

Table of Contents

Table of Contents.....	i
2-01 Compliance Manager – Duties and Responsibilities.....	1
Detailed Duties and Functions.....	2
Surveillance of Regulatory Changes.....	3
Review Changes.....	3
Periodic Testing.....	4
Training.....	4
Advertising Approval.....	4
Complaint Management.....	4
Regulatory Reporting.....	4
Licensing Management.....	4
Personnel Compliance.....	4
Compliance Automation.....	5
Compliance Manager - Qualifications.....	6
2-02 Federal Regulatory Compliance Program Overview.....	7
Management of Compliance Process.....	7
Operating Policies and Procedures – Operating Committees.....	7
2.10 RESPA – The Real Estate Settlement Procedures Act Overview.....	7
Purpose of the Law.....	7
2.10.1 Policy in Practice.....	8
List of Counseling Agencies.....	8
2-14 LE/GFE Application Disclosures – Closing Cost Estimates.....	10
Overview.....	10
Issuing Initial GFE Forms.....	10
2-14-2 Loan Estimate/GFE Comparison.....	10
2-14-1 How to Count “Business Days”.....	11
2-14-11 Loan Estimate and Closing Disclosure Timing Procedure.....	13
2-14-2 TRID - Pre-Qualification, Pre-Approval and Application.....	14
Application Paths and Requirements.....	15
Application (Closed End) Processes.....	15
2-14-3 Loan Estimate Step-by-Step Application Procedure.....	15
2-14-4 TRID - Transaction Type - Know Before you Owe OR GFE 2010.....	18
2-14-5 Process Not Subject to LE/GFE Pre-Qualification.....	18
2-14-51 Pre-Qualification Worksheet.....	20
2-14-52 Pre-Qualification with Credit Review.....	21
2-14-53 Sample Pre-Qualification Letter.....	22
Pre-Qualification Disclosure Policy.....	23
2-14-55 Cost Disclosures by Loan Type Disclosure – Pre-Qualification.....	24
2-14-6 TRID – LE or GFE Process Product-Transaction.....	24
2-14-6 TRID Process for Determining “Average Costs”.....	25
2-14-7 Completing the 2015 Loan Estimate.....	26
Disclosing Originator Compensation and Closing Costs.....	29
The Loan Estimate Process.....	30
2-14-8 RESPA TRID Changed Circumstances.....	30
2-14-82 Changed Circumstances Process.....	31
2.14.71 Completing The 2010 Good Faith Estimate.....	32
2.21.3 Disclosing Originator Compensation and Closing Costs.....	36
2.21.4 The Good Faith Estimate Process.....	37
2-14-72 Using a Non LE-GFE Cost Disclosure to Estimate Costs.....	37
2-15 Reviewing Closing Disclosure or HUD-1 against LE/CD Estimates.....	39
2-15-1 “Curing” Tolerance Issues.....	39
2-15-2 Timing for Curing Tolerance Violations.....	39

2-31 – TIL APR (Annual Percentage Rate) Calculations and Tolerance	39
2.31.1 APR Tolerance	40
2-31-2 Determining the Amount Financed - Prepaid Finance Charge	41
2-31-3 Final APR Disclosure – Closing Disclosure Timing	42
2-31-4 Waiver of 3 Day Advance Disclosure	42
2-32 TIL Additional Disclosures.....	42
2-32-1 At Application – ARM Disclosure.....	42
2-32-2 Home Equity Lines and Open-Ended Credit	42
2-33 Notice of Right to Cancel (Right to Rescind)	43
2-33-1 Waiver of Right to Rescind	43
2-33-2 Right to Rescind in Open-end Transactions.....	43
2-33-3 Three Day Right to Cancel	43
2.34 - Advertising.....	43
Mortgage Acts and Practices	44
Advertising Approval Checklist	44
2.35 –Unfair and Deceptive or Abusive Acts or Practices (UDAAP).....	46
Section 32 of Truth-in-Lending Act	46
Loans Subject to Section 32	46
Triggers	46
Section 32 Disclosures	46
Section 32 Prohibitions	46
Penalties for HOEPA Violations.....	47
Assessing High-Cost Loans.....	48
Marketing Policy – Non-Traditional Loans and Predatory Lending	49
Hybrid and Non-Traditional Loan Guidance	49
2.35.5 Predatory Lending Policy - Unfair and Deceptive or Abusive Acts or Practices	50
Characteristics of Predatory Lending.....	50
Loan Flipping- No Financial Benefit – Equity Stripping.....	50
Excessive Fees – Fee Packing.....	52
Lending without Regard for the Borrower’s Ability to Pay.....	53
Fraud.....	53
Negative Amortization	54
Payments in Advance	54
Prepayment Penalties.....	55
Payments to Contractors	56
Mandatory Arbitration Agreements	56
Due on Demand Clauses - Acceleration.....	57
Balloon Payments	57
Predatory Servicing Practices.....	57
Deceptive Practices	59
Encouraging Default.....	59
State Predatory Lending Laws	60
National Bank Exemption.....	60
2-35-6 “Higher Priced Mortgage Loans” (HPML) - Section 35.....	60
HPML and FHA Lending	61
2-35-61 HPML Appraisal Policy	62
General Requirements for Appraisals.....	62
Flips and HPMLs.....	62
Exemptions from Flip Rule.....	62
2-35-62 Checking to Assure Compliance	63
Production Review of Appraisal for Compliance.....	65
HPML – Section 35 Calculator-Worksheet	66
2.36 Mortgage Disclosure Improvement Act (MDIA).....	66
Corrective Truth-in-Lending Disclosures.....	67
2.37 Ability to Repay	67
Exempt Transactions	68

Quality Control	69
Secondary Marketing	69
Determining Ability to Repay – Appendix Q	70
Property Collateral Not Primary Method of Repayment.....	71
Calculation of Ability to Repay	71
Changed Circumstances.....	71
Second Level of Review	71
2-40 Fair Lending (ECOA) and the Fair Housing Act	71
Plan Overview	71
Regular Monitoring.....	73
Wholesale Channel.....	75
Approval of Third Parties	75
Employee Acknowledgement of Fair Lending Plan	76
2.40.1 Fair Lending Compliance	77
The CFPB and Secondary Regulators.....	77
State Specific Fair Lending Regulations - New York State.....	77
2-40-2 Fair Lending and the Equal Credit Opportunity Act	79
General Rules for Compliance.....	79
Definitions	79
What information can be Requested.....	80
Prohibited Basis	80
How Applications are evaluated.....	82
What is a “Statistically Sound Credit Scoring System?”	83
Adverse Action	84
Other General Requirements.....	86
Right to Receive a Copy of the Appraisal	87
Company Name May Not Discourage the Filing of an Application.....	88
The ECOA Code – Who Is Responsible For the Account?	88
Company Name Do’s and Don’ts.....	89
Borrower’s Recourse for Inaccurate Credit Information.....	90
If the Loan is “Counter-Offered”	90
What Recourse Does the Borrower Have?.....	91
Defining “Application”	92
Application Paths and Requirements.....	92
Underwriting Decision Process	93
Underwriting Flow.....	93
If Loan Is Approved.....	94
Underwriting Disposition Process	95
"Approved with Conditions".....	95
Underwriting Approval Letter	96
Suspended Loans	96
Denial - Adverse Action	98
Second Level of Review	99
2-42 Home Mortgage Disclosure Act (“HMDA”)	99
2-42-1 Overview	99
Policy in Practice – Loan Origination/Production Process	99
Depository Institutions Subject to the Act	101
HMDA, Loan Application Method and Government Monitoring Information.....	102
2.42.1 Community Reinvestment Act (CRA).....	104
2-42-3 Evaluating Pipeline and HMDA Data for Disparate Impact	105
Disparate Impact Review Process	105
Addressing Potential Patterns and Averting Liability	105
Three Part Burden Test	105
Data Collected from Loan Production Manifest	107
Analyzing Data	108

Vendor Reviews of HMDA and Production Data	108
2-43 Fair Housing Act	108
Fair Housing Act Overview	110
Policy in Practice	110
Covered Transactions	111
Unlawful Lending Practices	111
Violations and Enforcement	112
Advertising	112
Limitations Extended to 3 rd Parties	113
Allegations of Discrimination	113
Filing Complaints	114
2.44 Fair Credit Reporting Act (“FCRA”)	114
2-44-1 FCRA Overview	114
Policy for Distributing Credit Information	114
Policy in Practice	115
2.45 The Fair and Accurate Credit Transactions Act (“FACTA”)	116
FACTA Red Flags	116
2.46 - HomeOwner’s Protection Act	116
PMI Cancellation	116
2.47 Consumer Privacy Protection Laws	117
2-47-1 Gramm-Leach-Bliley Act – Privacy Act	117
2-47-2 USA Patriot Act	117
2-47-3 Safeguarding Information	118
2-47-4 FACTA Red Flags	118
2-70 SAFE Act Requirements	118
2-70-1 Licensing and Professional Education Requirements (SAFE Act)	118
2-70-11 Loan Originator License Verification	119
2-70-12 Reporting of Licensee Termination	119
2-70-13 Branch Licensing Process – NMLS Call Reporting	119
2-70-2 Who Must Be Licensed	120
2-70-3 Unique NMLS Identifier - Loan Originator and Company	120
2.71 Anti-Steering and Compensation Policy	120
Compensation	121
Creditor vs. Originator	121
Base Commission Schedule	121
Dual Compensation	121
Avoiding “Steering”	122
2.71.1 Compensation Policy and Procedure	123
2-7-12 Compensation Policy – Consumer Paid Fees	124
Process - Consumer Paid or Lender Paid	124
Consumer May NOT Pay Employee Directly	124
2-71-2 Compensation Plans	125
Consumer/Creditor Paid Compensation Plan – Brokers or Creditors	125
Investor/Wholesaler (Creditor) Paid Compensation – for Brokers	126
Table of Creditors	126
Exception to Compensation Grid (Safe Harbor)	126
2-71-21 Safe Harbor – Consumer Chooses Product which results in Higher Compensation	127
Customer’s Best Interest Worksheet (Anti-Steering Safe Harbor)	128
2-71-4 Sample Commission Schedules and Permissible Payments	129
Performance Reviews	130
Individual and Spousal Loans	130
2-71-43 Time Keeping Policy	131
2-71-5 Employment Status Policy	131

2.72 Employment, Screening and Compensation Practices	132
Announcing Position Openings.....	133
Treatment of Candidates	134
Checking References.....	136
Checking Background – Credit, Background and Housing Agencies	137
Additional Background Checks/Screening.....	138
Affirmative Action/Equal Employment Opportunity	139
New Hire Reference and Background Check	140
Completing the Interview	141
New Hire Letter/Offer of Employment.....	142
New Hire Procedures.....	143
2.73 Appraiser Independence	149
Implementing Appraiser Independence Rules	149
Background	149
2.73.1 Appraisal Management Service	150
2.73.12 Highlights of Company Compliance Procedures	150
2.73.2 Pre-Qualification and Property Valuation	151
Valuation and Pre-Qualification	152
Prohibited Practices for Production Staff	152
2.73.3 Underwriting Submission.....	154
Appraisal Copy to Borrower Certification.....	154
Borrower Appraisal Copy Notice Form	155
2.73.31 Basic Underwriting Submission Process.....	156
2.73.4 Appraisal Ordering – Random Appraiser Selection	157
Appraisal Checklist.....	157
Approved Appraiser Vendor List	158
Random Appraisal Order Process	159
Random Order Rotation Log.....	160
Appraisal Order Form.....	161
2.73.5 Underwriting Property and Appraiser Approval.....	162
2.73.51 Appraiser Approval Process	163
2.73.52 Approved Appraiser Vendor List.....	165
2.73.53 Prohibited Practices	166
2.73.54 Evaluating Appraisers	167
2.73.55 Unacceptable appraisal practices.....	167
2.73.6 Removal from Approved Appraiser List	168
What appraisers need from the underwriter	168
What the underwriter need from appraisers	168
Appraisal Audit Function	169
Desk Review of Appraisal	170
2-80 Complaint Resolution.....	171
CFPB Complaint Database	171
Qualified Written Request	171
State Laws	171
Complaint Resolution Process.....	172
Table of Contents.....	175
7-10 Social Media Policy.....	176
7-10-1 Social Media Guidelines and Policy – Why We Have Them	176
7-10-2 What We Require Of You – Our Policy.....	177
7-10-21 Remember Company Name Code of Ethics	177
7-10-22 Social Media Do’s and Don’ts.....	177
7-11 What We Request From You	181
7-11-1 Alert Us to Negative and Positive Content About Company Name.....	181
7-11-2 - Help Us Create Content	181
7-12 Good Things For Us All To Remember About Social Media	182

7-12-1 The Internet is a Public Space.....	182
7-12-2 The Internet is an Open Space.....	182
7-12-3 Scams & Viruses	182
7-12-4 You Are What You Tweet.....	182
7-12-5 Who to Contact with Questions.....	182

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 Abusive Acts or Practices(UDAAP)
- 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, UDAAP, FACTA. 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
Appraisal						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

Compliance Manager - Qualifications

Required Experience

To perform this job successfully, an individual must be able to perform each essential duty satisfactorily. The requirements listed below are representative of the knowledge, skill, and/or ability required. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

Required Level of Education

Bachelor's degree

Required Minimum Experience

- 5 years recent retail lending experience
- 2 years management or supervisory experience
- Aptitude for mathematics of consumer finance
- Certified Regulatory Compliance Manager (CRCM) designation

2-02 Federal Regulatory Compliance Program Overview

Company Name is subject to and complies with all State and Federal Laws and Regulations. We provide detailed instruction to our employees. We are providing this brief summary of our policies in action.

Management of Compliance Process

In order to effectively manage the compliance elements of our business we have implemented the following management reporting procedures.

Operating Policies and Procedures – Operating Committees

We have structured our operating policies and procedures to intersect with those of compliance. On a weekly basis we evaluate changes in the industry and update our procedures. On a monthly basis, the management committee meets to evaluate and approve the activities of the firm and to approve any changes to policy. The following committees and subjects are covered:

- Regulatory Compliance Committee
- Audit Committee
- Quality Control
- Organizational Reporting
- Discipline Policies and Records of Disciplinary Actions
- Oversight of Employees and Third Party Vendors

2.10 RESPA – The Real Estate Settlement Procedures Act Overview

Purpose of the Law

The purpose of the law is to protect consumers from excessive settlement costs and unearned fees. RESPA

- Establishes prohibited practices to protect consumers from unearned fees (Kickbacks and Controlled Business Arrangements)
- Allows consumers to obtain information on the costs of closing so that they can shop for settlement services. (Loan Estimate/Good Faith Estimate and Home Buyers Tool Kit/Closing Cost Booklet)
- Gives consumers a complete and accurate accounting of all funds collected and disbursed in conjunction with the transaction. (Closing Disclosure/HUD-1 Settlement Statement)
- To protect customers from financial loss when their loan or the servicing of their loan is sold. (Servicing Practices Act)

2.10.1 Policy in Practice

Loan Estimate (LE) -Good Faith Estimate (GFE)

A written commitment of charges the borrower is to incur at settlement must be provided at application or mailed to applicant within 3 business days of receipt of application. We may not collect any fee, other than a credit report, prior to providing this estimate. We define this as a “Loan Estimate/GFE application” and may distinguish this from our “Complete Application.” A LE/GFE application exists when there is

- 1) Borrower name
- 2) Social Security Number
- 3) property value or sales price
- 4) loan amount
- 5) borrower income
- 6) property address

List of Counseling Agencies

We must provide all borrowers on federally-related loans a disclosure that includes a list of local housing counselors.

Home Buyer Tool Kit/Settlement Costs Booklet

This applies to purchase transactions only. The booklet contains information on settlement procedures and costs. This must be mailed to applicant within 3 business days of receipt of application.

Required Settlement Service Provider

This disclosure is required if we use a specific settlement service provider such as specific tax service, credit reporting agency, appraisers and flood certificate providers. This must be provided at application or mailed to applicant within 3 business days of receipt of application.

Affiliated/Controlled Business Arrangement Disclosure

We must disclose an identity of interest or compensation for referring a borrower to any provider of a required service. Title Companies, Insurance, Real Estate Firms, and Pest Inspections are examples of these types of providers.

Servicing Transfer

We must identify the applicant’s rights under the Servicing Transfer Practices Act, and provide an estimate of the percentage of we service and transfer. This notice must be provided at application or mailed within 3 business days of application.

Closing Disclosure (CD) or HUD-1 Settlement Statement

Borrowers receive a CD 3 days prior to closing. Borrowers have a right to receive the Final CD/HUD-1 Settlement Statement a minimum of 24 hours prior to closing.

2-14 LE/GFE Application Disclosures – Closing Cost Estimates

Overview

We must provide applicants with a Closing Cost Estimate within 3 business days. Depending on the transaction type, this may take a number of forms

- The Loan Estimate (integrated TIL and RESPA Disclosures – aka TRID)
- A Good Faith Estimate (“2010 GFE”)
- A “non-LE” Cost Estimate

The LE/GFE estimate of closing costs represents a commitment that defines lender charges on a transaction exactly. These fees cannot vary unless specific changed circumstances present themselves. Certain fees, which the lender has no control over, may change. A properly explained GFE will help a borrower understand his cash requirements better and will result in a borrower who shops less

Beginning with applications on or after October 3, 2015 Truth-in-Lending disclosures and Good Faith Estimates will be combined

For purchase financing applications after 10/3/15, we must provide the booklet “Home Buyer Tool Kit.” For certain transactions, such as mobile homes, bridge loans and Home Equity Lines of Credit, we will continue to provide the Settlement Costs Booklet, sometimes referred to as the “Special Information Booklet

Issuing Initial GFE Forms

While cost estimates may be prepared by any staff, only properly trained and authorized company representatives may compile and deliver GFE Forms to borrowers.

2-14-2 Loan Estimate/GFE Comparison

Loan Estimate Differences			
GFE 2010	TIL/MDIA	Loan Estimate 2015	Description
Six Items and anything else needed	Application Received	Six Items ONLY – cannot refuse to issue	Consumer Name Consumer Address Consumer Social Property Address Property Value Mortgage Amount
Intent to Proceed		Intent to Proceed	No Change
3 Days/3 Days	3 Days/3 Days and 7 Days	3 Days/3 Days and 7 Days	7 calendar days before consummation is the TIL Requirement