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## **Fair Housing and Fair Lending Acts**

### **Plan Overview**

Company Name is required to comply with state Fair Lending Statutes, which are structured around the Federal Fair Housing and Equal Credit Opportunity Acts. This plan applies to residential home loans, but also to any consumer or business transaction. In addition, these principals apply to all business practices, whether purchase financing, refinancing or servicing/collections, as applicable.

Company Name designates the individual(s) listed as Compliance Manager (“See Audit Personnel”) as the primary individual responsible for implementing and reporting on this plan.

### **Regular Monitoring**

Each loan file is subject to a compliance review upon closing. That review insures that the file itself has been properly reviewed, and that all required disclosures have been made. 10% of loan production is reviewed as part of the quality control plan, and fair lending determinations are assessed in each of these reviews. As part of this review, any deficiencies are addressed to Senior Management for corrective action.

### **Denied and Withdrawn Applications**

Pursuant to our underwriting and credit policy, all loans with are rejected/denied or withdrawn will be subject to a second level of review to insure compliance with Fair Lending Rules and practices. In addition, 10% of all rejected/denied and withdrawn applications are selected randomly for complete review.

### **Training Program**

All origination and production employees who are required to be licensed under the SAFE Act receive annual training on Fair Lending and related laws. We provide initial training to all new employees and when laws change or updates are posted, provide those links to our employees for review.

### **Wholesale**

If we originate through a wholesale channel, we will obtain written acknowledgement of compliance with the Fair Lending Plan.

### **Proactive Complaint Resolution**

Fair Lending Complaints are resolved to the customer's satisfaction through our "Compliant Resolution Process" herein. Once a complaint is lodged, it is up to Company Name to resolve it, not the customer.

**Review of Marketing Material**

Company Name's Marketing Policy, which is included herein by reference, and is part of our origination and loan production process, requires that ALL advertising be reviewed by production management AND the compliance manager as listed under Quality Control Personnel.

**Role of Compliance Manager**

In addition to the responsibilities listed here, the Compliance Manager is responsible for maintaining and updating compliance related policies and procedures.

## **Fair Lending Compliance**

### **Introduction**

Regulations that deal with the granting of credit are among the major Federal consumer protection laws affecting mortgage lending. While RESPA, the (Real Estate Settlement Procedures Act) governs transactions, and the Truth-in-Lending (TILA) governs disclosure of loan terms, the decision making process for loans is governed by the Equal Credit Opportunity Act (ECOA).

In addition to mandating how credit decisions must be made and communicated, the ECOA also regulates what information can be used as the basis for credit decisions. In this way, the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA) are part of a national effort to eliminate discrimination and assure equitable lending to all applicants. As a national policy, these Acts were designed to facilitate home ownership and economic development. Their impact has been greatest in low income areas.

The argument for Federal regulation is based on the belief that homeownership builds economic wealth and stability. Channeling credit into markets that have been historically underserved, or impaired by predatory lending practices, facilitates these benefits. The legislation that the late 60's and early 70's spawned may be viewed as a by-product of the civil rights movement. In fact, there was a groundswell of reform oriented legislation that spring from this period. The Truth-in-Lending Act, the Consumer Credit Protection Act and Real Estate Settlement Procedures Act were all aggressive pieces of legislation in uncharted waters. The concept of fair treatment in lending and housing may seem idealistic. The reality is that it has been essential to the economic growth the nation has seen since that time.

The laws that protect consumers from discriminatory or unethical practices are constantly being updated. They are dynamic because our world is evolving so quickly. Merged in-file credit reports weren't an issue in the 70s or 80s. With the growth of e-commerce, the flow of the consumer's private information has accelerated. New laws are added as business tactics change. As a result, we have an ongoing history of regulations built upon the first.

<b>Year</b>	<b>Law</b>	<b>Acronym</b>
1968	The Fair Housing Act (Title VIII of the Civil Rights Act)	FHA
1968	Truth in Lending Act (Consumer Credit Protection Act)	TILA
1970	The Fair Credit Reporting Act	FCRA
1974	The Equal Credit Opportunity Act	ECOA
1974	Housing and Community Development Act	HCD
1975	Home Mortgage Disclosure Act	HMDA
1977	The Housing Financial Discrimination Act	HFDA
1977	The Fair Debt Collection Practices Act	FDCPA
1977	Community Reinvestment Act	CRA
1980	Electronic Fund Transfer Act	EFTA
1988	Fair Housing Amendments Act	

1994	Homeownership and Equity Protection Act (Amendment to TILA – a.k.a. Section 32)	HOEPA
1995	The Housing for Older Persons Act	HOPA
1996	The Fair Debt Collection Practices Act	FDCPA
1996	Consumer Credit Reporting Reform Act	CCRA
1998	The Homeowners Protection Act	HPA
1999	Gramm-Leach-Bliley Act	GLB
2001	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act	USA PATRIOT
2003	Fair and Accurate Credit Transactions Act	FACTA
2005	Bankruptcy Abuse Prevention and Consumer Protection Act	

While these laws are Federal, individual states are also empowered to enforce these laws. The Federal government pre-empted states in regulating these areas. States, however, may also enforce regulations. Some enforce these at threshold levels that are more rigorous than Federal laws. This is especially true in the areas of predatory lending and high-cost loans.

### **The CFPB and Secondary Regulators**

The creation Consumer Financial Protection Bureau (CFPB) as a requirement of the Wall Street Reform and Consumer Protection Act (aka Dodd-Frank) consolidated primary enforcement and regulation of consumer financial protection laws under the CFPB. However, secondary regulators and agencies still preserve much of the legacy of these laws and their enforcement in that the staffs still remain at their respective agencies, despite the consolidation of regulatory authority. These agencies remain invested in the identification of compliance and referral of enforcement.

There are eight federal agencies in charge of enforcing the credit related laws. Federal banks and savings and loans are regulated by the Treasury, the OCC, the OTS and the FDIC. Mortgage companies and brokers without a federal charter are regulated by the Federal Trade Commission, HUD, and the Department of Justice.

## **Fair Lending and the Equal Credit Opportunity Act**

### **Federal Reserve Regulation B - 12 CFR Part 202**

The Equal Credit Opportunity Act (ECOA) is the first law protecting consumers in their borrowing activities. It defines what decisions cannot be based on, and how the Company Name must communicate with the borrower regarding the decision.

### **General Rules for Compliance §202.4**

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

**Discouragement** – Do not make any oral or written statement to applicants or prospective applicants that would discourage a reasonable person from pursuing an application

**Written Applications** - Take written applications for dwelling-related credit

**Disclosure** – Provide notice when the status of the application changes and provide all information used to arrive at decisions

### **Definitions - §202.2**

<b>Term</b>	<b>Definition</b>
Applicant	Any person who requests or who has received an extension of credit from a Company Name, including guarantors, like co-borrowers
Dwelling	Dwelling in this instance means a residential structure containing one-to-four family units. Individual cooperative or condominium units, mobile or other manufactured homes are also included, regardless of whether they are considered as real property under state law.
Application	An oral or written request for credit, made in accordance with procedures established by the Company Name. Does not include advances on a line of credit. Mortgages applications must be in writing.
Completed Application	The Company Name has received all information the Company Name regularly obtains and considers. The Company Name shall exercise reasonable diligence in obtaining the information.
Credit	The right granted by a Company Name to an applicant to either 1.) Defer payment of a debt, 2.) Incur debt and defer its payment or 3.) Purchase property or services and defer payment therefore
Company Name	A person who regularly participates in the decision of whether or not to extend credit. Includes regularly referring applicants or prospective applicants to Company Names, selecting or offering to select Company Names to whom requests for credit may be made, like brokers.
Credit Transaction	Every aspect of an applicant's dealings with a Company Name regarding an application for credit or an existing extension of credit
Empirically Derived Credit Scoring Systems	A system that evaluates an applicant's creditworthiness mechanically, based on key attributes of the applicant and aspects of the transaction, and that determines, alone or in conjunction with an evaluation of additional information about the applicant, whether an applicant is deemed creditworthy
Extend Credit	The granting of credit in any form.

**Defining “Application”**

**Application Paths and Requirements**

Understanding the difference between the different application paths will guide the originator as to which path to choose. The MOST IMPORTANT POINT is that a transaction is not an application until the borrower has selected a property.

**Application Processes**

	Product Discussion	Pre-Qualification	Pre-Approval	Application
Description	No Prequalification, just rates and points	Pre-Qualification Certificate	Binding Commitment	Specific Request for Mortgage
Process	Get Product Discussion Worksheet Emphasize NOT application	Product Discussion Worksheet Credit Authorization Pull Credit	Pre-Property loan Approval (Underwriting Only) Complete Application Except Property	Pre-Approval, including obtain sales contract and property info
Credit Report	NO	YES	YES	YES
Property	NO	NO	NO	YES
LOS Status	Pre-Qualification	Pre-Qualification	Pre-Approval	Application Taken
Disposition	No application – simply destroy per Privacy Policy	Issue Certificate or send to underwriting for denial	Underwriting Issues Pre-approval or Denial (unless customer withdraws)	Issue Loan Commitment
Regulations	None	Reg. B Equal Credit – for denial/adverse	Reg. B Equal Credit Opportunity - Adverse HMDA Reporting (unless withdrawn) If Product Selection is ARM – Charm Booklet, ARM Disclosure FCRA – Credit Score Notice	HUD Settlement Booklet (Purchases) Servicing Transfer Disclosure ( ARMs - CHARM Booklet, ARM Disclosure Interest Only - Non-Traditional Mortgage Booklet, Illustrations FACT Act Notice of Credit Score Privacy Policy Application Disclosure (appraisal and privacy notices) General Conditions Letter State specific disclosures
Cost Disclosures	None	Estimate of Costs Form	Estimate of Costs Form	Good Faith Estimate Process



**Underwriting Decision Process**

**Underwriting Flow**

Responsible Party	Description of Task
Processor	Prepares case for submission using standard pre-submission checklist and copying file in correct file order
Underwriter	As received, logs Loan as submitted in loan status screen in Loan Tracking, General.
Underwriter	Utilizes appropriate checklist to initiate review of loan
Underwriter	If outside investor, PMI loan, determines program acceptability to investor, PMI Company
Underwriter	Complete underwriting analysis, reviewing documentation to assure compliance with loan specifications as outlined by investor
Underwriter	Conditions. Outline items required to meet underwriting approval number them as whether these are prior to closing (Doc), approval (SUSP), Funding (fund). It is important for reporting purposes that the conditions are listed with the most critical items first. (i.e. do not start conditions with hazard insurance, right of rescission or other boilerplate conditions.
Underwriter	Approve - (or forward to loan committee or 2 <sup>nd</sup> signature, dependent on approval level) Issue approval letter, Underwriter Certification, M/C Suspend - Issue Suspense Notification Denial – Review denial with 2 <sup>nd</sup> level Credit Officer, review possibilities for counter offer or remedy – If concurs with rejection, Issue Denial If counter-offer, follow counter-offer procedure Give copy of denial, suspension or approval to appropriate operations or processing manager so that they can monitor the quality of processing Change status and status date in system
Underwriter/Processor	Return file to processor. Review contingencies as part of ongoing training
Processor	Makes corrections, cures deficiencies, and returns file to underwriting for re-underwriting, clearing conditions, or additional consultation
Underwriter	Clears conditions Makes any required changes to system/registration based on resubmission, Returns file to processor.
Processor	Reviews for any at closing conditions - forwards file to closing department, if local or, forwards file to investor for approval and closing.