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2.01 Compliance Manager – Duties and Responsibilities

The Compliance Manager is responsible for overseeing the mortgage and regulatory compliance program for Company Name. This includes a system of internal operating procedures to ensure compliance and minimize violations. The compliance program covers, but is not limited to, the following consumer laws:

- Equal Credit Opportunity Act & Fair Lending Program
- Home Mortgage Disclosure Act
- Gramm-Leach-Bliley Act
- FACT Act – Information Security and ID Theft
- Real Estate Settlement Procedures Act (RESPA)
- Truth-in-Lending Act
- Unfair, Deceptive or Abuse Acts or Practices(UDAP)
- Fair Credit Reporting Act
- Fair Debt Collection Practices Act
- Service Members’ Civil Relief Act
- USA Patriot/Consumer ID Theft
- OFAC/Bank Secrecy Act/Anti-Money Laundering (AML/BSA)
- Dodd-Frank Financial Reform Act
- Flood Disaster Protection Act
- Qualified Mortgage/QRM
- SAFE Act
- Loan Officer Compensation – Anti-Steering Rule
- Federal and State Foreclosure and Bankruptcy
- State regulations related to mortgage origination and servicing in the Company Name Mortgage footprint
- HAMP Program (or other government sponsored loss mitigation programs).

This list of duties and responsibilities is not intended to be a complete list of all the duties and responsibilities.

Detailed Duties and Functions

Lead and direct the development and updating of regulatory compliance policies and procedures to ensure continuous compliance with federal and state regulations related to mortgage origination and servicing.

The following rubric describes the periodic reviews that the compliance manager must undertake. Ingrain these milestones in your time management/corporate calendar to ensure adherence. In this way the Compliance Manager can address the compliance policies and procedures and ensure that they remain current and distributed to employees.

Functional Area	Description	Daily	Weekly	Monthly	Quarterly	Semi-Annually	Annually
Surveillance of Regulatory Changes	Review industry news and publications to maintain current knowledge of industry and regulatory changes	X					
Distribute Regulatory Changes	Compile and Assemble		X				
Edit Current Policies Based on Changes	Review changes and updates and submit changes for management approval		X				
Evaluate Forms Based on Changes	Review changes and updates and submit changes for management approval		X				
Periodic Training	Assign New and Re-Train for all employees Anti Money Laundering, Fair Lending, UDAAAP. Evaluate training to validate correct information.					X	
Operational Audit	Anti Money Laundering					X	
	Fair Lending (Origination, Processing, Underwriting, Vendors)			X	X		X
	Unfair, Deceptive Practices (Originating, Servicing)						X
	Compliance (Quality Control)			X			
	Fair Credit Reporting (Origination - ordering, Servicing)					X	
	Privacy						X
Branch Audit	Evaluate each branch location to ensure licensing compliance						X
Employee Audit	Evaluate each employee for compliance with licensing, performance, required training, and background checks					X	
Advertising/Messages Approval	Review all outgoing commercial messages for compliance	X					
	Assemble Messages for pre-approval against policy			X			
Complaint Management	Review Databases for Complaints - CFPB, State, BBB, Qualified Written Request (HUD) and respond		X				
Investor Suspense	Review investor findings and rebut-correct	X					
Assemble HMDA Data	Assemble, review and submit HMDA data			X	X		X
	Audit HMDA Data Collection Process						X
NMLS Call Reporting	Assemble, review and submit Call Report data				X		X
Vendor Management	At inception and annually						X
Licensing	Assemble, review and submit all State/Local licensing and renewal data						X
Reporting	Operating Policies and Procedures			X			
	Compliance Committee				X	X	X
	Audit Committee				X	X	X
	Quality Control			X			
	Organizational Issues, Vendor Management			X			
	HR/Employee/Originator Compensation			X			

Surveillance of Regulatory Changes

Review the following information resources to receive prompt notification of industry changes. Compile these changes into the existing policies and procedures on a weekly basis and distribute to all employees.

Suggested Resources

- Mortgage Industry Websites
 - Mortgage Bankers Association Website
 - CFPB Website
 - Federal Reserve Website
- Newsletter Subscriptions
 - Mortgage News Daily - reports@mortgagenewsdaily.com
 - MortgageMag.com –
 - National Mortgage News
 - DocMagic - news@docmagic.com
 - Official NMLS Course Provider Newsletter
 - HOMEOWNERSHIP-L@hudlist.hud.gov
 - Buckley & Sanders Infobytes

Review Changes

Review, coordinate, and address new or proposed regulations or significant changes to existing laws to ensure continuous compliance. Review forms and disclosures to ensure that they comply with all applicable state and federal laws and regulations Responsible for ensuring that the company's compliance practices are in line with current laws and regulations

Periodic Testing

Monitor periodic compliance testing programs and assist with the development and implementation of any required corrective actions.

Training

Ensure the company has implemented adequate training with respect to compliance issues, laws and regulations.

Advertising Approval

Examine promotions, advertising or solicitations to ensure compliance with applicable state and federal regulations.

Provide input regarding any compliance concerns relevant to products and services offered.

Complaint Management

Review and validate investor regulatory compliance suspense/rejects and provide any appropriate rebuttals and/or corrective action necessary.

Respond to customer complaints directed through any applicable government agencies and/or other interested third parties.

Regulatory Reporting

Direct and manage the company's data and reporting for both internal and external purposes:

- Oversee the quarterly review of HMDA data and the annual HMDA reporting function for the Company.
- Oversee and manage the NMLS Call Reporting data assembly and delivery.

Licensing Management

Ensure Company Name obtains and renews all licenses necessary to conduct business in each state that the company conducts, or plans to conduct, business in. Manage and report on licenses for each licensed individual.

Personnel Compliance

In addition to monitoring licensing, monitor all company personnel to ensure compliance with semi-annual training requirements, background checks, disbarment and satisfactory performance evaluations.

Compliance Automation

Assist in overall maintenance and development of automated compliance system

Regulation Z - Truth-In-Lending Act (TILA)

15 USC Sec 1601 et seq. - This law promotes the informed use of consumer credit by requiring disclosures about terms and costs of credit. There is a detailed policy and description in the Federal Laws Section.

Policy in Practice – Origination

We require applicants to sign Truth-in-lending disclosures, provide written booklets and disclosures as applicable, and encourage compliance with the spirit of the law. Our production personnel attend either state approved, privately sponsored or association sponsored continuing education courses that describe Truth-in-Lending laws.

Initial Truth-in-Lending Disclosure

This disclosure is designed to provide meaningful and comparable credit information to consumers and increases the consumers understanding of the cost of their credit.

Requirements

Truth in Lending Disclosure (APR Statement)

Must be provided at face-to-face application (laptop) or mailed within 3 business days of receipt of the written or telephone application.

ARM & Balloon Disclosures

A loan program disclosure must be provided for each variable rate program in which the borrower expresses an interest. Must be provided at face-to-face application (laptop) or mailed within 3 business days of receipt of the written or telephone application.

The Consumer Handbook on Adjustable Rate Mortgages (CHARM Booklet)

In addition to the ARM disclosure, the borrower must receive The Consumer Handbook on Adjustable Rate Mortgages (“CHARM” Booklet), “or a suitable substitute”, which explains how ARMs work.

Right of Rescission

Provided to ALL borrowers, this is the notice of the 3-day right to cancel a refinance of an owner occupied primary residence transaction only. This must be provided at the time the promissory note is signed.

APR Tolerance

Notice of "Changed Circumstances"

Borrower Name
Address

Dear :

In reviewing your loan documentation we discovered the following information which changes an element of the cost of the transaction:

Description of Changed Information

This change requires us to adjust our cost calculation in the following area: (Check changed area

Loan Terms:		Closing Costs	
Your initial loan amount is years		3. Required services that we select	
Your loan term is		4. Title services and lender's title insurance	
Your initial interest rate is	%	5. Owner's title insurance	
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ per month	6. Required services that you can shop for	
Can your interest rate rise?		7. Government recording charges	
Even if you make payments on time, can your loan balance rise?		8. Transfer taxes	
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?		9. Initial deposit for your escrow account	
Does your loan have a prepayment penalty?		10. Daily interest charges	
Does your loan have a balloon payment?		11. Homeowner's insurance	
Does your loan have escrows			

Attached is the Revised Good Faith Estimate.

Notice of Changed Circumstances
01/04/2010

Hybrid and Non-Traditional Loan Guidance

In response to consumer demands over the years, the mortgage industry has come up with many alternative loan programs designed to fill particular needs that the more straightforward fixed rate loans and normal adjustable rate mortgages (ARMs) don't address. Many of these loans have more liberal qualifying standards than traditional loans. These "hybrid" loans include:

Loan type	Description	Predatory Issue
Interest-only	Borrower pays only interest accruing on the loan	Borrower does not accrue equity, leading to foreclosures in market downturns.
Payment-option ARMs	3 payment options: principal and interest, interest only, payment rate. Payment rate may not cover interest due resulting in an increasing loan balance (negative amortization)	Borrowers are inclined to make minimum payments, which add to loan balance and equity erosion.
Sub-Prime ARM Products	Borrower does not meet standards for credit history, property or income	Borrowers who may be able to qualify for traditional programs are guided towards sub-prime product because of ease of qualifying.
Extended Amortization	Greater than 30-year amortization.	Borrower is unable to pay down loan balance or make final payment.
Balloons	balance due before loan is fully amortized.	
Teaser rate	Artificially low introductory rate	Borrower can't afford actual rate.
Reduced Documentation	Low-Doc, No-Doc where income or assets are not verified	Lending without regard to repayment ability.
Short-term ARM	Initial rate adjustment is less than 3 years from loan date	Layering credit risk with loan risk.
1st and 2nd combo	used to avoid making a down payment	Borrower equity position is negligible resulting in potential foreclosure.

2.37 Ability to Repay

For any consumer credit transaction secured by a dwelling, Company Name must ensure that the borrower has the ability to repay the transaction. Failure to do so could allow the borrower to challenge the validity of the loan. Some transactions are exempt from Qualified Mortgage Ability to Repay requirements, however, even with loans which are exempt from a rebuttal presumption of repayment ability, we will strive to only make loans which the borrower can repay..

Exempt Transactions

- HELOCs
- Timeshares
- Bridge Loans
- Construction/Construction Perm
- Reverse Mortgages

In addition, some transactions receive an automatic “presumption” of compliance

- Eligible for purchase by Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC) (until sunset provision)
- Insured by the Federal Housing Administration
- Eligible for Guarantee by the USDA
- Guaranteed by the US Department of Veterans Affairs
- Originated by or for, or Approved for purchase by any state Housing Finance Agency (HFA)
- Has been found eligible as evidenced by a written letter or certificate from a Department of Housing and Urban Development counseling agency that there is a reasonable expectation of repayment

On all other cases we will follow our normal “full documentation” methods of verifying customer information and qualifying the borrower. Rather than list all documentation which we could potentially require, we refer you to our checklist of documents that we do require for all applicants, as applicable to their situation. (See Complete Application Checklist and Pre-Underwriting Document Review Checklist which are updated regularly to reflect changing circumstances and requirements.)

The following sections of our operating policies and procedures thoroughly identify the process for complying with “Ability to Repay.” We believe it is not enough to meet the letter of the law, but to fully implement procedures that allow us to ensure compliance. These operating procedures are incorporated by reference.