the consumer no later than three business days prior to consummation:
 - The manufacturer's invoice of the unit cost (for transactions secured by new manufactured homes)
 - A cost estimate of the value of the manufactured home obtained from an independent cost service provider, or
 - A valuation performed by an individual with no financial interest in the property or credit transaction, and has training in valuing manufactured homes.

General Rule - Appraisals Required

Correspondent is required to obtain a written appraisal prior to extending a higher-priced mortgage loan to a consumer, unless one of the above exemptions applies. The appraisal may be obtained in paper form or via electronic transmission.

The appraisal must be performed by a certified or licensed appraiser who conducts a physical visit of the interior of the subject property.

Safe Harbor – Creditors are provided a “safe harbor” or “presumption of compliance” with the appraisal requirements if the creditor:

- Orders that the appraiser perform the appraisal in conformity with USPAP and FIRREA, and any applicable implementing regulations
- Verifies through the National Registry that the appraiser who signed the appraiser's certification was a certified or licensed appraiser in the subject property State as of the date the appraiser signed the appraiser's certification
- Confirms that the written appraisal addresses all of the following elements:
 - Identifies Correspondent and the property and interest being appraised
 - Indicates whether the contract price was analyzed
 - Addresses conditions in the property's neighborhood
 - Addresses the condition of the property and any improvements to the property
 - Indicates which valuation approaches were used, and includes a reconciliation if more than one valuation approach was used
 - Provides an opinion of the property's market value and an effective date for the opinion
 - Indicates that a physical property visit of the interior of the property was performed, as applicable
 - Includes a certification signed by the appraiser that the appraisal was prepared in accordance with the requirements of USPAP
 - Includes a certification signed by the appraiser that the appraisal was prepared in accordance with the requirements of FIRREA and any implementing regulations

Section 13. Compliance (continued)

- Has no actual knowledge contrary to the facts or certifications contained in the appraisal

Providing Copies – Correspondent must provide to the consumer a copy of any written appraisal performed in connection with a HPML as detailed below.

HPML “Flip Rule” – Additional Appraisal Required

Unless an exemption applies, Correspondent shall not extend a HPML to a consumer to finance the acquisition of the consumer’s principal dwelling without obtaining, prior to consummation, two written appraisals, if:

- The seller acquired the property 90 or fewer days prior to the date of the consumer’s agreement to acquire the property and the price in the consumer’s agreement to acquire the property exceeds the seller’s acquisition price by more than 10%, or
- The seller acquired the property 91 to 180 days prior to the date of the consumer’s agreement to acquire the property and the price in the consumer’s agreement to acquire the property exceeds the seller’s acquisition price by more than 20%.

The two appraisals may not be performed by the same certified or licensed appraiser.

Required Analysis - Both appraisals shall meet the general appraisal requirements described above, and one of the two required appraisals must include an analysis of the following factors:

- The difference between the price at which the seller acquired the property and the price the consumer agreed to pay (per contract documents)
- Changes in market conditions between the date the seller acquired the property and the date of the consumer’s agreement to acquire the property; and
- Any improvements made to the property between the date the seller acquired it and the date of the consumer’s agreement

No Charge for Additional Appraisal – If two appraisals are required, Correspondent may charge the consumer for only one of the appraisals.

Providing Copies – Correspondent must provide to the consumer a copy of any written appraisal performed in connection with a HPML as detailed below.

Diligence Requirement – Creditors must exercise reasonable diligence using information contained in written source documents when determining that the requirement to obtain two appraisals does not apply (i.e., determining if the seller acquired the property within the previous 180 days). Examples of written source documents include:

- A copy of the recorded deed from the seller
- A copy of a property tax bill
- A copy of any owner’s title insurance policy obtained by the seller
- A copy of the RESPA settlement statement from the seller’s acquisition (i.e., the CD or HUD-1, as applicable)
- A property sales history report or title report from a third-party reporting service

Section 13. Compliance (continued)

- Sales price data recorded in multiple listing services
- Tax assessment records or transfer tax records obtained from local governments
- A written appraisal performed in compliance with USPAP and FIRREA for the same transaction
- A copy of a title commitment report detailing the seller's ownership of the property, the date it was acquired, or the price at which the seller acquired the property
- A property abstract

If, after exercising reasonable diligence, the creditor cannot determine if the property was subject to a prior acquisition in the previous 180 days, and whether the price difference falls below the applicable threshold described above, and no exemption applies, then an additional appraisal is required. In such cases, the required analysis factors described above must be included to the extent that the information necessary to perform the analyses is known.

Exemptions from the Additional Appraisal Requirement – In addition to the general exemptions to the HPML Appraisal Rules described above, Correspondent is not required to obtain an additional appraisal for a covered HPML used to finance a consumer's acquisition of property:

- From a local, state, or federal government agency
- From a person who acquired title to the property through foreclosure, deed-in-lieu of foreclosure, or other similar judicial or non-judicial procedure as a result of the person's exercise of rights as the holder of a defaulted mortgage loan
- From a non-profit entity as part of a local, State, or Federal government program under which the non-profit entity is permitted to acquire title to single-family properties for resale from a seller who acquired title to the property through the process of foreclosure, deed-in-lieu of foreclosure, or other similar judicial or non-judicial procedure
- From a person who inherited the property or acquired it through a court-ordered dissolution of marriage, civil union, or domestic partnership, or through the partition of the seller's joint or marital assets
- From an employer or relocation agency in connection with an employee relocation
- From a servicemember who received a deployment or permanent change of station order after the servicemember purchased the property
- Located in a Presidentially-declared federal disaster area during any time period during which the Federal financial institutions regulatory agencies waive the requirements in title XI of FIRREA and any implementing regulations in that area
- Located in a rural county

Section 13. Compliance (continued)

Appraisal Disclosure

Correspondent must provide a disclosure using the prescribed text to the consumer no later than the third business day after receipt of a complete application for a higher-priced mortgage loan. If the loan is not a HPML at the time of application, but becomes a HPML after application, the disclosure shall be delivered or placed in the mail not later than the third business day after Correspondent determines that the loan is a HPML.

Correspondent provides this disclosure, in addition to the appraisal disclosure required by TRID and Regulation B, as part of its initial disclosure package.

Refer to [RESPA-TILA Integrated Mortgage Disclosure Rule \(TRID\) Policy](#) section and [Equal Credit Opportunity Act \(ECOA\) Policy](#) section for information regarding the general appraisal disclosure rules.

Appraisal Copies

Correspondent shall provide the consumer a copy of any written appraisal performed in connection with a HPML pursuant to the general appraisal requirements and/or additional appraisal requirements detailed above.

Copies may be provided in electronic form, subject to compliance with the E-sign Act.

Multiple Applicants – When two or more consumers apply for a HPML, a copy of each required appraisal need only be given to one of the consumers.

No Charge - A creditor shall not charge the consumer for a copy of a written appraisal. This includes imposing a fee specifically for a required copy of an appraisal or by marking up the interest rate or any other fees payable by the consumer in connection with the HPML.

Timing – Correspondent shall provide the required appraisal copies:

- No later than three (3) business days prior to consummation of the loan; or
- In the case of a loan that is not consummated, no later than 30 days after Correspondent determines that the loan will not be consummated.

For purposes of this rule, “provide” means “deliver”. Delivery occurs three (3) business days after mailing or delivering the copies to the last-known address of the applicant, or when evidence indicates actual receipt, whichever is earlier.

No Waiver – The provision under Regulation B allowing the consumer to waive the timing requirement (that the appraisal copy be provided three business days before consummation) does not apply to HPML subject to this requirement. A consumer of a HPML may not waive the timing requirement to receive a copy of the appraisal.

Refer to the [Equal Credit Opportunity Act \(ECOA\) Policy](#) section for information regarding the Regulation B appraisal copy rules.

Section 13. Compliance (continued)

Minimum Standards for Dwelling Secured Transactions

Covered Transactions

TILA and Regulation Z provide minimum standards for consumer credit transactions secured by a dwelling, including rules regarding:

- Ability to Repay (ATR)
- Refinancing of Non-Standard Mortgages
- Qualified Mortgages (QM)
- Prepayment Penalties
- Exceptions: These requirements do not apply to the following:
- HELOCs
- Timeshare plans
- Additionally, the ATR rules, non-standard mortgage refinancing rules, and QM rules do not apply to:
- Reverse mortgages
- Bridge loans (12 months or less)
- The construction phase (12 months or less) of a construction to permanent loan
- Credit extended through a Housing Finance Agency program
- Credit extended by certain designated Correspondents and tax exempt Correspondents
- Credit extended through an Emergency Economic Stabilization Action program

Ability to Repay

Correspondent shall not make a covered loan unless it makes a reasonable and good faith determination at or before consummation that the consumer will have a reasonable ability to repay the loan according to its terms.

ATR has eight ability-to-repay underwriting factors that must be performed to ensure the applicant has the ability to repay. Correspondent must consider the following:

- The consumer's current or reasonably expected income or assets (other than the value of the dwelling);
- The consumer's employment status, if employment income is relied upon;
- The consumer's monthly payment on the covered transaction;
- The consumer's monthly payment on any simultaneous loan that Correspondent knows or has reason to know will be made;
- The consumer's monthly payment for mortgage related obligations (property taxes, premiums for required insurance, fees and special assessments imposed by condo, co-ops or homeowners associations, ground rent and leasehold payments);
- The consumer's current debt obligations, alimony, and child support;
- The consumer's monthly debt-to-income ratio or residual income; and
- The consumer's credit history.

Section 13. Compliance (continued)

Verification Requirements

Correspondent must verify the information it relies on in determining a consumer's ability to repay using reasonably reliable third-party records:

- Income or assets must be verified using third-party verification.
- Employment status may be verified orally if Correspondent maintains a record of the information obtained.
- If a credit report is used to verify debt obligations and the consumer's application includes a debt not shown on the credit report, Correspondent need not independently verify the obligation.

Payment Calculation

Correspondent must calculate the borrower's monthly payment as described above using the greater of the fully indexed rate or any introductory interest rate, and fully amortizing monthly payments that are substantially equal.

There are special rules for calculating the borrower's monthly payment for loans with a balloon payment, interest-only loans, and negative amortization loans. Correspondent currently does not originate loans with any of these features.

Simultaneous Loans: Correspondent must consider, taking into account any mortgage-related obligations, a consumer's payment on a simultaneous loan that is a covered transaction or a HELOC (by using the periodic payment required under the plan and the amount drawn at or before consummation).

Monthly Debt-to-Income Ratio or Residual Income Calculations

Monthly debt-to-income ratio (DTI): If the consumer's monthly DTI is considered, Correspondent must consider the ratio of the consumer's total monthly debt (for the covered transaction, simultaneous loans, mortgage related obligations, and current debt obligations, alimony, and child support) to the consumer's total monthly income.

Monthly residual income: If the consumer's monthly residual income is considered, Correspondent must consider the consumer's remaining income after subtracting the consumer's total monthly debt obligations (as described above) from the consumer's total monthly income.

Compensating factors may be considered in addition to the monthly DTI ratio or residual income in assessing a consumer's repayment ability. For example, the Correspondent may determine that a consumer has the ability to repay despite a higher DTI ratio or lower residual income in light of the consumer's assets other than the dwelling, such as a savings account. The Correspondent may also determine that a consumer has the ability to repay despite a higher DTI ratio in light of the consumer's residual income.

Refinancing of Non-Standard Mortgages

The following provisions apply to the refinancing of a non-standard mortgage into a standard mortgage when the following conditions are met:

- Correspondent is the current holder or servicer of the existing non-standard mortgage;
- The monthly payment for the standard mortgage is materially lower than the monthly payment for the non-standard mortgage;

Section 13. Compliance (continued)

- Correspondent receives the consumer's written application for the standard mortgage no later than two months after the non-standard mortgage has recast;
- The consumer has no more than one payment more than 30 days late on the non-standard mortgage during the 12-months immediately preceding the application for the standard mortgage;
- The consumer has no payments more than 30 days late during the six months immediately preceding the application for the standard mortgage; and
- If the non-standard mortgage was consummated on or after January 10, 2014, the non-standard mortgage was made in accordance with ATR or QM requirements.

A "non-standard mortgage" is a covered transaction that is an ARM loan with an introductory fixed rate period of one year or longer, an interest-only loan, or negative amortization loan.

A "standard mortgage" is a covered transaction for which:

- Provides for regular monthly periodic payments that do not cause the principal balance to increase, allow the consumer to defer payment of principal, or result in a balloon payment;
- The total points and fees do not exceed the amounts specified for QM loans (described below);
- The term does not exceed 40 years;
- The interest rate is fixed for at least the first five years; and
- The proceeds are used solely for to pay off the non-standard mortgage and closing or settlement charges.

Exemption from ATR Requirements

Correspondent is not required to comply with ATR requirements if the conditions described above are met and Correspondent has considered whether the standard mortgage likely will prevent the consumer's default on the non-standard mortgage once that loan is recast.

Rate Discounts and Other Favorable Terms Permissible

When refinancing a non-standard mortgage into a standard mortgage, Correspondent may offer rate discounts and terms that are the same as, or better than, the rate discounts and terms that Correspondent offers to new customers, consistent with Correspondent's Underwriting Policy and to the extent not prohibited by applicable State or Federal law.

Payment Calculations

Correspondent must use the following when determining whether the monthly payment for the standard mortgage is materially lower than the monthly payment for the non-standard mortgage.

Section 13. Compliance (continued)

Non-Standard Mortgage: The monthly payment for the non-standard mortgage must be calculated using substantially equal, monthly, fully amortizing payments of principal and interest using:

- The fully indexed rate as of a reasonable period of time before or after the date of the consumer's application for the standard mortgage;
- The remaining loan term; and
- A remaining loan amount that is the outstanding principal balance (for ARM and interest only loans) or the maximum loan amount after adjusting for the outstanding principal balance (for negative amortization loans).

Standard Mortgage: The monthly payment for the standard mortgage must be calculated using substantially equal, monthly, fully amortizing payments based on the maximum interest rate that may apply during the first five years.

Qualified Mortgages

There are four types of Qualified Mortgage (QM) loans:

- **General QM:** Requires underwriting based on the maximum qualifying rate and includes a DTI threshold of 43%.
- **Temporary QM:** Eligible for a temporary, transitional period for loans eligible for purchase or guarantee by Fannie Mae, Freddie Mac, or any limited-life regulatory successor of either; HUD; or VA, but will terminate on the earlier of January 10, 2021, or when the respective agency issues its own rule defining QM. Correspondent must comply with agency QM rules on applicable transactions.
- **Small Correspondent (Portfolio) QM:** Eligible only to small Correspondents as defined by the CFPB and the loan must not be subject to a forward commitment (transfer) to another entity that is not a small Correspondent.
- **Balloon Payment QM:** Eligible only to small Correspondents the first two years, and after, January 10, 2016, only to small Correspondents originating loans primarily in rural and underserved areas.

Safe Harbor and Presumption of Compliance

The QM rule provides lenders with a "safe harbor" or "presumption of compliance" with the ATR standards described above when loans meet the qualified mortgage standards.

- **Safe Harbor for non-higher-priced covered transactions:** A qualified mortgage that is not a higher-priced covered transaction complies with the Ability to Repay (ATR) requirements described above.
- **Presumption of Compliance for higher-priced covered transactions:** A qualified mortgage that is a higher-priced covered transaction receives a legal presumption of compliance with the ATR requirements; however, the presumption may be rebutted by proof in an ATR claim brought by a consumer.

Section 13. Compliance (continued)

For purposes of the safe harbor and presumption of compliance, a “higher-priced covered transaction” is a covered transaction with an APR that exceeds the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by:

- 1st Lien General QM or Temporary QM: 1.5% or more
- 1st Lien Small Correspondent QM or Balloon Payment QM: 3.5% or more
- 2nd Lien: 3.5% or more

Qualified Mortgages

A Qualified Mortgage (QM) is a covered transaction in which:

- Regular periodic payments are substantially equal, except any interest rate change after consummation (in case of an ARM or step-rate loan) do not result in an increased principal balance, allow the consumer to defer repayment of principal, or result in a balloon.
- The loan term is 30 years or less;
- The total “points and fees” do not exceed the amounts specified below;
- The loan is underwritten taking into account the monthly payment of mortgage-related obligations;
- Borrower income, assets, and debt obligations, alimony and child support are verified; and
- Debt-to income (DTI) ratio does not exceed 43%.

Maximum Points and Fees Allowed for QM: The total “points and fees” payable in connection with a QM loan may not exceed:

- For a loan amount (Note amount) greater than or equal to \$100,000 (amount adjusted annually): 3% of the “total loan amount”;
- For a loan amount (Note amount) greater than or equal to \$60,000 (amount adjusted annually) but less than \$100,000 (amount adjusted annually): \$3,000 (amount adjusted annually);
- For a loan amount (Note amount) greater than or equal to \$20,000 (amount adjusted annually) but less than \$60,000 (amount adjusted annually): 5% of the “total loan amount”;
- For a loan amount (Note amount) greater than or equal to \$12,500 (amount adjusted annually) but less than \$20,000 (amount adjusted annually): \$1,000 (amount adjusted annually);
- For a loan amount (Note amount) less than \$12,500 (amount adjusted annually): 8% of the “total loan amount”.

“Points and fees” are calculated for the QM points and fees caps using the same approach that is used for calculating points and fees for under the High-Cost Mortgage Transactions rule described above.

Section 13. Compliance (continued)

The “total loan amount” is also calculated according to High-Cost Mortgage Transactions rule by taking the amount financed, and deducting certain costs that are both included as points and fees and financed by the Correspondent.

Prepayment Penalties

Correspondent must comply with the following requirements and limitations:

Correspondent may include a prepayment penalty for a covered transaction only under the following conditions:

- The prepayment penalty is otherwise permitted by law;
- The transaction has an APR that cannot increase after consummation;
- The transaction is a QM loan as described above; and
- The transaction is not an HPML.

Limitations

- The penalty must not apply after the three-year period following consummation; and
- The penalty must not exceed the following percentages of the amount of the outstanding loan balance prepaid:
 - 2%, if incurred during the first two years following consummation; and
 - 1%, if incurred during the third year following consummation.

Alternative Offer Required

A covered transaction with a prepayment penalty cannot be offered to a consumer unless the Correspondent also offers the consumer an alternative covered transaction without a prepayment penalty. The alternative transaction must satisfy the following conditions:

- The APR cannot increase after consummation and have the same type of interest rate as the transaction with the prepayment penalty (i.e. fixed-rate or step rate);
- Have the same loan term as the transaction with the prepayment penalty;
- Satisfy the QM periodic payment conditions;
- Satisfy the QM points and fees conditions;
- The Correspondent must have a good faith belief that the consumer likely qualifies for the alternate transaction.

Section 13. Compliance (continued)

Valuation Independence

Correspondent must ensure that valuations received for its loans are made independently. This means that no attempt to directly or indirectly cause the value assigned to the consumer's principal dwelling to be based on any factor other than the independent judgment of a person that prepares valuations, including that no coercion, extortion, inducement, bribery, or intimidation of, compensation or instruction to, or collusion with a person that prepares valuations or performs valuation management functions has not taken place.

Additionally Correspondent must ensure that no conflicts of interest in valuations have taken place, meaning that no person preparing a valuation or performing a valuation management function may have a direct or indirect interest, financial or otherwise, in the property or transaction for which the valuation is or will be performed.

Correspondent may not extend credit if it knows, at or before consummation that a valuation materially misstates or misrepresents the value of the consumer's principal dwelling.

If Correspondent reasonably believes that an appraiser has not complied with the Uniform Standards of Professional Appraisal Practice or ethical or professional requirements for appraisers under applicable state or federal statutes or regulations, the matter must be referred to the appropriate state agency if the failure to comply is material. A failure to comply is material if it is likely to significantly affect the value assigned to the consumer's principal dwelling.

Miscellaneous Prohibitions

TILA prohibits the following on dwelling secured transactions:

- Mandatory arbitration clauses and waivers of certain consumer rights;
- Financing credit insurance; and
- Extending credit on a transaction that may result in negative amortization without receiving documentation that the consumer obtained homeownership counseling from a HUD approved counselor.

Loan Originator Requirements

Loan Originator Compensation

Payments Based on a Term of a Transaction Prohibited

No loan originator shall receive and Correspondent shall not pay to a loan originator, directly or indirectly, compensation in an amount that is based on a "term of a transaction", the terms of multiple transactions by an individual loan originator, or the terms of multiple transactions by multiple individual loan originators.

If a loan originator's compensation is based in whole or in part on a factor that is a "proxy for a term of a transaction", the loan originator's compensation is based on a term of a transaction.

A "term of a transaction" is any right or obligation of the parties to a credit transaction. A factor that is not itself a term of a transaction is a "proxy for a term of the transaction" if the factor consistently varies with that term over a significant number of transactions, and the loan originator has the ability, directly or indirectly, to add, drop, or change the factor in originating the transaction.

Permissible compensation: Compensation based on a fixed percentage of the amount of credit extended is permitted; however, such compensation may be subject to a minimum or maximum dollar amount.

Section 13. Compliance (continued)

Permissible compensation: Compensation in the form of a contribution to a defined contribution plan that is a designated tax-advantaged plan or a benefit under a defined benefit plan that is a designated tax-advantaged plan is permitted.

In the case of a contribution to a defined contribution plan, the contribution shall not be directly or indirectly based on the terms of that individual loan originator's transactions.

Permissible compensation: Compensation under a non-deferred profit-based compensation plan is permissible provided that:

- The compensation is not directly or indirectly based on the terms of that individual loan originator's transactions; and
- At least one of the following conditions is satisfied:
 - The compensation does not, in the aggregate, exceed 10% of the individual loan originator's total compensation corresponding to the time period for which the compensation under the non-deferred profit-based compensation plan is paid; or
 - The individual was a loan originator for ten or fewer transactions consummated during the 12-month period preceding the date of the compensation determination.

Dual Compensation Prohibited

If any loan originator receives compensation directly from a consumer in a consumer credit transaction secured by a dwelling:

- No loan originator shall receive compensation, directly or indirectly, from any person other than the consumer in connection with the transaction; and
- No person who knows or has reason to know of the consumer-paid compensation to the loan originator (other than the consumer) shall pay any compensation to a loan originator, directly or indirectly, in connection with the transaction.

Compensation received directly from a consumer includes payments to a loan originator made pursuant to an agreement between the consumer and a person other than the Correspondent or its affiliates, under which such other person agrees to provide funds toward the consumer's costs of the transaction (including loan originator compensation).

If a loan originator organization receives compensation directly from a consumer in connection with a transaction, the loan originator organization may pay compensation to an individual loan originator, and the individual loan originator may receive compensation from the loan originator organization, subject to the restriction on payments based on transaction terms described above.

Prohibition on Steering

Loan originators shall not direct or "steer" a consumer to consummate a loan based on the fact that the originator will receive greater compensation from the Correspondent on that loan (as opposed to other available loans), unless the loan is in the consumer's interest.

Directing or "steering" a consumer includes advising, counseling, or otherwise influencing a consumer to accept a loan. For such actions to constitute steering, the consumer must actually consummate the loan.

Section 13. Compliance (continued)

Loan Options Presented

A transaction does not violate the prohibition on steering if the consumer is presented with loan options for each type of transaction in which the consumer expressed an interest.

The term “type of transaction” refers to whether a loan has an APR that cannot increase after consummation or an APR that may increase after consummation, or a loan is a reverse mortgage.

The loan originator must obtain loan options from a significant number of Correspondent Lenders (typically three or more) with which the originator regularly does business and, for each type of transaction in which the consumer expressed an interest, must present the consumer with loan options that include:

- The loan with the lowest interest rate;
- The loan with the lowest interest rate without negative amortization, a prepayment penalty, interest-only payments, a balloon payment in the first 7 years of the life of the loan, a demand feature, shared equity, or shared appreciation; and
- The loan with the lowest total dollar amount of discount points, origination points or origination fees.

If two or more loans have the same total dollar amount of discount points, origination points or origination fees, the loan with the lowest interest rate that has the lowest total dollar amount of discount points, origination points or origination fees must be presented.

The loan originator must have a good faith belief that the options presented to the consumer are loans for which the consumer likely qualifies.

For each type of transaction, if the originator presents to the consumer more than three loans, the originator must highlight the loans that satisfy the above criteria.

The loan originator can present fewer than three loans if the loan(s) presented to the consumer satisfy the above criteria.

Loan Originator Licensing

Loan originators must be registered or licensed in accordance with State or Federal law, including the SAFE Act and its implementing regulations, and State SAFE Act implementing law.

Correspondent Responsibilities

To ensure compliance with the above requirement, Correspondent must:

- Comply with all applicable State law requirements for legal existence and foreign qualification;
- Ensure that each individual loan originator who works for Correspondent is licensed to the extent required before the individual acts as a loan originator in a consumer credit transaction secured by a dwelling; and
- Correspondent must conduct criminal and credit history checks, and provide training to each of its individual loan originator employees who is not required to be licensed and is not licensed as a loan originator pursuant the SAFE Act or State SAFE Act implementing law.

Refer to the [Mortgage Lender Licensing](#) section for details.

Section 13. Compliance (continued)

Name and NMLS ID on Loan Documents

Correspondent must include its name and NMLSR ID, and the name of the individual loan originator (as it appears in the NMLSR) and NMLSR ID of the loan originator on the following loan documents:

- Credit application;
- The Loan Estimate (LE) and Closing Disclosure (CD);
- Note or loan contract; and
- Security instrument.

End of Document

Revision Summary

Date	Version	Description of Change
05/01/25	5.9	Revised Section 12 - Schedule of Fees to reduce Tax Service Fee to \$85 (was \$99).
03/17/25	5.8	Revised Seller Guide throughout to remove Agency (Conventional), Government (FHA, USDA and VA) and Delegated Seller requirements.
01/27/25	5.7	<ul style="list-style-type: none"> Updated Section 12 - Schedule of Fees with fees effective 2/23/25. Added Texas Attorney Fee requirements.
10/28/24	5.6	Added Section 5.5 - New York CEMA Transactions and program requirements.
10/21/24	5.5	Revised Section 5. Underwriting > Non-Delegated to remove Carrington Closed End Second Lien loan product as an eligible program.
08/26/24	5.4	Revised Section 5. Underwriting > Non-Delegated to add Carrington Closed End Second Lien loan product as eligible.
07/02/24	5.3	<ul style="list-style-type: none"> Revised Section 12 - Schedule of Fees to update Tax Service Fee to \$99. Added Section 12-2 - Seller Generated Closing Documents.
03/22/24	5.2	Revised 3.1 Rate Locks - Pair-Off Fees requirements to add examples of the calculations.
03/18/24	5.1	<ul style="list-style-type: none"> Added new section 10.13 - Loans Closing in a Limited Liability Company (LLC) and requirements table. Revised section 11.10 – Purchasing to reflect 10 calendar days (formerly business days).
03/14/24	5.0	Revised 3.1 Rate Locks - Pair-Off Fees requirements.
01/08/24	4.9	Revised Lock Expiration to add note: Locks which have been expired for more than 30 days and not delivered for purchase review, are subject to current pricing.
12/20/23	4.8	Revised Section 9.2 Collateral Package Documents to add address for Non-QM loans.
10/30/23	4.7	Revised Section 5.5 Ineligible Loan Programs to remove NY CEMA and New Manufactured properties as ineligible for the Non-Delegated program.
03/31/23	4.6	Revised Section 11 - Loan Purchase to add a note that CMS will no longer purchase loans using the LIBOR ARM index on or after May 1, 2023.
02/16/23	4.5	Revised 5.5 - Ineligible Loan Programs to remove USDA from the Non-Delegated ineligible programs list.
01/01/23	4.4	Updated Section 12 - Schedule of Fees with Underwriting and Investor Fees that are effective 1.1.23.
06/30/22	4.3	Updated Lock Extensions section to 7-day extensions only (removed 10 and 15 day extensions).
05/04/22	4.2	Revised Lock Extensions 7-Day pricing to .125% (was .062%).
04/14/22	4.1	<ul style="list-style-type: none"> Added new Pair-Off Fees requirements. Deleted Pair Off Fee and Pair Off Notification requirements.
03/10/22	4.0	Revised General Inspection Requirements to include Licensed Residential Appraisers as acceptable to perform property inspections.
11/15/21	3.9	Added Section 12.3 Early Payment Default Fees .
07/12/21	3.8	Revised section 10.15 - Electronic Signatures to allow e-signing with the exception of the Note, Deed of Trust/Mortgage and Consummation CD which must be wet signed.
06/25/21	3.7	<ul style="list-style-type: none"> Updated 1.8 Holiday Schedule to add Juneteenth National Independence Day Updated Delegated Fee Type table to add USDA fees. Revised Federal Holiday tables to add Juneteenth National Independence Day.
06/16/21	3.6	Added section 5.6 – Loans for Correspondent, Owners, Partners, or Employees .
05/03/21	3.5	Changes throughout to add Delegated Seller requirements.
01/01/21	3.4	Revised section 12.1 – Loan Purchase Fee Table with new fee schedule (NQM \$750.00 and Conforming Conventional & Government \$600) effective 2/1/20.
10/16/20	3.3	<ul style="list-style-type: none"> Added Relock Pricing requirements. Revised Impound/Escrow Accounts starting escrow balance requirements.

Revision Summary (continued)

Date	Version	Description of Change
06/16/20	3.2	Revised Loan Payment Mailing Address throughout.
06/03/20	3.1	Revised section 9.3 – Trailing Collateral Documents to update address to Anaheim Records Management.
04/13/20	3.0	<ul style="list-style-type: none"> Revised section 5.5 - Ineligible Loan Programs to add New Manufactured Properties Revised sections 11.10 Purchasing and 11.11 Purchasing into the Month to clarify loan amortization by purchase date.
03/17/20	2.9	Updated section 5.1 – Approved Property Origination States to remove North Dakota.
02/03/20	2.8	<ul style="list-style-type: none"> Updated Section 2 Participation Requirements – Approval Process subsections 2.3 - Application Processing/Required Documentation and 2.9 – Recertification. Updated Section 10.17 – HMDA ULI requirements.
12/17/19	2.7	Updated section 5.1 – Approved Property Origination States to remove Massachusetts.
11/21/19	2.6	Revised section 2.4 – Insurance Policy Requirements .
09/03/19	2.5	Revised section 10.22 – Appraisals to add Appraiser Exclusionary List requirements.
08/12/19	2.4	Revised section 5.2 – Mortgage Insurance to add Use of Approved Forms.
07/09/19	2.3	<ul style="list-style-type: none"> Added section 10.6 – Dates on Closing Documents with date stamp requirements. Revised section 10.22 – Appraisals to include Non-Prime under the requirements and change CDA to Desk Review in the Note.
07/08/19	2.2	<ul style="list-style-type: none"> Revised section 3.1 Rate Lock requirements to add Lock Terms. Revised section 3.4 Locked Rate Changes to remove requirement to allow 24 hours for UW approval to be issued. Revised section 10.15 MERS Requirements to add Previous MERS MIN number must reflect as inactive prior to purchase.
06/21/19	2.1	<ul style="list-style-type: none"> Revised section 5.1 Approved Property Origination States to remove Illinois ARM restriction. Revised section 10.21 Appraisals to clarify CDA requirements. Revised sections 11.10 Purchasing and 11.11 Loans Purchased into the Month to reflect 10th 'business' day as the cut-off. Revised sections 14.3 Declared Disaster Policy, 14.4 Equal Credit Opportunity Act Policy, 14.8 TILA-RESPA Integrated Disclosures (TRID) Policy and 14.9 Truth in Lending Act Policy.
03/26/19	2.0	Revised section 10.2 Original Note Endorsement or Allonge to remove requirements to send a copy of the Preliminary Title Report/Title Commitment to Deutsche Bank.
03/15/19	1.9	Added new section 10.19 with Funding Into the Month requirements.
02/27/19	1.8	Added new section 11.15 with FHA Transfer Date requirements.
02/21/19	1.7	Revised section 11.14 Transfer Letter to remove CMS Mortgagee Clause requirements.
02/01/19	1.6	Added section 3.10 Prepayment Penalties and requirements for charging prepayment penalties on Carrington Advantage Program Non-Owner-Occupied Investment Property loans.
01/23/19	1.5	<ul style="list-style-type: none"> Revised section 6.1 Non-Delegated Responsibilities for FHA/VA Loans to add Sponsored TPO requirements. Revised section 10.16 Home Mortgage Disclosure Act (HMDA) to clarify ULI and LEI must be provided at the time of submission acceptance. Revised section 11.22 Impound/Escrow Accounts to add Aggregate Escrow Cushion requirements

Revision Summary (continued)

Date	Version	Description of Change
01/07/19	1.4	<ul style="list-style-type: none"> Added section 9.3 – Collateral Trailing Documents Revised section 10.3 – Document Delivery to add Preliminary Title Report/Title Commitment as a required document. Revised section 10.4 – Closing Documents to clarify that per diem interest for Conventional loans including Carrington Advantage loans is calculated on a 360-day year.
01/02/19	1.3	<ul style="list-style-type: none"> Revised section 2.3 – Application Processing / Required Documentation to remove requirement for minimum of two Investor's Scorecards. Removed section 9.2 – Carrington Advantage Product Compliance Review Revised new section 9.2 – Collateral Package Documents to add "complete Preliminary Title Report" to list of required documents. Revised section 11.14 – Transfer Letter to remove: Flood Zone Determination Company as a requirement. Updated PMI address
12/10/18	1.2	Added Deficiency Fees to section 3.2 – Rate Lock Confirmation
11/20/18	1.1	<ul style="list-style-type: none"> Added section 6.3 – Required Documents Revised sections 9.3 and 10.2 to clarify Carrington Correspondent Team Added section 10.20 – Appraisals
10/31/18	1.0	New Document