



The Mortgage Maniac LLC

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# Federal Regulatory Compliance Manual

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## Introduction

The Mortgage Maniac LLC (The Mortgage Maniac) takes consumer protection laws very seriously and is committed to the highest standards of consumer compliance. The Mortgage Maniac adopts and implements this Federal Regulatory mortgage lending laws and regulations.

The Mortgage Maniac employees are required to comply with and conduct themselves in accordance with this Federal Regulatory Compliance Manual and any procedures established to further its requirements. In addition, The Mortgage Maniac will provide compliance training to its employees, upon hire and at least annually, to help them understand and effectively comply with the requirements contained in this Manual. Any employee found violating the requirements set forth in this Manual may be subject to disciplinary action, which may include termination.

This Manual will be updated at least annually, or as regulatory requirements change.



# Table of Contents

Compliance Management Program .....	4
Ability to Repay and Qualified Mortgage Policy .....	9
Advertising and Marketing Policy .....	22
Anti-Money Laundering Program .....	42
Anti-Predatory Lending Policy .....	64
Appraiser Independence Policy .....	65
Complaint Management Policy .....	71
Customer Information Security Policy .....	76
ECOA Notifications Policy .....	82
ECOA Providing Copies of Valuations Policy .....	86
E-Disclosure and E-Signature Policy .....	89
Fair Credit Reporting Act Policy .....	92
Fair Lending Policy .....	101
Flood Insurance Policy .....	112
Higher-Priced Mortgage Loan Policy .....	123
Home Mortgage Disclosure Act Policy .....	128
Home Ownership and Equity Protection Act Policy .....	141
Homeowners Protection Act Policy .....	147
Identity Theft Prevention Program .....	151
Loan Originator Compensation Policy .....	157
Privacy Notice Policy .....	165
Real Estate Settlement Procedures Act Policy .....	172
Record Retention Policy .....	180
Secure and Fair Enforcement for Mortgage Licensing Act Policy .....	183
Social Media Policy .....	191
Third-Party Service Provider Oversight Policy .....	196
TILA-RESPA Integrated Disclosures Policy .....	201
Truth in Lending Act Policy .....	217
Unfair, Deceptive or Abusive Acts or Practices Policy .....	222
Whistleblower Policy .....	227

# Compliance Management Program

Revision Date: 1/25/2021

## 1. Overview

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A sound compliance management program (CMP) that is integrated into The Mortgage Maniac's day-to-day operations is critical to maintain legal compliance with applicable federal and state law as well as agency requirements. An effective CMP establishes and communicates compliance responsibilities, monitors for compliance, ensures that issues are self-identified, corrective action is taken, and service providers are effectively managed.

## 2. Policy Statement

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The Mortgage Maniac is committed to the highest standards of consumer compliance and has developed a CMP that will assist the Board of Directors and Senior Management in identifying, measuring, monitoring, and controlling compliance risk. Compliance risk is the risk of regulatory or legal sanctions, financial loss, and reputational damage arising from violations of laws, rules, regulations, policies and prescribed practices. The Mortgage Maniac employs a risk focused approach to compliance management to prevent compliance risk through the use of internal controls, monitoring and testing. The Mortgage Maniac reviews its compliance risk profile on an annual basis and reports its results and any recommendations for enhancements to the CMP on an annual basis to Senior Management.

This program is intended to establish:

- responsibility for compliance oversight;
- policies and procedures to provide the necessary guidance to management and staff;
- a training program for all employees so they have, at a minimum, a working knowledge of the laws and regulations associated with their duties and responsibilities;
- monitoring, control, and enforcement procedures for compliance;
- appropriate oversight for service providers; and
- self-identification of and corrective action for compliance violations.

## 3. Compliance Oversight and Reporting Structure

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The Mortgage Maniac's Compliance Officer ensures that The Mortgage Maniac complies with federal, state, and agency requirements in connection with mortgage lending. The Compliance Officer is independent of any sales or production functions at The Mortgage Maniac. The Compliance Officer is responsible for:

- Oversight of the implementation or revision of the CMP and compliance policies and procedures.
- Monitoring legislative and regulatory developments and reporting important compliance developments to management and affected employees. The Compliance Officer achieves this through reviews of compliance publications, attending compliance training, and contact with professional industry advisors and experts. Coordinating analysis of proposed regulations and, at times, developing written comments and response letters to regulatory agencies.
- Researching regulatory issues and responding to compliance questions from employees, utilizing legal and regulatory reference manuals, and contacting advisors, professional associations and organizations as appropriate.

## Compliance Management Program

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- Assisting in developing, implementing, and conducting of training programs and sessions to educate personnel on compliance requirements, procedures, and changes in their respective areas of responsibility.
- Developing internal controls to test compliance and preparing guidelines and checklists which can be used by loan reviewers and others that perform testing functions for state and federal requirements.
- Coordinating and documenting branch audits.
- Assisting management with the handling of consumer complaints, working with legal counsel and regulatory agencies when appropriate.
- Coordinating, reporting and implementing any changes resulting from fair lending reviews.
- Reviewing and approving forms, notices, brochures, web pages, marketing and advertisements for compliance with laws and regulations.
- Participating in meetings to bring the compliance perspective to the development of new products and services, and modification of existing ones.
- Reviewing processes for, and approval of, the development of new products.
- Assisting in preparing for audits and regulatory examinations, coordinates audit and compliance examination efforts, and provides responses to compliance examinations and audits.
- Assisting management to proactively identify issues and take appropriate corrective action.
- Reporting to management on a regular basis.

### 4. Compliance Program

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The Mortgage Maniac's CMP includes the following elements for successful compliance management:

- Policies and procedures;
- Training;
- Monitoring and corrective action; and
- Consumer complaint monitoring and response.

#### A. Policy and Procedures

The Mortgage Maniac strives to ensure the appropriate policies and procedures are written, provide the necessary guidance to management and staff, and are consistent with policies approved by the Board of Directors and Senior Management. Compliance policies and procedures should be sufficient for The Mortgage Maniac's suite of products. Policies and procedures will be updated as required by either business demands or the regulatory environment changes. Generally, the degree of detail or specificity of procedures will vary in relationship to the complexity of the issue or transaction addressed. The Mortgage Maniac recognizes that compliance policies and procedures are the means to ensure consistent operating guidelines that support The Mortgage Maniac in complying with the applicable federal consumer protection laws and regulations, both directly and with affected third-party providers. Further, policies and procedures related to products and incentive compensation are reviewed to ensure they do not have features that would contain any heightened risk of unfair, deceptive or abusive practices or fair lending discrimination. These policies and procedures may also be utilized by management to review business operations in an effort to create both training opportunities and efficiency gains.

## Compliance Management Program

Policies and procedures will be delivered in multiple formats depending on the complexity of the topic, such as email, meetings, webinars or any combination thereof. Policies and procedures will be maintained on The Mortgage Maniac's Intranet or other platforms, as applicable.

### B. Employee Training

Education of all employees, including the Board of Directors and Senior Management, is essential to maintaining an effective compliance program. Sufficient information should be provided to the Board of Directors and Senior Management to enable them to understand the entity's responsibilities and the necessary resource requirements. Management and staff should receive specific, comprehensive training that reinforces and helps implement written policies and procedures.

The Mortgage Maniac has developed a training program that includes numerous compliance training modules that are distributed via online training or in-person as appropriate. The Mortgage Maniac is responsible to ensure that all training materials are consistent with policies and procedures, remain up-to-date, and are updated in advance of new or changed products or laws. All employees receive compliance training that is appropriate for each employee's role at the time of new hire and on at least an annual basis. In addition, all state licensed loan originators participate in NMLS required training. Employees are provided training on updated compliance requirements as appropriate throughout the year.

The Compliance Officer also coordinates, monitors and documents training activities. The training program must address new regulations or regulatory changes, the necessary forms to comply with the regulation, the necessary support to ensure proper implementation, and the proper monitoring procedures to ensure the success of that part of the compliance program.

The Compliance Officer and Senior Management will ensure that the resources necessary to achieve success, including providing staff, education, and other resources are provided as needed.

### C. Monitoring

The Mortgage Maniac uses monitoring to identify and correct compliance weaknesses. Monitoring and testing activities should be performed independently and are designed to address compliance with applicable federal and state consumer lending laws. Further, monitoring should include a review of compliance performance through periodic compliance audits, monthly QC reviews, audits of the AML program, annual branch audits, and annual fair lending analysis. Monitoring and testing activities are intended to:

- timely detect and measure material compliance risk;
- identify procedural or training weaknesses;
- determine corrective actions, where appropriate;
- ensure that transactions and other consumer contacts are handled according to policies and procedures;
- consider the results of risk assessments or other guides for prioritizing reviews; and
- address deficiencies identified in internal or external audits as well as Senior Management's directives on resolving deficiencies.

The Compliance Officer is responsible for escalating findings to Senior Management, as appropriate and providing all appropriate and business unit managers copies of audit reports in a timely manner.

### **D. Consumer Complaint Monitoring and Response**

Consumer complaints provide insight into problems that consumers are experiencing which helps to identify inappropriate practices and correct issues before they become major problems. The Mortgage Maniac recognizes that an effective CMP should ensure that The Mortgage Maniac is responsive and responsible in handling consumer complaints and inquiries. The Mortgage Maniac has implemented a complaint management program to ensure it identifies and appropriately responds to each consumer complaint. Refer to *Complaint Management Policy* for more details on The Mortgage Maniac's complaint management program.

### **5. Third-Party Service Provider Oversight**

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The Mortgage Maniac may outsource certain functions to service providers due to resource constraints, use service providers to develop and market additional products or services, or rely on expertise from service providers that would not otherwise be available to The Mortgage Maniac without significant investment. When The Mortgage Maniac engages service providers it recognizes that it is responsible for determining that the service provider both understands the compliance risks associated with a particular service and has effectively implemented requirements or controls to avoid consumer harm and potential liabilities. In many instances legal responsibility for compliance violations may lie with The Mortgage Maniac as well as with the service provider. Therefore, to avoid consumer harm and limit legal exposure, The Mortgage Maniac has implemented a *Third-Party Service Provider Oversight Policy* which includes the following elements:

- Initial and ongoing due diligence reviews to verify that the service provider understands and is capable of complying with consumer financial law.
- Validation that the service provider conducts appropriate training and oversight of employees or agents that have consumer contact or compliance responsibilities.
- Formal review to ensure that contracts with the service provider include clear expectations about compliance, as well as appropriate and enforceable consequences for violating any compliance-related responsibilities.
- Internal controls and ongoing monitoring to determine whether the service provider is complying with consumer financial law.
- Action to fully address any problems identified through the monitoring process, including terminating the relationship where appropriate.

### **6. Identification of Violation of Law or Consumer Harm and Corrective Action**

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When The Mortgage Maniac discovers violations of law or consumer harm it takes the appropriate corrective action. Corrective action is necessary to timely correct occurrences and violations of compliance-related regulations and to ensure that patterns of non-compliance are identified. In some instances, CMP monitoring may identify a violation. In other instances, the violation may be identified by an employee or manager through the course of normal business. Managers and employees are expected to report any identified violations to the Compliance Officer. Managers are accountable for their employees and must ensure that compliance errors are resolved, additional coaching is provided to employees, and patterns of non-compliance are addressed.

## Compliance Management Program

The Compliance Officer administrates the corrective action process and will:

- cooperatively work with managers to identify the root cause of the violation and the appropriate corrective action plan for resolution to ensure violations do not remain unaddressed;
- determine the appropriate restitution to the consumer, when applicable;
- evaluate and provide additional training to ensure understanding of the compliance requirements;
- identify whether the CMP should be adjusted to facilitate early detection of, or to mitigate, the violation in the future;
- monitor, review, and track corrective action plans; and
- prepare and issue reports to Senior Management regarding any trends of non-compliance.

When the pervasiveness or seriousness of a particular violation warrants escalation, the Compliance Officer and Senior Management will report the violation to the applicable supervisory agency.

### 7. Compliance Risk Rating Methodology

The Mortgage Maniac assesses the overall risk of its CMP annually by conducting a consumer compliance risk assessment. The results of the risk assessments will be used to determine the frequency of review of certain areas of the CMP. The risk assessment measures inherent risk and the effectiveness of internal controls to produce a residual risk rating. Inherent risk ratings are based on the products The Mortgage Maniac offers and a set of factors, including the potential for unfair, deceptive or abusive acts or practices, for discrimination, or for violations of other federal consumer protection laws, and compliance management challenges that increase the risk of regulatory violations. Inherent risk is rated on a scale of low-moderate-high. Internal controls are evaluated based on factors related to managing and mitigating inherent risk and the strength of The Mortgage Maniac's CMP. Internal controls are rated on a scale of weak-adequate-strong. Residual risk, the risk remaining despite internal controls that are put in place to mitigate an activity's inherent risk, is rated on a scale of low-moderate-high. The residual risk rating demonstrates potential gaps in compliance, and areas where resources and controls should be implemented to mitigate consumer risk. All low, moderate and high-risk areas identified during annual risk assessments are reported to Senior Management for remediation. Compliance Officer is responsible for implementing and tracking remediation. The Residual Risk Rating Scale includes:

Risk Rating	Description
Low Residual Risk	Inherent risk is low or moderate, but risk control effectiveness is highly effective or moderately effective
Moderate Residual Risk	Inherent risk is high with control effectiveness deemed highly effective or moderate inherent risk with moderately effective controls
High Residual Risk	Inherent risk is high and the control effectiveness is low or moderately effective or inherent risk is moderate and the control environment is considered to have low effectiveness

# Ability to Repay and Qualified Mortgage Policy

Revision Date: 1/25/2021

## 1. Overview

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In 2014, the Consumer Financial Protection Bureau (CFPB), the Department of Housing and Urban Development (HUD), and the Veterans Administration (VA) began enforcing new regulations regarding the Ability to Repay (ATR) and Qualified Mortgage (QM) Rules under the Truth in Lending Act (Regulation Z). To ensure company-wide compliance with the new ATR/QM Rule, The Mortgage Maniac has adopted the following policy.

## 2. Definitions

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The following definitions apply for this Policy. They are not intended to be a complete list of official definitions in Regulation Z.

- **Affiliate** – means 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.
- **Bona Fide Discount Point** – A bona fide discount point means an amount equal to 1% of the loan amount paid by the consumer that reduces the interest rate or time-price differential applicable to the transaction based on a calculation that is consistent with established industry practices for determining the amount of reduction in the interest rate or time-price differential appropriate for the amount of discount points paid by the consumer.
- **Consummation** – Consummation means the time that a consumer becomes contractually obligated on a credit transaction.
- **Comparable Transaction** – A higher-priced mortgage loan is a consumer credit transaction secured by the consumer’s principal dwelling with an annual percentage rate that exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set by the specified margin. The table of average prime offer rates published by the Bureau indicates how to identify the comparable transaction.
- **Covered Transaction** – A covered transaction is a consumer credit transaction secured by a dwelling (including any real property attached to a dwelling) that is subject to the ATR/QM Rule, other than a transaction exempt from coverage under the Rule.
- **Dwelling** – A dwelling is 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.
- **Rural or Underserved Area** – A creditor operates in a rural or underserved area if, in the prior calendar year, the creditor originated at least one loan covered by the ATR/QM Rule in a rural or underserved area as defined by the CFPB.
- **Small Creditor** – A small creditor is a creditor who during the previous calendar year made loans covered by the ATR/QM Rule and:
  - had assets below \$2.167 billion (threshold as of December 31, 2018 and is adjusted annually for inflation) at the end of the previous calendar year; and
  - originated no more than 2,000 first-lien covered transactions in the preceding calendar year.

### 3. Regulatory Requirements and Policy

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Every loan originated by The Mortgage Maniac must be considered in light of the ATR requirements. It is The Mortgage Maniac policy to originate primarily QM loans; however, in certain circumstances, The Mortgage Maniac may originate loans that do not qualify as QMs. In originating non-QM loans, The Mortgage Maniac will continue to evaluate a consumer's ATR in accordance with the 8 underwriting factors established by the CFPB. The qualifying criteria for a non-QM loan shall be established in a separate policy and/or by investor product overlays but, in all events, every borrower will be evaluated for QM and non-QM product offerings in accordance with The Mortgage Maniac's *Fair Lending Policy*.

### 4. Covered Transactions

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The ATR/QM Rule applies to all closed-end loans secured by a dwelling used primarily for personal, family, or household purposes, including home-purchase loans and refinances. This includes first or subordinate liens.

### 5. Exempt Transactions

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The following loans are not subject to the ATR/QM Rule:

- HELOCs;
- Mortgages on a timeshare property; and
- Loan modifications (unless the modification is considered a refinancing under Regulation Z);

The following loans are exempt from the ATR provisions of the Rule, but are required to comply with the prepayment penalty restrictions:

- Reverse mortgage loans;
- Temporary or bridge loans for a term of 12 months or less;
- A construction phase of 12 months or less of a construction to permanent loan;
- Loans on vacant land;
- Loans made by U. S. Department of Treasury designated Community Development Financial Institutions;
- Loans made by U. S. Department of Housing and Urban Development (HUD) designated Community Housing Development Organizations;
- Loans made by HUD-designated Down Payment Assistance Providers of secondary financing;
- Loans made by Nonprofit organizations under section 501(c)(3) of the Internal Revenue Code that extend credit no more than 200 times annually, provide credit only to low-to-moderate income consumers, and follow their own written procedures to determine consumers have a reasonable ability to repay their loans;
- Loans made by housing finance agencies directly to consumers;
- Loans made by other creditors under a program administered by a housing finance agency; and
- Loans made under an Emergency Economic Stabilization Act Program (such as loans made under a State Hardest Hit Fund Program)

## Ability to Repay and Qualified Mortgage Policy

The exemption applies to all loans made by the above creditors or under the above loan programs, provided the conditions for the exempted creditor or loan program are satisfied. An exempt loan remains exempt even if it is sold, assigned, or otherwise transferred to a creditor that would not qualify for the exemption.

### 6. Ability to Repay

Ability to Repay rule sets forth the minimum standards a lender must use to determine that consumers have sufficient ability to repay a loan. It requires lenders to demonstrate they have made a reasonable and good faith determination, based on verified and documented information, that the consumer has a reasonable ability to repay. The Mortgage Maniac must consider the following 8 underwriting factors which reflect a borrower's ability to repay for every loan it originates.

The ATR requirements do not need to be met when refinancing a borrower from a non-standard mortgage loan held or serviced by The Mortgage Maniac to a more stable, standard mortgage loan. Refer to Refinancing from Non-Standard to Standard Loan Exemption for specific requirements below.

#### A. 8 Underwriting Factors

- Current or reasonably expected income or assets (other than the value of the property that secures the loan) that the Borrower will rely on to repay the loan;
- Current employment status;
- Monthly mortgage payment for the loan sought (calculated using the introductory or fully-indexed rate, whichever is higher, and monthly, fully-amortizing payments that are substantially equal);
- Monthly payment on any simultaneous loans secured by the same property;
- Monthly payments for property taxes and insurance and other costs related to the property (homeowners' association fees or ground rent);
- Debts, alimony and child-support obligations;
- Monthly debt-to-income ratio or residual income as calculated using the total of all the obligations listed above, as a ratio of gross monthly income; and
- Credit history.

#### B. Verification Using Reliable Third-Party Records

The ATR Rule requires lenders to use reasonably reliable third-party records to verify the information used to evaluate the eight underwriting factors and determine the consumer's ATR. Examples of reliable third-party records that may be used to verify the consumer's income or assets include:

- A document or other record prepared or reviewed by an appropriate person other than the consumer, The Mortgage Maniac, or other such interested parties, such as a profit and loss statement prepared by a self-employed consumer's third-party accountant;
- Tax return transcript issued by the IRS;
- Copies of tax returns the consumer filed with the IRS or a State taxing authority;
- IRS Form W-2s or similar IRS forms used for reporting wages or tax withholding;
- Payroll statements, including Military Leave and Earnings Statements;
- Financial institution records;

## Ability to Repay and Qualified Mortgage Policy

- Records from the consumer's employer or a third party that obtained information from the employer;
- Records from a local, State, or Federal governmental agency stating the consumer's income from benefits or entitlements;
- Records that the creditor maintains for an account of the consumer held by the creditor;
- Receipts from the consumer's use of check cashing services; and
- Receipts from the consumer's use of a funds transfer service.

### C. Refinancing from Non-Standard to Standard Loan Exemption

Refinancing a borrower from a non-standard mortgage loan held or serviced by The Mortgage Maniac to a more stable, standard mortgage loan can be done without undertaking the full underwriting process required by the ATR Rule, subject to specific requirements. As a general rule, lenders should consider whether a borrower is likely to default on the existing mortgage once it is recast, and, secondly, whether the new mortgage would help prevent such default.

**A non-standard loan is** a loan with any of the following characteristics:

- Adjustable rate with an initial fixed rate of one-year or longer
- Interest-only payments
- Negative amortization

**A standard loan is** a loan that meets all of the following characteristics:

- Interest rate is fixed for at least the first five years after consummation
- No negative amortization
- No balloon payments
- No deferred principal feature
- Loan term must be less than 40 years

Non-standard to standard refinance transactions may be exempted from the ATR rule only when all of the following requirements are met:

- Points and fees do not exceed the thresholds for QMs.
- Proceeds from the proposed loan are used only to pay off the original mortgage and for closing or settlement charges appearing on the closing statement. Cash out is not allowed under any circumstances.
- The borrower's complete application for the standard mortgage is received no later than two months after the non-standard mortgage payment has recast. Recast occurs:
  - For an adjustable rate mortgage – when the introductory fixed-rate period ends.
  - For an interest-only loan – when the interest only period ends.
  - For a negative amortization loan – when the negatively amortizing period ends.
- The monthly payment on the new loan must be at least 10% less than the payment on the existing loan (after recast). When the new standard loan is an adjustable rate loan, the new monthly payment should be calculated using the higher of the introductory rate or the fully-indexed rate.
- The borrower can have no more than one 30-day late payment in the 12 months preceding and no late payments within the six months preceding receipt of the applicant's complete application.

## Ability to Repay and Qualified Mortgage Policy

- When the non-standard mortgage lien being refinanced was closed on or after January 10, 2014, it must have been made in accordance with the ATR requirements or QM provisions, as applicable.

### 7. Qualified Mortgages

The rule provides that lenders will be presumed to have complied with the ATR requirements only if they originate QMs. There are four different categories of QM loans; the General QM, the Temporary QM, the Small Creditor QM, and the Balloon-Payment QM. The Small Creditor and Balloon-Payment QMs can only be originated by small creditors. Additionally, the agencies were required to define their own category of QM loans, which are the FHA QM and the VA QM.

All loans originated cannot contain any prohibited loan features and must meet DTI requirements and the points and fees limit to be considered a QM.

#### A. Prohibited Loan Features

Mortgages are not permitted to contain certain risky features. These prohibited features are:

- negative amortization;
- interest-only payments;
- balloon payments; and
- terms in excess of 30 years.

#### B. Prepayment Penalty Restrictions

Prepayment penalties are only allowed on fixed-rate QMs that are not considered a higher-priced transaction as defined under the QM regulation. Prepayment penalties cannot be imposed after the first three years of the loan and cannot be greater than 2% of the outstanding balance prepaid in the first 2 years; or, 1% of the outstanding balance prepaid in the 3rd year.

Additionally, a creditor or broker may not offer a consumer a transaction with a prepayment penalty without also offering the consumer an alternative QM transaction with the same terms without a prepayment penalty.

#### C. Maximum DTI

Loans must not exceed a maximum DTI of 43.00% unless they are:

- eligible for exemption of this requirement as a Temporary QM (eligible for purchase by Fannie Mae, Freddie Mac, certain housing finance agencies);
- eligible for insurance by the United States Department of Agriculture (USDA); or
- meet the requirements for an FHA QM or VA QM.

The applicant's income, assets, and debt obligations (including alimony and child-support) must be verified and the monthly DTI must be calculated based on a fully-amortizing schedule using the maximum rate permitted during the first five years after the date of the first principal and interest payment on the loan. Furthermore, the calculations must be made in compliance with the definitions and other ATR/QM underwriting standards outlined in Appendix Q of the regulation.

## Ability to Repay and Qualified Mortgage Policy

### D. Points and Fees Limits

In addition to the prohibition of risky features, as discussed above, when originating QM loans The Mortgage Maniac will adhere to the following points and fees limitations (adjusted annually):

#### **Effective Until December 31, 2020:**

Loan Amount	Points and Fees Limit
equal to or greater than \$109,898	3% of the total loan amount
equal to or greater than \$65,939 but less than \$109,898	\$3,297
equal to or greater than \$21,980 but less than \$65,939	5% of the total loan amount
equal to or greater than \$13,737 but less than \$21,980	\$1,099
less than \$13,737	8% of the total loan amount

#### **Effective January 1, 2021:**

Loan Amount	Points and Fees Limit
equal to or greater than \$110,260	3% of the total loan amount
equal to or greater than \$66,156 but less than \$110,260	\$3,308
equal to or greater than \$22,052 but less than \$66,156	5% of the total loan amount
equal to or greater than \$13,783 but less than \$22,052	\$1,103
less than \$13,783	8% of the total loan amount

The following items are **included** in the points and fees calculation:

- Finance charges unless specifically excluded from the QM points and fees, such as origination fees, and discount points;
- Real estate related fees if they are not reasonable in amount or if they are paid to a creditor or creditor's affiliate;
- LO Compensation paid directly or indirectly by a consumer or creditor to an LO or broker other than compensation paid by a mortgage broker, creditor or retailer of manufactured homes to an employee;
- PMI premiums that either exceed the FHA premium or are not required to be refunded when the loan is paid in full. To simplify: any portion of a "single-pay" premium that is in excess of 1.75% (1.75% being the current FHA UFMIP) would count towards the 3% cap;
- Loan-Level Price Adjustments (LLPAs);
- Maximum prepayment penalty that a consumer could be charged for prepaying the loan;
- Prepayment penalty charge for any underlying lien (including subordinate financing) being paid off with the proposed transaction if the underlying lien is currently held or serviced by the creditor or its affiliate; and
- Premiums for credit insurance; credit property insurance; other life, accident, health or loss-of-income insurance where the creditor is beneficiary; or debt cancellation or suspension coverage payments.

## Ability to Repay and Qualified Mortgage Policy

The following items are **not included** in the points and fees calculation:

- Interest fees or the time-price differential;
- FHA Upfront Mortgages Insurance Premiums (UFMIP) and annual Mortgage Insurance Premiums (MIPs);
- USDA Guaranty fees;
- VA Funding fees;
- Monthly private mortgage insurance (PMI). The portion of upfront PMI that does not exceed the current FHA upfront MIP may also be excluded if the premium is refundable on a prorated basis and a refund is automatically issued upon loan satisfaction.
- Bona fide third-party fees only if they are not retained by the creditor, broker, an individual LO, or affiliate of either;
- Real estate related fees if reasonable in amount and not paid directly or indirectly to a creditor or creditor's affiliate, including, but not limited to:
  - Title fees including title insurance, property survey, title exam, etc.;
  - Fees for preparing loan related documents (deeds, mortgages, etc.);
  - Notary fees;
  - Credit report fees;
  - Appraisal/inspection fees;
  - Fees related to flood hazard determinations;
  - Amounts paid into escrow or trustee accounts that are not otherwise included in the finance charge (except for amounts held for future payment of taxes);
  - Bona Fide Discount Points
- Up to two bona-fide discount points (as defined under the ATR/QM Rule) may be excluded if the interest rate before the discount does not exceed the APOR for a comparable transaction by more than 1% point; and
- Up to 1 bona fide discount point if the interest rate before the discount does not exceed the APOR for a comparable transaction by more than 2 points;
  - Creditor paid charges (except for the loan originator compensation paid by the creditor that is required to be included in the points and fees); and
  - Seller paid charges that must be specifically included in the QM points and fees, such as loan originator compensation, origination fees, non-bona fide discount points, credit insurance, or prepayment penalties, etc.

### E. General QMs

Any loan that meets the product restrictions and points and fees limit with a maximum DTI ratio of 43.00% or less is considered a General QM.

### F. Temporary QMs

An Agency/GSE QM is defined as any loan that meets the product restrictions and points and fees limit and is eligible for purchase, guarantee, or insurance by an applicable Government-Sponsored Enterprise (GSE) (i.e., Fannie Mae or Freddie Mac) or guarantee by USDA.

Temporary QM loans are exempt from the maximum DTI requirement only if they are underwritten in compliance with the underwriting guidelines for the applicable GSE or agency.

## Ability to Repay and Qualified Mortgage Policy

The temporary provision allowing exemption of the maximum DTI requirements will be available only for covered transactions for which the creditor receives the consumer's application before the mandatory compliance date of final amendments to the General QM loan definition in Regulation Z; the Temporary GSE QM loan definition will expire for Fannie Mae or Freddie Mac loans at the time the GSEs exit federal conservatorship.

### G. FHA QMs

As mandated by the ATR/QM Rule, HUD defined its own QM rules and adopted the requirements outlined below. Like the Temporary QM, the HUD QM rule exempts the maximum DTI requirement.

An FHA QM loan is a loan that is insured by HUD and that meets:

- the product and prepayment penalty restrictions defined under the ATR/QM Rule; and
- the points and fees limit defined under the ATR/QM Rule.

### H. VA QMs

As mandated by the ATR/QM Rule, the Department of VA defined its own QM rules and adopted the requirements outlined below. Like the Temporary QM, the VA QM rule exempts the maximum DTI requirement, but it defines a slightly different points and fees threshold for VA Interest Rate Reduction Refinancing Loans (IRRRL).

A VA QM loan is a loan that is insured by VA and that meets:

- the product and prepayment penalty restrictions defined under the ATR/QM Rule and
- the points and fees limit defined under the ATR/QM Rule for all standard VA loans (non-VA IRRRLs). For VA IRRRLs the total points and fees cannot exceed 3% regardless of loan size.

### I. Small Creditor QMs

Only creditors defined as a small creditor (refer to *Definitions* for more information) may originate Small Creditor QMs. Small Creditor QM loans may not have negative-amortization, interest-only, or balloon-payment features or terms that exceed 30 years. They also may not have points and fees that exceed the specified QM limits. In addition, in order for a loan to be a Small Creditor QM loan:

- The loan must be underwritten based on a fully-amortizing schedule using the maximum rate permitted during the first five years after the date of the first periodic payment.
- The loan must not be subject to a forward commitment (an agreement made at or prior to consummation of a loan to sell the loan after consummation, other than to a creditor that itself is eligible to make Small Creditor QMs).
- Consider and verify the consumer's income or assets, and debts, alimony, and child support.
- Consider the consumer's debt-to-income ratio (DTI) or residual income, although the rule sets no specific threshold for DTI or residual income.

Small Creditor QMs generally lose their QM status if they are sold or otherwise transferred less than three years after consummation. However, a Small Creditor QM keeps its QM status if it meets one of these criteria:

- Sold more than three years after consummation.
- Sold to another creditor that meets the criteria regarding number of originations and asset size, at any time.

## Ability to Repay and Qualified Mortgage Policy

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- Sold pursuant to a supervisory action or agreement, at any time.
- Transferred as part of a merger or acquisition of or by the creditor, at any time.

### J. Balloon Payment QMs

Only creditors defined as a small creditor that operates in a rural or underserved area will be able to make Balloon-Payment QMs. (refer to 2.4.2 *Definitions* for more information).

Balloon-Payment QMs must not have negative-amortization or interest-only features and must comply with the points-and-fees limits for Qualified Mortgages. Additionally, the loan must:

- Be a fixed rate loan and have periodic payments (other than the balloon payment) that would fully amortize the loan over 30 years or less.
- Have a term of five years or longer.
- Not be subject to a forward commitment (an agreement made at or prior to consummation of a loan to sell the loan after consummation, other than to a creditor that itself is eligible to make Balloon-Payment QMs).

Additionally, the creditor must determine that:

- The consumer will be able to make the scheduled periodic payments (including mortgage-related obligations) other than the balloon payment.
- The consumer's income or assets, and debts, alimony, and child support.
- The consumer's debt-to-income ratio (DTI) or residual income, although the rule sets no specific threshold for DTI or residual income.

Like Small Creditor QMs, Balloon-Payment QMs generally lose their QM status if they are sold or otherwise transferred them less than three years after consummation. However, a Balloon-Payment QM keeps its QM status if it meets one of these criteria:

- Sold more than three years after consummation.
- Sold to another creditor that meets the criteria regarding operating in rural or underserved areas, number of originations, and asset size, at any time.
- Sold pursuant to a supervisory action or agreement, at any time.
- Transferred as part of a merger or acquisition of or by the creditor, at any time.

## 8. Legal Presumption of Compliance

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The ATR/QM rule provides a legal presumption that creditors originating QMs have complied with ATR requirements.

- A **safe harbor presumption** gives the creditor some assurance that it will be considered to have satisfied the ATR if a borrower claims the creditor failed to meet the ATR requirements in making the loan. The borrower can still challenge whether the loan meets the definition of a QM, but the safe harbor presumption reduces litigation risk.
- A **rebuttable presumption** means that a defaulted borrower may rebut the presumption that the creditor considered their ability to repay the loan by proving the creditor did not properly consider their ability to repay the loan. Loans with rebuttable presumption are still QM loans, but they carry a higher litigation risk.

Each type of QM has a different threshold/definition for legal presumption of compliance. Generally, the legal presumption of compliance is based on whether the loan is considered a higher-priced transaction.

## Ability to Repay and Qualified Mortgage Policy

Additionally, the threshold for a higher-priced transaction defined by the ATR/QM Rule is similar to the threshold for a higher-priced mortgage loan (HPML), but unlike the HPML threshold, the HPQM threshold applies to both owner-occupied and second home transactions and does not have a higher threshold for first lien transactions that exceed the conforming loan limit.

### A. General and Temporary QM Presumption of Compliance

A higher-priced General or Temporary QM is a loan with an APR that exceeds the thresholds outlined below.

- General or Temporary QM loans that do not exceed the threshold for a higher-priced transaction have safe harbor.
- General or Temporary QM loans that exceed the threshold for a higher-priced transaction have rebuttable presumption.

Lien Position	Threshold
First Mortgage	The APR cannot exceed <b>1.5%</b> over the average prime offer rate (APOR) for a comparable transaction* in effect as of the date the interest rate is set (locked).
Second Mortgage	The APR cannot exceed <b>3.5%</b> over the average prime offer rate (APOR) for a comparable transaction* in effect as of the date the interest rate is set (locked).

\* Comparable transaction is a higher-priced mortgage loan is a consumer credit transaction secured by the consumer's principal dwelling with an annual percentage rate that exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set by the specified margin. The table of average prime offer rates published by the Bureau indicates how to identify the comparable transaction.

### B. FHA QM Presumption of Compliance

In accordance with the ATR/QM Rule, HUD established its own threshold to determine whether FHA loans are considered higher-priced and will have a safe harbor or rebuttable presumption litigation risk. The thresholds for safe harbor and rebuttable presumption for FHA QM loans are outlined below:

Presumption of Compliance Category	Threshold
Safe Harbor	The APR <b>does not</b> exceed <b>1.15% plus the current annual MIP factor for the applicable FHA loan</b> over the average prime offer rate (APOR) for a comparable transaction* in effect as of the date the interest rate is set (locked).
Rebuttable Presumption	The APR <b>exceeds 1.15% plus the current annual MIP factor for the applicable FHA loan</b> over the average prime offer rate (APOR) for a comparable transaction* in effect as of the date the interest rate is set (locked).

## Ability to Repay and Qualified Mortgage Policy

### C. VA QM Presumption of Compliance

In accordance with the ATR/QM Rule, VA established its own standard to determine whether VA loans have a safe harbor or rebuttable presumption litigation risk as outlined below:

Category	Requirements
Safe Harbor – Standard VA Loans	Standard VA loans are considered safe harbor as long as they have an acceptable Automated Underwriting System (AUS) recommendation or are manually underwritten and meet VA requirements.
Safe Harbor –VA IRRRL Loans	VA IRRRLs are considered safe harbor if all VA IRRRL requirements are met and all of the following qualifications are also met. <ul style="list-style-type: none"><li>• Loan being refinanced originated at least 6 months or more before the date of the new loan’s closing date</li><li>• Veteran has not been more than 30 days past due during such 6-month period</li><li>• Recoupment period for all fees and charges financed as part of the loan or paid at closing does not exceed 36 months</li><li>• All other applicable VA IRRRL requirements are met</li></ul>
Rebuttable Presumption – VA IRRRL Loans	VA IRRRLs are considered rebuttable presumption if all VA IRRRL requirements are met, but any of the following factors exist: <ul style="list-style-type: none"><li>• Borrower has had 30-day or more past-due payments in the last 6 months, or</li><li>• Prior loan was consummated less than 6 months prior to the new loan’s consummation date or</li><li>• New loan’s fees and charges are not recouped within 36 months</li></ul>

### D. Small Creditor or Balloon Payment QM Presumption of Compliance

A higher-priced Small Creditor or Balloon Payment QM is a first or second lien loan with an APR that exceeds 3.5% over the average prime offer rate (APOR) for a comparable transaction\* in effect as of the date the interest rate is set (locked).

- Small Creditor or Balloon Payment QM loans that do not exceed the threshold for a higher-priced transaction have safe harbor.
- Small Creditor or Balloon Payment QM loans that exceed the threshold for a higher-priced transaction have rebuttable presumption.

### E. QM Safe Harbor for Certain Loans Held in Portfolio

The Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA) signed into law on May 24, 2018 provides an expansion of the QM safe harbor to include some loans made by insured depository institutions and credit unions with less than \$10 billion in assets (including the assets of all affiliates), and that originate and maintains those loans in the creditor’s portfolio.

Additionally, in order for the loan to be considered as a QM with safe harbor, the loan must meet the following requirements:

## Ability to Repay and Qualified Mortgage Policy

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- Cannot have an interest-only feature;
- Cannot have negative amortization;
- Total points and fees on the loan cannot exceed 3% of the total loan amount;
- Must be in compliance with limitations on prepayment penalties under Regulation Z; and
- The creditor must consider and document the debt, income, and financial resources of the consumer, although the QM maximum DTI limit does not apply.

These portfolio loans will lose their QM status if the loan is sold, assigned or transferred by the creditor unless the sale, assignment and transfer is:

- Sold more than three years after consummation.
- Sold to another creditor that meets the criteria regarding operating in rural or underserved areas, number of originations, and asset size, at any time.
- Sold pursuant to a supervisory action or agreement, at any time.
- Transferred as part of a merger or acquisition of or by the creditor, at any time.

Loans meeting these requirements to be deemed a QM will lose the QM status if the loan is sold, assigned, or transferred:

- to another person by reason of the bankruptcy or failure of the lender;
- to another institution with less than \$10 billion in assets and the loan is retained in portfolio by that institution; or
- in connection with a merger or acquisition of the covered institution; or to a wholly owned subsidiary of the covered institution.

## 9. QM Points and Fees Cure Provisions

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The ATR/QM Rule allows a creditor to cure a closed loan that exceeds the points and fees limit, if it, due to an error in good faith, closed a loan with points and fees exceeding the limit set forth in the rule.

The loan can be cured as long as it otherwise meets the requirements for a QM. The creditor must make a payment to the borrower to cure the points and fees within 210 days after loan closing and prior to the occurrence of any of the following events:

- the borrower's initiation of an action in connection with the loan;
- the lender, assignee, or servicer receiving the borrower's written notice that the loan's total points and fees exceed the applicable limit; or
- the borrower becoming 60 days past due on the legal obligation.

The amount of the cure payment to the borrower must not be less than the sum of:

- The dollar amount by which the loan's total points and fees exceeds the applicable points and fees limit; and
- Interest on the dollar amount of the cure payment, calculated using the contract interest rate applicable from the time of closing until the cure payment is made to the borrower. Interest must be calculated using the note interest rate applicable during the period from loan closing until the cure payment is made to the borrower.

## **Ability to Repay and Qualified Mortgage Policy**

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FHA did not adopt the CFPB's cure provision that allows the cure period to extend beyond insurance endorsement mostly because the points and fees limit for FHA loans is a requirement for insurability of the loan by FHA. However, FHA will allow approved lenders to cure errors before submission for insurance endorsement provided all eligibility criteria are met at the time of insurance endorsement.

# Advertising and Marketing Policy

Revision Date: 1/25/2021

## 1. Overview

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Mortgage advertising and mortgage business solicitations are subject to federal and state consumer protection and mortgage licensing laws and regulations that cover any type of commercial communication that is placed in the public domain, whether intentionally or unintentionally. Advertising is often scrutinized by federal Consumer Financial Protection Bureau (CFPB) examiners, state regulatory agencies administering mortgage licensing laws, when applicable, and consumer protection advocates. The laws governing mortgage advertising include, but are not limited to, the following:

- Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM);
- Equal Credit Opportunity Act (ECOA);
- Fair Credit Reporting Act (FCRA);
- Fair Housing Act;
- Mortgage Advertising Practices Rules (MAP Rule) – Regulation N;
- Real Estate Settlement Procedures Act (RESPA);
- Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act);
- Telephone Consumer Protection Act (TCPA);
- Truth in Lending Act – Regulation Z;
- Unfair, Deceptive and Abusive Acts or Practices (UDAAP); and
- Various State Telemarketing and Advertising Laws

## 2. Definitions

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The following definition applies for this Policy.

- **Advertisement** – means a commercial communication or message, in any medium, that is designed to directly or indirectly promote, a credit transaction. Advertising examples and various mediums include, but are not limited to:
  - Print advertising in a newspaper, directory, catalog or magazine
  - Announcements on the radio, television or other public address systems
  - Electronic messages, such as email marketing, online advertising, electronic billboards, text messaging or websites
  - Printed marketing materials including letters, flyers, brochures, and interior or exterior signs or billboards
  - Direct mail postcards, brochures, letters, and messages on consumer statements sent to customers or non-customers
  - Telephone solicitations, telephone voice response systems and telephone hold messages
  - Social media communications, including, but not limited to, Facebook, Twitter, blog posts, LinkedIn, online newsletters, emails, YouTube, personal websites, branch or loan officer
  - websites, and other sites and services that allow users to share information online. This Policy applies to the professional use of social media on behalf of The Mortgage Maniac as well as personal use of social media referencing The Mortgage Maniac or services provided by employee in connection with employment at The Mortgage Maniac.

## Advertising and Marketing Policy

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- **Commercial Communication or Message** – means any written or oral statement, illustration, or depiction, whether in English or any other language, that is designed to effect a sale or create interest in purchasing goods or services, whether it appears on or in a label, package, package insert, radio, television, cable television, brochure, newspaper, magazine, pamphlet, leaflet, circular, mailer, book insert, free insert, letter, catalogue, poster, chart, billboard, public transit card, point of purchase display, film, slide, audio program transmitted over a telephone system, telemarketing script, on-hold script, upsell script, training materials provided to telemarketing firms, program-length commercial ("infomercial"), the internet, cellular network, or any other medium. Promotional materials and items and web pages are included in the term commercial communication.
- **Firm Offer of Credit** – means any offer of credit or insurance to a consumer that will be honored if the consumer is determined, based on information in a consumer report on the consumer, to meet the specific criteria used to select the consumer for the offer.

### 3. Policy Statement

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The Mortgage Maniac complies with both federal mortgage lending advertising requirements and specific laws and regulations regarding advertising in the states in which The Mortgage Maniac does business. It is The Mortgage Maniac's policy that all advertising materials be truthful and non-deceptive, reasonable, nondiscriminatory and fair, and must include all appropriate required disclosures. Employees responsible for the creation and distribution of any advertising and marketing materials are required to comply with federal consumer protection laws. It is mandatory that any advertising done by The Mortgage Maniac branch offices and/or loan originators comply with this Policy.

### 4. Advertisement Approval Process

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All forms of advertising must be approved by the Compliance Department prior to use. Employees must submit the following documentation to the Compliance Department via email to obtain approval:

- a copy of the material to be approved;
- copies of any supporting materials, including but not limited to, endorsements, audio/video scripts, vendor agreements, or other materials referenced in the advertisement; and
- a complete description of the proposed advertisement and how and where it will be used.

The employee seeking approval is responsible for obtaining the necessary approvals from the Compliance Department before using or proceeding with the advertisement.

The Compliance Department will retain copies of all advertisements to ensure that regulatory and disclosure requirements are satisfied and for review by state or federal examiners. Advertisements will be retained for a minimum of 3 years or in accordance with state record retention requirements if the state requires a longer retention period.

### 5. General Advertising Requirements

This section contains a general guide for advertising requirements. However, additional requirements are included in the remaining sections of this Policy. For the reasons detailed below, the following disclosures and practices are required for all advertisements:

- **Company Name:** The Mortgage Maniac's licensed name must appear prominently in any advertising. The Mortgage Maniac's name must be at the top of any print advertisement. There must be no confusion as to who is placing the advertisement. The advertisement cannot appear as if it is coming from the borrower's current lender.
- **NMLS ID Numbers:** All advertising must include The Mortgage Maniac's main NMLS number and the NMLS number of any loan originator that is referenced in the advertisement.
- **Company Address:** Advertisements must include the company address as registered in NMLS.
- **Phone Numbers:** Any phone number referenced in the advertisement must be working, in clear view and be registered with NMLS.
- **Equal Housing Logo and Language:** All advertisements must include the HUD Equal Housing logo and legend.
- **NMLS Consumer Access:** Electronic advertisements must contain the link to [nmlsconsumeraccess.org](http://nmlsconsumeraccess.org) and print pieces must state [nmlsconsumeraccess.org](http://nmlsconsumeraccess.org). Any verbal advertisements must state that consumers may visit [nmlsconsumeraccess.org](http://nmlsconsumeraccess.org).
- **Disclaimers:** All disclaimers must be sufficiently clear and prominent. Disclaimers should be near the language that they are disclaiming and of equal prominence. Misleading language in an advertisement may not be remedied by a disclaimer.
- **Terms Triggering Additional Disclosures:** The use of interest rates, down payment amounts or percentages, or monthly payment amounts triggers additional disclosure requirements. Advertisements of this nature should not be taken lightly. If any of the following information is included in an advertisement, then all of the additional required terms must also be included in the same advertisement:
  - 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

Additional Required Terms:

- The amount or percentage of down payment
- The terms of repayment, which reflect the repayment obligations over the full term of the loan, including any balloon payment
- The "annual percentage rate," using that term, and, if the rate may be increased after consummation, that fact.

## Advertising and Marketing Policy

- **Endorsements:** If the advertisement includes an endorsement, then the endorsement used must reflect the honest opinions, findings, beliefs or experience of the endorser. Endorsements may not convey any express or implied representation that would be deceptive if made directly by The Mortgage Maniac. Endorsements may not be presented out of context or paraphrased to eliminate negative connotations. The endorsement must be typical of consumer opinions of the product or service unless the advertisement uses a disclaimer, such as “results not typical.”

If an endorsement is included in an advertisement, the employee must submit a physical copy of the endorsement in addition to the advertisement to obtain approval. An endorsement may not be used if there is no physical proof of the endorsement (i.e. letter, email, social media screenshot, etc.).

- **Guaranties or Promises:** The advertisement cannot appear to make any guaranties or promises. For example, do not use the word “Free.”
- **Special Offers:** If the advertisement makes a special offer, then the advertisement must contain all the conditions necessary for the consumer to get the benefit of the offer; a statement as to which locations are participating in the offer; and an expiration date for the offer.
- **Refinancing:** If an advertisement states or implies that a consumer can reduce a monthly payment by refinancing a current mortgage loan, then the advertisement must clearly and conspicuously disclose to the consumer that by refinancing the consumer’s existing loan, the consumer’s total finance charges may be higher over the life of the loan.
- **Terms Subject to Change:** All advertisement that contains specific loan terms, including a rate of interest, must state that the expressed terms and rates are subject to change and may not be available at the time of the loan commitment or rate lock agreement.
- **Limited or No Documentation Loans:** An advertisement that contains a statement that The Mortgage Maniac can arrange “low doc/no doc,” “no income/no asset,” “stated income,” “stated asset,” “no ratio” or similar loan products must include a statement that these products may have a higher interest rate, more points or more fees than other products requiring documentation.

For the reasons detailed below, the following practices are prohibited in all advertising:

- **Misleading Language:** Advertisements must not contain any false, deceptive or misleading language. If any information in the advertisement is considered false or misleading, then the entire advertisement can be considered deceptive, even if non-deceptive interpretations are possible. Examples of false or misleading language and information include:
  - “Pre-Qualified” or “Pre-Approved” (“Pre-Selected” is okay);
  - “Best Rates” (unless it can be documented that these are in fact the best of all possible rates) (“Great Rates” or “Fantastic Rates” are okay);
  - “No Closing Costs” (there are always closing costs, instead say “We will pay your closing costs”);
  - Comparing renting to owning without disclosing necessary information or making definitive claims such as “Owning is ALWAYS better than renting” (Some people may prefer renting); and

## Advertising and Marketing Policy

- Using a P&I equivalent to a rent payment without disclosing all the additional costs of home ownership (taxes, lawn care, insurance, utilities that rent may cover, etc.). The only viable way to compare renting and owning is to conclude that one is not always better than the other. One possible solution is to name the benefits of home ownership without explicitly comparing it to renting.
- **Federal Government or Agency Affiliations:** An advertisement may not contain any indication or allusion that the communication is coming from the Federal Government or an agency of the Federal Government. The use of any Federal Agency logos or logos that resemble those of any Federal Agency are prohibited, except the Equal Housing Logo, as stated above.
- **Lotteries:** Employees may not create or participate in lotteries to advertise or otherwise promote The Mortgage Maniac.
- **Personal Email Accounts:** Employees may not use their personal email addresses to distribute any advertisement relating to The Mortgage Maniac or its operations.
- **Advertising based on Prohibited Bases:** Any advertisement may not discriminate against potential borrowers on any prohibited basis, including race, color, religion, national origin, sex, marital status, age, handicap, familial status, receipt of public assistance income, or because an applicant has in good faith exercised any rights under the Consumer Credit Protection Act.
- **Foreign Language Advertisements:** The advertisement must not provide some information about trigger terms or required disclosures in a foreign language and then provide information about other trigger terms in another language in the same ad.
- **Terms of Loan:** The Mortgage Maniac and its employees may not misrepresent the terms of a loan, availability of a loan, interest rates, or charges incident to a loan. All loan terms must be available for a borrower at the time they are advertised.
- **Fixed Rates:** Employees cannot state that rates or payments for loans are “fixed” when those rates or payments can vary without adequately disclosing that the interest rate or payment amounts are “fixed” only for a limited period of time, rather than for the full term of the loan.
- **Comparisons between Hypothetical and Actual Credit Payments or Rates:** Employees cannot make comparisons between actual or hypothetical credit payments or rates and any payment or rate available under the advertised product for a period less than the full term of the loan. The following exceptions apply:
  - The Advertising contains a clear and conspicuous comparison to the information required to be disclosed including:
    - Each simple annual rate of interest that will apply. In variable-rate transactions, a rate determined by adding an index and margin shall be disclosed based on a reasonably current index and margin;
    - The period of time during which each simple annual rate of interest will apply;
    - The annual percentage rate for the loan;
    - The amount of each payment that will apply over the term of the loan, including any balloon payment. In variable-rate transactions, payments that will be determined based on the application of the sum of an index and margin shall be disclosed based on a reasonably current index and margin;

## Advertising and Marketing Policy

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- The period of time during which each payment will apply; and
  - In an advertisement for credit secured by a first lien on a dwelling, the fact that the payments do not include amounts for taxes and insurance premiums, if applicable, and that the actual payment obligation will be greater.
- **Debt Elimination Claims:** Employees cannot make claims that a loan product will eliminate the consumer's debt if the advertised product would merely replace one debt obligation with another.
  - **Counselors:** Employees cannot create a false impression that The Mortgage Maniac or the loan originator or the employee making the advertisement is a "counselor" for the consumer.
  - **Prohibited Content:** Employees are prohibited from posting any of the following prohibited content in any advertisement:
    - pornographic material;
    - a false and defamatory statement about any person or organization;
    - material which is offensive, obscene, criminally discriminatory, derogatory or may cause embarrassment to The Mortgage Maniac, its clients or its staff;
    - confidential information about The Mortgage Maniac or any of its staff or clients (which the staff member does not have express authority to disseminate);
    - any other statement which is likely to create any liability (whether criminal or civil, and whether for the staff member or for The Mortgage Maniac); or
    - material in breach of copyright or other intellectual property rights, or which invades the privacy of any person.
  - **Representation as an Entity other than Mortgage Originator:** The Mortgage Maniac and its employees cannot represent that The Mortgage Maniac is a bank, trust company, savings bank, savings and loan association, credit union or insurance company.
  - **Consumer Loan Number or Loan Amount:** Advertisements cannot include the consumer's loan number or loan amount whether or not publicly available without the consent of the consumer.

## 6. Federal Advertising Regulations

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Below are advertising and marketing restrictions from federal regulations. Failure to properly comply with various marketing and advertising guidelines as dictated by The Mortgage Maniac policy or federal and state requirements may result in exposing The Mortgage Maniac and participating employees to negative publicity and costly monetary penalties.

### A. CAN-SPAM

The Federal Trade Commission (FTC) issued regulations that establish requirements pursuant to the Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM Act). The CAN-SPAM Act sets forth rules for commercial email, establishes requirements for commercial messages, and gives recipients the right to opt-out from receiving commercial e-mails. The CAN-SPAM Act applies to all commercial messages and does not make any exception for business-to-business email. The requirements also apply to messages generated by mobile banking, such as SMS.

## Advertising and Marketing Policy

The Mortgage Maniac will follow the requirements of the CAN-SPAM Act, implementing FTC Regulations, and applicable state laws with respect to the unsolicited promotion of a commercial product or service via email.

The CAN-SPAM Act applies to email messages where the primary purpose is commercial. The Act does not apply to transactional or relationship messages. When determining if the primary purpose is commercial, the following is considered:

- If the email consists exclusively of a commercial advertisement or promotion, it is covered by the rule;
- If the email consists of both transactional or relationship-based information and an advertisement or promotional message, then it will be covered by the rule if:
  - A recipient would reasonably interpret the subject line of the email as an advertisement; or
  - The transactional part of the email does not appear at the beginning of the body of the message;
- If the email consists of an advertisement or promotional content and other content that is not transactional or relationship based, then it will be covered by the rule if:
  - A recipient would reasonably interpret the subject line of the email as an advertisement; or
  - A recipient interpreting the body of the message would likely conclude that the email is an advertisement.

The Mortgage Maniac will not send any e-mails where the primary purpose is commercial, unless that email message complies with the following requirements:

- The email may not be false or misleading;
- “From”, “To”, and routing information, including the originating domain and email address, must accurately identify the company and/or person who initiated the message;
- The subject line must clearly describe the contents or subject matter of the message;
- The message must contain clear and conspicuous notice that the message is an advertisement or solicitation;
- The message must include the company’s physical postal address; and,
- A functioning opt-out mechanism is required.

### Opt-Out Mechanism

All e-mails where the primary purpose is commercial must include a clear and conspicuous explanation of how the recipient can opt-out of receiving commercial email messages from The Mortgage Maniac in the future. Further, it must include an easy to recognize notice that provides a toll-free telephone number or valid sender-operated return e-mail address (or other internet-based way) that a recipient may use to contact The Mortgage Maniac with instructions not to email any further unsolicited commercial messages. Individuals requesting to no longer receive such e-mails must not be sent any other unsolicited commercial messages.

The Mortgage Maniac shall follow the opt-out requirements of the CAN-SPAM Act by complying with the following:

- Maintain the ability for the user to process opt-out requests for at least 30 days after an unsolicited commercial email has been sent.

## Advertising and Marketing Policy

- Stop sending commercial email to the requestor's email address, within 10 business days of receipt of the opt-out request and will not help another entity send email to the requestor's address, or have another entity send email on behalf of The Mortgage Maniac to that address.
- Not sell or transfer the email addresses of people who choose not to receive unsolicited commercial email.
- Monitor vendors who distribute commercial emails on its behalf to ensure compliance with the CAN-SPAM Act requirements.
- Not charge a fee, require the recipient to provide any personally identifying information beyond an email address, or make the recipient take any step other than sending a reply email or visiting a single page on an Internet website as a condition for honoring an opt-out request.

### B. Equal Credit Opportunity Act – Regulation B

The purpose of the Equal Credit Opportunity Act (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. In regard to advertising, marketing, and general communications, one of ECOA's comprehensive prohibitions is prohibiting a creditor from making 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.

ECOA is concerned with creditor behavior both before and after an application is taken. For example, a creditor may not advertise its credit services and practices in ways that would tend to encourage some types of borrowers and discourage others on a prohibited basis. In addition, a creditor may not use prescreening tactics likely to discourage potential applicants on a prohibited basis. However, a creditor may affirmatively solicit or encourage members of traditionally disadvantaged groups to apply for credit, especially groups that might not normally seek credit from that creditor.

### C. Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) is responsible for consumer reporting agencies and users of consumer reports and it contains provisions for users of consumer reports to obtain prescreened consumer reports to make firm offers of credit or insurance to consumers, unless the consumers opt-out of being included on prescreened lists. FCRA does not permit an institution to use a prescreened list solely to send promotional material. FCRA contains many requirements, including an opt-out notice requirement when prescreened consumer reports are used. To avoid violating the FCRA, The Mortgage Maniac will ensure that the FCRA's requirements are satisfied when making firm offers of credit.

FCRA permits prescreening if The Mortgage Maniac makes a firm offer of credit to each consumer whose name appears on the prescreened list. A financial institution must extend credit to each individual on the prescreened consumer list under the terms of the firm offer. The firm offer must be unconditional; all a consumer must do to receive the credit is accept the offer.

A firm offer of credit may only be conditioned on three specific requirements:

- Pre-selected criteria bearing on the consumer's creditworthiness which are maintained in writing by The Mortgage Maniac prior to any communication with the individual;
- Verification that the consumer continues to meet the specific criteria used to select the consumer for the offer; and
- The consumer furnishing acceptable collateral that was both established before the selection of the consumer and disclosed to the consumer in the offer.

## Advertising and Marketing Policy

Section 615(d) of FCRA contains consumer protections and technical notice requirements concerning prescreened offers of credit. Firm offers of credit must be accompanied by two prescreened opt-out notices. These notices alert consumers that they are receiving the offer because they meet certain creditworthiness criteria.

The **short notice** must be a clear and conspicuous, simple, and easy-to-understand statement on the first page of the primary promotional document in the solicitation or, in the case of electronic messages it must be on the same page and in close proximity of the primary marketing message. Furthermore, the short notice must be in a type size larger than the primary text on the same page, and it may not be smaller than 12-point type. If the notice is provided by electronically, the notice must be larger than the type size of the primary text on the same page.

It must contain only the following information:

- states that the consumer has the right to opt-out of receiving prescreened solicitations;
- provides a toll-free number and direct consumers to the existence and location of the long notice;
- states the title of the long notice; and

The model prescreened opt-out short notice contained in Appendix D to 12 CFR Part 1022 provides samples of the context. The model prescreen short notice text is shown below:

*You can choose to stop receiving “prescreened” offers of credit from this and other companies by calling toll-free (toll-free number). See PRESCREEN & OPTOUT NOTICE on other side (or other location) for more information about prescreened offers.*

The **long notice** must be a clear and conspicuous, simple, and easy-to-understand statement that includes the information required by Section 615(d) of the FCRA and may not include any other information that interferes with, detracts from, contradicts, or otherwise undermines the purpose of the notice. The notice must appear in the solicitation, be set apart from other text on the page, and be in a type size no smaller than the primary text on the same page, but in no instance smaller than 8-point type. If the notice is provided electronically, the notice must be larger than the type size of the primary text on the same page. Further, the notice must include the following information:

- Begin with a heading in capital letters identifying the long notice as the “PRESCREEN AND OPT-OUT NOTICE”;
- A statement that a consumer report has been used;
- That the consumer received the solicitation because the consumer met the criteria for the credit being offered;
- That the consumer may not receive such credit if the consumer does not actually meet the criteria for the credit;
- That the consumer can prohibit the use of his/her consumer report in future solicitations; and
- Contact information the consumer may use to opt-out of such future solicitations.

The model prescreened opt-out long notice contained in Appendix D to 12 CFR Part 1022 provides samples of the context. The model prescreen long notice text is shown below:

*PRESCREEN & OPT-OUT NOTICE: This “prescreened” offer of credit is based on information in your credit report indicating that you meet certain criteria. This offer is not guaranteed if you do not meet our criteria (including providing acceptable property as collateral). If you do not want to receive prescreened offers of credit from this and other companies, call the consumer reporting agencies (or name of consumer reporting agency) toll-free, (toll-free number); or write: (consumer reporting agency name and mailing address).*

### D. Fair Housing Act

Section 804(c) of the Fair Housing Act as amended, makes it unlawful to make, print, or publish, or cause to be made, printed, or published, any notice, statement, or advertisement, with respect to the sale or rental of a dwelling, that indicates any preference, limitation, or discrimination because of race, color, religion, sex, handicap, familial status, or national origin, or an intention to make any such preference, limitation, or discrimination. The prohibition applies to publishers, such as newspapers and directories, as well as to persons and entities who place real estate advertisements in newspapers and on websites.

The Fair Housing Act §109.20 prohibits the use of “words, phrases, photographs, illustrations, symbols or forms of any kind” that give an impression that a property is available (or not available) only to certain types of people. This is to ensure that advertisements do not convey either overt or tacit discriminatory preferences or limitations. Words describing, or photos, symbols or logos that suggest, race, color, religion, sex, handicap, familial status, or national origin are prohibited. The Mortgage Maniac prohibits the use of these and comparable words, phrases, photos symbols, and forms in all forms of communications.

Fair Housing Act §109.25 details how the selective use of advertising media or content can lead to discriminatory results and may indicate a violation of the Fair Housing Act. Advertisements should be placed selectively within a limited geographic area to avoid redlining, such as advertisements placed only in media serving non-minority markets. Additionally, the Equal Housing Opportunity slogan or logo may not be selectively used in advertising and marketing campaigns. Further, human models used in advertisements must be diverse and should not cater to only a particular race or national origin. Models should portray persons in an equal social setting and indicate to the general public that the housing is open to all without regard to race, color, religion, sex, handicap, familial status, or national origin, and is not for the exclusive use of one group. The Mortgage Maniac prohibits the use of selective advertising media or content that can lead to any forms of discrimination.

### E. Mortgage Acts and Practices – Regulation N

The FTC and CFPB’s Mortgage Acts and Practices Advertising Final Rule (MAP Rule) bans deceptive claims about consumer mortgages in advertising or other types of commercial promotions, sets forth specific deceptive acts and practices in the advertising of mortgage loan products, and prohibits misrepresentation in any commercial communication concerning terms of mortgage loan products. The MAP Rule applies to all entities within the FTC’s jurisdiction that advertise mortgages, such as mortgage brokers, lenders, and servicers; real estate brokers and agents; home builders; advertising agencies; lead generators; and others. The MAP Rule, however, does not cover banks, thrifts, federal credit unions, and other entities that are outside the FTC’s jurisdiction; however, it provides valuable guidelines for all lenders, including banks.

It is a violation of the MAP Rule for any person to make any material misrepresentation, expressly or by implication, in any commercial communication, regarding any term of any mortgage credit product, including but not limited to misrepresentations about:

- The interest charged for the product – amount of interest in the monthly payment, loan amount, or total amount due;
- The annual percentage rate, simple annual rate, periodic rate, or any other rate;
- Information about the existence, nature, or amount of fees or costs to the consumer for the mortgage credit product including but not limited to misrepresentations that no fees are charged;

## Advertising and Marketing Policy

- Information about the existence, nature, or amount of fees or costs to the consumer for any additional product that may be sold in conjunction with the mortgage credit product;
- The terms, amounts, payments, or other requirements relating to taxes or insurance associated with the mortgage credit product including whether separate payment of taxes or insurance is required or the extent to which payment for taxes or insurance is included in the loan payments, loan amount, or total amount due from the consumer;
- Any prepayment penalty associated with the mortgage credit product;
- The variability of interest, payments, or other terms of the mortgage credit product, including but not limited to misrepresentations using the word “fixed”;
- Any comparison between a rate or payment that will be available for a period less than the full length of the mortgage credit product and an actual or hypothetical rate or payment;
- The type of mortgage credit product;
- The amount of the obligation and the nature of cash or credit components of the obligation;
- The existence, number, amount, or timing of any minimum or required payments;
- The potential for default under the mortgage credit product and circumstances of default;
- The effectiveness of the mortgage credit product in helping the consumer resolve difficulties in paying debts;
- The association of the provider of the mortgage credit product with any other person or program;
- The source of any commercial communication about the mortgage credit product;
- The right of the consumer to reside in the dwelling that is the subject of the mortgage credit product;
- The consumer’s ability or likelihood to obtain any mortgage credit product or term;
- The consumer’s ability or likelihood to obtain a refinancing or modification of any mortgage credit product or term; and
- The availability, nature, or substance of counseling services or any other expert advice offered to the consumer regarding any mortgage credit product or term.

### F. Real Estate Settlement Procedures Act

The Mortgage Maniac complies with all requirements under the Real Estate Settlement Procedures Act (RESPA), including the prohibition against kickbacks for referrals. Section 8(a) of RESPA prohibits any person from accepting or receiving a fee, kickback, or thing of value (including, but not limited to, money, payments, commissions, gifts, discounts, marketing services, giveaways, contests, tangible items or special privileges) for the referral of settlement business. Additionally, any person who gives or accepts any portion, split, or percentage of a charge for real estate settlement services, other than for services actually performed, is in violation of Section 8(b) of RESPA. Employees shall not give, receive or enter into any agreement that provides for compensation for referrals of mortgage loan business. Failure to comply with this requirement is grounds for immediate termination.

When two or more settlement service providers co-market their businesses through advertisements such as printed flyers, online banners or real estate portal web pages, the advertising efforts may be subject to analysis under RESPA Section 8. To avoid violations, each settlement service provider must pay the fair market value and its fair share for only the services it performs and goods it provides. Payments should never be made on the basis of expected business from one settlement service provider to another, only for the cost of goods and services provided.

To minimize the risk of RESPA violations, The Mortgage Maniac will:

- Require any joint marketing arrangements or agreements, marketing services agreements, or similar arrangements to be reviewed and approved by appropriate compliance personnel and/or legal counsel.
- Pay, or charge, the proper share based on the proportionate split of the fair market value for the creation/design, printing, mailing, and other services provided in connection with the advertisement. The payment or charge should be equal to the provider's share of the advertising cost in direct proportion to its prominence in the advertising. For example, if both parties are represented equally on the advertisement, then each is responsible for 50% of the advertising expense.
- Maintain and document a reasonable procedure to calculate joint marketing charges and apply it consistently to all joint marketing parties.
- Ensure marketing fees are reasonable in amount to the fair market value of the services actually performed.
- Maintain written agreements of the co-marketing arrangement and evidence that each party paid their pro rata share of the marketing cost.

### G. Secure and Fair Enforcement for Mortgage Licensing Act

All states have adopted and implemented the federal Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) administered by the CFPB. A component of the SAFE Act covers mortgage advertising and the need for disclosing both the mortgage entity and the individual mortgage loan originator's respective Nationwide Mortgage Licensing System and Registry unique identifier number on all advertising material, including websites, business cards, letterhead, take-aways, and printed/electronic/oral media advertising. The Mortgage Maniac will comply with all SAFE Act requirements when producing advertising materials.

### H. Truth in Lending Act

The Truth in Lending Act (TILA) requires that loan product advertisements provide accurate and balanced information, in a clear and conspicuous manner, about rates, monthly payments, and other loan features. TILA defines advertising rules for both closed-end mortgage products and open-end home equity mortgage loans. For both, TILA advertising rules ban several deceptive or misleading advertising practices, such as including representations that a rate or payment is fixed when in fact it can change.

#### Advertising Requirements for Closed-End Mortgages

The following advertising requirements under TILA apply to closed-end mortgage loan advertisements.

- **Actually Available Terms** – Advertisements for credit that state specific credit terms must state only those terms that actually are or will be arranged or offered by the creditor. Credit terms that are not available, or will not be available in the future, cannot be included in mortgage advertising.
- **Clear and Conspicuous Standard** – Disclosures required by this section must be made clearly and conspicuously, meaning that any of the TILA required disclosures or information must be in equal prominence, font size, and in close proximity to the triggering term with the exception of tax and insurance impounding requirements that need only be of equal prominence to the triggering term. For Internet and television advertisements, the required

## Advertising and Marketing Policy

disclosures must not be obscured by techniques such as graphical displays, shading, coloration, or other devices, and must be displayed in a manner that allows a consumer to read the information required to be disclosed and comply with all other requirements for clear and conspicuous disclosures. For example, very fine print in a television advertisement would not meet the clear and conspicuous standard.

- **Advertisement of Rate of Finance Charge** – Advertisements stating a rate of finance charge (interest rate) must state the rate as an annual percentage rate (APR), using that term. If the APR may be increased after consummation, the advertisement must state that fact. The APR must be calculated in accordance with the TILA calculation methods applicable to the particular type of transaction. Further, the advertisement must not state any other rate, except that a simple annual rate or periodic rate that is applied to an unpaid principal balance may be shown in the same type size as, and in close proximity to, the APR.
- **Terms Triggering Additional Disclosures** – TILA requires additional disclosures whenever any of the following triggering terms appear in advertisements.
  - The amount or percentage of any down payment;
  - The number of payments or period of repayment;
  - The amount of any payment; and
  - The amount of any finance charge.

An advertisement stating a triggering term above must also state the following terms, as applicable:

- The amount or percentage of any down payment;
- The terms of repayment, which reflect the repayment obligations over the full term of the loan, including any balloon payment; and
- The annual percentage rate, using that term, and if the rate may be increased after consummation.

When advertising a product containing a simple interest rate and where more than one simple interest rate applies over the term of the loan, the advertisement must, in a clear and conspicuous manner, disclose:

- Each simple rate of interest that will apply. For adjustable-rate transactions, disclose the rate determined by adding an index and margin based on a reasonably current index and margin;
- The period of time during which each simple annual rate of interest will apply; and
- The APR.

When an advertisement states the amount of any payment, the advertisement must, in a clear and conspicuous manner, disclose:

- The amount of each payment that will apply over the term of the loan, including any balloon payment and the balance due at maturity if not fully amortized. For adjustable-rate transactions, disclose the payments based on the application of the sum of a reasonably current index and margin;
- The period of time during which each payment will apply; and
- For first lien transactions, the fact that the payments do not include amounts for taxes and insurance premiums, if applicable, and that the actual payment obligation will be greater.

## Advertising and Marketing Policy

An advertisement made through television or radio stating any of the terms requiring additional disclosures described above must clearly and conspicuously state:

- The additional disclosures required; or
- The APR and list a toll-free telephone number, or any telephone number that allows a consumer to reverse the phone charges when calling for information, along with a reference that such number may be used by consumers to obtain additional cost information.

Further, when disclosures for triggering terms are required and the advertisement is a multiple page advertisement, such as a catalog format, or an electronic advertisement, or an advertisement appearing on an Internet website, a table or schedule may be used for the additional disclosures if it contains all of the applicable disclosures. The table or schedule must be displayed in a clear and conspicuous format somewhere within the advertisement and it must cross-reference the page number or links to where the table or schedule is located for the reader to find elsewhere.

- **Tax Implications** – If an advertisement states that an extension of credit could exceed the fair market value of the dwelling, the advertisement must also clearly and conspicuously state that:
  - the interest on the portion of the credit extension that is greater than the fair market value of the dwelling is not tax deductible for federal income tax purposes; and
  - the consumer should consult a tax adviser for further information regarding the deductibility of interest and charges.

In addition to the requirements listed above, the following acts or practices are prohibited:

- **Misleading Advertisement of Fixed Rates or Payments** – Use of the word fixed to refer to rates, payments, or the credit transaction in an advertisement for variable-rate transactions or other transactions where the payment will increase, unless in the case of an advertisement solely for one or more variable-rate transactions unless the phrase adjustable-rate mortgage, variable-rate mortgage, or ARM appears in the advertisement before the first use of the word fixed and is at least as conspicuous as any use of the word fixed in the advertisement; and each use of the word fixed to refer to a rate or payment is accompanied by an equally prominent and closely proximate statement of the time period for which the rate or payment is fixed, and the fact that the rate may vary or the payment may increase after that period.
- **Misleading Comparisons** – Making comparisons between actual or hypothetical credit payments or rates and any payment or simple interest rate available under the advertised product that are not available for the full term of the loan, with certain exceptions for advertisements for variable rate products.
- **Misrepresentation about Government Endorsements** – Describing products offered as government loan programs, government-supported loans, or otherwise endorsed or sponsored by a federal or state government entity unless the advertised products are government-supported or -sponsored loans.
- **Misleading Use of Lender's Name** – Displaying the name of a consumer's current mortgage lender, unless the advertisement also prominently discloses the name of the person or creditor making the advertisement and that the advertisement is from a mortgage lender not affiliated with the consumer's current lender.
- **Misleading Claims of Debt Elimination** – Advertising claims of debt elimination when the product advertised would merely replace one debt obligation with another.

- **Misleading Use of the Term Counselor** – Using the term counselor in an advertisement for a for profit mortgage broker or lender.
- **Misleading Foreign Language Advertisements** – Providing some information about trigger terms or required disclosures in a foreign language and then provide information about other trigger terms in another language in the same ad.

### Advertising Requirements for Open-End Mortgages

Advertisements for home equity line of credit (HELOC) mortgages that are secured by the consumer's dwelling, including a vacation or second home, may require additional disclosures. The following advertising requirements under TILA apply to HELOC advertisements.

- **Actually Available Terms** – Advertisement for credit that state specific credit terms must state only those terms that actually are or will be arranged or offered by the creditor. Credit terms that are not available, or will not be available in the future, cannot be included in mortgage advertising.
- **Clear and Conspicuous Standard** – Disclosures required by this section must be made clearly and conspicuously meaning that any of the TILA required disclosures or information must be in equal prominence, font size, and in close proximity to the triggering term with the exception of tax and insurance impounding requirements that need only be of equal prominence to the triggering term. For Internet and television advertisements, the required disclosures must not be obscured by techniques such as graphical displays, shading, coloration, or other devices, and must be displayed in a manner that allows a consumer to read the information required to be disclosed and comply with all other requirements for clear and conspicuous disclosures. For example, very fine print in a television advertisement would not meet the clear and conspicuous standard.
- **Terms Triggering Additional Disclosures** – TILA requires additional disclosures whenever any of the following triggering terms appear in advertisements for HELOC products.
  - The periodic rate used to compute the finance charge or the annual percentage rate.
  - A statement of when the finance charge begins to accrue, including the "free ride" period (if any).
  - The method of determining the balance on which a finance charge may be computed.
  - The method of determining the finance charge, including a description of how any finance charge other than the periodic rate, will be determined.
  - The payment terms of the plan, such as the length of the draw period, the repayment period and the minimum periodic payments.

An advertisement stating a triggering term above must also state the following terms, as applicable:

- Any loan fee that is a percentage of the credit limit under the plan and an estimate of any other fees for opening the plan stated as a single dollar amount or a reasonable range;
- Any periodic rate used to compute the finance charge, expressed as an APR; and
- The maximum APR that may be imposed in a variable rate plan.

Further, when disclosures for triggering terms are required and the advertisement is a multiple page advertisement, such as a catalog format, or an electronic advertisement, or an advertisement appearing on an Internet website, a table or schedule may be used for the additional disclosures if it contains all of the applicable disclosures. The table or schedule must

be displayed in a clear and conspicuous format somewhere within the advertisement and it must cross-reference the page number or links to where the table or schedule is located for the reader to find elsewhere.

- **Discounted and Premium Rates** – If an advertisement for a HELOC plan with a variable rate states a discounted rate (i.e. an initial APR that is not based on the index and margin used to make later rate adjustments), the advertisement must show with equal prominence and in close proximity to the initial rate:
  - The period of time the initial rate will be in effect; and
  - A reasonably current APR that would have been in effect using the index and the margin.
- **Balloon Payment** – When a HELOC advertisement contains a statement about any minimum periodic payment and a balloon payment may result if only minimum payments are made, it shall also state with equal prominence and in close proximity to the minimum periodic payment statement:
  - That a balloon payment will result; and
  - The amount and timing of the balloon payment that will result if the consumer makes only the minimum payments.
- **Tax Implications** – An advertisement that states that any interest expense incurred under the HELOC is or may be tax deductible may not be misleading. If an advertisement distributed in paper form or through the Internet (rather than by radio or television) is for a HELOC secured by the consumer’s principal dwelling, and the advertisement states that the advertised extension of credit may exceed the fair market value of the dwelling, the advertisement shall clearly and conspicuously state that:
  - The interest on the portion of the credit extension that is greater than the fair market value of the dwelling is not tax deductible for federal income tax purposes; and
  - The consumer should consult a tax adviser for further information regarding the deductibility of interest and charges.
- **Misleading Terms** – Advertisements may not refer to a HELOC as “free money” or any other misleading term.
- **Promotional Rates and Payments** – If an advertisement for a HELOC with a promotional rate or promotional payment period is made, the advertisement, other than television or radio advertisements, must show with equal prominence and in close proximity to the initial rate:
  - The period of time during which the promotional rate or promotional payment will apply;
  - In the case of a promotional rate, any annual percentage rate that will apply under the plan; and;
  - In the case of a promotional payment, the amounts and time periods of any payments that will apply under the plan. In variable-rate transactions, payments that will be determined based on application of an index and margin shall be disclosed based on a reasonably current index and margin.
- **Alternative Disclosures for Television and Radio** – Advertisements of HELOCs made through television or radio containing any of the triggering terms requiring additional disclosure may comply by:
  - Stating any periodic rate used to compute the finance charge, expressed as an annual percentage rate or APR; and,

- List a toll-free telephone number, or any telephone number that allows a consumer to reverse the phone charges when calling for information, along with a reference that such number may be used by consumers to obtain additional cost information. If the advertised telephone number provides a recording, disclosures should be provided early in the message to ensure that the consumer receives the required disclosures and they are not deemphasized by other information. Further, language must accompany a telephone number indicating that disclosures are available by calling the telephone number, such as “call 1-800-000-0000 for details about credit”.

### I. Telephone Consumer Protection Act

The Federal Communications Commission (FCC) has issued regulations that establish a national Do-Not-Call registry and other requirements pursuant to the Telephone Consumer Protection Act (TCPA). The FCC regulations detail certain requirements for entities that make telemarketing calls, such as complying with Do-Not-Call list requirements, limiting the use of prerecorded telephone calls and automatic dialing machines, and limiting the number of abandoned calls. The regulations also detail the FCC’s unsolicited facsimile advertising requirements.

Under the TCPA, a telephone solicitation or telemarketing means the initiation of a telephone call or message for the purpose of encouraging the purchase or rental of, or investment in, property, goods or services, but *does not include* a call or message to any person with that person’s permission, or to any person with whom the company has an established business relationship. An established business relationship is a prior or existing relationship between the company and a residential subscriber based on the subscriber’s purchase or transaction with the company within the 18 months immediately preceding the date of the telephone call, or on the basis of the subscriber’s inquiry or application regarding products or services offered by the company within the 3 months immediately preceding the date of the call, and where neither party has previously terminated the relationship. An individual may reasonably expect that an affiliate is included in an established business relationship based on products offered or the identity of the affiliate.

The TCPA generally imposes the following requirements on telephone solicitations. The Mortgage Maniac will take the following actions to comply with the TCPA when making telephone solicitations or telemarketing:

- Not initiate a telephone solicitation to a residential subscriber who has registered their number on the national Do-Not-Call registry.
- Maintain an internal do-not-call list of persons, including customers with business relationships, who requested to be excluded from telemarketing calls made by or on behalf of The Mortgage Maniac. These requests must be honored for 5 years.
- Not initiate a telephone solicitation to residential numbers before 8:00 am or after 9:00 pm, in the local time of the person receiving the telephone solicitation.
- When using an automatic dialing system, not abandon more than three percent of all telemarketing calls, and, when a call is abandoned, a prerecorded identification message must be delivered along with an automated opt-out mechanism to add the individual to the The Mortgage Maniac's internal do-not-call list. The Mortgage Maniac will maintain records documenting compliance with call abandonment rules.
- Not use an automatic telephone dialing system in such a way that two or more lines of a multi-line business are engaged simultaneously.
- Not disconnect an unanswered telemarketing call prior to at least 15 seconds or four rings.

## Advertising and Marketing Policy

- Not make any telemarketing and prerecorded messages, whether delivered by automated dialing equipment or not, without identifying The Mortgage Maniac's name, along with a telephone number that can be used during normal business hours to ask not to be called again. (The telephone number may not be a 900 number or any other number for which charges exceed local or long-distance transmission charges).
- Transmit caller ID information, when available, and will not block any such transmission(s) to the consumer.
- Not initiate prerecorded telephone calls or telephone calls using artificial voices to residential telephone numbers without the prior express written consent of the called party, including parties with whom there is an established business relationship, unless the calls are for emergency purposes, non-commercial purposes, or for commercial purposes that do not include unsolicited advertisements;
- Not make any artificial or prerecorded voice telephone messages without identifying The Mortgage Maniac's name, a telephone contact number for The Mortgage Maniac, and, if the prerecorded message is for telemarketing purposes, providing an automated opt-out mechanism for the called person to make a do-not-call request and enable the consumer to call The Mortgage Maniac at the telephone number provided during regular business hours.
- Not initiate any telephone call using an automatic telephone dialing system or an artificial or prerecorded voice to any emergency numbers, police or fire department numbers, hospital patient rooms, health care facilities, elderly homes, or mobile phone or pager numbers other than a call made for emergency purposes or with the prior express consent of the called party.
- Not make any unsolicited fax transmissions without the express written permission and signature of the intended recipient, unless there is an existing business relationship. The Mortgage Maniac will maintain records demonstrating that recipients have provided express permission to send fax advertisements or that there is an existing business relationship.

### **Prior Written Express Consent**

The Mortgage Maniac will obtain prior express written consent for any telemarketing and/or solicitations via prerecorded message to residential numbers and/or using an automatic dialing system to cell phone numbers. Prior express written consent will be obtained in a form that clearly authorizes The Mortgage Maniac to deliver telemarketing via prerecorded telephone calls and/or using an automatic dialing system and bear the electronic or physical signature of the individual.

An individual may revoke consent in any reasonable manner that clearly expresses their desire not to receive further calls. In the event The Mortgage Maniac pre-records messages and/or automatic telephone dialing systems it will ensure effective procedures, training and controls exist for appropriately receiving, tracking and honoring revocation of consent to receive covered calls via auto-dialer or prerecorded message and excluding numbers without consent from covered calling.

### **Requirement to Provide Policy to Public Upon Request**

The Mortgage Maniac will provide, in response to a request from any member of the public, a copy of this Policy to meet the TCPA requirement to have a written policy, available on demand, for maintaining an internal do-not-call list. The policy should be provided at the time of an in-person request and must be mailed at the earliest practicable time following a telephone or written request for a mailed copy of the Policy.

### J. Unfair, Deceptive and Abusive Acts or Practices

The CFPB prohibits certain acts or practices that could constitute Unfair, Deceptive and Abusive Acts and Practices (UDAAPs). These prohibitions were put into place to protect customers from being harmed by misleading or overtly deceitful actions by financial institutions. Marketing and advertising are areas that need to be scrutinized to ensure UDAAP issues aren't occurring.

**Unfair acts or practices** occur when an act or practice causes or is likely to cause substantial injury to consumers; the injury is not reasonably avoidable by consumers; or the injury is not outweighed by countervailing benefits to consumers or to competition.

**Deceptive acts or practices** occur when a representation, omission, act or practice misleads or is likely to mislead the consumer; the consumer's interpretation of the representation, omission, act, or practice is reasonable under the circumstances; or the misleading representation, omission, act, or practice is material. An act or practice that may be deceptive in advertisements includes making misleading cost or price claims, offering to provide a product or service that is not available, using bait-and-switch techniques, omitting material limitations or conditions from an offer, or failing to provide the promised services. The Mortgage Maniac utilizes the FTC "four Ps" test to assist in the evaluation of whether a representation, omission, act, or practice is likely to mislead:

- Is the statement **prominent** enough for the consumer to notice?
- Is the information **presented** in an easy-to-understand format that does not contradict other information in the advertisement and at a time when the consumer's attention is not distracted elsewhere?
- Is the **placement** of the information in a location where consumers can be expected to look or hear?
- Is the information in close **proximity** to the claim it qualifies?

**Abusive acts or practices** occur when the act or practice materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service or takes unreasonable advantage of a lack of understanding on the part of the consumer of the material risks, costs, or conditions of the product or service; the inability of the consumer to protect its interests in selecting or using a consumer financial product or service; or the reasonable reliance by the consumer on a covered person to act in the interests of the consumer.

To ensure compliance with UDAAP, The Mortgage Maniac will evaluate the context of all advertisements to ensure that the advertisement does not contain any material that could be viewed as unfair, deceptive, or abusive.

### 7. FTC Endorsement Guides Concerning the Use of Endorsements in Advertising

The FTC provided guidance concerning the use of endorsements and testimonials in advertising to help companies ensure sure that their advertisements are truthful and not misleading. The Endorsement Guides are not regulations, but if companies do not follow the guidance provided, the FTC may decide to investigate whether the companies advertising practices are unfair, deceptive, or abusive.

Endorsements must reflect the honest opinions, findings, beliefs, or experience of the endorser. Further, an endorsement may not convey any express or implied representation that would be deceptive if made directly by the advertiser. Therefore, an advertiser must possess and rely upon adequate substantiation for these representations, including, when appropriate, competent and reliable scientific evidence, to support such claims made through endorsements in the same manner the advertiser would be required to do if it had made the representation directly without using endorsements. When a connection exists

## Advertising and Marketing Policy

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between the endorser and the seller of the advertised product that might materially affect the weight or credibility of the endorsement, the connection must be fully disclosed.

When using endorsements in advertising, The Mortgage Maniac will use the standards set forth in the FTC Endorsement Guides located at: <http://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-publishes-final-guides-governing-endorsements-testimonials/091005revisedendorsementguides.pdf>

### 8. Use of Federal Housing Authority Logo

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Sections 202 and 536 of the National Housing Act give the Department of Housing and Urban Development (HUD) the authority to impose sanctions, including civil money penalties, for misuse of the terms Federal Housing Administration, Department of Housing and Urban Development, Government National Mortgage Association, Ginnie Mae, and the acronyms HUD, FHA, or GNMA, or any official seal or logo of the Department of Housing and Urban Development. FHA allows approved lenders that advertise FHA products to display the official FHA Approved Lending Institution logo along with a clear and conspicuous disclaimer indicating that the advertisement and lender is not acting on behalf, or at the direction, of HUD/FHA or the Federal government. The disclaimer must be prominently displayed in a location proximate to where the FHA Approved Lending Institution logo(s) is displayed. Non-approved mortgagees, including third-party originators, are prohibited from using the official FHA Approved Lending Institution logo.

FHA-approved lenders are prohibited from displaying the FHA Approved Lending Institution logo in a location or manner in an advertisement or communication that creates the false impression that the advertisement is an official government form, notice or document. Further, FHA-approved lenders are prohibited from displaying the FHA Approved Lending Institution logo in any manner that conveys the false impression that the advertisement or any communications is authored, approved, or endorsed by HUD or FHA. Alteration or modification of the FHA Approved Lending Institution logo is also prohibited.

To ensure compliance with these requirements, The Mortgage Maniac will evaluate the context of all advertisements using the FHA Approved Lending Institution logo to ensure that the advertisement is in compliance with the FHA requirements.

### 9. State Advertising Requirements

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In addition to the federal advertising requirements listed above, The Mortgage Maniac will comply with any applicable state-specific requirements for mortgage advertising practices, mortgage solicitation, and marketing arrangements it enters into with third party vendors.

### 10. Review and Approval of Marketing Materials

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All advertising materials require review by the appropriate personnel prior to being distributed or published.

### 11. Complaints

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Any complaints by consumers regarding The Mortgage Maniac's advertising materials shall be accepted in any medium available to the consumer, including mail, email or telephone. Complaints shall be handled in accordance with the The Mortgage Maniac's *Complaint Management Policy*.

# Anti-Money Laundering Program

Revision Date: 1/25/2021

## 1. Overview

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The Bank Secrecy Act requires residential mortgage lenders and originators to implement reasonable procedures to deter money laundering or the financing of terrorist activities and actively search for suspicious activity. The Anti-Money Laundering program must be approved by the Board of Directors and Senior Management. Accordingly, this Policy has been approved and adopted by The Mortgage Maniac.

## 2. Definitions

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The following definitions apply to this Policy:

- **Beneficial Owner** – means each of the following:
  - Any individual who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, owns 25 percent or more of the equity interests of a legal entity customer; and
  - A single individual with significant responsibility to control, manage, or direct a legal entity customer, including an executive officer or senior manager (e.g., a Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer); or any other individual who regularly performs similar functions.

If a trust owns directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, 25 percent or more of the equity interests of a legal entity customer, the beneficial owner shall mean the trustee.

- **Law Enforcement Agency** – means a federal, state, local, or foreign law enforcement agency with criminal investigative authority, provided that in the case of a foreign law enforcement agency, such agency is from a jurisdiction that is a party to a treaty that provides, or in the determination of the Financial Crimes Enforcement Network (FinCEN) is from a jurisdiction that otherwise allows, law enforcement agencies in the United States reciprocal access to information comparable to that obtainable under the BSA.
- **Legal Entity Customer** – means a corporation, limited liability company, or other entity that is created by the filing of a public document with a Secretary of State or similar office, a general partnership, and any similar entity formed under the laws of a foreign jurisdiction that opens an account.
- **Terrorist** – means - an act of domestic terrorism or international terrorism as those terms defined in 18 U.S.C. 2331.

## 3. Policy Statement

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It is the policy of The Mortgage Maniac to ensure proper adherence to the provisions and intent of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act) and the Bank Secrecy Act (BSA) regarding the requirement to implement reasonable procedures to deter money laundering activities and actively search for suspicious activity.

The Mortgage Maniac's Anti-Money Laundering Program (AML Program) is a risk-based process imbedded within the internal controls of The Mortgage Maniac. It is the responsibility of Senior Management to

## Anti-Money Laundering Program

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ensure that The Mortgage Maniac maintains this effective internal control structure, including suspicious activity monitoring and reporting. The Mortgage Maniac's AML Program is based upon the:

- Nature, scale and complexity of The Mortgage Maniac's business;
- Diversity of The Mortgage Maniac's operations, including geographical diversity;
- The Mortgage Maniac's customer, product and activity profile;
- Distribution channels used;
- Volume and size of the transactions;
- Degree of risk associated with each area of The Mortgage Maniac's operation; and
- The extent to which The Mortgage Maniac is dealing directly with the customer or is dealing through intermediaries, third parties, correspondents, or non-face-to-face access.

Senior Management has approved this AML program as reasonably designed to achieve and monitor The Mortgage Maniac's ongoing compliance with the requirements of the Bank Secrecy Act and the implementing regulations under it.

### 4. Bank Secrecy Act

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The Currency and Foreign Transactions Reporting Act, commonly known as the Bank Secrecy Act (BSA) was originally passed by Congress in 1970. It established requirements for record keeping and reporting by private individuals, banks, and other financial institutions. The BSA has been amended several times and comprises numerous legislative acts, including the USA PATRIOT Act. The USA PATRIOT Act, among other things, requires financial institutions to establish an AML Program.

In 2012, the Financial Crimes Enforcement Network (FinCEN) published a final rule defining "loan or finance companies," to include non-bank residential mortgage lenders and originators as a "financial institution" that is subject to the AML Program and Suspicious Activity Reporting (SAR) requirements under the BSA.

### 5. Money Laundering and Terrorist Financing

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Money laundering is the criminal practice of processing ill-gotten gains through a series of transactions so that they appear to be proceeds from legal activities. It is often a complex process that consists of three independent steps that can often occur simultaneously:

- **Placement** - This action involves placing illegal cash in a financial institution, in a non-bank financial institution, in the general retail economy, or out of the United States completely. Some examples of methods of placing bulk cash proceeds are listed below.
  - Structuring/Smurfing - This method involves the structuring of cash deposits, purchase of monetary instruments, or exchanges of small bills for larger denominations to avoid the currency transaction reporting requirements. Transactions are always for \$10,000 or less and may be conducted by one person or a group of persons working for the same criminal.
  - Company Complicity - This occurs when staff (from originators to executives) are bribed by criminals or when entire institutions are controlled by money launderers or other criminals. This makes placement a much easier process.
  - Misuse of Bank Secrecy Act Exemption Lists - This action may create an easy placement situation if exemptions are granted without question and do not follow the BSA rules for reviewing accounts and maintaining an active Know Your Customer (KYC) policy to determine changes in the customer's activity.

## Anti-Money Laundering Program

- Creation of False BSA Trails - This occurs when documents are intentionally produced to disguise the true source, ownership, locations or controls over the illegally generated funds.
- **Layering** - A means separating the proceeds from the source through layers of complex financial transactions. If the placement of cash is undetected, the money launderers' activities are even more difficult to uncover. The confusing and complicated ways in which layer after layer of activities and transactions are piled on top of one another, are intended to make tracing of funds almost impossible to law enforcement. Often, these are electronic transfers of money in and out of the United States and between several financial institutions. It may also include buying large ticket items, such as boats, airplanes, or real property. When the criminal purchases assets such as vehicles or gold that can be easily resold domestically or overseas, the identity of the purchaser is easier to hide and the assets more difficult to find and seize.
- **Integration** - Provides an apparently legitimate explanation for the illicit funds. This could mean using the property described above as collateral for a loan that results in clean money being generated for the criminal. Some criminals use a foreign bank account and the participation of well-placed employees at both the United States and foreign bank in the same loan schemes. Also, false import/export invoices can be effective ways to hide dirty money. Generally, this type of scheme involves the overvaluation of entry documents to justify the funds that are later deposited to United States banks or the overvaluation of exports to ship money out of the country.

### 6. Designation of Roles, Responsibilities and Accountability

The Mortgage Maniac recognizes the importance of AML compliance and establishing a culture of compliance. It is important that the Board of Directors and Senior Management set the "tone from the top" to ensure the AML Program is effective.

#### A. Oversight by the Board of Directors and Senior Management

The ultimate responsibility to ensure the proper management of The Mortgage Maniac's AML Program lies with the Board of Directors and Senior Management, including:

- ensuring the quality of The Mortgage Maniac's AML Program;
- designating a qualified AML Compliance Officer;
- maintaining a working knowledge of The Mortgage Maniac's AML Program;
- reviewing for formal adoption the written policies and procedural guidelines necessary to ensure effective adherence with applicable compliance laws and regulations; and
- ensuring that the AML Compliance Officer has sufficient authority and resources (monetary, physical, and personnel) to administer an effective AML Program based on the company's risk profile.

#### B. AML Compliance Officer Designation and Duties

The AML Compliance Officer designated by Senior Management to supervise the overall management of The Mortgage Maniac's AML Program is **Nathan Howry**. On at least an annual basis, the AML Compliance Officer must make a written report to the Board of Directors and Senior Management regarding the status of The Mortgage Maniac's compliance activities with respect to the AML Program. Documentation of these reports must be maintained by the AML Compliance Officer.

## Anti-Money Laundering Program

Additionally, the AML Compliance Officer is responsible for:

- Performing a risk assessment to determine all areas of The Mortgage Maniac where money laundering or terrorist financing may be created and provide a report to Senior Management. This risk assessment should be updated on an annual basis, and as necessary when the The Mortgage Maniac adopts new products and/or geographic focuses. The risk assessment shall include:
  - A focus on operations (products, services, customers and geographic locations) that are more vulnerable to abuse by money launderers and other criminals; and
  - The environment with which The Mortgage Maniac operates and the activity in its marketplace.
- Updating the AML Policy, procedures, and training materials, as necessary to reflect changes to The Mortgage Maniac's AML Program;
- Ensuring that adequate controls are in place before new products are offered;
- Informing Senior Management of compliance initiatives, identified compliance deficiencies, corrective action taken, and suspicious activity reports filed;
- Providing for program continuity despite changes in management or employee composition or structure;
- Maintaining all regulatory recordkeeping and reporting requirements, recommendations for AML compliance and providing timely updates in response to changes in regulations;
- Implementing and reviewing any related policies and procedures to ensure compliance with AML Program requirements;
- Providing adequate controls for higher risk customers, transactions and products, as necessary, such as transaction limits or management approvals;
- Providing for adequate supervision of employees that complete reports, grant exemptions, collect and review suspicious or questionable activity reports, monitor for suspicious activity, or engage in any other activity that forms part of the AML Program;
- Incorporating AML compliance into job descriptions and performance evaluations of appropriate personnel;
- Ensuring that all suspicious activity reports (SARs) are properly filed with the Financial Crimes Enforcement Network (FinCEN), when appropriate;
- Acting as liaison with regulators, law enforcement, the Internal Revenue Service, FinCEN, or other government agencies requiring information, or which wish to examine The Mortgage Maniac's compliance with the Act;
- Administering annual training for all personnel on AML Program directives; and
- Supporting an independent AML audit program.

### C. Enforcement

This Policy must be reviewed and approved by the Board of Directors and Senior Management annually. Senior Management is responsible for ensuring the directives are implemented and administered in compliance with the approved Policy. The primary responsibility for enforcement of this Policy and its operating procedures rests with the AML Compliance Officer and its employees.

No part of this Policy or its supporting operating procedures should be interpreted as contravening or superseding any other legal and regulatory requirements placed upon The Mortgage Maniac. Protective measures should not impede other legally mandated processes such as records retention

or subpoenas. Any conflicts should be submitted immediately to Senior Management for further evaluation and/or subsequent submission to legal counsel.

### D. Exceptions to Policy

Requests for exceptions to this Policy must be very specific and may only be granted on specific items. Personnel with exceptions should communicate their requests by submitting an internal memorandum to the AML Compliance Officer for consideration by Senior Management.

## 7. Risk Analysis and Assessment

As part of its AML Program, The Mortgage Maniac must conduct a risk analysis to identify specific criteria of potential money laundering risks. This risk-based approach includes the identification of the fraud, money laundering and terrorist financing risks (to the extent that such terrorist financing risk can be identified) of customers, categories of customers, and transactions that allow The Mortgage Maniac to determine and implement proportionate measures and controls to mitigate these risks.

The Mortgage Maniac measures fraud, money laundering and terrorist financing risks using the categories detailed below. The application of risk categories provides a strategy for managing potential risks by enabling The Mortgage Maniac to subject customers to proportionate controls and oversight. The weight given to these risk categories (individually or in combination) in assessing the overall risk of potential money laundering may vary depending on The Mortgage Maniac's unique circumstances.

- **Customer Risk** - Determining the potential fraud, money laundering or terrorist financing risks (to the extent that such terrorist financing risk can be identified) posed by a customer or category of customers is a critical component. Based on its own criteria, The Mortgage Maniac is able to determine whether a particular customer poses a higher risk and the potential impact of any mitigating factors on that assessment. The application of risk variables may mitigate or exacerbate the risk assessment.
- **Other Risk Variables** - The Mortgage Maniac's risk-based approach methodology may take into account risk variables specific to a particular customer or transaction. These variables may increase or decrease the perceived risk posed by a particular customer or transaction.

### A. Risk Mitigation Strategies

The Mortgage Maniac must implement risk mitigation strategies. In general, this

- Identifies and verifies the identity of each customer on a timely basis;
- Takes reasonable risk-based measures to identify and verify the identity of any customer;
- Obtains appropriate additional information to understand the customer's circumstances;
- Notifies the customer that The Mortgage Maniac will seek identification information and compare customer identification information with government-provided lists of suspected terrorists; and
- Assesses the risks that the customer may pose taking into consideration any appropriate risk variables before making a final determination. This due diligence process includes:
  - A standard level of due diligence that is applied to all customers when initiating or continuing a relationship, such as evaluating the nature of the relationship by determining the length of a customer's relationship with The Mortgage Maniac, the products and services provided to a customer, and the manner in which a customer was referred to The Mortgage Maniac; and by identifying high risk geographies.

## Anti-Money Laundering Program

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- The standard level being reduced in recognized lower risk scenarios, such as individuals whose main source of funds is derived from salary, pension, social benefits from an identified and appropriate source and where transactions are commensurate with the funds; or transactions involving de minimis amounts for particular types of transactions.

The enhanced due diligence procedures include, but are not limited to:

- Increased awareness by The Mortgage Maniac personnel of higher risk customers and transactions within its business lines;
- Increased levels of The Mortgage Maniac's Customer Identification Program and enhanced due diligence;
- Appropriate additional documentation is obtained to confirm the identity and lawful business activities of a customer;
- Escalation for approval of the establishment of a relationship; and
- Reporting of suspicious activities in compliance with existing reporting requirements.

### **B. Monitoring AML Risk**

The Mortgage Maniac monitors the AML risks that it has identified, based upon its size, the monitoring method being utilized (manual and/or automated), and the type of activity under scrutiny. Not all transactions, accounts or customers are monitored in the same way. The degree of monitoring is based on the perceived risks associated with a customer, the products or services being used by the customer, and the location of the customer and the transactions. In any respect, such monitoring is appropriately documented, and such documentation is retained, by The Mortgage Maniac.

The AML Compliance Officer should respond to enterprise-wide issues based on The Mortgage Maniac's analysis of its major risks. Monitoring under this risk-based approach allows The Mortgage Maniac to create monetary or other thresholds below which an activity will not be reviewed. Defined situations or thresholds used for this purpose are reviewed on a regular basis to determine adequacy for the risk levels established. In addition, adequacy of any systems and processes are assessed on a periodic basis by Senior Management and are documented.

## **8. Audit Policy and Independent Testing**

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It is the policy of The Mortgage Maniac to conduct an audit every 12 to 18 months by internal and/or external auditors, consultants or other qualified independent parties to ensure complete adherence of The Mortgage Maniac's AML and OFAC Program commensurate with The Mortgage Maniac's risk profile. In the event The Mortgage Maniac decides to not employ outside auditors or consultants or have internal audit departments, it will utilize qualified persons who are not involved in the function being tested.

Personnel responsible for conducting an objective independent evaluation of The Mortgage Maniac's written AML and OFAC Program should perform testing for specific compliance with the BSA and evaluate pertinent management information systems. The audit should be risk-based and evaluate the quality of risk management for all lending operations, departments and subsidiaries. The frequency and depth of each activity's audit will vary according to the activity's risk assessment. This risk-based auditing approach enables Senior Management and auditors to use The Mortgage Maniac's risk assessment to focus the audit scope on the areas of greatest concern. Further, the testing process assists Senior Management in identifying areas of weakness or areas where there is a need for enhancements or stronger controls.

## Anti-Money Laundering Program

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Independent testing must, at a minimum, include the following:

- An evaluation of the overall integrity and effectiveness of The Mortgage Maniac's AML and OFAC Program, including policies, procedures and processes. Typically, this evaluation should include an explicit statement about the program's overall adequacy and effectiveness and compliance with applicable regulatory requirements. At the very least, the audit must contain sufficient information for the reviewer (e.g., an examiner, review auditor, or AML Officer) to reach a conclusion about the overall quality of the compliance program;
- A review of The Mortgage Maniac's risk assessment for reasonableness given The Mortgage Maniac's risk profile (products, services, customers, entities, and geographic locations);
- Confirmation that The Mortgage Maniac's AML Program clearly defines that Senior Management has designated an AML Compliance Officer to enforce and ensure authority and accountability for BSA, AML and OFAC compliance;
- Appropriate risk-based transaction testing to verify The Mortgage Maniac's adherence to the BSA/OFAC recordkeeping and reporting requirements (e.g., CIP, SARs, and information sharing requests);
- An evaluation of Senior Management's efforts to resolve violations and deficiencies noted in previous audits and regulatory examinations, including progress in addressing outstanding supervisory actions, if applicable;
- Confirmation that support staff levels are adequate to properly execute The Mortgage Maniac's AML and OFAC Programs;
- A review of staff training for adequacy, accuracy and completeness;
- A review of the effectiveness of the suspicious activity monitoring systems (manual, automated, or a combination) used for BSA, AML and OFAC compliance to ensure they are updated and maintained to accurately report responses to inquiries; and
- An assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of The Mortgage Maniac's policy.

Auditors should document the audit scope, procedures performed, transaction testing completed, and findings of the review. It is the responsibility of Senior Management to ensure that all audit documentation and work papers are made available for examiner review. Any violations, policy or procedures exceptions, or other deficiencies noted during the audit should be included in an audit report and reported to Senior Management. It is the responsibility of the AML Compliance Officer and Senior Management to take appropriate action to correct any exceptions found as a result of the audit.

### 9. Record Keeping and Retention

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The Mortgage Maniac has established procedures for making and maintaining a record of all information obtained under the AML Program procedures including, but not limited to:

- identifying information provided by customers and beneficial owners of legal entity customers, description and details of any document relied on to verify a customer's identity, the methods used and results of verification, and the resolution of any discrepancy in the identifying information.
- Suspicious Activity Reports (SARs) filed and the original or business record equivalent of any supporting documentation including all documentation or records that assisted The Mortgage Maniac in making the determination that certain activity required a SAR filing.

## Anti-Money Laundering Program

The Mortgage Maniac retains records for at least a period of five years after the account has been closed and keeps them readily accessible for the first two years. These records can be maintained in many forms including original, microfilm, electronic, copy, or a reproduction. The Mortgage Maniac is not required to keep a separate system of records for each of the BSA requirements. However, The Mortgage Maniac must maintain all records in a way that makes them accessible in a reasonable period of time. Additionally, on a case by case basis (e.g., U.S. Treasury Department Order, or law enforcement investigation), the The Mortgage Maniac may be ordered or requested to maintain some of these records for longer periods.

### 10. Staff Training

The Mortgage Maniac is required to ensure that all personnel receive ongoing training on the directives of the BSA on an annual basis. In general, training should, at a minimum, include:

- Regulatory requirements and The Mortgage Maniac's internal AML and OFAC policies, procedures and processes, including any changes;
- Current developments and changes to the BSA and any related regulations;
- Reinforcement of the importance that Senior Management places on The Mortgage Maniac's compliance with BSA/AML/OFAC requirements and the role that all employees play in maintaining an effective compliance program; and
- Examples of money laundering activity and suspicious activity monitoring and reporting tailored to each individual audience.

The Mortgage Maniac's training program is designed to provide training at least annually for all personnel whose duties require knowledge of the BSA. AML training must be completed by newly hired staff within 30 days of hire and all employees must complete AML training each year by December 31<sup>st</sup>. Employees who do not complete the training in a timely fashion will be subject to discipline which may include termination.

The AML Compliance Officer should receive additional periodic training that is relevant and appropriate given changes to regulatory requirements as well as the activities and overall BSA/AML/OFAC risk profile of the The Mortgage Maniac.

Documentation of training and testing materials, dates of training sessions, and attendance records will be maintained by The Mortgage Maniac as a matter of record and will be available for examiner review.

### 11. Customer Due Diligence (CDD)

The Mortgage Maniac will evaluate the risk presented by each customer and provide a baseline for evaluating customer transactions to determine whether the transactions are suspicious and need to be reported. These processes assist The Mortgage Maniac in determining when transactions are not customary and usual, do not have an understandable business purpose, and/or are potentially suspicious.

The Mortgage Maniac has incorporated CDD guidelines into its policies and procedures for its Customer Identification Program and Suspicious Activity Reporting, including:

- Customer identification and verification;
- Beneficial ownership identification and verification;
- Understanding the nature and purpose of customer relationships to develop a customer risk profile;
- Monitoring for reporting suspicious transactions; and
- Maintaining and updating customer information on a risk-basis.

### 12. Customer Identification Program

The USA PATRIOT Act requires certain financial institutions to implement a Customer Identification Program (CIP) that is appropriate for the size, complexity, location, and risk profile of the financial institution taking into consideration the types of accounts the institution maintains, the different methods for opening accounts, and the types of identifying information available. Since potential customers could be conducting illicit activities, the CIP procedures must enable The Mortgage Maniac to form a reasonable belief that it knows the true identity of the customer.

The CIP Procedures include the following:

- Verifying the identity of any person who applies for a residential or commercial mortgage loan before or at account opening;
- Maintaining records of the information used to verify the person's identity (name, address, date of birth, an identification number);
- Determining whether the person appears on any lists of known or suspected terrorists or terrorist organizations provided by any government agency;
- Providing customers with adequate notice that The Mortgage Maniac is requesting information to verify their identity.

#### A. Account Opening Requirements

Prior to opening an account, The Mortgage Maniac will collect and maintain a record of all information it obtains under its procedures for implementing its CIP. At a minimum, these records must include all identifying information about a customer including:

- Name
- Date of Birth
- Address – street address of residence and mailing address when different. An Army Post Office (APO) or Fleet Post Office (FPO) box number is acceptable for service members or the street address of the next of kin may be used.
- Identification Number – for U.S. citizens, a U.S. Taxpayer Identification Number, such as a Social Security Number (SSN) is required. For non-US citizens, any of the following identification numbers may be accepted:
  - a US Individual Taxpayer Identification Number (ITIN);
  - A passport number and country of issuance,
  - An alien identification card number; or
  - The number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard (biometric identifier).
- A description of the document that The Mortgage Maniac relied upon to identify the customer;
- A description of the non-documentary methods and results of any measures The Mortgage Maniac took to verify the identity of the customer; and
- A description of The Mortgage Maniac's resolution of any substantive discrepancy discovered when verifying the identifying information obtained.

### B. Verification

Based on the risk, and to the extent reasonable and practicable, The Mortgage Maniac will ensure that it has a reasonable belief that it knows the true identity of its customers by using procedures to verify and document the accuracy of the information The Mortgage Maniac obtains about its customers. The Mortgage Maniac uses documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, The Mortgage Maniac will supplement the use of documentary evidence by using the non-documentary means described below whenever necessary. The Mortgage Maniac may also use such non-documentary means, after using documentary evidence, if The Mortgage Maniac is still uncertain about whether The Mortgage Maniac knows the true identity of the customer. In analyzing the verification information, The Mortgage Maniac considers whether there is a logical consistency among the identifying information provided, such as the customer's name, street address, zip code, telephone number (if provided), date of birth, and social security number.

Appropriate documents for verifying the identity of customers include but are not limited to an unexpired government-issued identification evidencing nationality, residence, and bearing a photograph or similar safeguard, such as a driver's license or passport.

The Mortgage Maniac understands that it is not required to take steps to determine whether the document that the customer has provided for identity verification has been validly issued and that The Mortgage Maniac may rely on a government-issued identification as verification of a customer's identity. However, if the document appears to be fraudulent, The Mortgage Maniac may take any of the following actions to verify that the person identified on the document is the customer:

- Contacting a customer and requiring additional evidence of identity;
- Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database, employer or other source; or
- Checking references with financial institutions.

The Mortgage Maniac always uses non-documentary methods of verification in the following situations:

- When the customer is unable to present an unexpired government-issued identification document with a photograph or other similar safeguard;
- When The Mortgage Maniac is unfamiliar with the documents the customer presents for identification verification; or
- When there are other circumstances that increase the risk that The Mortgage Maniac will be unable to verify the true identity of the customer through documentary means.

The Mortgage Maniac verifies the information within a reasonable time before a transaction is completed. Depending on the nature of the requested transaction, The Mortgage Maniac may refuse to complete a transaction before it has verified the information, or in some instances when more time is needed, The Mortgage Maniac may, pending verification, restrict the types of transactions or dollar amount of transactions. If suspicious information is found that indicates possible fraud, money laundering or terrorist financing activity, The Mortgage Maniac will, after internal consultation with the AML Compliance Officer, file a SAR in accordance with applicable law and regulation.

### C. Lack of Verification

When The Mortgage Maniac cannot form a reasonable belief that the true identity of a customer is known, The Mortgage Maniac does the following:

- Denies the mortgage loan transaction;
- Imposes terms under which a customer may conduct transactions while The Mortgage Maniac attempts to verify the customer's identity;
- Files a SAR in accordance with applicable law and regulation.

### D. Legal Entity Customers Identification and Verification

The Mortgage Maniac will establish and maintain written procedures that are reasonably designed to identify and verify beneficial owners of legal entity customers and to include such procedures in its AML Program required under FinCEN's final rules under the BSA 31 U.S.C. 5318(h) and its implementing regulations.

With respect to legal entity customers, The Mortgage Maniac's customer due diligence procedures shall enable the institution to:

- Identify the beneficial owner(s) of each legal entity customer at the time a new account is opened, unless the customer is otherwise excluded from the definition of a legal entity customer under §1010.230(e)(2) of the FinCEN rule or the account is exempted under §1010.230(h) of the FinCEN rule. The Mortgage Maniac may accomplish this either by obtaining a certification in the form of the model form in Appendix A of the FinCEN rule from the individual opening the account on behalf of the legal entity customer, or by obtaining from the individual the information required by the form by another means, provided the individual certifies, to the best of the individual's knowledge, the accuracy of the information; and
- Verify the identity of each beneficial owner identified to the covered financial institution, according to risk-based procedures to the extent reasonable and practicable. At a minimum, these procedures must contain the elements required for verifying the identity of customers that are individuals under the CIP. The Mortgage Maniac may rely on the information supplied by the legal entity customer regarding the identity of its beneficial owner or owners, provided that it has no knowledge of facts that would reasonably call into question the reliability of such information.

The number of individuals that satisfy the definition of beneficial owner, and therefore must be identified and verified may vary. Depending on the factual circumstances, up to four individuals may need to be identified. For an executive officer, senior manager or other individual who performs similar functions, only one individual must be identified. The Mortgage Maniac may also identify additional individuals as part of its customer due diligence if it deems appropriate on the basis of risk.

The Mortgage Maniac may rely on the performance of another covered financial institution (including an affiliate) to verify the beneficial ownership of a legal entity customer when that covered financial institution is opening, or has opened, an account or has established a similar business relationship with the other financial institution to provide or engage in services, dealings, or other financial transactions, provided that:

- Such reliance is reasonable under the circumstances;
- The other financial institution is subject to the FinCEN rule and is regulated by a Federal functional regulator; and
- The other financial institution enters into a contract requiring it to certify annually to the covered financial institution that it has implemented its AML program, and that it will perform (or its agent will perform) the specified requirements of the covered financial institution's procedures to comply with the requirements of this section.

### Exemptions

The Mortgage Maniac is exempt from the requirements to identify and verify the identity of the beneficial owner(s) only to the extent the financial institution opens an account for a legal entity customer that is:

- At the point-of-sale to provide credit products, including commercial private label credit cards, solely for the purchase of retail goods and/or services at these retailers, up to a limit of \$50,000;
- To finance the purchase of postage and for which payments are remitted directly by the financial institution to the provider of the postage products;
- To finance insurance premiums and for which payments are remitted directly by the financial institution to the insurance provider or broker;
- To finance the purchase or leasing of equipment and for which payments are remitted directly by the financial institution to the vendor or lessor of this equipment.

The exemptions identified do not apply to transaction accounts through which a legal entity customer can make payments to, or receive payments from, third parties. However, if there is the possibility of a cash refund on the account activity, then beneficial ownership of the legal entity customer must be identified and verified, either at the time of initial remittance, or at the time such refund occurs.

### E. Office of Foreign Assets Control (OFAC) Lists

Before engaging in any money service activity which potentially may involve money laundering, and on an ongoing basis, The Mortgage Maniac verifies that a customer does not appear on the Treasury's OFAC Specifically Designated Nationals and Blocked Persons (SDN) List, and is not from, or engaging in transactions with people or entities from, embargoed countries and regions listed on the OFAC website <https://sanctionssearch.ofac.treas.gov/>. Because the OFAC Website is updated frequently, The Mortgage Maniac consults the list on a regular basis and subscribes to receive updates when they occur. The Mortgage Maniac may, if necessary, access these lists through various software programs to ensure speed and accuracy. The Mortgage Maniac reviews existing accounts against these lists when they are updated and will document the review.

In the event that The Mortgage Maniac determines a customer, or someone with or for whom the customer is transacting, is on the SDN List or is from or engaging in transactions with a person or entity located in an embargoed country or region, The Mortgage Maniac rejects the transaction and/or blocks the customer's assets and file a blocked assets and/or rejected transaction form with OFAC.

### F. Notice to Customers

The Mortgage Maniac provides notice to customers that The Mortgage Maniac is requesting information from them to verify their identities, as required by Federal law. The Mortgage Maniac gives notice to customers regarding the policy either verbally or as a plainly posted notice such as:

*To help the government fight the funding of terrorism and money laundering activities, Federal law requires us to obtain, verify, and record information that identifies each person who cashes checks, wire funds or engages in other financial services with this establishment. We will ask for your name, address and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.*

### G. Reliance on Another Institution

The Mortgage Maniac identifies customers using its own customer identification procedures. The CIP verification may be completed by a The Mortgage Maniac employee or another agent designated by The Mortgage Maniac to collect and record the documentation and verification, such as a settlement or escrow agent during the closing of the loan. In the event The Mortgage Maniac allows an agent to participate in the collection and verification of the identity of new customers, the designated agent will be subject to the requirements of The Mortgage Maniac's CIP program, subject to periodic review of the agent's compliance, and training.

## 13. Detection and Monitoring of Red Flags for Suspicious Activity

Financial institutions must develop, implement, and maintain effective AML programs that address the ever-changing strategies of money launderers and terrorists who attempt to gain access to the U.S. financial system. Various transactions and activities may indicate potential money laundering. However, transactions or activities listed below may not necessarily be indicative of money laundering if they are consistent with a customer's legitimate business. Also, many of the red flags involve more than one type of transaction.

### A. Money Laundering and Terrorist Financing Red Flags

The following are examples of potentially suspicious activities, or "red flags" for both money laundering, terrorist financing, and mortgage fraud. Although these lists are not all inclusive, they are designed to help The Mortgage Maniac personnel to recognize possible money laundering and terrorist financing schemes. It is the responsibility of The Mortgage Maniac personnel to report suspicious activities, rather than to determine whether transactions are in fact linked to money laundering, terrorist financing, mortgage fraud, or a particular crime. The mere presence of a red flag is not by itself evidence of criminal activity. Instead, it is important to view any red flag in the context of other indicators and facts, such as the specific role of the financial institution within mortgage loan-related transactions, as well as the institution's knowledge of any associated fraud schemes. The presence of any of these red flags in a given transaction or business arrangement may indicate a need for further due diligence and a decision whether to file a SAR.

The AML Compliance Officer must closely scrutinize all issues for which a red flag has been raised to help determine whether the activity is suspicious or one for which there does not appear to be a reasonable business or legal purpose.

#### Money Laundering Red Flags

- Customers Who Provide Insufficient or Suspicious Information
  - A customer uses unusual or suspicious identification documents that cannot be readily verified.
  - A customer uses different social security numbers with variations of his or her name.
  - A customer's home or business telephone is disconnected.
  - The customer's background differs from that which would be expected on the basis of his or her business activities.
  - A customer makes frequent or large transactions and has no record of past or present employment experience.
  - The information provided by the customer that identifies a legitimate source of funds is false, misleading or substantially incorrect.

## Anti-Money Laundering Program

- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer has difficulty describing the nature of his or her business.
- Efforts to Avoid Reporting or Recordkeeping Requirements
  - A customer exhibits unusual concern about The Mortgage Maniac's compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identity, type of business).
  - A customer tries to persuade an employee not to file required reports or maintain required records.
  - A customer is reluctant to provide information needed to file a mandatory report, to have the report filed, or to proceed with a transaction after being informed that the report must be filed.
  - A business or customer asks to be exempted from reporting or recordkeeping requirements.
- Lending Activity
  - Loans secured by pledged assets held by third parties unrelated to the borrower.
  - Loans secured by deposits or other readily marketable assets, such as securities, particularly when owned by apparently unrelated third parties.
  - Borrower defaults on a cash secured loan or any loan that is secured by assets which are readily convertible into currency.
  - Loans are made for, or are paid on behalf of, a third-party with no reasonable explanation.
  - To secure a loan, the customer purchases a certificate of deposit using an unknown source of funds, particularly when funds are provided via currency or multiple monetary instruments.
  - Loans that lack a legitimate business purpose, provide a lender with significant fees for assuming little or no risk, or tend to obscure the movement of funds (e.g., loans made to a borrower and immediately sold to an entity related to the borrower).
- Employees
  - Employee exhibits a lavish lifestyle that cannot be supported by his or her salary.
  - Employee fails to conform to recognized policies, procedures, and processes, particularly in private lending.
  - Employee is reluctant to take a vacation.
- Other Unusual or Suspicious Customer Activity
  - Customer uses a consumer loan for business purposes.
  - Customer makes high value transactions not commensurate with the customer's known incomes.
  - The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
  - The customer exhibits a lack of concern regarding transaction costs.

### Terrorist Financing Red Flags

The following examples of potentially suspicious activity that may indicate terrorist financing are primarily based on direction from the “Guidance for Financial Institutions in Detecting Terrorist Financing” provided by the Financial Action Task Force (FATF). FATF is an intergovernmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing.

- Activity Inconsistent with the Customer’s Business.
  - Funds are generated by a business owned by persons of the same origin or by a business that involves persons of the same origin from high risk countries (e.g., countries designated by national authorities and FATF as non-cooperative countries and territories).
  - The stated occupation of the customer is not commensurate with the transaction.
  - The customer has inflows of funds or other assets well beyond the known income or resources of the customer.
  - Persons involved in currency transactions share an address or phone number, particularly when the address is also a business location or does not seem to correspond to the stated occupation (e.g., student, unemployed, or self-employed).
- Other Transactions That Appear Unusual or Suspicious.
  - Funds are sent or received via international transfers from or to high risk locations.

### Mortgage Loan Fraud Red Flags

The following are examples of potential red flag indicators of illicit activity related to mortgage fraud from FinCEN Advisory: FIN-2012-A009, dated August 16, 2012, regarding Suspicious Activity Related to Mortgage Loan Fraud. These only indicate possible signs of fraudulent activity; they do not constitute an exhaustive list of common fraud schemes.

- Borrower submits invalid documents in order to cancel his or her mortgage obligations or to pay off his or her loan balance(s).
- Same notary public and/or other “authorized representative” preparing, signing, and sending packages of nearly identical debt elimination documents for multiple borrowers with outstanding mortgage balances.
- Same notary public and/or other “authorized representative” working with and/or receiving payments from unusually large numbers of borrowers.
- Falsification of certified checks, cashier’s checks or “non-cash item checks” drawn against a borrower’s account, rather than from the account of a financial institution.
- Borrower applies for a loan for a “primary residence” but does not reside in the new primary residence as indicated on the loan application; other individuals occupy the borrower’s new primary residence indicating the property is being used as a secondary residence or income-generating property.
- Borrower of a younger age purchases his or her “primary residence” in a senior citizen residential development.
- Borrower requests refinancing for “primary residence” when public and personal documents indicate that the borrower resides somewhere other than the address on the loan application.
- Language included in a short sale contract indicates the property could be resold promptly. This possibly illegal “flipping” may occur regardless of whether the Federal Housing

## Anti-Money Laundering Program

Administration (FHA) has re-enacted or waived its arms-length resale regulations to FHA buyers.

- Low appraisal values, non-arm's length relationships between short sale buyers and sellers, or previous fraudulent sale attempts in short-sale transactions.
- Agent of the buyer and/or seller in mortgage transaction is unlicensed.
- Past misrepresentations made by borrower in attempts to secure funding, property, refinance, and/or shorts sales.
- Improper/incomplete file documentation, including borrower reluctance to provide more information and/or unfulfilled promises to provide more information.
- Apparent resubmission of rejected loan application with key borrower details changed or modified from individual borrower to company. This activity may identify the same person attempting to secure a loan fraudulently through a straw-borrower or non-existent person.
- Borrower attempts to structure currency deposits/withdrawals, or otherwise to hide or disguise the true value of assets, in order to qualify for loan modification programs intended for those homeowners in financial distress.
- Request from third party affiliates on behalf of distressed homeowners to pay fees in advance of the homeowner receiving mortgage counseling, foreclosure avoidance, a loan modification, or other related services.
- Third party solicitation of distressed homeowners for purported mortgage counseling, foreclosure avoidance, loan modification, or other related services. These third parties may also claim to be associated with legitimate mortgage lenders, the U.S. government, or a U.S. government program.

### B. Responding to a Red Flag

When an employee detects any red flag, he or she will alert the AML Compliance Officer. The alert will be sent via email and will contain a detailed description of the matter and applicable documentation. An investigation will be conducted, and the AML Compliance Officer will determine whether a SAR will be filed.

The AML Compliance Officer will document, track, and retain all reports of suspicious activity, including reports that are eventually filed as SARs and also reports of questionable activity where a SAR was not filed. The report should include information and documentation on the investigation that was conducted and reasons why the SARs were filed or why the AML Compliance Officer decided not to file a SAR.

### C. Procedures

The Mortgage Maniac follows these policies and procedures that are implemented for the detection and prevention of fraud and money laundering activities as part of The Mortgage Maniac's AML Program:

- **Emergency Notification to the Government** – When conducting due diligence The Mortgage Maniac will immediately call Federal law enforcement when necessary, and especially in these emergencies:
  - a legal or beneficial account holder or person with whom the account holder is engaged in a transaction is listed on or located in a country or region listed on the OFAC list;

## Anti-Money Laundering Program

- an account is held by an entity that is owned or controlled by a person or entity listed on the OFAC list, a customer tries to use bribery, coercion, or similar means to open an account or carry out a suspicious activity;
- The Mortgage Maniac has reason to believe the customer is trying to move illicit cash out of the government's reach; or
- The Mortgage Maniac has reason to believe the customer is about to use the funds to further an act of terrorism.

The Mortgage Maniac may contact the OFAC via its hotline at 1-800-540-6322 or electronically through its website at [www.treas.gov/offices/enforcement/ofac](http://www.treas.gov/offices/enforcement/ofac).

- **Suspicious Transaction Reporting** – The regulatory and legal requirement to report suspicious transactions or activity by The Mortgage Maniac provides federal authorities the ability to utilize such financial information to combat money laundering, terrorist financing and other financial crimes. When a legal or regulatory requirement mandates the reporting of suspicious activity once a suspicion has been formed, a report must be made by The Mortgage Maniac. The Mortgage Maniac uses information provided by state and federal authorities to enhance its approach for identifying suspicious activity. In addition, Senior Management periodically assesses the adequacy of The Mortgage Maniac's system for identifying and reporting suspicious transactions.
- **Filing a SAR** – The Mortgage Maniac will file a SAR with FinCEN for any activity conducted or attempted through The Mortgage Maniac involving (or in the aggregate) \$5,000 or more of funds or assets where The Mortgage Maniac knows, suspects, or have reason to suspect:
  - the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;
  - the transaction is designed, whether through structuring or otherwise, to evade the any requirements of the BSA regulations;
  - the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and The Mortgage Maniac knows, after examining the background, the possible purpose of the transaction and other facts, of no reasonable explanation for the transaction; or
  - the transaction involves the use of The Mortgage Maniac to facilitate criminal activity.

The Mortgage Maniac does not base its decision on whether to file a SAR solely on whether the transaction falls above a set threshold. The Mortgage Maniac will file a SAR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities. In high-risk situations, The Mortgage Maniac will notify the appropriate government agency immediately and will file a SAR with FinCEN.

The Mortgage Maniac will report suspicious transactions by completing a SAR. Further, The Mortgage Maniac will collect and maintain supporting documentation as required by the BSA regulations. The SAR will be filed no later than 30 calendar days after the date of the initial detection of the facts that constitute a basis for filing a SAR. If no suspect is identified on the date of initial detection, The Mortgage Maniac may delay filing the SAR for an additional 30 calendar days pending identification of a suspect, but in no case, will the reporting be delayed more than 60 calendar days after the date of initial detection.

The Mortgage Maniac will retain copies of any SAR filed and the original or business record equivalent of any supporting documentation for five years from the date of filing the SAR. The Mortgage Maniac

will identify and maintain supporting documentation and make such information available to FinCEN, any other appropriate law enforcement agencies, or federal or state regulators, upon request.

The Mortgage Maniac will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the BSA regulations. The Mortgage Maniac understands that anyone who is subpoenaed or required to disclose a SAR or the information contained in the SAR, except where disclosure is requested by FinCEN, or other appropriate law enforcement or regulatory agency or an SRO, will decline to produce to the SAR or to provide any information that would disclose that a SAR was prepared or filed. The Mortgage Maniac will notify FinCEN of any such request and its response.

### D. BSA Requirements for Marijuana-Related Businesses

FinCEN issued guidance on BSA requirements for financial institutions seeking to provide services to marijuana-related businesses due to state initiatives to legalize certain marijuana-related activity and the need of marijuana-related business to obtain financial services. The purpose of the guidance is to enhance the availability of financial services for, and the financial transparency of, marijuana-related businesses. The guidance sets forth steps financial institutions should take to ensure appropriate due diligence is performed when financial transactions involve marijuana-related businesses.

Concurrently with the FinCEN guidance, the former DOJ Deputy Attorney General James M. Cole issued a memorandum (the Cole Memo) providing guidance to federal prosecutors concerning marijuana enforcement under the Controlled Substance Act. Although the Cole Memo was subsequently rescinded, FinCEN adopted the Cole Memo priorities outlined below.

#### **Cole Memo Priorities:**

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- Preventing marijuana possession or use on federal property.

The FinCEN guidance states that thorough customer due diligence is a critical aspect of assessing the marijuana-related business. As part of that due diligence, financial institutions must consider whether the marijuana-related business implicates one of the priorities outlined in the Cole Memo or violates state law. The FinCEN guidance also lists red flags that indicate that a marijuana-related business may be engaged in activity that implicates one of the Cole Memo priority factors or violates state law. These red flags noted below may be pertinent to mortgage lending activities and should be analyzed when performing due diligence and assessing risk.

### Red Flags to Identify Marijuana-Related Business Activity Risks

- A customer appears to be using a state-licensed marijuana-related business as a front or pretext to launder money derived from other criminal activity (i.e., not related to marijuana) or derived from marijuana-related activity not permitted under state law.
- Rapid movement of funds, such as cash deposits followed by immediate cash withdrawals.
- Deposits by third parties with no apparent connection to the accountholder.
- Excessive commingling of funds with the personal account of the business's owner(s) or manager(s), or with accounts of seemingly unrelated businesses.
- Individuals conducting transactions for the business appear to be acting on behalf of other, undisclosed parties of interest.
- Financial statements provided by the business to the financial institution are inconsistent with actual account activity.
- The business is unable to produce satisfactory documentation or evidence to demonstrate that it is duly licensed and operating consistently with state law.
- The business is unable to demonstrate the legitimate source of significant outside investments.
- A customer seeks to conceal or disguise involvement in marijuana-related business activity.
- Review of publicly available sources and databases about the business, its owner(s), manager(s), or other related parties, reveal negative information, such as a criminal record, involvement in the illegal purchase or sale of drugs, violence, or other potential connections to illicit activity.
- The business, its owners, managers, or other related parties are, or have been, subject to an enforcement action by the state or local authorities responsible for administering or enforcing marijuana-related laws or regulations.
- A marijuana-related business engages in international or interstate activity, including by receiving cash deposits from locations outside the state in which the business operates, making or receiving frequent or large interstate transfers, or otherwise transacting with persons or entities located in different states or countries.
- The owners or managers of a marijuana-related business reside outside the state in which the business is located.
- A marijuana-related business is located on federal property or the marijuana sold by the business was grown on federal property.
- A marijuana-related business's proximity to a school is not compliant with state law.
- A marijuana-related business purporting to be a "non-profit" is engaged in commercial activity inconsistent with that classification or is making excessive payments to its managers or employees.

FinCEN guidance further stipulates that financial institutions that provide services to a marijuana-related business are required to file suspicious activity reports (SARs), since these services typically involve funds derived from activity that remains illegal under federal law. The obligation to file a SAR applies even if state law legalizes marijuana-related activity. There are three types of SARs that may be filed in connection with marijuana-related businesses:

- **Marijuana Limited SARs** should be filed when an institution reasonably believes, based on its due diligence, that the marijuana-related business does not implicate one of the Cole Memo priority factors or violate state law. The content of this SAR should be limited to: identifying

## Anti-Money Laundering Program

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information of the subject and related parties; addresses of the subject and related parties; the fact that the filing institution is filing the SAR solely because the subject is engaged in a marijuana-related business; and the fact that no additional suspicious activity has been identified. The term “MARIJUANA LIMITED” should be included in the narrative section.

- **Marijuana Priority SARs** should be filed when an institution reasonably believes, based on its due diligence, that the marijuana-related business implicates one or more of the Cole Memo priority factors or violates state law. The content of this SAR should include details relevant to law enforcement including: identifying information of the subject and related parties; addresses of the subject and related parties; details regarding the enforcement priorities the financial institution believes have been implicated; and dates, amounts, and other relevant details of financial transactions involved in the suspicious activity. The term “MARIJUANA PRIORITY” should be included in the narrative section.
- **Marijuana Termination SARs** should be filed if an institution deems it necessary to terminate a relationship with a marijuana-related business in order to maintain an effective anti-money laundering compliance program. The SAR should include in the narrative the basis for the termination and the term “MARIJUANA TERMINATION” should be included in the narrative section.

Instances of suspected involvement with a marijuana-related business that could apply to The Mortgage Maniac and its products and services must be referred to the AML Compliance Officer. The AML Compliance Officer will determine whether marijuana-related activity is suspicious, when a SAR must be filed, and the required content for the SAR. The AML Compliance Officer will document, track, and retain all reports of suspicious activity, including reports that are eventually filed as SARs and also reports of questionable activity where a SAR was not filed. The report should include information and documentation on the investigation that was conducted and reasons why the SARs were filed or why the AML Compliance Officer decided not to file a SAR.

### 14. Confidential Reporting of AML Non-Compliance

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Employees will report any violations of the firm’s AML compliance program to the AML Compliance Officer, unless the violations implicate the AML Compliance Officer, in which case the employee shall report to an appropriate member of Senior Management. Such reports will be confidential, and the employee will suffer no retaliation for making them. The reports may be verbal or sent via email to the AML Compliance Officer at **Error! Reference source not found.** or to Senior Management, if applicable.

### 15. Information Sharing

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FinCEN may solicit information, on its own behalf and on behalf of appropriate components of the Department of the Treasury, regarding whether The Mortgage Maniac has maintained accounts for, or has engaged in transactions with, any specified individual, entity, or organization. Before an information request under this section is made to The Mortgage Maniac, FinCEN or the appropriate Treasury component shall certify in writing that each individual, entity or organization about which FinCEN or the appropriate Treasury component is seeking information is engaged in or is reasonably suspected based on credible evidence of engaging in, terrorist activity or money laundering. In addition, the certification must include enough specific identifiers individual, entity, or organization, such as date of birth, address, and social security number, TIN or ITIN, to enable a financial institution to differentiate between common or similar names. The certification must also identify one person at FinCEN or the appropriate Treasury component who can be contacted with any questions relating to its request.

## Anti-Money Laundering Program

Upon receiving an information request, The Mortgage Maniac must conduct a one-time search of its records to identify accounts or transactions of a named suspect. Unless otherwise instructed by an information request, The Mortgage Maniac must search its records for current accounts, accounts maintained during the preceding 12 months, and transactions conducted outside of an account by or on behalf of a named suspect during the preceding six months. The Mortgage Maniac must search its records and report any positive matches to FinCEN within 14 days, unless otherwise specified in the information request. If The Mortgage Maniac identifies any account or transaction, it must report that it has a match. A negative response is not required. The Mortgage Maniac may provide the subject lists to a third-party service provider or vendor to perform or facilitate record searches as long it takes the necessary steps, through the use of an agreement or procedures, to ensure that the third-party safeguards and maintains the confidentiality of the information.

The Mortgage Maniac's procedures for compliance are as follows:

- **Record Search Procedures** – Upon receiving an information request from FinCEN as described above, the AML Compliance Officer should search The Mortgage Maniac's records to determine whether the The Mortgage Maniac maintains or has maintained any account for, or has engaged in any transaction with, each individual, entity, or organization named in FinCEN's request. The AML Compliance Officer may contact the law enforcement agency, FinCEN or requesting Treasury component representative, or U.S. law enforcement attaché in the case of a request by a foreign law enforcement agency, which has been named in the information request provided to The Mortgage Maniac by FinCEN with any questions relating to the scope or terms of the request.
- **Report to FinCEN** – If the AML Compliance Officer identifies an account or transaction identified with any individual, entity, or organization named in a request from FinCEN, The Mortgage Maniac shall report to FinCEN, in the manner and in the timeframe specified in FinCEN's request, the following information:
  - The name of such individual, entity, or organization;
  - The number of each such account, or in the case of a transaction, the date and type of each such transaction; and
  - Any Social Security number, taxpayer identification number, passport number, date of birth, address, or other similar identifying information provided by the individual, entity, or organization when each such account was opened or each such transaction was conducted.
- **Designated Contact Person** – The AML Compliance Officer is the point of contact for The Mortgage Maniac for such investigative issues or similar requests for information from FinCEN.
- **Use of Security Information** – It is against The Mortgage Maniac policy to use information provided by FinCEN in an investigation for any purpose other than:
  - Reporting to FinCEN;
  - Determining whether to establish or maintain an account, or to engage in a transaction; or
  - Assisting The Mortgage Maniac in complying with this requirement.

Additionally, The Mortgage Maniac may not disclose to any person, other than FinCEN or the requesting Treasury component, the law enforcement agency on whose behalf FinCEN is requesting information, or the U.S. law enforcement attaché in the case of a request by a foreign law enforcement agency, which has been named in the information request, the fact that FinCEN has requested or has obtained information under this section, except to the extent necessary to comply with such an information request. However, The Mortgage Maniac is authorized to share information under the *Voluntary Information Sharing Among Financial Institutions* rule 314(b) (31 CFR 1029.540)

## Anti-Money Laundering Program

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concerning an individual, entity, or organization named in a request from FinCEN in accordance with this Policy. Such sharing shall not disclose the fact that FinCEN has requested information concerning such individual, entity, or organization.

It is the policy of The Mortgage Maniac to maintain adequate procedures to protect the security and confidentiality of requests from FinCEN. The procedures used by The Mortgage Maniac are identical as those stated in section 501 of the Gramm Leach Bliley Act (15 USC 6801) for the protection of its customers' nonpublic personal information. In addition, The Mortgage Maniac maintains a log of all section 314(a) requests received and of any positive matches identified and reported to FinCEN.

### A. No Other Action

It is against The Mortgage Maniac policy to take any action, or to decline to take any action, with respect to an account established for, or a transaction engaged in with, an individual, entity, or organization named in a request from FinCEN, or to decline to establish an account for, or to engage in a transaction with, any such individual, entity, or organization. Except as otherwise provided in an information request, such a request shall not require The Mortgage Maniac to report on future account opening activity or transactions or to treat a suspect list received as described by the regulation.

The information that The Mortgage Maniac is required to report is information required to be reported in accordance with a federal statute or rule promulgated thereunder, for purposes of subsection 3413(d) of the Right to Financial Privacy Act (12 U.S.C. 3413(d)) and subsection 502(e)(8) of the Gramm-Leach-Bliley Act (15 U.S.C. 6802(e)(8)).

Nothing affects the authority of a federal, state or local law enforcement agency or officer, or FinCEN or another component of the Department of the Treasury, to obtain information directly from The Mortgage Maniac.

## 16. Additional Areas of Risk

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The Mortgage Maniac has reviewed areas of its business to identify potential fraud and money laundering risks that may not be covered in the procedures described above and is continually working to improve its AML program.

# Anti-Predatory Lending Policy

Revision Date: 1/25/2021

## 1. Overview

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Many individuals who have blemished credit histories and limited savings have had to rely on the subprime market for their mortgage financing needs. For some, this has resulted in paying higher costs than necessary and being subject to abusive or predatory lending practices. There are a number of federal, state and local laws designed to prevent and curb predatory lending. Federal laws pertaining to predatory lending include the Truth in Lending Act (TILA), which requires disclosures, such as annual percentage rate, term of the loan and total costs to the consumer and the Home Ownership and Equity Protection Act (HOEPA) designed to curb predatory lending by ensuring lenders disclose all pertinent information to the consumer regarding the fees and terms of a “high-cost” loan.

## 2. Definitions

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The following definitions apply to this Policy:

- **High-Cost Loan** – means a loan that exceeds the thresholds set forth in the Home Ownership and Equity Protection Act in Regulation Z section 1026.32.
- **Predatory Lending Practices** – means the use of unfair, deceptive or fraudulent acts or practices to entice consumers into entering into a loan with unnecessarily high rates, fees, or unfavorable terms, or placing a consumer in a loan expecting default so the lender can take advantage of the consumer’s equity.

## 3. Policy Statement

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The Mortgage Maniac supports fair and equitable home ownership opportunities and does not engage in or allow its employees to engage in predatory lending. The Mortgage Maniac requires that all mortgages comply with applicable federal, state, and local anti-predatory lending laws and other similar credit-related consumer protection laws and regulations designed to prevent or regulate abusive and deceptive predatory lending practices.

Among other things, practices that fall under the umbrella of abusive or predatory lending include:

- steering a consumer toward a mortgage with a higher interest rate and/or fees even when the consumer could qualify under a less costly financing alternative, such as a High-Cost Loans;
- steering a consumer into a loan identified by a regulator as possessing predatory characteristics;
- approving a mortgage based solely on the value of the property without considering whether the consumer has the ability to repay the debt (which could result in the consumer losing the home);
- multiple refinances of a mortgage without any real economic benefit to the consumer (for example, a refinancing that has no appreciable effect on the mortgage interest rate, payments, or term, but which results in the consumer’s having to pay another round of fees and points, which can result in the stripping away of the consumer’s equity in the property);
- failing to disclose prepayment premiums to the consumer or using them as a method to prevent a victim of steering from being able to refinance to a lower-rate mortgage; and charging a higher rate of interest after a mortgage goes into default.

# Appraiser Independence Policy

Revision Date: 1/25/2021

## 1. Overview

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The Mortgage Maniac implements the following *Appraiser Independence Policy* in accordance with the Appraiser Independence Requirements contained in various regulations and guidelines such as the Truth in Lending Act (TILA) and Regulation Z, the Federal Housing Administration (FHA) policies, Fannie Mae policies, Freddie Mac policies, and the Uniform Standards of Professional Appraisal Practice (USPAP).

## 2. Definitions

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The following definitions apply to this Policy:

- **Appraisal** – means the act or process of developing an opinion of value of real property in conformance with the USPAP.
- **Appraisal Management Company (AMC)** – means any corporation, partnership, sole proprietorship, subsidiary, unit, or other business entity that administers networks of independent contract appraisers to perform residential real estate appraisal services for clients; receives requests for residential real estate appraisal services from clients and, for a fee paid by the client or directly from the borrower, enters into an agreement with one or more independent appraisers to perform the residential real estate appraisal services contained in the request, or otherwise serves as a third-party broker of residential appraisal management services between clients and appraisers.
- **Appraisal Management Services** – means the process of receiving a request for the performance of residential real estate appraisal from a client, and for a fee paid by the client or directly from the borrower, entering into an agreement with one or more independent appraisers to perform the real estate appraisal services contained in the request.
- **Appraiser** – means a person, licensed or certified by the state in which the property to be appraised is located, who provides an opinion of the market value of real property.

## 3. Policy Statement

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This Policy safeguards appraiser independence and prevents improper influences on appraisers from The Mortgage Maniac production staff or other parties interested in the loan transactions. The policy creates a uniform method for appraiser selection, engagement, auditing, and reporting of appraiser misconduct. The Mortgage Maniac also requires an appraiser to be, at a minimum, licensed or certified by the state in which the property to be appraised is located.

This Policy applies to all loan applications taken by The Mortgage Maniac. The Mortgage Maniac will not close any loan unless the appraisal is ordered in accordance with this Policy or any act in connection with an appraisal that is in violation of any of the prohibited practices.

### 4. Appraisal Fees

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TILA's appraiser independence rules also require appraisers to be paid a customary and reasonable rate for comparable appraisal services taking into consideration the type of property, scope of work, time in which appraisal services are required to be performed, appraiser qualifications, experience and professional record, and work quality. Additionally, any management fees charged by an AMC or other third party are for actual services related to ordering, processing, or reviewing of appraisals performed and those fees must not exceed what is customary and reasonable for such services provided in the market area of the property being appraised.

To comply with this requirement, The Mortgage Maniac will determine whether the appraisal fees are reasonable or customary by:

- Relying on information about rates based on objective third-party information, including fee schedules prepared by independent third parties such as government agencies, academic institutions and private research firms; or
- Reviewing information about rates based on recent rates paid to a representative sample of providers of appraisal services in the same market as the subject property or the fee schedules of those providers or relying on information based in fee schedules, studies, or surveys, compensation paid to fee appraisers for appraisals ordered by AMCs is excluded.

Additionally, The Mortgage Maniac will not attempt to influence appraisal fees by engaging in anti-competitive acts such as entering into any contracts or conspiring to restrain trade through methods such as price fixing or market allocation, or monopolization.

### 5. Appraiser Independence

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The Mortgage Maniac will comply with the appraiser independence requirements and prohibited practices set forth in TILA as well as HUD and other investor provisions for all loans it originates.

#### A. Truth in Lending Act and Regulation Z Requirements

TILA requires appraisal independence and prohibits several actions in mortgage transactions secured by a consumer's principal dwelling:

- Causing or attempting to cause the value assigned to the property to be based on a factor other than the independent judgment of the appraiser, by compensating, coercing, extorting, colluding with, instructing, inducing, bribing, or intimidating a person conducting or involved in an appraisal;
- Mischaracterizing, or inducing any mischaracterization of, the appraised value of the property securing the extension of credit;
- Seeking to influence an appraiser or otherwise encourage a targeted value in order to facilitate the making or pricing of the transaction; and
- Withholding or threatening to withhold timely payment for an appraisal report or for appraisal services rendered when the appraisal report or services are provided for in accordance with the contract between the parties.

### B. FHA Requirements

The Federal Housing Administration (FHA) has guidelines concerning appraiser independence. Specifically, FHA requires that:

- Mortgage brokers and commission-based lender staff are prohibited from participating in the selection, retention, or compensation of appraisers;
- Appraiser selection be identified in FHA Connection;
- FHA Roster appraisers are compensated at a rate that is customary and reasonable for appraisal services performed in the market area of the property being appraised;
- The fee for the actual completion of an FHA appraisal may not include a fee for management of the appraisal process or any activity other than the performance of the appraisal;
- Any management fees charged by an AMC or other third party must be for actual services related to ordering, processing or reviewing of appraisals performed for FHA financing;
- AMC and other third-party fees must not exceed what is customary and reasonable for such services provided in the market area of the property being appraised;
- Lenders are prohibited from improper influence on appraisers;
- Lenders maintain appraiser independence safeguards; and
- Lenders only engage appraisers with a knowledge of the market area for the property being appraised.

### C. Fannie Mae and Freddie Mac Requirements

The Mortgage Maniac complies with Fannie Mae and Freddie Mac's appraiser independence requirements. These requirements were developed to protect the independence of appraisers and the integrity of their appraisals; extend protections for home buyers, mortgage investors, and the housing market; and reinforce Fannie Mae and Freddie Mac's commitment to responsible lending and mortgage quality standards.

### D. Prohibited Practices

No employee, director, officer, or agent of The Mortgage Maniac, or any other third-party acting as joint venture partner, independent contractor, appraisal company, or AMC, on behalf of The Mortgage Maniac, shall influence or attempt to influence the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner. Examples of improper influence, include but are not limited to:

- Withholding or threatening to withhold timely payment or partial payment for an appraisal report;
- Withholding or threatening to withhold future business for an appraiser, or demoting or terminating or threatening to demote or terminate an appraiser;
- Expressly or impliedly promising future business, promotions, or increased compensation for an appraiser;
- Conditioning the ordering of an appraisal report or the payment of an appraisal fee or salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary value estimate requested from an appraiser;

## Appraiser Independence Policy

- Requesting that an appraiser provide an estimated, predetermined, or desired valuation in an appraisal report prior to the completion of the appraisal report, or requesting that an appraiser provide estimated values or comparable sales at any time prior to the appraiser's completion of an appraisal report;
- Providing to an appraiser an anticipated, estimated, encouraged, or desired value for a subject property or a proposed or target amount to be loaned to the borrower, except that a copy of the sales contract for purchase transactions may be provided;
- Providing to an appraiser, appraisal company, appraisal management company, or any entity or person related to the appraiser, appraisal company, or appraisal management company, stock or other financial or non-financial benefits;
- Removing an appraiser from a list of qualified appraisers, or adding an appraiser to an exclusionary list of disapproved appraisers, in connection with the influencing or attempting to influence an appraisal (this prohibition does not preclude the management of appraiser lists for bona fide administrative or quality control reasons based on written policy); and
- Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, or impartiality or violates law or regulation, including, but not limited to, the Truth in Lending Act and Regulation Z, or the Uniform Standards of Professional Appraisal Practice.

### 6. Appraiser Engagement and Communication

The Mortgage Maniac or any third-party specifically authorized by The Mortgage Maniac shall be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser. The Mortgage Maniac will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by any other third-party (including mortgage brokers and real estate agents).

The Mortgage Maniac maintains separation of its production staff from the appraisal function and The Mortgage Maniac prohibits its loan production staff from being involved in the operations of the appraisal function.

Certain parties are prohibited from:

- Selecting, retaining, recommending, or influencing the selection of any appraiser for a particular appraisal assignment or for inclusion on a list or panel of appraisers approved or forbidden to perform appraisals for The Mortgage Maniac; and
- Having any substantive communications with an appraiser or AMC relating to or having an impact on valuation, including ordering or managing an appraisal assignment. However, The Mortgage Maniac does allow communications requesting that an appraiser consider additional appropriate property information, include information regarding additional comparable properties; provide additional information or explanation about the basis for a valuation; or correct objective factual errors in an appraisal report.

#### A. Prohibited Parties

The Mortgage Maniac restricts the function of engaging and communicating with appraisers specifically to the following designated staff:

- All members of the production staff;
- Any person who is compensated on a commission basis upon completion of the mortgage;
- Any person whose immediate supervisor is not independent of the mortgage production staff and process.

## Appraiser Independence Policy

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The Mortgage Maniac's staff whose responsibility it is to select appraisers for an approved panel or appraisal review must be trained appropriately in the area of real estate appraisals and will be independent of the production staff and process.

### 7. Use of Appraisal Management Companies

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The Mortgage Maniac may utilize approved third-party AMCs for appraiser selection and management of appraisers. The Mortgage Maniac requires approved AMCs to represent and warrant compliance with The Mortgage Maniac policies concerning appraisal valuation independence and requirements for appraiser engagement and management. Further, approved AMCs are subject to the due diligence requirements of The Mortgage Maniac's *Third-Party Service Provider Oversight Policy*.

When The Mortgage Maniac uses an approved AMC, The Mortgage Maniac requires the AMC, on behalf of The Mortgage Maniac, to:

- monitor the approved appraiser coverage;
- ensure selection of an appropriate appraiser for every assignment, one who has knowledge of the market area, or geographic competency;
- verify appraisers are active on the FHA Appraiser Roster at the time of selection for the FHA appraisal;
- monitor approved appraiser qualifications and licensing and ensure an appraiser's qualifications, as evidenced by educational training and actual field experience, are sufficient to enable the appraiser to competently perform appraisals;
- monitor appraisers against all exclusionary lists;
- monitor performance of appraisers;
- coordinate the approval of new appraisers as well as the deletion of existing appraisers; and
- provide reports on customary and reasonable compensation.

### 8. Appraisal Report Portability

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Consistent with the requirements of the Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau may jointly issue regulations that address the issue of appraisal report portability, including regulations that ensure the portability of the appraisal report between lenders for a consumer credit transaction secured by a 1-4 unit single family residence that is the principal dwelling of the consumer, or mortgage brokerage services for such a transaction.

### 9. Acceptable Subsequent Appraisals

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The Mortgage Maniac does not order, obtain, use, or pay for a second or subsequent appraisal in connection with a mortgage financing transaction, unless there is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately documented in the loan file; such appraisal is done pursuant to written, pre-established bona fide pre- or post-funding appraisal review or quality control processes or underwriting guidelines, and The Mortgage Maniac adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value; or a second appraisal is required by law, an agency, or an investor.

### 10. Appraisal Quality

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The Mortgage Maniac is responsible for the accuracy of the appraisal and its assessment of the marketability of the property; therefore, The Mortgage Maniac, or the approved AMC on behalf of The Mortgage Maniac, requires appraisals to be reviewed to identify any appraisal conditions or issues and to ensure the appraisal quality meets the USPAP and The Mortgage Maniac's standards. The appraisal review will be documented in the loan file.

#### A. Fannie Mae Appraiser Quality Monitoring

Fannie Mae identifies inaccuracies and inconsistencies in appraisers' work, such as inaccurate, inconsistent, or contradictory information on the same property and same transaction across multiple appraisals. Fannie Mae also reviews appraisal reports for patterns of discrepancies and inconsistencies related to property characteristics such as gross living area, sales price, room count and lot size, as well as condition, quality, view and location ratings. Fannie Mae makes this information available to lenders via an Appraisal Quality Monitoring (AQM) list and issues messages through the Uniform Collateral Data Portal notifying lenders about actions regarding appraisals from specific appraisers. The message indicates that either 100% of the loans submitted with appraisals from the identified appraiser will be reviewed, or Fannie Mae will not accept appraisals from the identified appraiser.

The Mortgage Maniac or its approved AMCs, on behalf of The Mortgage Maniac, monitors the AQM list to ensure that all appraisals are ordered from appraisers who do not appear on the AQM list of unacceptable appraisers.

### 11. Appraisal Quality Control Testing

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The Mortgage Maniac's quality control testing shall include a test of a random sample of 10% (or other statistically significant percentage) of the appraisals or valuations that are used by The Mortgage Maniac, including the results of automated valuation models or desktop evaluations. This review shall include, but not be limited to a review of appraisal forms, evaluation of an appraiser's work and property fieldwork, re-verification of appraisals via an additional appraisal report, property inspection report, a desk review or other appropriate method, and appraiser independence requirements.

### 12. Referrals of Appraisal Misconduct Reports

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The Mortgage Maniac, its employees, or any representatives of The Mortgage Maniac that have a reasonable basis to believe an appraiser or AMC is violating applicable laws, or is otherwise engaging in unethical conduct, shall promptly refer the matter to the applicable state appraiser certifying and licensing agency or other relevant regulatory bodies within a reasonable period of time after it has been determined that a material failure to comply has occurred.

# Complaint Management Policy

Revision Date: 1/25/2021

## 1. Overview

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Consumer complaints provide insight into problems that consumers are experiencing, help lenders identify inappropriate practices, provide an opportunity to correct issues before they become major problems, and enable The Mortgage Maniac to provide better outcomes for consumers. Consumer complaints can also affect The Mortgage Maniac's reputation, result in lost business, and cause regulatory scrutiny. For these reasons, The Mortgage Maniac takes consumer complaints very seriously and seeks to respond in a helpful and timely manner.

## 2. Definitions

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The following definitions apply to this Policy:

- **Complaint** – means an oral or written expression of dissatisfaction. It can also be an allegation, by or on behalf of an individual or a group of individuals, that a particular product, act or practice, including advertising, is unfair, deceptive, abusive, discriminatory, or otherwise in violation of laws or regulations.
- **Qualified Written Request** – means, as defined by the Real Estate Settlement Procedures Act (RESPA), any written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, that includes, or otherwise enables the servicer to identify, the name and account of the borrower and includes a statement of the reasons for the belief of the borrower that the account is in error or provides sufficient detail to the servicer regarding other information sought by the borrower.

## 3. Policy Statement

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The Mortgage Maniac is committed to handling each complaint in a professional, expeditious manner and has established a formal consumer complaint management program to record, investigate, monitor, and track consumer complaints. The Mortgage Maniac implements this *Complaint Management Policy* to provide guidance on the manner in which The Mortgage Maniac receives and handles complaints received and to assist The Mortgage Maniac's employees in resolving complaints in an efficient, effective and professional manner.

## 4. Roles and Responsibilities

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The Mortgage Maniac is committed to handling each complaint in a professional, timely manner and have established the following roles and responsibilities:

### A. Oversight by the Board of Directors and Senior Management

The responsibility to approve and exercise general oversight of this Policy lies with the Board of Directors and Senior Management. The responsibility to monitor and respond to complaints has been delegated by the Board of Directors and Senior Management to the Compliance Officer.

### B. Compliance Officer Duties

The Compliance Officer is responsible for:

- tracking and monitoring consumer complaints;

- ensuring that specific complaint procedures required by regulation are followed;
- drafting, or assisting employees in drafting, responses to consumers and/or regulators;
- evaluating evolving trends to ensure appropriate action is taken to correct issues or behavior;
- informing the Board of Directors and Senior Management about complaints and trends on a regular basis; and
- ensuring that all employees are trained to recognize complaints and follow appropriate procedures.

### 5. Complaint Handling Procedures

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Upon receipt of a consumer complaint the following steps should be taken:

#### A. Receipt of Complaint

Employees must immediately notify their manager regarding any consumer complaint, whether received verbally or in writing. The manager shall escalate the complaint to the Compliance Officer and shall work together to resolve the complaint. The Compliance Officer must be notified of all complaints.

Any complaint received through a consumer advocacy agency, regulatory agency, or attorney must be immediately escalated directly to the Compliance Officer. Additionally, any complaint alleging a fair lending violation must also be escalated directly to the Compliance Officer.

#### B. Investigation and Response to Complaint

Upon receiving the complaint, Compliance Officer or designee will:

- forward a response to the consumer and, if appropriate, the relevant government or state regulatory department acknowledging receipt of the complaint and that a formal response will be forthcoming;
- thoroughly review and investigate the complaint;
- maintain complete documentation concerning the complaint and the results of investigations;
- send a response to the consumer when the investigation is complete and, if appropriate, to the relevant government or state regulatory department, revealing the results of its investigation and, when necessary, any corrective action taken;
- ensure all responses are provided timely and within the relevant government or state regulatory timeframe.

#### C. Corrective Action and Reporting

The Compliance Officer or designee will also:

- work with relevant departments to ensure appropriate corrective action is taken to address any issues;
- track and evaluate evolving trends to ensure appropriate action is taken to correct issues or behavior;
- inform the Board of Directors and Senior Management about complaints and trends on a regular basis.

### D. Fair Lending Complaints

For complaints alleging discrimination or fair lending concerns, the complaint should be escalated to the Compliance Officer and managed in accordance with the complaint handling procedures. If any discrimination is discovered, The Mortgage Maniac will determine the cause and take appropriate corrective action. This action may include but is not limited to, the following:

- Offering to extend credit to the applicant, if they were improperly denied or whose applications may have been inappropriately processed.
- Correcting any institutional policies or procedures that may have contributed to the discrimination.
- Identifying, and then training and/or disciplining, the employees involved.
- Improving oversight systems to ensure that there is no recurrence of the discrimination.

Complaints regarding fair lending issues will be reported to the Board of Directors and Senior Management. Any corrective measures taken to address the issues will also be provided.

### 6. Mortgage Servicing Errors – Qualified Written Requests

RESPA and its implementing Regulation X have specific requirements concerning the The Mortgage Maniac's duty to respond to borrower inquiries about residential mortgage loans. In the event The Mortgage Maniac retains servicing on a loan, The Mortgage Maniac, or its sub-servicer, will comply with the below requirements for Qualified Written Requests (QWR).

A QWR is a written correspondence sent by a consumer (or someone working on behalf of a consumer) to the consumer's mortgage servicer. The purpose of a QWR is to dispute an error relating to the servicing of the mortgage loan or to request information about the servicing of the mortgage loan. The regulation requires The Mortgage Maniac, or its sub-servicer, to respond to qualified written requests from borrowers about the servicing of their residential mortgage loans within the time limits prescribed by RESPA.

Specifically, The Mortgage Maniac, or its sub-servicer, must acknowledge receipt of the response, in writing, no later than five business days (Mondays – Fridays excluding legal public holidays, Saturdays and Sundays). Additionally, RESPA requires that The Mortgage Maniac, or its sub-servicer, must within 30 business days:

- make appropriate corrections in the account of the borrower, including the crediting of any late charges or penalties, and provide to the borrower a written notification of such correction; or
- conduct an investigation and provide the borrower with a written explanation or clarification that includes a statement of the reasons The Mortgage Maniac, or its sub-servicer, believes the account is correct and the contact information of an employee or office that can provide assistance to the borrower.

In the event the written explanation is issued within five business days of receipt of the QWR, the written response will take the place of a written acknowledgment of receipt of the inquiry.

During the 30-business day period for response, The Mortgage Maniac, or its sub-servicer, may not provide information to a consumer reporting agency concerning any overdue payment related to such period or QWR. However, this does not prevent The Mortgage Maniac, or its sub-servicer, from initiating foreclosure if proper grounds exist under the mortgage documents.

The Mortgage Maniac, or its sub-servicer, will document any actions taken in response to the borrower's request and retain the documentation for at least five years after the date of the request. Documentation should include information regarding any corrections made to the account of the borrower, the crediting of any late charges or penalties, if applicable, and a copy of the written notifications provided to the borrower.

### 7. Periodic Billing Errors

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Regulation Z has specific requirements for handling consumer complaints regarding billing errors on periodic billing statements and also provides specific procedures for consumers to follow in questioning creditors about items that appear on those statements. In the event The Mortgage Maniac retains servicing on a loan, The Mortgage Maniac, or its sub-servicer, will comply with the below requirements.

Regulation Z defines billing errors to include the following items:

- Posting a credit that was not made by the consumer;
- Extension of credit that is not identified in the periodic statement;
- Billing for property or services not accepted by the consumer or not delivered to the consumer as agreed;
- Institution's failure to properly credit a payment or other credit issued to the consumer's account;
- Computational or accounting error made by the institution;
- Consumer's request for additional clarification on an item appearing on his or her periodic statement, including documentary evidence; and
- Institution's failure to mail or deliver a periodic statement to the consumer's last known address if that address was received by the institution, in writing, at least 20 days before the end of the billing cycle.

The regulation requires The Mortgage Maniac, or its sub-servicer, to respond to notifications of billing errors from borrowers within the time limits prescribed by Regulation Z. Specifically, The Mortgage Maniac, or its sub-servicer, must acknowledge receipt of the billing error notice, in writing, no later than 30 days of receipt of the notice and must resolve the error within 90 days or less, or within two billing cycles of receiving the notice from the borrower. Two billing cycles means two full cycles after the end of the billing cycle in which notification from the borrower was received. For example, if the notification is received in mid-June, the dispute must be resolved by the end of August.

In instances where a billing error notice is resolved within 30 days or the consumer indicates (orally or in writing) that he or she is withdrawing the billing notice error, a written acknowledgement of receipt of the billing error notice is not required.

The Mortgage Maniac, or its sub-servicer, will document any investigation of and actions taken in response to the borrower's billing error notice request and retain the documentation for at least two years after the receipt of the billing notice error from the borrower.

### **8. Training**

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The Mortgage Maniac shall ensure employees are trained to identify complaints and to follow appropriate procedures for escalating, investigating, and responding to complaints timely. It is important that employees are vigilant in the complaint process to help consumers have a better outcome, reduce regulatory scrutiny, and protect The Mortgage Maniac's reputation and business.

# Customer Information Security Policy

Revision Date: 1/25/2021

## 1. Overview

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The Gramm-Leach-Bliley Act (GLBA), its implementing regulation – Regulation P, and the Standards for Safeguarding Customer Information (Safeguards Rule) provide standard for protecting borrower information. Under the GLBA and Regulation P, financial institutions are required to provide notices to their customers about their information-sharing practices and explain to customers their right to “opt out” if customers do not want their information shared with certain third parties. Under the Safeguards Rule, financial institutions must protect the consumer information they collect and to have measures in place to keep customer information secure.

## 2. Definitions

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The following definitions apply for this Policy. They are not intended to be a complete list of official definitions under GLBA or the Safeguards Rule.

- **Customer Information** – means any record containing nonpublic personal information (NPI) about a customer of a financial institution, whether in paper, electronic, or other form, that is handled or maintained by or on behalf of The Mortgage Maniac or any affiliates, if applicable.
- **Information Security Program** – means the administrative, technical, or physical safeguards The Mortgage Maniac uses to access, collect, distribute, process, protect, store, use, transmit, dispose of, or otherwise handle customer information.
- **Nonpublic Personal Information (NPI)** – means any personally identifiable financial information that a financial institution collects about an individual in connection with providing a financial product or service, unless that information is otherwise publicly available. NPI includes:
  - any information an individual gives The Mortgage Maniac to get a loan (for example, name, address, income, Social Security number, or other information on an application);
  - any information about an individual that results from a transaction involving The Mortgage Maniac's financial product(s) or service(s) (for example, the fact that an individual is a consumer or customer, account numbers, payment history, loan or deposit balances, and credit or debit card purchases); or
  - any information The Mortgage Maniac gets about an individual in connection with providing a financial product or service (for example, information from court records or from a consumer report).

NPI does not include information that The Mortgage Maniac has a reasonable basis to believe is lawfully made "publicly available." In other words, information is not NPI when The Mortgage Maniac has taken steps to determine:

- that the information is generally made lawfully available to the public; and
  - that the individual can direct that it not be made public and has not done so.
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- **Service Provider** – means any person or entity that receives, maintains, processes, or otherwise is permitted access to customer information through its provision of services directly to a financial institution.

### 3. Policy Statement

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The Mortgage Maniac has adopted this Customer Information Security Policy (CIS Policy) designed to protect customer information, including administrative, technical, and physical safeguards used by The Mortgage Maniac to access, collect, distribute, process, protect, store, use, transmit, dispose of, or otherwise handle customer information. In developing the CIS Policy, The Mortgage Maniac has considered its size and complexity, the nature and scope of its activities, and the sensitivity of any customer information at issue.

The objectives of customer information security are designed to:

- Ensure the security and confidentiality of customer information.
- Protect against any anticipated threats or hazards to the security or integrity of customer information.
- Protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

There are many critical elements of the CIS Policy, including assigning accountability, assessing risk, continuing training and education, developing internal controls, testing and monitoring, overseeing service providers, and planning for future developments.

### 4. Assigning Accountability

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Under the Safeguards Rule, The Mortgage Maniac must designate an employee to coordinate an information security program. This employee will have the necessary knowledge, expertise, and authority to oversee implementation of information security requirements. The Mortgage Maniac has designated the Chief Information Security Officer to be responsible for maintaining and updating the information security program.

### 5. Assessment of Risk

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The Mortgage Maniac must identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks.

#### A. Company Risk Profile

The Mortgage Maniac is a non-depository financial institution engaged in the mortgage industry. Taking into account the systems and controls in place, The Mortgage Maniac believes that it has an overall risk profile that is moderate. The risks The Mortgage Maniac may encounter include:

- Unauthorized access of information by someone other than the customer
- Compromised information system security as a result of system access by a computer hacker
- Interception of data during transmission
- Loss of data integrity
- Physical loss of data in a disaster
- Errors introduced into the system

- Corruption of data or systems
- Lack of transaction completeness and documentation
- Unauthorized access of information by employees
- Unauthorized telephone requests for information
- Unauthorized access through hardcopy files or reports
- Unauthorized transfer of information through third parties

The Mortgage Maniac recognizes that this may not be a complete list of the risks associated with the protection of customer information. Since technology growth is not static, new risks are created regularly. The Mortgage Maniac plans to take the necessary steps to identify internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer records.

### 6. Employee Management and Training

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The Mortgage Maniac realizes that information security depends largely upon its employees. The Mortgage Maniac will provide its employees with training (either in person or through written materials) regarding The Mortgage Maniac's policies and procedures for safeguarding customer information. The Mortgage Maniac will track employee attendance and will retain training materials and attendance records for audit and examination purposes.

To ensure proper safeguards, The Mortgage Maniac will also implement practices which may include but are not limited to:

- Checking references or obtaining background checks before hiring employees who may have access to customer information.
- Providing employees with training, policies and procedures for safeguarding customer information and requiring employees to acknowledge that they will comply with confidentiality and security standards for handling customer information.
- Limiting access to customer information to those employees who have a business need to see it. Preventing terminated employees from accessing sensitive information by immediately deactivating their passwords and user names and taking appropriate measures.
- Controlling access to customer information by requiring employees to use “strong” passwords that must be changed on a regular basis. Strong passwords include at least six characters, upper- and lower-case letters, and a combination of letters, numbers and symbols.
- Using password-activated screen savers to lock employee computers after a period of inactivity.
- Developing policies for appropriate use and protection of laptops, PDAs, cell phones, or other mobile devices.
- Training employees to take basic steps to maintain the security, confidentiality, and integrity of customer information, including:
  - Locking rooms and file cabinets where records are kept;
  - Not sharing or openly posting employee passwords in work areas;
  - Encrypting sensitive customer information when it is transmitted electronically via public networks;

## Customer Information Security Policy

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- Referring calls or other requests for customer information to designated individuals who have been trained in how The Mortgage Maniac safeguards personal data;
- Reporting suspicious attempts to obtain customer information to designated personnel, including reporting on “pretext callers” who pretend to be the customer to obtain further customer information.
- Regularly reminding employees of The Mortgage Maniac's policy, and the legal requirement, to keep customer information secure and confidential.
- Developing safeguarding policies for employees who telecommute and requiring employees to use protections against viruses, spyware, and other unauthorized intrusions.
- Imposing disciplinary measures for security policy violations.

### 7. Information Systems

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Information systems include the following: network and software designs, information processing, storage, transmission, and disposal. The Mortgage Maniac will implement practices to maintain security throughout the life cycle of customer information, from data entry to data disposal.

#### A. Securely Storing Customer Information

The Mortgage Maniac appreciates the importance of knowing where sensitive customer information is stored, that it is stored securely, and that only authorized employees have access to it. To ensure proper safeguards, The Mortgage Maniac will implement practices which may include but are not limited to:

- Ensuring that storage areas are protected against destruction or damage from physical hazards, such as fire, floods or earthquakes.
- Storing records in a room or cabinet that is locked when unattended.
- Ensuring that a server or computer where customer information is stored is accessible only with a “strong” password and is kept in a physically-secure area.
- Avoiding storing sensitive customer information on a computer with an internet connection, where possible.
- Maintaining secure backup records and keeping archived data secure by storing it off-line and in a physically-secure area.
- Maintaining a careful inventory of computers and other equipment which contains customer information.

#### B. Secure Transmission of Customer Information

Customer information must be transmitted in a secure manner. The Mortgage Maniac will take proper steps to ensure secure transmission of customer information, which may include but are not limited to the following:

- When credit card information or other sensitive financial data is transmitted, a Secure Sockets Layer (SSL) or other secure connection is used to protect the information in transit.
- If information is collected online directly from customers, the transmission should automatically be secure. In addition, customers should be cautioned against transmitting sensitive data via email or in response to an unsolicited email or pop-up message.

- If sensitive data must be transmitted by email over the Internet, the data must be properly encrypted.

### **C. Disposal of Customer Information**

The Mortgage Maniac requires that customer information be disposed of in a secure manner and consistent with the FTC's Disposal Rule, where applicable. Employees are required to shred any papers containing customer information so that the information cannot be reviewed or reconstructed. In addition, The Mortgage Maniac and its employees must destroy or erase data when disposing of computers, disks, CDs, magnetic tapes, hard drives, laptops, PDAs, cell phones, or any other electronic media or hardware which contains customer information.

## **8. Protecting Against Security Breaches**

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The Mortgage Maniac must deter, detect, and defend against attacks, intrusions, or other system failures. The Mortgage Maniac will take reasonable steps to prevent attacks, quickly diagnose a security incident, and have a plan in place for responding effectively if a breach occurs.

### **A. Monitoring Websites Failure to Secure Customer Information**

The Mortgage Maniac will monitor the websites and communications of its software vendors to learn of emerging threats and available updates or other defenses to protect against these threats. In addition, The Mortgage Maniac will read relevant industry publications or news about potential threats and available defenses.

### **B. Maintain Up-To-Date Programs and Controls**

The Mortgage Maniac will maintain appropriate programs and controls that are up-to-date to prevent unauthorized access to customer information. In doing so, The Mortgage Maniac will:

- check with software vendors regularly to obtain and install patches or updates that resolve software vulnerabilities;
- use anti-virus and anti-spyware software that automatically updates;
- maintain firewalls that are up-to-date;
- regularly review ports that are not used for business to ensure they are closed; and
- promptly provide information and instruction to employees on new security risks or potential breaches.

### **C. Detect Improper Disclosure or Theft of Customer Information**

The Mortgage Maniac must have appropriate procedures to detect the improper disclosure or theft of customer information. Procedures may include:

- keeping logs of activity about the network and monitoring them for signs of unauthorized access to customer information;
- using an up-to-date intrusion detection system to alert of attacks;
- monitoring both in-bound and out-bound transfers of information for potential breaches; and
- inserting a dummy account into each customer list and then monitoring the account to detect any unauthorized contacts or charges.

### **D. Steps in the Event of a Breach**

The Mortgage Maniac will take steps to preserve the security, confidentiality, and integrity of customer information if a breach occurs by:

- taking immediate action to secure any information that has or may have been compromised;
- preserving and reviewing files or programs that might review how the breach occurred;
- bringing in security professionals to help assess the breach as soon as possible, if feasible and appropriate; and
- notifying customers of the security breach as required by state or federal laws.

### **E. Notifications**

In the case of a security breach, The Mortgage Maniac will perform an investigation to determine which customers' personal information was subject to the breach and whether those customers should be informed of the security breach. The Mortgage Maniac will also determine if it should notify law enforcement if the breach may involve criminal activity, identity theft, or related harm and whether credit bureaus or other businesses that may be affected by the breach should be notified. The Mortgage Maniac will comply with state laws when making the foregoing determinations.

## **9. Overseeing Service Providers**

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In conducting its business, The Mortgage Maniac relies on various service providers. The Mortgage Maniac will take reasonable steps to select and retain service providers that are capable of maintaining appropriate safeguards for customer information. The Mortgage Maniac will require service providers by contract to implement and maintain appropriate measures to safeguard customer information and to refrain from sharing any customer information with other parties. The Mortgage Maniac will review and adjust contracts as necessary to obligate service providers to implement appropriate measures designed to meet the objectives of the GLBA and the Safeguards Rule.

## **10. Evaluating and Adjusting the Information Security Needs**

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The Mortgage Maniac will evaluate and adjust its information security needs based on the results of the testing and monitoring it performs. In addition, The Mortgage Maniac will make appropriate adjustments in light of any material changes to its operations or business, or for any other circumstances that may have a material impact on the security of customer information. The Mortgage Maniac will assess, document, and mitigate current and new risks to its information security program at least annually.

# ECOA Notifications Policy

Revision Date: 1/25/2021

## 1. Overview

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The Equal Credit Opportunity Act (ECOA) prohibits discrimination with respect to any aspect of a credit transaction and also requires specific notifications of any action taken in response to application requests. Under ECOA, an “adverse action” is a denial or revocation of credit, a change in the terms of an existing credit arrangement, or a refusal to grant credit in substantially the same amount or on terms substantially similar to those requested.

## 2. Definitions

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The following definitions apply to this Policy:

- **Adverse action** – means a refusal to grant credit in substantially the same amount or on substantially the same terms requested in an application unless the creditor makes a counteroffer (to grant credit in a different amount or on other terms) and the applicant uses or expressly accepts the credit offered (i.e. loan closes). During an initial inquiry, it is considered an adverse action if, in response to any statement by the applicant, The Mortgage Maniac determines that it cannot approve the request and communicates that decision to the consumer. Communication to an applicant of an adverse action may be express or implied.
- **Application** – means receipt of all 6 pieces of information that triggers an application under the Truth in Lending Act, including the following: the consumer’s name; the consumer’s income; the consumer’s social security number to obtain a credit report; the property address; an estimate of the value of the property; and the mortgage loan amount sought.
- **Completed Application** – means an application in connection with which The Mortgage Maniac has received all the information that The Mortgage Maniac regularly obtains and considers in evaluating applications for the amount and type of credit requested. The Mortgage Maniac employees are expected to act with reasonable diligence to promptly collect information and/or documentation needed to make a credit decision.

## 3. Policy Statement

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ECOA requires creditors to notify an applicant of the:

- action taken within 30 days after receiving a completed application concerning the creditor’s approval of, counteroffer to, or adverse action of the application;
- incompleteness of an application within 30 days after receiving an application that is incomplete regarding matters that an applicant can complete; or
- reasons for denial of the originally requested terms of a counteroffered request, if the applicant does not expressly use the credit offered within 90 days of notification of the counteroffer.

The Mortgage Maniac complies with these requirements by providing the Notice of Incomplete Application (NOIA), Counteroffer Notification, and the Statement of Credit Denial, Termination or Change Notice, when applicable. In order to comply with the notification requirements under ECOA rule, The Mortgage Maniac has implemented the *ECOA Notifications Policy*. All employees are required to adhere to this Policy.

### 4. Notice of Incomplete Application

The Mortgage Maniac provides a Notice of Incomplete Application (NOIA) to an applicant no later than 30 days from the application date when an application is received and does not contain enough information or documentation for a credit decision and there is information that the applicant can provide to complete the application. The NOIA must:

- be in writing;
- specify the information needed from the applicant;
- designate a reasonable period of time for the applicant to provide the information; and
- inform the applicant that failure to provide the information requested will result in no further consideration being given to the application.

The NOIA should only specify information that the applicant can provide, such as paystubs, bank statements, tax returns, divorce decrees, etc. that The Mortgage Maniac normally collects prior to making a credit decision. The NOIA should not include items that the applicant cannot provide, such as a credit report, completed appraisal, or a processed IRS tax transcript. In addition, The Mortgage Maniac employees must act with reasonable diligence to collect information needed to complete the application.

The applicant must be given a reasonable period of time to provide the requested information or documentation.

- If the information or documentation is provided within the prescribed timeframe, then The Mortgage Maniac must make and communicate a credit decision to the applicant within 30 calendar days from the date of receipt of the information or documentation to complete the application.
- If the information or documentation is not provided within the prescribed timeframe, the application may be cancelled (closed for incompleteness) and further notification is not required.

The Mortgage Maniac expects its managers and employees to monitor pipelines and review applications for which a credit decision has not been made to identify incomplete applications and to ensure a NOIA is issued whenever information or documentation that the applicant can provide is required before a credit decision can be made.

### 5. Counteroffer Notice

When The Mortgage Maniac cannot approve an application under the original terms requested, subject to certain conditions, a counteroffer may be made. If the counteroffer terms are accepted, then the loan progresses with the new terms. If the counteroffer terms are rejected or, for some reason, the loan does not close, then a Statement of Credit Denial, Termination or Change must be issued within 90 days of the date the counteroffer was communicated to the applicant. Counteroffer notices may be combined with an adverse action notice. If The Mortgage Maniac gives the applicant a combined counteroffer and adverse action notice containing all of the information required for the Statement of Credit Denial, Termination or Change, then The Mortgage Maniac does not need to send a second adverse action notice if the applicant does not accept the counteroffer. The ECOA provides samples of combined notice in Appendix C to the regulation.

### 6. Statement of Credit Denial, Termination, or Change

The notification given to an applicant when adverse action is taken must be in writing and contain:

- a statement of the action taken;
- the name and address of the creditor;
- a statement of the discrimination provisions of §701(a) of ECOA;
- the name and address of the federal agency that administers compliance with respect to the creditor; and
- either a statement of specific reasons (no more than 4) for the action taken or disclosure of the applicant's right to a statement of specific reasons within 30 days, if the statement is requested within 60 days of The Mortgage Maniac's notification. The disclosure shall include the name, address, and telephone number of the person or office for which the statement of reasons can be obtained.

To satisfy the disclosure requirements regarding §701(a) of ECOA, The Mortgage Maniac shall include a notice on the Statement of Credit Denial, Termination or Change that is substantially similar to the following: *The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is name and address as specified by the appropriate agency listed in Appendix A of ECOA.*

When an application is denied, The Mortgage Maniac will issue a Statement of Credit Denial, Termination or Change detailing specific reasons (not more than 4) for the denial. In all instances the Statement of Credit Denial, Termination or Change must be issued within 30 days of receipt of the date of the application. Applications do not have to be in writing or signed in order for ECOA notification requirements to apply.

Loan originators are encouraged to provide consumers with information about loan terms. However, if in giving information to the consumer the loan originator also evaluates information about the consumer, decides to decline the request, and communicates this to the consumer, the loan originator has treated the inquiry or prequalification request as an application and an adverse action notice must be provided to the consumer. Whether the inquiry or prequalification request becomes an application depends on how the loan originator responds to the consumer, not on what the consumer says or asks.

#### A. Adverse Action Disclosures Required by the Fair Credit Reporting Act

In addition to the ECOA requirement to disclose the principal reasons for denying or taking other adverse action on an application for an extension of credit, the Fair Credit Reporting Act (FCRA) requires a creditor to disclose when adverse action is based on information in a consumer credit report or based on information obtained from a third-party that is not a consumer credit reporting agency. FCRA also requires a creditor 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). The ECOA and FCRA disclosures may be combined into one notice. Refer to the *Fair Credit Reporting Act Policy* for more information on the FCRA required notices for adverse action.

### **B. Second Level Reviews**

The purpose of a second level review of denials is to give an applicant another opportunity to obtain a mortgage loan. While a second level review is not required by ECOA, it is critical to ensure compliance with federal and state requirements for fair lending and to ensure a consistent level of assistance is provided to all applicants. The Mortgage Maniac's policies and guidelines have been developed to ensure that all underwriting is accomplished through procedures assuring equal consideration to, and appropriate effort extended on behalf of, all applicants.

### **7. Notification of Approval**

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Notification of approval may be express or by implication. For example, The Mortgage Maniac may satisfy the notification requirement when it gives the applicant the loan requested.

### **8. Withdrawn Applications**

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When an applicant expressly withdraws a credit application, The Mortgage Maniac is not required to comply with the notification requirements under ECOA. Furthermore, when an applicant submits an application and The Mortgage Maniac approves the application and the applicant has not inquired within 30 days after applying or receiving notification of the approval, The Mortgage Maniac may treat the application as withdrawn and no further notification is required.

### **9. Multiple Applicants**

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

### **10. Applications Submitted Through a Third Party**

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When an application is made on behalf of an applicant to more than one creditor and the applicant expressly accepts or uses credit offered by one of the creditors, notification of action taken by any of the other creditors is not required. If no credit is offered or if the applicant does not expressly accept or use the credit offered, each creditor taking adverse action must comply the ECOA notification requirements, directly or through a third party. A notice given by a third party shall disclose the identity of each creditor on whose behalf the notice is given.

# ECOA Providing Copies of Valuations Policy

Revision Date: 1/25/2021

## 1. Overview

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Under the ECOA Valuations Rule, creditors must provide applicants for first lien loans on a dwelling with copies of appraisals, or other written valuations developed in connection with the application promptly upon completion or, at least, three business days before consummation (or account opening), whichever is earlier. An applicant may waive the timing requirement and agree to receive copies of valuations at or before consummation (or account opening), except where otherwise prohibited by law.

## 2. Definitions

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The following definitions apply to this Policy:

- **Business Day** – means a day on which The Mortgage Maniac's offices are open to the public for substantially all of its business functions.
- **Dwelling** – means a residential structure that contains one-to-four units whether or not that structure is attached to real property. The term includes, but is not limited to, an individual condominium or cooperative unit, and a mobile or other manufactured home.
- **Valuation** – means any estimate of the value of a dwelling developed in connection with an application for credit. This includes appraisals and could also include an appraisal update and/or completion report if the update or completion report assigns a new value to the property. Valuations do not include documents such as publicly-available valuations, such as tax assessments, published sales prices, or price ranges from websites like Zillow.com.

## 3. Policy Statement

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The Mortgage Maniac implements the following policy in accordance with regulations established by the Equal Credit Opportunity Act (ECOA) Valuations Rule set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

## 4. Covered Transactions

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The following transactions are covered by the ECOA Valuations Rule:

- Loans for business purposes;
- Loans for investment or leisure purposes;
- Loans for consumer purposes;
- Loss mitigation transactions covered by Regulation B;
- Loans secured by mobile homes;
- Loans secured by manufactured homes;
- Reverse mortgage;
- Time-share loans covered by Regulation B.

The ECOA Valuations Rule does not cover second lien loans or other subordinate loans and loans that are not secured by a dwelling.

### 5. Disclosure Requirement

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Company notifies applicants in writing within three business days of application of the right to receive a copy of any appraisal developed in connection with the application using the following language on the Loan Estimate disclosure:

*“We may order an appraisal to determine the property’s value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own costs.”*

When The Mortgage Maniac receives an application that was not originally going to be secured by a first lien on a dwelling, but The Mortgage Maniac then later determines that it will be secured by a first lien on a dwelling, The Mortgage Maniac notifies the applicant about the right to receive appraisals within three business days after making this determination.

The Mortgage Maniac may provide this disclosure to applicants by sending it to the applicant’s last-known physical or electronic address. When applicable, electronic disclosure is made subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act.

### 6. Requirement to Provide Appraisals or Valuations

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When processing an application, The Mortgage Maniac delivers copies of all appraisals and other written valuations, such as an automated valuation model or home value estimator promptly upon completion, or three business days before consummation (for closed-end mortgages) or account opening (for open-end mortgages), whichever is earlier. When there is more than one applicant, The Mortgage Maniac will provide the copies of appraisals or other valuations, at a minimum, to the primary applicant. Copies of appraisals and other written valuations may be provided to the applicant in electronic form, subject to compliance with the applicants consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act.

When The Mortgage Maniac provides a copy of an appraisal or other written valuation to the applicant and then receives a revised version of the same appraisal or written valuation, then The Mortgage Maniac sends the updated version to the applicant as well.

An Appraisal Update and/or Completion Report (1004D) is considered a written valuation only if the report assigns a new value to the property. The Mortgage Maniac is not required to provide an Appraisal Update and/or Completion Report (1004D) when the report only contains a certification of completion or restates the original appraised value.

The Mortgage Maniac does not charge the applicant for copies of any appraisal or written valuation, except that The Mortgage Maniac may charge a reasonable fee to reimburse the cost of the appraisal or other written valuation if not otherwise prohibited by law.

#### A. Withdrawn, Denied, or Incomplete Transactions

A copy of each appraisal or other written valuation must be provided to the applicant regardless of whether the loan is granted, or the application is withdrawn, denied or incomplete. When The Mortgage Maniac determines that the loan is not going to close (or credit line opened), The Mortgage Maniac still provides the applicant a copy of the appraisal or other written valuations promptly upon completion. If the applicant has waived the right to review the appraisal three business days before consummation (for closed-end mortgages) or account opening (for open-end mortgages), then The

## ECOA Providing Copies of Valuations Policy

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Mortgage Maniac provides copies of the appraisal and other written valuations to the applicant within 30 days after determining that the transaction will not close.

### 7. Appraisal Review Period and Waiver

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The applicant must receive a copy of all appraisals or valuations promptly upon completion and be given at least three business days to review the appraisal or other valuation prior to closing. An applicant may waive the timing requirement and agree to receive a copy at or before closing, except where otherwise prohibited by law. Any such waiver must be obtained in writing from the applicant at least three business days prior to closing. When there are multiple applicants, The Mortgage Maniac may accept waiver from a single applicant, but it must be the primary applicant where one is readily available.

For applicants who waive the right to receive the required copies at least three business days before consummation (for closed-end mortgages) or account opening (for open-end mortgages), The Mortgage Maniac provides the copies either at, or prior to, consummation or account opening.

For purposes of this Policy receipt occurs:

- **For copies provided by mail** – three business days after mailing copies of the appraisal or other written valuation to the last-known address of the applicant, or when evidence indicates actual receipt by the applicant, whichever is earlier.
- **For copies provided electronically or in person** – when evidence indicates actual receipt by the applicant.

When a clerical correction is made in an appraisal or other written valuation that has already been given to the applicant, then the required appraisal review period may be exempted if all of the following criteria are met:

- The revisions are solely to correct clerical errors;
- The revisions have no impact on the estimated value;
- The revisions have no impact on the calculation or methodology used to derive the estimate;
- The applicant receives the revised appraisal or other written valuation at or prior to consummation (for closed-end mortgages) or account opening (for open-end mortgages); and
- The applicant has already received the valuation that is being corrected either promptly upon completion or three business days before consummation (for closed-end mortgages) or account opening (for open-end mortgages), whichever is earlier.

# E-Disclosure and E-Signature Policy

Revision Date: 1/25/2021

## 1. Overview

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The Electronic Signatures in Global and National Commerce Act (E-Sign Act) imposes certain requirements when electronic records and signatures are used in consumer transactions. Congress enacted the E-Sign Act to facilitate the use of electronic records and signatures in interstate and foreign commerce by ensuring the validity and legal effect of contracts entered into electronically while still preserving the underlying consumer protection laws governing consumers' rights to receive certain information in writing. The E-Sign Act also includes a consumer notice and consent provisions as well as providing guidance on the delivery of electronic disclosures.

## 2. Definitions

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The following definitions apply to this Policy:

- **Electronic Signature or E-Signature** – means an electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record.

## 3. Policy Statement

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The Mortgage Maniac is implementing the following *E-Disclosure and E-Signature Policy* to ensure compliance with the applicable requirements of the E-Sign Act.

Nothing in The Mortgage Maniac's policies and procedures shall require any entity or person to use an electronic record or an electronic signature unless otherwise required by law.

## 4. E-Disclosures

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The Mortgage Maniac will only provide documentation electronically (E-Disclosures) to a consumer if a regulation, if applicable, requiring the disclosure or documentation allows for electronic delivery and/or electronic signature as a valid method of delivery and/or signature. Furthermore, all of the following requirements must have been met before providing E-Disclosures:

- The Mortgage Maniac obtains consumer's consent to receive the disclosures electronically (also known as e-Consent), and the consumer has not withdrawn that consent. If The Mortgage Maniac does not receive consumer's consent to receive e-disclosures after The Mortgage Maniac seeks such consent, The Mortgage Maniac will provide consumer with paper copies of all applicable disclosures at that time, but in no instance later than the timeframe required under the regulation for delivery of the applicable disclosure.

The Mortgage Maniac requires employees to email the consumer a clear and conspicuous statement requesting the consumer's e-Consent before any documents are sent to an applicant via electronic means. This includes, but is not limited to, the secure web delivery of an application disclosure package. Alternatively, The Mortgage Maniac may rely on the use of a third-party vendor's, such as a loan origination system, e-Consent method as long as it meets the same requirements outlined below. The Mortgage Maniac requires the consumer to reply to the consent request in the affirmative to consider a consumer's consent as being given. The clear and conspicuous statement requesting consumer's consent must include the following:

- Informs the consumer of any right or option to have the disclosure provided on paper or in a non-electronic format;

## E-Disclosure and E-Signature Policy

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- Describes the consumer's right to withdraw his/her consent, including any conditions, consequences, or fees associated with such a withdrawal;
  - Informs the consumer of whether his/her consent applies only to the specific transaction or to an identified list of records that may be provided or made available during the course of the consumer's relationship with The Mortgage Maniac;
  - Describes the procedures that the consumer must use to withdraw his/her consent, as well as the procedures for a consumer to update his/her information needed to contact the consumer electronically;
  - Informs the consumer how, after consent, the consumer may request a paper copy of the electronic record, including any fee(s), if any, that will be charged to the consumer for such a request; and
  - Informs the consumer of the hardware and software requirements for access to and retention of the electronic records.
- Consumer consents electronically, or confirms his or her consent electronically, in a manner that demonstrates that the consumer will be able to access the electronic records; and
  - After the consumer has provided consent, if a change in the hardware or software requirements needed to access the records creates a material risk that the consumer will not be able to access or retain a subsequent record, the consumer must be notified of the new requirements, and must be provided with an opportunity to withdraw consent with the imposition of any fees or any other condition or consequence not previously disclosed.

Once all of the above requirements have been met, The Mortgage Maniac may provide disclosures electronically through a secure email delivery method.

## 5. E-Signatures

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The E-Sign Act also supports the enforceability of documents that are executed utilizing electronic signatures. The Mortgage Maniac permits and accepts e-signatures from consumers, except where prohibited and/or not recommended by a specific program/investor. The Mortgage Maniac will accept an e-signature that is any electronic sound, symbol or process attached to or logically associated with a contract or record and executed or adopted by a person with the intent to sign the record. In conformity with HUD, The Mortgage Maniac does not accept an e-signature that is solely voice or audio.

### A. Intent to Sign

The Mortgage Maniac ensures that the consumer has the intent to sign the record by providing the consumer with the following information before he/she e-signs:

- The purpose for which the consumer is signing the electronic record; and
- Notice to the consumer that his/her e-signature is about to be applied to, or associated with, the electronic record.

The Mortgage Maniac accomplishes this through providing:

- an online dialogue box which:
  - advises the consumer that continuing in the process will result in an e-signature; or
  - advises the consumer that an e-signature has just been created and gives the consumer an opportunity to confirm or cancel his/her e-signature; or
- a click-through agreement that advises the consumer that continuing the process will result in an e-signature.

### **B. Transferrable Records**

Under The E-Sign Act, the term “transferable record” means, among other things, an electronic record that relates to a loan secured by real property. The E-Sign Act provides that “a transferable record may be executed using an electronic signature” and that a single “authoritative” copy of any transferable record relating to a loan secured by real property must be maintained. Such record must be unique, identifiable, and unalterable.

### **C. Security, Credential Loss Management and Privacy**

The Mortgage Maniac incorporates its Information Security and Privacy Policies to extend protection of the security of data correlated to e-signatures and the integrity of associated records. The Mortgage Maniac undertakes measures to ensure that industry standard encryption is used to protect the individual’s e-signature and the integrity of the documents to which they are affixed. Any alterations to document(s) will be noted in an auditable trail which shows all alterations and the time and date on which they were made to the document(s).

### **D. Record Retention**

All e-signed documents must be retained for the length of time required by applicable federal and state laws for the documents’ paper counterparts. Refer to The Mortgage Maniac’s *Record Retention Policy* for the length of time for federal record retention requirements.

### **E. E-Sign Act Exemptions**

The E-Sign Act has a rule that exempts a contract or other record to the extent it is governed by any notice of “default, acceleration, repossession, foreclosure, or eviction, or the right to cure, under a credit agreement secured by, or a rental agreement for, a primary residence of an individual.” Due to this exemption electronic documents in these areas are excluded from the Act and e-signatures on these documents are not given legal validity and effect. The Mortgage Maniac will comply with this exemption by requiring all documents related to default, acceleration, repossession, foreclosure to be provided in paper and will not allow e-signature of these documents.

# Fair Credit Reporting Act Policy

Revision Date: 1/25/2021

## 1. Overview

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The Fair Credit Reporting Act (FCRA) and its implementing regulation, Regulation V, impose disclosure and other requirements on companies that obtain information from a consumer reporting agency to determine a consumer's credit worthiness. These include the disclosure of credit score information, disclosure of adverse action, and disclosure of risk-based pricing.

## 2. Definitions

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The following definitions apply to this Policy:

- **Credit Report** – means a report that contains a consumer's credit history as reported to a credit reporting agency by creditors who have extended credit to a consumer. Additionally, it lists what types of credit a consumer uses, the length of time the accounts have been open, and whether the credit obligations were paid on time. It contains information regarding how much credit is being used and whether the consumer is seeking new sources of credit. A credit report also includes information on where a consumer resides and whether the consumer has filed for bankruptcy.
- **Credit Reporting Agency (CRA)** – means an entity that regularly engages in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties. The three main CRAs are Experian, Transunion and Equifax.
- **Credit Score** – means a number calculated from a credit report and is one factor used to determine creditworthiness for a mortgage loan.

## 3. Policy Statement

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The Mortgage Maniac adheres to all FCRA requirements pertaining to consumers, furnishers of information to credit reporting agencies (CRAs) and users of credit reports.

## 4. Information Sharing

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FCRA contains privacy provisions that cover information sharing among The Mortgage Maniac and its affiliates. In general, The Mortgage Maniac may share customer transaction and experience information with affiliated entities under certain circumstances without being considered a consumer reporting agency. It is the policy of The Mortgage Maniac not to use information received from an affiliate to market products or services to a consumer, unless the consumer has been given prior notice to the consumer that they may opt out of such marketing. The notice will be reasonable and simply stated and will comply with applicable laws and regulations.

## 5. Permissible Use of Credit Reports

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Credit reports will be used with the authorization of the consumer and only for permissible purposes. The following is a list of the permissible purposes under the law (pertaining to mortgage lending):

- As instructed by the consumer in writing;
- For an extension of credit as a result of an application from a consumer, or the review or collection of a consumer's account;

- For employment purposes;
- When there is a legitimate business need in connection with a business transaction that is initiated by the consumer; and
- To review a consumer's account to determine whether the consumer continues to meet the terms of the account.

The Mortgage Maniac is not a credit reporting agency and will avoid:

- Giving out information contained in credit applications bearing on the consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living; and
- Giving out information obtained in reports from consumer reporting agencies or any other information obtained from third parties.

## 6. Credit Score Disclosure

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The Fair and Accurate Credit Transactions Act (FACT Act), a provision of the FCRA, requires disclosures to be provided to consumers who apply for real estate loans if the lender uses a credit score as part of its decision-making process. FCRA requires a lender to provide either a Risk-Based Pricing notice or, as an exception for mortgages secured by one-to-four units of residential real property, a Credit Score Disclosure notice.

When The Mortgage Maniac uses a credit score in connection with a consumer application for a loan to be secured by one to four units of residential real property, The Mortgage Maniac will provide the consumer with either a risk-based pricing notice (see requirements for Risk Based Pricing Notices in Section 7) or a credit score disclosure notice explaining the use of credit scores and how the consumer may obtain additional information about credit scores and specific information about the credit score for that particular consumer.

The credit score disclosure must include the following information:

- The credit score calculated by the credit reporting agency (CRA);
- The range of possible credit scores under the model used to generate the credit score;
- All of the key factors that adversely affected the credit score, not to exceed four factors (except that if one of the key factors is the number of inquiries made with respect to the consumer report, the number of key factors shall not exceed five);
- The date on which the credit score was created;
- The name of the CRA or other person that provided the credit score; and,
- A statutory notice explaining credit scores, including statements that:
  - a credit report is a record of the consumer's credit history and includes information about whether the consumer pays his or her obligations on time and how much the consumer owes;
  - a credit score is a number based on information in a consumer report and it can change over time to reflect changes in the consumer's credit history;
  - a consumer's credit score can affect whether the consumer can obtain credit and what the cost of that credit will be;
  - the consumer is encouraged to verify the accuracy of the information contained in the credit report and has the right to dispute any inaccurate information in the report;

- federal law gives the consumer the right to get copies of their consumer reports directly from the CRAs, including a free report from each of the nationwide CRAs once during any 12-month period;
- include contact information for the central source — [www.annualcreditreport.com](http://www.annualcreditreport.com) — for free annual consumer reports; and
- direct consumers to the web sites of the Consumer Financial Protection Bureau to obtain more information about consumer reports.

The credit score disclosure shall be provided as soon as the credit score is received.

### 7. Risk Based Pricing Notice

As a user of consumer reports, if The Mortgage Maniac does not provide the credit score disclosure outlined above, then it will provide a risk-based pricing notice to a consumer when The Mortgage Maniac, based on a consumer report, extends credit to the consumer on terms that are “materially less favorable” than the terms The Mortgage Maniac has extended to other consumers.

The risk-based pricing notice requirement is designed primarily to improve the accuracy of consumer reports by alerting consumers to the existence of negative information in their consumer reports so that the consumers can, if they choose, review their consumer reports for accuracy and correct any inaccurate information.

The Mortgage Maniac may determine, on a case-by-case basis, whether a consumer has received material terms that are essentially less favorable by comparing the material terms offered to the consumer to the material terms offered to other consumers for a specific type of credit product. A specific type of credit product means one or more credit products with similar features that are designed for similar purposes. Examples include fixed-rate mortgage loans, and variable-rate mortgage loans.

Because making such a direct comparison between consumers may not be operationally feasible, the rule allows The Mortgage Maniac two alternative methods, a credit score proxy method and a tiered pricing method.

#### A. Credit Score Proxy Method

If The Mortgage Maniac uses credit scores to set the material terms of credit, The Mortgage Maniac may determine a cutoff score that represents the point at which approximately 40 percent of its consumers have higher credit scores and 60 percent of its consumers have lower credit scores. In this case The Mortgage Maniac will provide a risk-based pricing notice to each consumer who has a credit score lower than the cutoff score. The Mortgage Maniac will calculate the cutoff score by considering the credit scores of all, or a representative sample of, the consumers who have received credit for a specific type of credit product.

When The Mortgage Maniac offers new products subject to risk-based pricing, The Mortgage Maniac may determine the cutoff score based on information from market research or other third-party sources. When The Mortgage Maniac acquires a credit portfolio, The Mortgage Maniac may determine the cutoff score from information obtained from the party from which it acquired the portfolio. The Mortgage Maniac will recalculate the cutoff score using the scores of its own consumers within one (1) year after The Mortgage Maniac begins using a score derived from market research, a third-party, or the party from which The Mortgage Maniac acquired the portfolio. If, within that one year, The Mortgage Maniac has not granted credit to a sufficient number of new consumers, thus preventing it from having sufficient data with which to recalculate a cut-off score based on the credit scores of its own consumers, The Mortgage Maniac may continue to use the original cutoff score.

However, within two (2) years, The Mortgage Maniac will calculate its own cutoff score if it has granted credit to some new consumers within those two (2) years.

- **Use of Multiple Credit Scores**

The Mortgage Maniac generally uses two or more credit scores to set material credit terms. The Mortgage Maniac will determine the cutoff score using the same method used to evaluate multiple scores when making credit decisions (for example, using an average credit score). If The Mortgage Maniac does not consistently use the same method for evaluating multiple scores, The Mortgage Maniac must use a reasonable means. For example, The Mortgage Maniac may use any one of the methods that The Mortgage Maniac ordinarily uses or the average credit score of each consumer to calculate the credit score by a reasonable means.

- **Credit Score Not Available for Consumer**

When a credit score is not available for a consumer, The Mortgage Maniac must assume that it is granting credit on materially less favorable terms and thus will provide a risk-based pricing notice to the consumer.

### B. Tiered Pricing Method

When The Mortgage Maniac sets the material terms of credit by assigning each consumer to one of a discrete number of pricing tiers for a specific type of credit product, based in whole or in part on a consumer report, The Mortgage Maniac will provide a risk-based pricing notice to each consumer who is not assigned to the top pricing tier or tiers.

Further, when The Mortgage Maniac uses 4 or fewer pricing tiers, The Mortgage Maniac complies by providing risk-based pricing notices to all consumers who do not qualify for the top, best-priced tier. If The Mortgage Maniac uses 5 or more pricing tiers, The Mortgage Maniac complies by providing the notices to all consumers who do not qualify for the 2 top, best-priced tiers and any other tier that, combined with the top 2 tiers, equals no less than the top 30 percent and no more than the top 40 percent of the total number of tiers.

### C. Timing

The Mortgage Maniac will provide the risk-based pricing notice based on the specific type of credit transaction:

- For closed-end credit, a risk-based pricing notice will be provided to the consumer after the decision to approve a credit request is communicated to the consumer, but before consummation (closing).
- For open-end credit, the notice will be provided after the decision to grant credit is communicated to the consumer, but before the first transaction under the plan has been made.
- For account reviews, the notice will be provided at the time that the decision to increase the APR is communicated to the consumer. If no notice of the increase in the APR is provided to the consumer prior to the effective date of the APR change, the notice will be provided no later than 5 days after the effective date of the APR change.

### D. Exceptions

The rules contain a number of exceptions to the risk-based pricing notice requirement, as follows:

- when a consumer applies for specific terms of credit, and receives them, unless those terms were specified by The Mortgage Maniac using a consumer report after the consumer applied for the credit and after The Mortgage Maniac obtained the consumer report;
- when The Mortgage Maniac provides a notice of adverse action;
- when The Mortgage Maniac makes a firm offer of credit in a prescreened solicitation;
- when The Mortgage Maniac generally provides a credit score disclosure to each consumer that requests a loan that is or will be secured by residential real property;
- when The Mortgage Maniac generally provides a credit score disclosure to each consumer that requests a loan that is not or will not be secured by residential real property; and
- when The Mortgage Maniac, which otherwise provides credit score disclosures to consumers that request loans, provides a disclosure about credit scores when no credit score is available.

Further, The Mortgage Maniac is not required to provide a risk-based pricing notice to a consumer if:

- The consumer requests from The Mortgage Maniac an extension of credit that is or will be secured by one to four units of residential real property; and
- The Mortgage Maniac generally provides to each consumer that requests such an extension of credit a notice that contains the following:
  - A statement that a consumer report (or credit report) is a record of the consumer's credit history and includes information about whether the consumer pays his or her obligations on time and how much the consumer owes to creditors;
  - A statement that a credit score is a number that takes into account information in a consumer report and that a credit score can change over time to reflect changes in the consumer's credit history;
  - A statement that the consumer's credit score can affect whether the consumer can obtain credit and what the cost of that credit will be;
  - A statement that the consumer is encouraged to verify the accuracy of the information contained in the consumer report and has the right to dispute any inaccurate information in the report;
  - A statement that federal law gives the consumer the right to obtain copies of his or her consumer reports directly from the consumer reporting agencies, including a free report from each of the nationwide consumer reporting agencies once during any 12-month period;
  - Contact information for the centralized source from which consumers may obtain their free annual consumer reports;
  - A statement directing consumers to the websites of the Federal Reserve Board and Federal Trade Commission to obtain more information about consumer reports; and
  - The distribution of credit scores among consumers who are scored under the same scoring model that is used to generate the consumer's credit score. The distribution will use the same scale as that of the credit score provided to the consumer and be presented in the form of a bar graph containing a minimum of six (6) bars that illustrates the percentage of consumers with credit scores within the range of scores reflected in each bar; by other clear and readily understandable graphical means, or in a clear and readily understandable statement informing the consumer how his or

her credit score compares to the scores of other consumers. The presentation may use a graph or statement obtained from the entity providing the credit score if it meets these requirements.

### 8. Adverse Action Disclosures

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As a user of consumer reports, The Mortgage Maniac ensures that it notifies consumers when adverse actions are taken. When The Mortgage Maniac takes adverse action based on information obtained from a CRA, The Mortgage Maniac will provide notification to the consumer. The notification must be in writing and may be provided through electronic means. Also, it may be combined with the Equal Credit Opportunity Act required Statement of Denial, Termination or Change (refer to the *ECOA Notifications Policy* for more information). Specific disclosures are required depending on whether the source of the information is a consumer reporting agency, a third party other than a consumer reporting agency, or an affiliate.

#### A. Adverse Action Based on Information in a Consumer Report

When The Mortgage Maniac takes any type of adverse action that is based at least in part on information contained in a consumer credit report, The Mortgage Maniac will notify each of the consumers applying for the credit in writing with separate adverse action notices. The Mortgage Maniac will provide the notice within 30 days of the receipt of a consumer application for credit. The notice must include the following:

- The name, address and toll-free telephone number of the CRA that provided the report;
- A statement that the CRA did not make the adverse decision and is not able to explain why the decision was made;
- The credit score, if the decision was based on the score;
- Date that the credit score was obtained;
- Scores range from a low of X to a high of X;
- Key factors that adversely affect the credit score, up to 4 factors;
- Number of recent inquires on a consumer report (if the number of inquiries was a key factor in the decision);
- A statement setting forth the consumer's right to obtain a free copy of the consumer's credit report from the CRA if the consumer requests the report within 60 days; and
- A statement setting forth the consumer's right to dispute directly with the CRA the accuracy or completeness of any information provided by the CRA.

#### B. Adverse Action Based on Information Obtained from Third Parties that are Not a Consumer Reporting Agency

When The Mortgage Maniac takes any type of adverse action that is based at least in part on information obtained from a source other than a consumer reporting agency, it must inform the applicant of their right to request the information that was relied on in taking adverse action within 60 days of receipt of the adverse action notice. When a request for information is made by the consumer within 60 days, The Mortgage Maniac will provide the information to the consumer within a reasonable period of time.

### C. Adverse Action Based on Information Obtained from an Affiliate

When The Mortgage Maniac takes any type of adverse action that is based at least in part on information obtained from an affiliate, it must inform the applicant of their right to request the information that was relied on in taking adverse action within 60 days of receipt of the adverse action notice. When a request for information is made by the consumer within 60 days, The Mortgage Maniac must provide the information to the consumer within 30 days after receiving the request.

### 9. Required Disclosure for Credit Solicitations (Pre-Screened Offers)

In the event that The Mortgage Maniac uses information obtained from a consumer reporting agency to offer credit to a consumer that is not initiated by the consumer, the written solicitation must include statements that:

- Information contained in the consumer's consumer report was used in connection with the offer;
- The consumer received the offer because he/she satisfied the criteria for creditworthiness or insurability;
- The credit may not be extended if, after the consumer responds to the offer, the consumer does not meet the specific underwriting criteria or does not furnish the required collateral;
- The consumer has a right to prohibit information contained in the report from being used in connection with any credit transaction that is not initiated by the consumer; and
- The consumer may exercise that right by notification to the consumer reporting agency, including the address and telephone number for the consumer reporting agency.

### A. Prescreen Opt-Out Notice

The Federal Trade Commission's rule on prescreened solicitations requires that an opt-out notice be provided in two places in the prescreened solicitation. The rule applies to any person who uses information from consumer reports to solicit any credit or insurance transaction that is not initiated by the consumer. Each written solicitation made to the consumer about the transaction must include a "short notice" and a "long notice." (Refer to the *Advertising and Marketing Policy* for more information on prescreen opt-out notices).

### 10. Furnishing Information to Credit Reporting Agencies

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The Mortgage Maniac provides accurate information to CRAs and prohibits providing information to a CRA that it knows or have reasonable cause to believe is inaccurate. The Mortgage Maniac corrects and updates information that is determined to be incomplete or inaccurate.

As applicable, The Mortgage Maniac reports dates of delinquencies for collection accounts by providing the CRA with the month and the year of the commencement of the delinquency that immediately preceded the action. The Mortgage Maniac also notifies a consumer in writing either before it provides negative information to a CRA, or within 30 days after reporting the negative information.

### 11. Identity Theft Provisions

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FCRA contain several provisions for users of consumer reports that are designed to help combat identity theft. If information from a consumer reporting agency indicates that a customer or potential customer has been a victim of identity theft, The Mortgage Maniac will take appropriate measures to ensure it knows the identity of the applicant. The Mortgage Maniac has adopted an *Identity Theft Prevention Program* and will follow those policies and procedures in detecting, preventing and mitigating identity theft and in responding to identity theft victims.

### 12. Dispute Resolution

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When The Mortgage Maniac acts as a furnisher of credit information and receives a notice of dispute from a CRA regarding the accuracy or completeness of any information The Mortgage Maniac provided to a CRA, The Mortgage Maniac:

- conducts an investigation regarding the disputed information;
- reviews all relevant information the CRA provided along with the notice;
- reports the results of the investigation to the CRA;
- if the investigation finds the information is incomplete or inaccurate, The Mortgage Maniac reports those results to all nationwide CRAs to which The Mortgage Maniac previously provided the information; and
- if the disputed information is incomplete, inaccurate, or not verifiable by The Mortgage Maniac, it will do one of the following:
  - Modify the item of information;
  - Delete the item of information; or
  - Permanently block the reporting of that item of information.

The Mortgage Maniac completes any investigations resulting from a CRA dispute and reports the results of its investigation within 30 days or extends the time period for 15 days if a CRA receives additional relevant information from the consumer.

### 13. Consumer Reports for Employment Purposes

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When The Mortgage Maniac uses information from a consumer reporting agency for employment purposes, it will:

- Make a clear and conspicuous written disclosure to the applicant that a consumer report may be obtained prior to obtaining the report, in a document that consists solely of the disclosure;
- Obtain prior written authorization from the applicant;
- Certify to the consumer reporting agency that the above steps have been followed, that the information being obtained will not be used in violation of any federal or state equal opportunity law or regulation, and that if any adverse action is taken based on the consumer report, a copy of the report and a summary of the consumer's rights will be provided to the consumer; and
- Provide a notice of adverse action and a copy of the report to the applicant as well as a summary of the consumer's rights before taking any adverse action.

# Fair Lending Policy

Revision Date: 1/25/2021

## 1. Overview

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Fair lending laws and regulations prohibit creditors from considering an applicant's race, color, national origin, religion, sex, familial status, or disability when considering applications for residential mortgage loans. Fair lending laws and regulations guarantee the same lending opportunities to everyone.

The Fair Housing Act, as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. The Secretary of Housing and Urban Development (HUD) is responsible for administering the Fair Housing Act, including regulations on gender identity.

The Equal Credit Opportunity Act (ECOA) and its implementing regulation, Regulation B, prohibit discrimination in any aspect of a credit transaction on the basis of race; religion; national origin; sex; marital status; age (provided that the applicant has the capacity to enter a binding contract); the applicant's receipt of income through a public assistance program; and the good faith exercise of the applicant of a right under the Federal Consumer Credit Protection Act.

Various state laws also govern fair lending and prohibit creditors from discriminating against loan applicants on prohibited bases.

## 2. Definitions

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The following definitions apply for this Policy.

- **Discrimination or Discriminatory practice** – means an act that is unlawful under the Fair Housing Act or ECOA. These provisions pertain to: discrimination in the sale or rental of housing and other prohibited practices; discrimination in residential real estate-related transactions; discrimination in the provision of brokerage services; and interference, coercion, and intimidation. Furthermore, discrimination or discriminatory practices include any form of discrimination, including but not limited to the following:
  - **Overt Discrimination** – occurs when a creditor openly discriminates on a prohibited basis or makes statements indicating a discriminatory preference.
  - **Disparate Treatment** – occurs when a creditor treats a credit applicant differently based on a prohibited basis. It does not require proof that the disparate treatment was motivated by prejudice or an intent to discriminate against the applicant.
  - **Disparate Impact** – occurs when a creditor employs a neutral policy or practice equally to all credit applicants, but the policy or practice disproportionately excludes or burdens certain persons on a prohibited basis. Even if a policy or practice that has a disparate impact on a prohibited basis can be justified by business necessity, it still may be found to be in violation if an alternative policy or practice could serve the same purpose with less discriminatory effect. Finally, evidence of discriminatory intent is not necessary to establish that a creditor's adoption or implementation of a policy or practice that has a disparate impact is in violation of ECOA.
- **Familial status** – means one or more individuals (who have not attained the age of 18 years) being domiciled with: a parent or another person having legal custody of such individual or individuals; or the designee of the parent or other person having legal custody, with the written

permission of such parent or other person. The protections afforded against discrimination on the basis of familial status apply to any person who is pregnant or is in the process of securing legal custody of any individual who has not attained the age of 18 years.

- **Gender Identity** – means actual or perceived gender-related characteristics.
- **Handicap** – means, with respect to any person: a physical or mental impairment which substantially limits one or more of such person’s major life activities; a record of having such an impairment; or being regarded as having such an impairment.
- **Sexual Orientation** – means homosexuality, heterosexuality, or bisexuality.

### 3. Policy Statement

The responsibility to comply with fair lending laws lies with the Board of Directors and Senior Management. The Mortgage Maniac prohibits discriminatory lending which includes, but is not limited to the following discriminatory practices:

- Discouraging applications or rejecting applications because of race, color, religion, national origin, sex, marital status, age, or because applicant receives public assistance;
- Considering race, sex, or national origin, although applicants may be asked to disclose this information to comply with government monitoring requirements. Immigration status and whether applicant has the right to stay in the country long enough to repay the debt may be considered;
- Imposing different terms or conditions on a loan, such as a higher interest rate or higher fees, based on race, color, religion, national origin, sex, marital status, age, or because of receipt of public assistance;
- Asking if the applicant is widowed or divorced. The terms married, unmarried, or separated may only be used when gathering information on the applicant;
- Asking about marital status if an applicant applies for a separate account. This information may be asked for if an applicant applies for a joint account;
- Asking for information about the applicant’s spouse, except if:
  - a spouse is applying with the applicant;
  - a spouse will be allowed to use the account;
  - an applicant is relying on the spouse’s income or on alimony or child support income from a former spouse; and/or
  - the applicant lives in a community property state;
- Asking about plans for having or raising children. Questions may be asked about expenses related to dependents;
- Asking if the applicant receives alimony, child support or separate maintenance payments, unless the applicant is first informed that he/she does not have to provide this information if the applicant will not be relying on these payments to obtain credit. The applicant may be asked about whether the applicant is required to pay alimony, child support or separate maintenance payments;
- Considering age and/or favoring an applicant because of age, unless the applicant is too young to sign a contract (under 18) or is at least 62 (reverse mortgage);
- Considering the racial composition of the neighborhood where the applicant wishes to buy, refinance, or improve a house with the money being borrowed;

- Refusing to consider a reliable public assistance income in the same manner as considering other income;
- Discounting income because of applicant's sex or marital status;
- Discounting or refusing to consider income because it is derived from part-time employment, Social Security, pensions or annuities;
- Refusing to consider reliable alimony, child support or separate maintenance payments. Applicant may be asked for proof that this income is consistently received.
- Failing to provide information or services, or providing different information or services to applicants in any aspect of the lending process, including credit availability, application procedures, or lending standards;
- Discouraging or selectively encouraging applicants with respect to inquiries about or applications for credit;
- Refusing to extend credit or using different standards in determining whether to extend credit to applicants based on a prohibited basis;
- Varying the terms of credit offered, including the amount, interest rate, duration, or type of loan based on a prohibited basis;
- Using different standards to evaluate collateral offered by applicants based on a prohibited basis;
- Treating any borrower differently in servicing a loan or invoking default remedies; and/or
- Using different standards for pooling or packaging a loan in the secondary market based on a prohibited basis.

The Mortgage Maniac is an equal opportunity institution and believes in consistent fair lending. The Mortgage Maniac does not permit discrimination of any kind with respect to an applicant's race, color, religious creed, national origin, sex, marital, or familial status, sexual orientation, gender identity, age (provided that applicant had the capacity to enter into a binding contract), genetic information, ancestry, children, veteran status, physical condition, developmental disability, handicap or because all or a part of the applicants income derives from any public assistance program. The Mortgage Maniac does not discourage the completion or submission of an application for credit by any applicant on any of the prohibited basis and does not discriminate against any applicant on a prohibited basis. Furthermore, The Mortgage Maniac's *Fair Lending Policy* is designed to prevent practices that could result in any form of discrimination.

### **A. Non-Discrimination for Same Sex Married Couples and Sexual Orientation or Gender Identity**

The Department of Housing and Urban Development (HUD) requires that its core programs be open to all eligible individuals and families regardless of sexual orientation, gender identity, or marital status. Furthermore, the Consumer Financial Protection Bureau (CFPB) issued guidance that it recognizes that all marriages valid, including same sex marriages, for the purposes of federal statutes and regulation under the CFPB's jurisdiction. The CFPB recognizes and will use the terms "spouse", "marriage", "married", "husband", "wife" and other similar terms related to family or marital status to include same-sex marriages and same-sex spouses.

The Mortgage Maniac recognizes all marriages and civil unions and treats same-sex couples in the same manner as heterosexual couples. Same-sex couples who indicate they are married or have entered into a civil union are provided, and should complete, a joint loan application. Proof of legal marriage or civil union is not required for either same-sex or heterosexual couples regardless of the laws in state in which they were married or reside.

The Mortgage Maniac, in accordance with HUD's policy, prohibits all employees from inquiring about the sexual orientation or gender identity of a loan applicant for any purpose, especially for the purpose of determining an applicant's eligibility for a loan. The Mortgage Maniac does not prohibit any applicant from voluntarily self-identifying sexual orientation or gender identity (such as for compliance with data collection requirements of state or local governments or other federal assistance programs).

### **B. Non-Discrimination for Applicant's Receiving Disability Income**

The CFPB issued guidance regarding creditor's obligations under ECOA for consideration of public assistance income and relevant standards and guidelines regarding verification of disability income received by mortgage applicants. ECOA and Regulation B prohibit creditors from discriminating in any aspect of a credit transaction against an applicant because all or part of the applicant's income derives from a disability or public assistance program. Such income includes, but is not limited to, Social Security Disability Income and Supplemental Security Income.

Creditors must be cautious to avoid requiring documentation beyond that required by agency or secondary market standards to demonstrate whether disability income is likely to continue, such as information about the nature of an applicant's disability or a letter from an applicant's physician. Requiring additional documentation regarding public assistance or disability recipients that is not imposed on other applicants may result in disparate treatment. Furthermore, requiring additional documentation could have a disparate impact violating ECOA and Regulation B if an income verification standard has a disproportionately negative impact on a prohibited basis, even when the creditor does not intend to discriminate.

The Mortgage Maniac considers disability income as a valid source of income for all applicants and will verify income and apply consistent eligibility standards when determining whether an applicant can reasonably be expected to continue paying a mortgage.

The Mortgage Maniac will adhere to the following standards when verifying disability income:

- Follow Fannie Mae, Freddie Mac, HUD, VA, or USDA agency standards as well as the guidance of the CFPB Underwriting Standards, when applicable, for documentation of disability income.
- Consider disability income effective and likely to continue if the Social Security Administration Notice of Award or equivalent document does not have a defined expiration date.
- Not request additional documentation from the applicant to demonstrate continuance of disability or Social Security disability income.
- Not inquire into or request documentation concerning the nature of a disability or medical condition of the applicant or seek a statement from a physician defining how long the medical condition will last.

### **C. Pregnancy and Parental Leave**

The Fair Housing Act, enforced by HUD, prohibits housing discrimination based on a person's sex or familial status. It is designed to protect applicants from being discriminated against because an applicant is on pregnancy or parental leave and he or she intends to return to work or can otherwise continue to meet the income requirements to qualify for the loan. When an applicant's employer confirms that the applicant is currently on parental leave, the applicant will be considered employed.

The Mortgage Maniac may verify income and will use consistent eligibility standards for all applicants when determining whether an applicant can reasonably be expected to continue paying a mortgage.

Employees, in accordance with the underwriting guidelines of agencies, may approve the loan application of an applicant on parental leave when the application meets applicable underwriting requirements and the applicant qualifies for the loan and meets the applicable debt-to-income ratios, taking into account any reduction of income due to their leave and available liquid reserves. Employees are prohibited from asking an applicant whether he or she intends to take parental leave in the future and cannot deny or delay loans to pregnant applicants or applicants on parental leave for which they would otherwise be eligible.

#### 4. Implementation of Fair Lending Policy

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The Compliance Officer is responsible for implementing this Policy. The Compliance Officer and Senior Management will periodically review this *Fair Lending Policy* to ensure that it remains current.

The Compliance Officer is also responsible for:

- training employees concerning this Policy;
- reviewing marketing and advertising materials and campaigns and any major new policy or practice, to determine whether those materials, campaigns, policies and/or practices will be consistent with fair lending practices;
- reviewing underwriting standards and its implementation of those standards to determine whether they are compliant with its commitment to fair lending;
- reviewing loan applications and portfolio to ensure compliance with this Policy and credit is extended on a nondiscriminatory basis.
- reporting findings and any issues with respect to its implementation of this Policy to the Board of Directors and Senior Management on an annual basis or whenever fair lending or pricing issues arise that need to be addressed.

#### 5. Fair Lending Monitoring and Testing

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The Mortgage Maniac will monitor the implementation of and adherence to this *Fair Lending Policy*. The Mortgage Maniac will also monitor, on an ongoing basis, the mortgage application and underwriting processes, pricing policies and marketing. The Mortgage Maniac will ensure that employees understand their duties and responsibilities under the Policy, and that such duties are being carried out.

The Mortgage Maniac maintains a fair lending testing program to assist in monitoring compliance with fair lending laws. This may include, but is not limited to, periodic statistical analysis, testing for trends, and, where appropriate, loan-level file reviews. Results are reported to the Compliance Officer and any identified issues are immediately addressed.

#### 6. Training

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Employee training is an essential component of this Policy. The Mortgage Maniac will provide fair lending training annually to all employees, including current employees, new hires, and management. Records of training materials and attendance will be maintained. Fair lending training for employees should include, but is not limited to, the following:

- ECOA, Fair Housing Act, and any state specific requirements.
- Customer assistance skill training, such as listening, responsiveness, and uniform standards such as application interviews, and phone, fax, and mail communications.
- Discrimination sensitivity, such as diversity training, examples of implied discrimination, and encouragement versus discouragement.

Management should also attend conferences, webinars and seminars on fair lending topics to remain current on consumer credit and fair lending regulations.

### 7. Application Process

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All employees, including loan originators, loan processors, and underwriters, must treat all applicants in the same manner to the extent permitted by applicable law. Employees must provide the same level of assistance to all applicants and ensure that they treat applicants consistently without regard to their race or color, national origin, religion, sex, marital status, familial status, age, or handicap, or any other prohibited basis.

#### A. Underwriting

Underwriting guidelines are established in accordance with the loan product the applicant selects and are based upon applicable The Mortgage Maniac or investor requirements to ensure consistency between all classes of applicants. All underwriters must comply with the same underwriting requirements.

Applicants are notified of an underwriting decision, whether favorable or adverse, within 30 days after receiving a completed application.

#### B. Second Level Review of Adverse Action

When an employee recommends declination for an application, there must be timely review of the decision by a separate designated underwriter or supervisor. The second level review is performed to:

- ensure consistency in loan decisioning and level of assistance;
- prevent erroneous denial of loans;
- determine whether written guidelines were followed;
- explore potential alternatives, such as other loan products or other acceptable means of documenting employment history or income sources; and
- identify training opportunities for employees, underwriters, and other credit administration employees.

The second level review must be conducted prior to the date the adverse action notice is sent to the applicant.

### 8. Pricing

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The Mortgage Maniac reviews its pricing policy and practices to ensure that its pricing policies do not discriminate against any loan applicant on the basis of race, color, religion, national origin, marital status, age (providing the applicant is of legal age and has the capacity to enter into a binding legal contract), sex, gender identity, disability, familial status, receipt of public assistance, or if the individual has exercised in good faith any right under the Consumer Credit Protection Act, or on any other prohibited basis.

Pricing is set by the secondary marketing department in accordance with its established pricing policy. Adjustments to pricing can only be made through the secondary marketing department and must be documented. Deviations from published pricing may only be approved with legitimate reasons based upon prevailing market conditions, risk factors, and other considerations associated with a particular loan. These considerations include loan-to-value ratio, debt-to-income ratio, credit score, loan type, the relationship of the applicant with The Mortgage Maniac, unique factors applicable to the loan, the options

and alternatives for the loan, the risk that the loan will not close, competing offers (or the potential) for the applicant, specific or unique needs of the applicant, the cost of originating the loan, and overall market trends. Approvals for deviations from published pricing should be documented and retained by The Mortgage Maniac.

When negotiating the pricing for a loan, all applicants will be treated equally without regard to race, religion, national origin, gender, gender identity, sexual preference, age, disability, marriage status, and/or any other protected characteristics. Loan originators are expected to pursue the most favorable pricing for applicants and act in a consistent manner with all applicants. When a loan originator is aware that compensating factors exist that could improve pricing, the loan originator is expected to counsel the applicants regarding potential options.

Loan originators should realize that The Mortgage Maniac monitors pricing and that loan originators who are found to have violated the pricing policy by considering improper criteria, not acting in The Mortgage Maniac's best interests, or not acting in the best interests of the applicant may be subject to discipline and/or termination as determined at The Mortgage Maniac's discretion.

### 9. Compensation Practices, Anti-Steering Rules and Loan Products

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The Mortgage Maniac follows the compensation rules for loan originators set forth in Regulation Z and does not pay loan originators based on the terms and conditions of the loan. Loan originators are also prohibited from steering applicants to products that will pay them a higher commission and should present no more than four loans per type of transaction.

Loan originators must attempt to determine the applicant's needs, both short-term and long-term in order to provide sufficient information to applicants to enable them to make an informed decision regarding the type of loan for which they would like to apply. Applicants are free to select the type of loan they wish to obtain, provided they meet applicable requirements. Loan originators must explain the requirements for various types of loans and how different products may be suitable or unsuitable for the applicant's goals. Loan originators must also explain how and why an applicant may qualify for one type of loan, but not another type of loan, and the underwriting standards that typically would qualify the applicant for a particular loan product.

The Mortgage Maniac offers a broad product offering designed to meet the needs of its customers. Loan Product availability, limitations, or changes are reviewed for possible fair lending disparate impact. In the event nontraditional mortgage products covered by the *Interagency Guidance on Nontraditional Mortgage Product Risk* are offered, The Mortgage Maniac will ensure applicants fully understand the product terms. Furthermore, applicants will be presented with information regarding conventional or conforming loan products for which the applicant may also be eligible before the applicant selects a nontraditional product.

### 10. Advertisements

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New advertising material, and any changes to existing advertising material, including The Mortgage Maniac's websites, are reviewed prior to distribution to ensure that advertisements comply with federal and state regulations including fair lending laws. Additionally, if pre-screened advertisement offers are conducted, the criteria for pre-screening will be reviewed prior to implementation to ensure that discriminatory criteria are not used in marketing to potential customers.

Advertisements may not contain any words or phrases, photographs, illustrations, or symbols that indicate that applicants from protected classes are less-desirable or that The Mortgage Maniac is unwilling to lend to protected classes. Advertisements may also not be targeted in an inappropriate manner to protected classes (i.e., by promoting more expensive loan products to a protected class). All

advertisements, including brochures and handouts, must contain the fair housing slogan and/or logo, as appropriate, for the size and medium of the advertisement.

### 11. Third-Party Loan Originators

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The Mortgage Maniac will require third-party loan originators to adhere to fair lending requirements. The Mortgage Maniac will ensure third-party loan originators are aware of its *Fair Lending Policy* and will require third-party loan originators to certify in writing that they acknowledge their responsibility to comply with fair lending requirements as applicable to them. Third-party agreements will be reviewed and updated regularly to maintain compliance with applicable fair lending laws and regulations.

### 12. Servicing, Loan Modifications and Collection Practices

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To the extent that The Mortgage Maniac engages in any loan servicing or collection activities, it recognizes that the *Fair Lending Policy* applies throughout the mortgage loan life cycle. The Mortgage Maniac is committed to implementing policies, procedures, training, and management oversight to ensure equitable treatment of all borrowers during the loan servicing phase of the mortgage loan.

### 13. Complaints

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The Mortgage Maniac takes any complaint about its fair lending practices seriously. All complaints relating to alleged fair lending violations will be resolved without being unduly burdensome to the applicant. The Mortgage Maniac will process each complaint fairly and consistently and within the time frames required by law, by the relevant government or state regulatory department, or by The Mortgage Maniac's internal policy and procedures, whichever is earlier.

Upon receipt of a fair lending complaint the following steps are taken:

- The Mortgage Maniac will act on oral or written complaints immediately. All complaints will be referred to the Compliance Officer.
- The Compliance Officer or designee will forward a response to the consumer and, if appropriate, the relevant government or state regulatory department acknowledging receipt of the complaint and that a formal response will be forthcoming.
- The Compliance Officer or designee will thoroughly review and investigate complaints.
- The Compliance Officer or designee will maintain complete documentation concerning the complaint and the results of investigations.
- When the investigation is complete, a response will be sent to the consumer and, if appropriate, to the relevant government or state regulatory department, revealing the results of its investigation and, when necessary, any corrective action taken.

If any discrimination is discovered, The Mortgage Maniac will determine the cause and take appropriate corrective action. This action may include but is not limited to, the following:

- Offering to extend credit to the applicant, if they were improperly denied or whose applications may have been inappropriately processed.
- Correcting any institutional policies or procedures that may have contributed to the discrimination.
- Identifying, and then training and/or disciplining, the employees involved.
- Improving oversight systems to ensure that there is no recurrence of the discrimination.

## 14. New York Fair Lending Plan

The New York Executive Law §296-a prohibits any creditor from discriminating on the basis of race, creed, color, national origin, sexual orientation, gender identity or expression, military status, age, sex, marital status, disability or familial status. Furthermore, it prohibits any creditor from:

- using any form of application for credit or use or make any record or inquiry which expresses, directly or indirectly, any limitation, specification, or discrimination as to a prohibited basis;
- making any inquiry of an applicant concerning his or her capacity to reproduce, or his or her use or advocacy of any form of birth control or family planning;
- refusing to consider sources of an applicant's income or to discount an applicant's income, in whole or in part, because of a prohibited basis or childbearing potential; or
- discriminating against a married person because such person neither uses nor is known by the surname of his or her spouse.

The Mortgage Maniac is committed to ensuring that loans are made in conformance with all fair lending laws including New York Executive Law Section 296-a and has adopted this New York Fair Lending Plan to be in compliance with these requirements. The responsibility for approving, adopting, and implementing the New York Fair Lending Plan lies with the Board of Directors and Senior Management. The Mortgage Maniac is responsible for ensuring that all business practices comply with the New York Fair Lending Plan by:

- communicating The Mortgage Maniac's fair lending policies to the applicable business unit managers;
- allocating sufficient resources to ensure the successful implementation of The Mortgage Maniac's *Fair Lending Policy*;
- obtaining input and guidance from the Broker of Record or outside counsel, when necessary, on significant business decisions that have potential fair lending impact;
- monitoring results and recommending corrective action where necessary; and
- periodically reviewing the New York Fair Lending Plan to ensure it remains current.

### A. Compliance Oversight

The Compliance Officer is responsible for implementation of the New York Fair Lending Plan and the procedures necessary to ensure that this Policy is followed including, but not limited to:

- monitoring implementation of and adherence to the fair lending policies and procedures to ensure employees understand their duties and responsibilities;
- reviewing and addressing fair lending complaints;
- monitoring, as appropriate, application and underwriting processes as well as pricing policies to attempt to identify any patterns in denials and withdrawals or pricing variations, particularly based upon an employee or geographic locations of the applicant or mortgaged property;
- reviewing, on a regular basis, the New York Fair Lending Plan, to determine that it still accurately reflects the procedures followed by The Mortgage Maniac as well as requirements by federal and state law;

- maintaining training materials to keep current with changes in the law, regulation, and judicial interpretation; and
- providing updates on fair lending issues to employees involved in the origination or servicing process.

### **B. New York Fair Lending Plan Training**

The Mortgage Maniac conducts fair lending training for new and current employees that includes the principles of the New York Fair Lending Plan. The Mortgage Maniac maintains training materials and records of attendees.

### **C. Review of Declined and Withdrawn Applications**

When an employee recommends declination for an application or a borrower requests his/her application to be withdrawn, The Mortgage Maniac requires a timely review of this decision by a separate designated higher-level supervisor. The second level review is performed to:

- ensure consistency in loan decisioning and level of assistance,
- prevent erroneous denial or withdrawals of loans;
- determine whether written guidelines were followed;
- explore potential alternatives, such as other loan products or other acceptable means of documenting employment history or income sources; and
- identify training opportunities for employees, underwriters, and other credit administration employees.

The second level review must be conducted prior to the date the adverse action notice is sent to the applicant.

### **D. Communication of Approvals, Counteroffers and Denials**

The Mortgage Maniac communicates approvals, counteroffers, and denials to applicants. Furthermore, if an applicant does not meet the requirements of a particular loan program, but does qualify for an alternate loan program, the terms and conditions of the alternate program are presented to the applicant for consideration.

### **E. Third-Party Loan Originators**

The Mortgage Maniac will require third-party loan originators to adhere to fair lending requirements. The Mortgage Maniac will ensure third-party loan originators are aware of its *Fair Lending Policy* and will require third-party loan originators to certify in writing that they acknowledge their responsibility to comply with fair lending requirements as applicable to them. Third-party agreements will be updated regularly.

### **F. Marketing**

New advertising material, and any changes to existing advertising material, including The Mortgage Maniac's websites, are reviewed prior to distribution to ensure that advertisements comply with federal and state regulations including fair lending laws. Additionally, existing marketing strategies are periodically reviewed to confirm that they remain in compliance with fair lending laws.

**G. Loan Servicing, Refinancing, Collection and Foreclosure**

To the extent that The Mortgage Maniac engages in any loan servicing or collection activities, The Mortgage Maniac recognizes that the New York Fair Lending Plan applies throughout the mortgage loan life cycle. The Mortgage Maniac is committed to implementing policies, procedures, training, and management oversight to ensure equitable treatment of all borrowers during the loan servicing phase of the mortgage loan. The Mortgage Maniac's policies include, but are not limited to, responding to inquiries, concerns, and complaints in a timely, fair, and consistent manner.

# Flood Insurance Policy

Revision Date: 1/25/2021

## 1. Overview

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The National Flood Insurance Program (NFIP), as authorized by the Flood Disaster Protection Act of 1973 (FDPA) and amended by the National Flood Insurance Reform Act of 1994 (Reform Act), regulates, among other things, the requirements surrounding flood insurance purchase during mortgage loan originations. The NFIP is administered by the Federal Emergency Management Agency (FEMA) pursuant to FEMA Regulations.

## 2. Definitions

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The following definitions apply to this Policy:

- **Building** – A structure with two or more outside rigid walls and a fully secured roof that is affixed to a permanent site. Buildings include manufactured homes built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation. Buildings must resist flotation, collapse and lateral movement.
- **Detached Structure or Outbuilding** – A structure that is detached from the primary residential structure on the security property and that does not serve as a residence or have any sleeping quarters, bathrooms, or kitchen facilities.
- **Dwelling** – A building designed for use as a residence for no more than four families or a single-family unit in a building under a condominium form of ownership.
- **Principal Structure** – The primary residential structure on the security property.
- **Residential Structure** – Any structure on the security property that contains any sleeping quarters, bathrooms, or kitchen facilities.
- **Special Flood Hazard Area (SFHA)** – An area having special flood or mudflow, and/or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, A1–A30, AE, A99, AH, AO, AR, V, V1–V30, or VE.

## 3. Policy Statement

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The objectives of the FDPA and the Reform Act include:

- Providing flood insurance to owners of improved real estate located in Special Flood Hazard Areas (SFHAs) of communities participating in the National Flood Insurance Program;
- Requiring communities to enact measures designed to reduce or avoid future flood losses as a condition for making federally subsidized flood insurance available;
- Requiring federal financial regulatory agencies to adopt regulations prohibiting their regulated lending institutions from making, increasing, extending, or renewing a loan secured by improved real estate or a mobile home located, or to be located, in an SFHA of a community participating in the NFIP unless the property securing the loan is covered by flood insurance; and
- Prohibiting federal agencies, such as the Federal Housing Administration, the Small Business Administration, and the Department of Veterans Affairs, from subsidizing, insuring, or guaranteeing any loan if the property securing the loan is in an SFHA of a community not participating in the NFIP.

To comply with the flood insurance requirements, The Mortgage Maniac has implemented this *Flood Insurance Policy*. All The Mortgage Maniac employees are required to adhere to The Mortgage Maniac's Policy and to the FDPA, Reform Act, and NFIP requirements as discussed below.

### 4. Flood Insurance Requirements for Lending Institutions

Under the NFIP, lenders must require borrowers to purchase flood insurance for the term of a loan when all three of the following factors are present:

- The institution makes, increases, extends, or renews a loan (commercial or consumer) secured by improved real estate (real estate upon which a building is located or to be located) or a mobile home that is affixed to a permanent foundation;
- The loan is secured by property located in a SFHA as identified by FEMA; and
- The community participates in the NFIP.

#### A. Exemptions

The flood insurance purchase requirement does not apply to the following situations:

- Loans on state-owned property covered under an adequate policy of self-insurance satisfactory to the director of FEMA;
- Loans having an original principal balance of \$5,000 or less, or an original repayment term of one year or less; or
- Any structure that is a part of any residential property but is detached from the primary residential structure of such property and does not serve as a residence. However, lenders are allowed to require insurance on these structures at their discretion if they deem it necessary to protect the collateral from flood loss. For purposes of this paragraph:
  - “A structure that is a part of a residential property” is a structure used primarily for personal, family, or household purposes, and not used primarily for agricultural, commercial, industrial, or other business purposes;
  - A structure is “detached” from the primary residential structure if it is not joined by any structural connection to that structure; and
  - “Serve as a residence” shall be based upon the good faith determination of the FDIC-supervised institution that the structure is intended for use or actually used as a residence, which generally includes sleeping, bathroom, or kitchen facilities.

### 5. Standard Flood Hazard Determination Form

Whenever The Mortgage Maniac makes, increases, extends, or renews any loan secured by improved real property or a mobile home (i.e., on a loan-level basis), it must use the Standard Flood Hazard Determination Form (SFHDF) developed by the Director of FEMA to determine if flood insurance is required to be purchased by the borrower. Properties with multiple parcels/tax lots require a determination covering all parcels/tax lots. The SFHDF must identify the parcel number for each parcel/tax lot.

When determining whether flood insurance is required, The Mortgage Maniac may consider the conclusions from a previous flood hazard area determination completed by any lender, if the following conditions are met:

- The previous determination is not more than seven (7) years old; and
- The basis for that determination was recorded on the SFHDF.

However, The Mortgage Maniac may not rely on a previous determination in the following situations:

- When it makes a new loan, rather than increases, extends, renews, or purchases a loan;
- If FEMA's map revisions or updates show that the security property is now located in an SFHA; or
- If The Mortgage Maniac contacts FEMA and learns that map revisions or updates affecting the security property have been made since the date of the previous determination.

The Mortgage Maniac may charge a fee to the borrower not to exceed what is reasonable and customary for the cost of making a flood hazard determination only when:

- The determination is triggered by a borrower-initiated transaction;
- The determination reflects FEMA's revision of maps; or
- The determination results in the purchase of force-placed flood insurance by The Mortgage Maniac.

Additionally, The Mortgage Maniac shall only charge the consumer the actual cost of the flood determination/life-of-loan monitoring.

### A. Disputed Determinations

Occasionally a property owner wishes to petition FEMA to review the subject property and obtain a Letter of Map Amendment (LOMA) to remove the subject property from an SFHA and eliminate the requirement for flood insurance. These requests must be made by the property owner directly to FEMA. Information the requirements for requesting a Letter of Map Change can be found on FEMA's website at <https://www.fema.gov/letter-map-changes>.

## 6. Notice of Special Flood Hazards

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When the subject property is, or will be, located in a SFHA, the lender must provide written notices to the borrower, the servicer, and to FEMA (or the insurance carrier, as FEMA's designee). The notice must be provided whether the subject property is located in a participating or a nonparticipating community.

### A. Notice to Borrower(s)

When The Mortgage Maniac determines that the property to be secured by the loan is or will be located in a SFHA, it will provide the *Notice to Borrower of Special Flood Hazard and Availability of Federal Disaster Relief Assistance* to the applicants. The purpose of the notice is to inform applicants of the flood insurance requirements in an NFIP participating community, the implications when a community does not participate, and the lender's requirement to escrow flood insurance fees. The federal regulation requires lenders to give the notice to applicants within a reasonable period of time prior to completion of the transaction. The Mortgage Maniac complies with this requirement by providing the Model Form contained in Appendix A to section 208.25 of Federal Reserve Board Regulation H.

This notice must include:

- A warning, in a form approved by the Administrator of FEMA, that the building or the mobile home is or will be located in a special flood hazard area;
- A description of the flood insurance purchase requirements;
- A statement, where applicable, that flood insurance coverage is available from private insurance companies that issue standard flood insurance policies on behalf of the NFIP or directly from the NFIP;
- A statement that flood insurance that provides the same level of coverage as a standard flood insurance policy under the NFIP also may be available from a private insurance company that issues policies on behalf of the company;
- A statement that the borrower is encouraged to compare the flood insurance coverage, deductibles, exclusions, conditions, and premiums associated with flood insurance policies issued on behalf of the NFIP and policies issued on behalf of private insurance companies and that the borrower should direct inquiries regarding the availability, cost, and comparisons of flood insurance coverage to an insurance agent; and
- A statement whether Federal disaster relief assistance may be available in the event of damage to the building or mobile home caused by flooding in a Federally declared disaster.

Delivery of notice must take place within a reasonable time before completion of the transaction. A reasonable time is typically considered by regulators to be 10 days. The Mortgage Maniac delivers this notice to the applicant within a reasonable time before loan closing, regardless of whether the community in which the property is located participates in the NFIP.

### **B. Notice to FEMA or its Designee of Servicer's Identity**

When The Mortgage Maniac makes, increases, extends, renews, sells, or transfers a loan secured by a building or mobile home located or to be located in a special flood hazard area, The Mortgage Maniac shall notify the Administrator of FEMA (or the Administrator's designee) in writing of the identity of the servicer of the loan. The Administrator of FEMA has designated the insurance provider to receive the notice of the servicer's identity. This notice may be provided electronically if electronic transmission is satisfactory to the Administrator of FEMA's designee.

The Mortgage Maniac also notifies the insurance carrier of any change in the servicer. The Mortgage Maniac provides notice of a change in the servicer to the insurance carrier within sixty (60) days after the effective date of the transfer of servicing.

The Mortgage Maniac retains copies of completed SFHD forms and records of the receipt of the notice to the borrower and servicer for as long as it owns the loan, and as applicable as per The Mortgage Maniac's *Record Retention Policy*.

## **7. Flood Insurance Coverage Requirements**

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Flood insurance coverage is required for all residential buildings on the mortgaged property if any part of the structure is located within an SFHA. When multiple structures or outbuildings exist on the subject collateral property, flood insurance coverage is required for all insurable, residential buildings on the mortgaged property if any part of the structure is located within an SFHA. If two or more residential structures are located on a security property (for example, a principal structure and a guest house), all structures with any part in an SFHA must be covered by adequate flood insurance and flood insurance premiums must be escrowed.

### A. 1-4 Unit Properties – Including PUDs and Detached Condominiums

The insurance coverage amounts for all policies covering improvements on the subject property must be equal to or greater than the lowest of the following:

- The unpaid principal balance of the mortgage (if there will be a second mortgage subordinate to the proposed first mortgage, then the insurance must be calculated on the aggregate unpaid principal balance of the first and second mortgages);
- The maximum amount of coverage available under NFIP (\$250,000 for each building use of residential purposes); or
- The replacement cost of the insurable improvements, as determined by the property insurer.

If the property is located in a PUD or is a detached condominium, most investors require that the homeowners' association maintain coverage on common areas and common property for 100% of the insurable value.

### B. Attached Condominiums

For attached condominiums most investors require that the homeowners' association maintain a master Residential Condominium Building Association Policy (RCBAP) or equivalent private flood insurance coverage for each building that is located in an SFHA. The policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.

The coverage amount for the building must be at least equal to the lesser of:

- 80% of the replacement cost, or
- the maximum insurance available from NFIP per unit (which is currently \$250,000).

If the master flood insurance policy meets the minimum coverage requirement of 80% replacement cost, but the per unit coverage amount does not meet the requirement for mortgage loans secured by one- to four-unit properties, as described above, the unit owner must maintain a supplemental policy for the difference.

For Federal Housing Agency (FHA) loans, FHA requires that the homeowners' association, not the individual unit owner, is responsible to obtain adequate NFIP flood insurance on condominium buildings located within an SFHA. Therefore, individual unit owners' dwelling policies will not be acceptable for FHA condominium loans. An NFIP RCBAP will be required.

### C. Maximum Deductible

The deductibles for individual dwelling and master project flood insurance policies must meet NFIP requirements for the type of improvements insured unless state law requires a higher maximum deductible amount. This requirement applies to both NFIP and private policies.

### D. Detached Garages

The standard flood insurance policy provides coverage for one building per policy. The only exception is 10% coverage for a detached garage. Although a detached garage may be covered up to a maximum of 10% of the building property coverage under the dwelling flood insurance policy and may not require a separate policy, the total payment for flood damage to the detached garage and the house together cannot exceed the building policy limit.

### E. Buildings in the Course of Construction or Rehabilitation

The minimum coverage amounts and requirements for buildings under construction or renovation are the same as the requirements for a similar, existing dwelling. Whenever possible, flood insurance should be obtained prior to loan closing. However, in instances where an elevation certificate cannot be obtained before closing, The Mortgage Maniac may, at its discretion, allow borrowers to defer the purchase of flood insurance until a foundation has been poured and/or an elevation certificate has been issued. Sufficient controls should be in place to ensure that flood insurance is obtained at the earliest of when the foundation is in place or an elevation certificate is available.

### F. Maximum Insurance Available Under the NFIP

The current maximum limits of flood insurance coverage available under the NFIP are outlined below:

**Building:**

1 – 4 family: \$250,000

Other Residential: \$500,000

Non-Residential: \$500,000

**Contents:**

1 – 4 family: \$100,000

Other Residential: \$100,000

Non-Residential: \$500,000

## 8. Acceptable Flood Insurance Policies

The Mortgage Maniac accepts flood insurance policies written by either the NFIP or an insurance company approved under the NFIP Write Your Own (WYO) program. Refer to [http://www.fema.gov/wyo\\_company](http://www.fema.gov/wyo_company) for a list of NFIP-approved WYO companies. The Mortgage Maniac may also accept private flood policies that meet all of the coverage requirements outlined below in the Private Flood Insurance Policy Requirements.

Flood insurance policies must include acceptable coverage for the flood zone risk of the subject property. If the flood zone designation noted on the Flood Hazard Determination form differs from the zone risk designated on the flood insurance policy, the difference must be resolved and the reasons for the difference documented.

### A. Acceptable Evidence of Flood Insurance and Proof of Payment

Evidence of flood insurance and proof of payment must be provided in an acceptable form and with acceptable coverage. The flood insurance application or policy declaration page must always, at a minimum, show the property address and insured name that matches the subject property address and the borrower(s) names.

### B. Private Flood Insurance Policy Requirements

The Biggert-Waters Flood Insurance Reform Act of 2012 (BWA) was enacted with the with the goal, among others, of expanding the private flood insurance market. BWA directed the Agencies to write implementing regulations regarding the mandatory acceptance of private flood insurance. On February 12, 2019 the Federal Financial Institutions Examination Council (FFIEC or the Agencies)

released a final rule on mandatory private flood acceptance. The implementation date for the Final Rule is July 1, 2019.

The final rule clarifies the statutory definition of private flood insurance; provides a Compliance Aid to simplify and streamline the acceptance of private flood policies that must be accepted in satisfaction of the mandatory purchase obligation; outlines the process by which lenders may accept private flood policies that do not meet the statutory definition of private flood insurance (discretionary acceptance); and provides guidelines regarding the acceptance of flood insurance issued by mutual aid societies such as Amish and Mennonite Aid organizations. When a policy meets the statutory definition for a private flood insurance policy outlined below, the private flood insurance policy must be accepted.

The Compliance Aid provided in the final rule is intended to simplify the review of private flood policies that may be accepted in satisfaction of the mandatory purchase obligation. The Compliance Aid consists of the language *“This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation.”* If this statement is present, The Mortgage Maniac may rely on the statement as proof that the policy meets the statutory definition, with no further analysis necessary. The final rule requires lenders to accept policies that adhere to the statutory definition, regardless of whether the Compliance Aid language is present. Lenders may not simply reject policies that do not contain the Compliance Aid language and should review the private policy to determine if it meets the statutory definition noted below.

**Note:** Fannie Mae Selling Announcement issued on 6/5/19 directed that Fannie Mae is not an entity subject to the final rule and will not allow lenders to rely on the Compliance Aid language for determination of compliance with the statutory definition of private flood insurance policies. Fannie Mae expects lenders that sell mortgages to Fannie Mae to complete the full review of the private flood insurance policy to determine that it meets the requirements outlined in the Fannie Mae Selling Guide. Furthermore, FHA’s current policy states that it does not allow acceptance of private flood insurance policies and it is unclear if this policy will change.

The final rule defines a private flood insurance as an insurance policy that:

- Is issued by an insurance company that is:
  - Licensed, admitted, or otherwise approved to engage in the business of insurance by the insurance regulator of the State or jurisdiction in which the property to be insured is located; or
  - Recognized, or not disapproved, as a surplus lines insurer by the insurance regulator of the State or jurisdiction in which the property to be insured is located in the case of a policy of difference in conditions, multiple peril, all risk, or other blanket coverage insuring nonresidential commercial property;
- Provides flood insurance coverage that is at least as broad as the coverage provided under an SFIP for the same type of property, including when considering deductibles, exclusions, and conditions offered by the insurer. To be at least as broad as the coverage provided under an SFIP, the policy must, at a minimum:
  - Define the term “flood” to include the events defined as a “flood” in an SFIP;
  - Contain the coverage specified in an SFIP, including that relating to building property coverage; personal property coverage, if purchased by the insured mortgagor(s); other coverages; and increased cost of compliance coverage;
  - Contain deductibles no higher than the specified maximum, and include similar non-applicability provisions, as under an SFIP, for any total policy coverage amount up to the maximum available under the NFIP at the time the policy is provided to the lender;

- Provide coverage for direct physical loss caused by a flood and may only exclude other causes of loss that are excluded in an SFIP. Any exclusions other than those in an SFIP may pertain only to coverage that is in addition to the amount and type of coverage that could be provided by an SFIP or have the effect of providing broader coverage to the policyholder; and
- Not contain conditions that narrow the coverage provided in an SFIP;
- Includes all of the following:
  - A requirement for the insurer to give written notice 45 days before cancellation or non-renewal of flood insurance coverage to the insured and the institution that made the designated loan secured by the property covered by the flood insurance, or the servicer acting on its behalf;
  - Information about the availability of flood insurance coverage under the NFIP;
  - A mortgage interest clause similar to the clause contained in an SFIP; and
  - A provision requiring an insured to file suit not later than one year after the date of a written denial of all or part of a claim under the policy; and
- Contains cancellation provisions that are as restrictive as the provisions contained in an SFIP.

The final rule also allows, but does not require, lenders to accept flood insurance policies written by mutual aid societies in satisfaction of the mandatory purchase requirement if the policies meet certain criteria. One of these requirements is that the appropriate supervisory agency must determine that such plans offered by mutual aid societies qualify as flood insurance for purposes of the Act. Instances in which the Agencies approve policies issued by mutual aid societies will be rare. In the event that The Mortgage Maniac is provided a mutual aid society policy, it will review the policy and determine whether to accept the policy in accordance with the guidance in the final rule.

### C. Assigned Policies

Existing flood insurance policies may be assigned by a seller to a buyer in a purchase transaction as long as the assigned policy coverage is sufficient to meet The Mortgage Maniac's minimum coverage requirements and policy standards. When this situation occurs, the following documentation is required:

- A copy of the declaration page for the current policy (this will show the seller's name as the insured).
- A copy of the assignment form from the seller to the buyer.
- A copy of the request from the insurance agent to the carrier requesting the change of the named insured.

### D. Properties Eligible for Preferred Risk Policies

The NFIP implemented preferred risk policies (PRP) to help ease the immediate financial burden on affected property owners with properties in areas that have been remapped and designated as SFHA requiring the purchase of flood insurance. It also applies to policies previously issued under the Preferred Risk Policy Eligibility Extension that are renewing on or after April 1, 2015. A building is eligible for a PRP after the building's flood zone is newly mapped into an SFHA through a map revision, as long as the building also meets the PRP loss history requirements and other eligibility conditions. The insuring/writing company will validate PRP extended eligibility.

PRP declarations are required to display the “Current Flood Zone” and the “Flood Risk/Rated Zone”.

- The “Current Flood Zone” indicates the current flood zone designation of the property on the current Flood Insurance Rate Map (FIRM) and this designation must match the flood zone on the current flood determination.
- The “Flood Risk/Rated Zone” indicates the flood zone from the previous map and is used to rate the policy.

### E. Properties Eligible for the Grandfathering Rule

Grandfathering is an exemption developed by FEMA that allows property owners to apply lower, more beneficial flood insurance rates based on the flood zone designation in effect when the property was constructed. Under the NFIP, buildings located in Emergency Program communities and Pre-FIRM (Flood Insurance Rate Map) buildings in the Regular Program are eligible for subsidized flood insurance rates. Post-FIRM buildings in the Regular Program built in compliance with the floodplain management regulations in effect at the start of construction will continue to have favorable rate treatment even though higher Base Flood Elevations (BFE) or more restrictive, greater risk zone designations result from FIRM revisions.

When a property has been “grandfathered” the flood policy provided as proof of insurance will indicate a flood zone that differs from the flood zone on the determination. Grandfathered policies can also be assigned from buyer to seller to maintain the insurance rates.

**New policies or policies that were obtained after the date of the FIRM** that designated the property to be in an SFHA or in a different SFHA must be properly documented. Rates may be based on the zone on the old map that was in effect on the date the building was constructed if:

- The building was built in compliance with the map in effect at the time of construction; and
- The building has not been altered in any way that has resulted in the lowest floor situated lower than the BFE on that FIRM; and
- The building has not been substantially improved.

The applicant or their insurance provider must submit proper documentation that supports the granting of the grandfathered zone. The documentation must include:

- The date of construction;
- The date of the FIRM;
- The zone on that FIRM in which the property is located;
- The BFE, if any, for that zone;
- A copy of the map panel showing the location of the building; and
- The rating element that is to be the grandfathered zone.

A letter from the community official verifying the above information is also acceptable and is the preferred documentation for the file. The community official is often the best source of the supporting documentation for grandfathering. Builders and/or property owners are required to submit documentation to obtain permits for construction or improvements. Permits would not have been granted without meeting the rules for the grandfather provisions.

**Existing policies obtained prior to the map change** are allowed under specific circumstances. Property owners who built in compliance with the existing flood maps at the time of construction and have continuously maintained flood insurance coverage for the flood zone that was in existence at the time, need only to provide the following proof:

- a copy of their existing declarations page indicating “Grandfathered Yes” which signifies that the insurance company has underwritten the property and determined that the building/coverage is eligible for grandfathering; or
- all of the following items:
  - a copy of the map panel showing the location of the building at the time the policy was originated;
  - evidence that the initial effective date of the existing policy was prior to the change in FIRM;
  - confirmation that the zone on the existing policy matches the zone for map that was in place at the time the policy was taken; and
  - confirmation that the policy has been continuous without lapse.

### 9. Mandatory Escrows for Flood Insurance

Lenders must require the mandatory escrow of flood insurance premiums for loans secured by residential improved real estate or a manufactured home located in an SFHA for loans made, increased, renewed or extended after January 1, 2016. This requirement excludes condominium properties with a master condominium policy and no additional flood insurance requirements. The mandatory escrow requirement applies to all loans in an SFHA regardless of the loan type, program, or even when escrows are not otherwise required for the applicable loan.

The Mortgage Maniac complies with the mandatory escrow requirement by requiring escrows for flood insurance to be established for any loan on a property located in an SFHA (excluding condo properties with a master condo policy and no additional flood insurance requirements).

### 10. Force-Placed Flood Insurance Requirements

When a lender or servicer determines that flood insurance is required or is deficient at any time during the life of the loan, it must purchase, or force-place, flood insurance for the borrower in the appropriate amount. The lender or servicer must first provide the borrower with a Notice of Deficiency and the opportunity to obtain the correct amount of insurance. If the borrower fails to obtain the insurance within 45 days of the date of the notice, the lender or servicer may force-place the insurance.

When The Mortgage Maniac determines that flood insurance is required or deficient, it will send a Notice of Deficiency to the borrower. If the borrower fails to obtain insurance within 45 days of the date of the notice, then The Mortgage Maniac (or its servicer) will purchase force-placed flood insurance for the borrower in the appropriate amount. The Mortgage Maniac may charge the borrower for the cost of the force-placed insurance as of the date the borrower’s coverage lapses or becomes insufficient.

#### A. Termination of Force-Placed Insurance

Within 30 days after receipt by The Mortgage Maniac, or its servicer, of a confirmation of a borrower’s sufficient flood insurance coverage, The Mortgage Maniac, or its servicer, shall:

- Notify the insurance provider to terminate any force-placed insurance purchased by The Mortgage Maniac, or its servicer; and
- Refund to the borrower all premiums paid by the borrower for any insurance purchased by The Mortgage Maniac, or its servicer, during any period during which the borrower’s flood insurance coverage and the insurance coverage purchased by The Mortgage Maniac, or its servicer, were each in effect, and any related fees charged to the borrower with respect to the insurance purchased by The Mortgage Maniac, or its servicer, during such period.

### 11. Recordkeeping

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The Mortgage Maniac must retain:

- Copies of completed SFHD forms, in either hard copy or electronic format, for as long as the lender owns the loan; and
- Records of the receipt of the notice to the borrower and the servicer for as long as the lender owns the loan.

The record should contain a statement from the borrower indicating that the borrower has received the notification.

# Higher-Priced Mortgage Loan Policy

Revision Date: 1/25/2021

## 1. Overview

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The Truth in Lending Act (TILA) and its implementing Regulation Z places certain regulatory requirements for originating higher-priced mortgage loans (HPML). The TILA HPML rule was originally implemented to address the practice of making mortgages to consumers without regard to the consumer's ability to repay the loans and qualifying consumers for mortgages based on initial interest rates that could rise causing monthly payments to increase to unaffordable levels after the first few years. The initial ability to repay requirements were removed from the TILA HPML rule when the TILA Ability to Repay and Qualified Mortgage rule was implemented. Currently, the TILA HPML rule only contains provisions requiring mandatory escrow accounts and certain appraisal requirements and disclosure for HPML transactions.

## 2. Definitions

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The following definitions apply to this Policy:

- **Average Prime Offer Rate (APOR)** – means an annual percentage rate (APR) that is derived from average interest rates, points, and other loan pricing terms currently offered to consumers by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics. The APOR tables are published weekly and can be accessed on the FFIEC website at <https://ffiec.cfbp.gov/tools/rate-spread>.
- **Escrow Account** – means any account that a servicer establishes or controls on behalf of a borrower to pay taxes, required property insurance premiums, or other charges with respect to a mortgage loan, including charges that the borrower and servicer have voluntarily agreed that the servicer should collect and pay.
- **Higher-Priced Mortgage Loan (HPML)** – means a closed-end purchase or refinance loan secured by the consumer's principal dwelling with an APR that exceeds the APOR for a comparable\* transaction as of the date the interest rate is set:
  - By **1.5 or more** percentage points for loans secured by a **first lien with a principal balance** at consummation that **does not exceed** the Freddie Mac conforming loan limit in effect as of the date the transaction's interest rate;
  - By **2.5 or more** percentage points for loans secured by a **first lien with a principal balance** at consummation that **exceeds** the Freddie Mac conforming loan limit in effect as of the date the transaction's interest rate; or
  - By **3.5 or more** percentage points for loans secured by a **subordinate lien** (regardless of principal balance size).

\* For a fixed rate loan, a comparable APOR is the APOR for a loan with the same term (e.g., 30 years). For an adjustable rate loan, a comparable APOR is the APOR for a loan with the same initial fixed rate term until the first interest rate change (e.g., a 5/1 ARM would be 5 years).

- **Rate Set Date** – means the date the transaction's interest rate is set (or locked) before consummation. If a rate is re-locked before consummation, the last date the interest rate is locked is the applicable rate set date.

### 3. Policy Statement

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The Mortgage Maniac implements the following *Higher-Priced Mortgage Loan Policy* in accordance with the TILA and its implementing regulation. The Mortgage Maniac will review each loan to determine if it meets the definition of an HPML and, when applicable, ensure that it meets the applicable requirements outlined below.

### 4. Mandatory Escrow Account Requirements

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An escrow account for taxes and homeowner's insurance (including flood insurance, when applicable) is mandatory for all HPMLs. When The Mortgage Maniac identifies that a loan is an HPML, The Mortgage Maniac will require an escrow account for payment of taxes and required insurance premiums.

Escrows are not required for payment of optional insurance premiums. Further, insurance premiums do not need to be included in escrow accounts for loans secured by condominiums, planned unit developments, or other common interest communities in which a homeowner's association maintains a master policy insuring all dwellings.

#### A. Cancellation Provisions

The mandatory escrow account for an HPML must remain in place for at least five years after loan closing. The escrow account can only be canceled if the following conditions are met:

- The unpaid principal balance is less than 80 percent of the original value of the property securing the underlying debt (original value is the lesser of the sales price or the appraisal); and
- The borrower(s) is not currently delinquent or in default on the obligation.

#### B. Transactions Exempt from Mandatory Escrow Account Requirement

The mandatory escrow account for an HPML does not apply to the following transactions:

- Loan secured by shares in a cooperative;
- Loan to finance the initial construction of a dwelling (the permanent phase of a construction-to-permanent loan, however, is subject to the requirements);
- A temporary or bridge loan with a loan term of twelve months or less;
- A reverse mortgage; or
- Subordinate lien transactions.

Additionally, loans held in portfolio by small creditors operating in a rural or underserved area that meet certain size and operational criteria may be exempt from the HPML mandatory escrow requirement. Refer to TILA §1026.35(b)(2)(iii)-(iv) for details on the small creditor and rural and underserved criteria.

### 5. Appraisal Requirements

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Regulation Z requires lenders to obtain a written appraisal performed by a certified or licensed appraiser who conducts a physical property inspection of the interior of the property prior to closing an HPML transaction. Appraisals must be performed and completed in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and Financial Institutions Reform, Recovery, Enforcement Act

(FIRREA), and any implementing regulations. The Mortgage Maniac will require an appraisal in compliance with these requirements for all HPML transactions.

### A. Transactions Exempt from Appraisal Requirement

The mandatory appraisal requirement for an HPML does not apply to the following transactions:

- A loan that meets the criteria of a qualified mortgage as defined in TILA's Ability to Repay and Qualified Mortgage Rule in §1026.43 of Regulation Z;
- A reverse mortgage;
- A temporary or bridge loan with a loan term of twelve months or less;
- A loan to finance the initial construction of a dwelling (the permanent phase of a construction-to-permanent loan, however, is subject to the requirements);
- A loan with a principal balance equal to or less than the applicable threshold amount, which is adjusted every year to reflect increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers, as applicable, and published in the official staff commentary to TILA §1036.25(c)(2)(ii). For January 1, 2019 through December 31, 2020 the threshold is \$27,200;
- A loan secured by a mobile home, boat, or trailer; and
- Streamlined refinance loans, if the creditor remains the same on the refinancing and the payments under the refinance loan do not result in negative amortization, be interest only, or result in a balloon payment. Additionally, the loan proceeds loan may only be used to pay off the existing obligation and closing or settlement costs.

### B. Additional Appraisal Requirement for Certain HPMLs

Regulation Z requires a second written appraisal on certain "flipped" purchase money HPML transactions. When a second appraisal is required, the lower of the two appraised values must be used for the LTV calculation. Additionally, the applicant cannot be charged for the required second appraisal.

Second written appraisals are required when the seller acquired the home within 180 days prior to the date of the applicant's purchase agreement (aka "flipped" property) and the sale price exceeds the seller's acquisition price by:

- 10% for properties acquired within the past 90\* days; or
- 20% for properties acquired between 91\* and 180\* days earlier.

\* These timeframes are measured from the day after the date the seller acquired (became the legal owner of) the property up to and including the purchase date (the date the seller and buyer signed the sales agreement).

When a second appraisal is required, it must:

- meet the appraisal requirements for HPMLs;
- be performed by a different certified or licensed appraiser than the first;
- include an analysis of the difference in price, any changes in market conditions, and any improvements made to the property if the first appraisal didn't include such analysis; and
- not be an appraisal that was previously obtained in connection with the seller's acquisition or the financing of the seller's acquisition of the property cannot be used for the second appraisal.

## Higher-Priced Mortgage Loan Policy

The date the seller acquired/became legally obligated to the property must be documented with one or more of the following items:

- A copy of the recorded deed from the seller;
- A copy of a property tax bill;
- A copy of an owner's title insurance policy purchased by the seller;
- A copy of the settlement statement from the seller's closing;
- A property sales history report or title report from a third-party reporting service;
- 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 the USPAP and FIRREA requirements 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; or
- A property abstract.

### **Exemptions for Second Appraisal Requirement**

The second appraisal requirement for "flipped" properties does not apply to the following transactions:

- Qualified Mortgages as defined in TILA's Ability to Repay and Qualified Mortgage Rule §1026.43;
- Reverse mortgages;
- Bridge loans (for 12 months or less); and
- Loans solely for initial construction of a dwelling (the permanent phase of a construction-to-permanent loan, however, is subject to the requirements).

Furthermore, the second appraisal requirement does not apply to loan to finance the acquisition of a property from:

- a local, state or federal government;
- a person who acquired the property through foreclosure, deed-in-lieu of foreclosure (or other similar judicial or non-judicial procedure);
- a non-profit entity as part of a local, state or federal government program that lets non-profits acquire title to single family properties for resale from a seller who itself acquired title to the property through foreclosure, deed-in-lieu of foreclosure, or other similar judicial or nonjudicial procedure;
- a person who acquired the property by inheritance or pursuant to a court order of dissolution of marriage, civil union or domestic partnership, or a partition of joint or marital assets to which the seller was a party;
- an employer or relocation agency in connection with an employee relocation; or
- from a service member who received a deployment or permanent change of station order

There are also exemptions for the purchase of properties located in federal disaster areas under very limited circumstances and for properties located in a rural county as defined in Regulation Z §1026.35(c)(4)(vii).

### 6. Disclosure of and Right to Receive Copy of Appraisal Requirements

The TILA HPML Appraisal rule requires lenders to disclose to a consumer who applies for a HPML that the lender may order an appraisal to determine property value and charge the consumer for the appraisal. It must also disclose that the consumer has a right to a copy of the appraisal at no cost. The Mortgage Maniac complies with this requirement by providing the disclosure required by the Equal Credit Opportunity Act requirement set forth in Regulation B §1002.14(a)(2) to all applicants with the initial loan disclosures within three business days of receipt of an application. This disclosure is typically included on the Loan Estimate.

The TILA HPML Appraisal rule also requires lenders to provide, at no additional cost to the consumer, a copy of all appraisal reports and any other written valuations, such as any Automated Valuation Model (AVM), Home Value Estimator (HVE), etc., used in connection with a residential loan application. Copies of all appraisal reports or valuations must be delivered to the applicant no less than three business days prior to the consummation of the loan. Refer to *ECOA Providing Copies of Valuations Policy* for detailed procedures regarding compliance with this requirement.

# Home Mortgage Disclosure Act Policy

Revision Date: 1/25/2021

## 1. Overview

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The Home Mortgage Disclosure Act (HMDA) and its implementing Regulation C require financial institutions to maintain, report, and publicly disclose certain mortgage loan application, origination and purchase data on the HMDA Loan Application Register (LAR) in order to: determine whether financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located; aid public officials in distributing public-sector investments to attract private investment to areas where it is needed; and identify possible discriminatory lending patterns and enforce anti-discrimination statutes. Making the required data points public is important because they give public officials information that helps them make decisions and policies; and they shed light on lending patterns that could be discriminatory.

Financial institutions must report the required LAR data to the appropriate federal agency annually and must provide the public with notices regarding the publication of data. While previously administered by the Federal Reserve Board, under the Dodd-Frank Wall Street Reform and Consumer Protection Act, authority over HMDA and Regulation C has been transferred to the Consumer Financial Protection Bureau (CFPB).

## 2. Definitions

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The following definitions apply to this Policy:

- **Application** – means an oral or written request for a covered loan that is made in accordance with procedures used by The Mortgage Maniac for the type of credit requested.
- **Branch Office** – means:
  - Any office of a bank, savings association, or credit union that is considered a branch by the federal or state supervisory agency applicable to that institution, excluding automated teller machines and other free-standing electronic terminals; and
  - Any office of a for-profit mortgage-lending institution (other than a bank, savings association, or credit union) that takes applications from the public for covered loans. A for-profit mortgage-lending institution (other than a bank, savings association, or credit union) is also deemed to have a branch office in an MSA or in an MD, if, in the preceding calendar year, it received applications for, originated, or purchased five or more covered loans related to property located in that MSA or MD, respectively.
- **Closed-End Mortgage Loan** – means an extension of credit that is secured by a lien on a dwelling and that is not an open-end line of credit.
- **Covered Loan** – means a closed-end mortgage loan or an open-end line of credit that is not an excluded transaction under §1003.3(c) of Regulation C.
- **Dwelling** – means a residential structure, whether or not attached to real property. The term includes but is not limited to a detached home, an individual condominium or cooperative unit, a manufactured home or other factory-built home, or a multifamily residential structure or community.

## Home Mortgage Disclosure Act Policy

- **Financial Institution** – means a non-depository for-profit mortgage lending institution that:
  - On the preceding December 31, had a home or branch office in a Metropolitan Statistical Area (MSA); and
  - In each of the two preceding calendar years, originated at least 25 closed-end mortgage loans (effective July 1, 2020, this threshold is increased to 100 closed-end mortgage loans during the two preceding years).
- **Home Improvement Loan** – means a closed-end mortgage loan or an open-end line of credit that is for the purpose, in whole or in part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which the dwelling is located. This includes purchase or refinance transactions where any of the loan proceeds are intended for home improvements and loans for mixed-use properties if the loan proceeds are primarily intended to improve the residential portion of the property.
- **Home Purchase Loan** – means a closed-end mortgage loan or an open-end line of credit that is for the purpose, in whole or in part, of purchasing a dwelling. This includes purchase transactions for mixed-use properties that are primarily used for residential purposes, and refinances of a property where the intended proceeds of the property are to purchase another dwelling. A home purchase loan also includes both a combined construction/permanent loan and the permanent financing that replaces a construction-only loan.
- **Loan/Application Register** – means both the record of information required to be collected pursuant to §1003.4 of Regulation C and the record submitted annually or quarterly, as applicable, pursuant to §1003.5(a) of Regulation C.
- **Manufactured Home** – means any residential structure as defined under regulations of the U.S. Department of Housing and Urban Development establishing manufactured home construction and safety standards. For purposes of §1003.4(a)(5) of Regulation C, the term also includes a multifamily dwelling that is a manufactured home community.
- **Metropolitan Statistical Area (MSA)** – means a Metropolitan Statistical Area as defined by the U.S. Office of Management and Budget.
- **Multifamily Dwelling** – means a dwelling, regardless of construction method, that contains five or more individual dwelling units.
- **Open-end Line of Credit** – means an extension of credit that is secured by a lien on a dwelling; and is an open-end credit plan as defined in Regulation Z, §1026.2(a)(20), but without regard to whether the credit is consumer credit, as defined in §1026.2(a)(12), is extended by a creditor, as defined in §1026.2(a)(17), or is extended to a consumer, as defined in §1026.2(a)(11).
- **Preapproval Program** – means a program by which a consumer can request a preapproval for a home purchase loan, other than a home purchase loan that will be an open-end line of credit, a reverse mortgage, or secured by a multifamily dwelling. A preapproval is an application under Regulation C if the request is reviewed under a program in which The Mortgage Maniac, after a comprehensive analysis of the creditworthiness of the applicant, issues a written commitment to the applicant valid for a designated period of time to extend a home purchase loan up to a specified amount. The written commitment may not be subject to conditions other than:
  - Conditions that require the identification of a suitable property;
  - Conditions that require that no material change has occurred in the applicant’s financial condition or creditworthiness prior to closing; and
  - Limited conditions that are not related to the financial condition or creditworthiness of the applicant that the financial institution ordinarily attaches to a traditional home mortgage application.

## Home Mortgage Disclosure Act Policy

- **Refinancing** – means a closed-end mortgage loan or an open-end line of credit in which a new, dwelling-secured debt obligation satisfies and replaces an existing, dwelling-secured debt obligation by the same borrower.
- **Reverse Mortgage** – means a closed-end mortgage loan or an open-end line of Credit that is a reverse mortgage transaction as defined in Regulation Z §1026.33(a), but without regard to whether the security interest is created in a principal dwelling.

### 3. Policy Statement

The Mortgage Maniac adopts this Policy to ensure compliance with HMDA and Regulation C. The Policy applies to covered transactions for which The Mortgage Maniac is required to report.

### 4. Covered Institutions and Transactions

A financial institution is subject to HMDA if it is a depository or non-depository financial institution that meets the coverage criteria for HMDA reporting noted below. The Mortgage Maniac will evaluate annually whether it qualifies as a financial institution subject to HMDA's reporting and recording requirements for the following reporting year.

#### A. Depository Financial Institution

A depository financial institution is subject to HMDA if it is a bank, savings association, or credit union that:

- On the preceding December 31 had assets in excess of the asset threshold established and published annually by the Bureau for coverage by the Act, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each twelve-month period ending in November, with rounding to the nearest million;
- On the preceding December 31 had a home or branch office in an MSA;
- In the preceding calendar year, originated at least one home purchase loan or refinancing of a home purchase loan, secured by a first lien on a one- to four-unit dwelling;
- Meets one or more of the following two criteria: 1). The institution is federally insured or regulated; or 2). Any home purchase loan (excluding temporary financing such as a construction loan) or refinancing of a home purchase loan, secured by a first lien on a one-to-four family dwelling was insured, guaranteed, or supplemented by a Federal agency, or was intended by the institution for sale to the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; and
- Meets at least one of the following criteria: 1). In each of the two preceding calendar years, originated at least 25 closed-end mortgage loans that are not exempt from the regulation (effective July 1, 2020, this threshold is increased to 100 closed-end mortgage loans during the two preceding years); or 2). In each of the two preceding calendar years, originated at least 500 open-end lines of credit that are not excluded transactions under the regulation (effective July 1, 2022, this threshold is reduced to 200 loans during the two preceding years).

#### B. Non-Depository Financial Institution

A non-depository financial institution is subject to HMDA if it is a for-profit mortgage lending institution (other than a bank, savings association, or credit union) that on the preceding December 31, had a home or branch office in an MSA; and in each of the two preceding calendar years either:

## Home Mortgage Disclosure Act Policy

- originated at least 100 closed-end mortgage loans that are not excluded transactions under the regulation; or
- originated at least 500 open-end lines of credit that are not excluded transactions under the regulation (effective January 1, 2022, this threshold is reduced to 200 loans during the two preceding years)

### C. Covered Transactions

The Mortgage Maniac must collect and report the required data points for all covered transactions (closed-end mortgage loan or an open-end line of credit secured by a lien on a dwelling that is not an excluded transaction under the regulation). Covered transactions include applications, which are oral or written requests for a covered loan that are made in accordance with The Mortgage Maniac's procedures for the type of credit requested. Requests for preapproval made under a covered preapproval program are reportable as applications, but requests for prequalification are not reportable.

The Mortgage Maniac is not required to report, and therefore will not report, data for the following categories of transactions excluded from HMDA coverage:

- A closed-end mortgage loan or open-end line of credit originated or purchased by a financial institution acting in a fiduciary capacity;
- A closed-end mortgage loan or open-end line of credit secured by a lien on unimproved land;
- Temporary financing;
- The purchase of an interest in a pool of closed-end mortgage loans or open-end lines of credit;
- The purchase solely of the right to service closed-end mortgage loans or open-end lines of credit;
- The purchase of closed-end mortgage loans or open-end lines of credit as part of a merger or acquisition, or as part of the acquisition of all of the assets and liabilities of a branch office;
- A closed-end mortgage loan or open-end line of credit, or an application for a closed-end mortgage loan or open-end line of credit, for which the total dollar amount is less than \$500;
- The purchase of a partial interest in a closed-end mortgage loan or open-end line of credit;
- A closed-end mortgage loan or open-end line of credit used primarily for agricultural purposes;
- A closed-end mortgage loan or open-end line of credit that is or will be made primarily for a business or commercial purpose, unless the closed-end mortgage loan or open-end line of credit is a home improvement loan, a home purchase loan, or a refinancing; and
- A transaction that provided or, in the case of an application, proposed to provide new funds to the applicant or borrower in advance of being consolidated in a NY CEMA classified as a supplemental mortgage under New York Tax Law section 255. However, the transaction is excluded only if final action on the consolidation was taken in the same calendar year as final action on the new funds request. Additionally, the transaction is excluded only if, at the time that it originated the transaction providing the new funds, The Mortgage Maniac intended to consolidate the loan into a New York CEMA.

The Mortgage Maniac is only required to report data for closed-end mortgage loans if it originated at least 25 closed-end mortgage loans during each of the two preceding years (effective July 1, 2020, this threshold is increased to 100 closed-end mortgage loans during the two preceding years); however, The Mortgage Maniac may still be required to report open-end lines of credit depending on the number of open-end lines of credit The Mortgage Maniac originates in the preceding two years.

## Home Mortgage Disclosure Act Policy

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The Mortgage Maniac may also choose to report these excluded loans as if they were a covered loan as long as The Mortgage Maniac complies with the requirements for all applications for closed-end mortgage loans that it receives, closed-end mortgage loans that it originates, and closed-end mortgage loans that it purchases that otherwise would have been covered loans during the calendar year during which final action is taken on the excluded closed-end mortgage loan.

Furthermore, The Mortgage Maniac is only required to report data for open-end lines of credit if it originated at least 500 open-end lines of credit during each of the two preceding years (effective July 1, 2022, this threshold is reduced to 200 loans during the two preceding years); however, The Mortgage Maniac may still be required to report closed-end mortgage loans depending on the number of closed-end mortgage loans The Mortgage Maniac originates in the preceding two years. The Mortgage Maniac may choose to report that loans as if it were a covered loan as long as The Mortgage Maniac complies with the requirements for all applications for open-end lines of credit that it receives, open-end lines of credit that it originates, and open-end lines of credit that it purchases that otherwise would have been covered loans during the calendar year during which final action is taken on the excluded open-end line of credit.

The Mortgage Maniac is also permitted, under Regulation B, to collect information regarding ethnicity, race, and sex for these excluded transactions if The Mortgage Maniac submits HMDA data concerning such closed-end mortgage loans or open-end lines of credit and applications or if it submitted such HMDA data for any of the preceding five calendar years.

### D. Transactions Involving Multiple Entities

Only one financial institution reports the origination of a covered loan. If more than one institution is involved in the origination of a covered loan, the institution that makes the credit decision approving the application before loan closing or account opening is responsible for reporting the origination of the covered loan. It is not relevant whether the loan closed in the reporting financial institution's name. If more than one institution approved an application prior to loan closing or account opening and one of those institutions purchased the covered loan after closing or account opening, the institution that purchased the covered loan after closing or account opening is responsible for reporting the origination of the covered loan. If a financial institution reports a covered loan as an origination, it reports all of the information required to be reported for the origination of a covered loan, even if the covered loan was not initially payable to the financial institution that is reporting the covered loan as an origination.

In the case of an application for a covered loan that did not result in an origination, a financial institution reports the action it took on that application if it made a credit decision on the application or was reviewing the application when the application was denied, withdrawn, or closed for incompleteness.

## 5. Reporting Data

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The Mortgage Maniac reports the required data in the Loan/Application Register (LAR) for each loan origination, each application acted on, and each loan purchased during the calendar year. The Mortgage Maniac also includes the following information when it reports HMDA data:

- company name;
- the calendar year and, effective January 1, 2020, if applicable, the data calendar quarter;
- the name and contact information for a person who can be contacted with questions about the submission;
- The Mortgage Maniac's appropriate federal HMDA reporting agency;

## Home Mortgage Disclosure Act Policy

- the total number of entries in the submission; The Mortgage Maniac's federal Taxpayer Identification Number (TIN); and
- The Mortgage Maniac's Legal Entity Identifier (LEI).

The Mortgage Maniac will report the following data on the LAR on or before the due date:

- **Universal Loan Identifier (ULI)** –The Mortgage Maniac reports the ULI for the covered loan or application that can be used to identify and retrieve the covered loan or application file that begins with The Mortgage Maniac's LEI. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac will report the ULI assigned by the institution that originated the loan.
- **Application Date** –The Mortgage Maniac reports the date the application was received or the date on the application form. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac will report the NA.
- **Loan Type** –The Mortgage Maniac reports whether the loan is, or in the case of an application would have been, insured by the Federal Housing Administration, guaranteed by the Department of Veterans Affairs, or guaranteed by the Rural Housing Service or the Farm Service Agency.
- **Loan Purpose** –The Mortgage Maniac reports the purpose of the loan (home purchase, home improvement, refinancing cash-out refinancing, or for a purpose other than home purchase, home improvement, refinancing cash-out refinancing).
- **Preapprovals** –The Mortgage Maniac reports whether or not the application was a request for pre-approval.
- **Construction Method** –The Mortgage Maniac reports whether the construction method for the dwelling related to the property identified is a site-built or a manufactured home.
- **Occupancy Type** –The Mortgage Maniac reports the occupancy of the property (principal residence, second residence, investment property).
- **Loan Amount** –The Mortgage Maniac reports the amount of the loan or application. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac reports the unpaid principal balance at the time the loan is purchased.
- **Action Taken** –The Mortgage Maniac reports the type of action taken (loan originated, application approved but not accepted, application denied, application withdrawn by applicant, file closed for incompleteness, purchased loan, preapproval request denied, preapproval request approved but not accepted). In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac reports Code 6 (Purchased loan).
- **Date of Action Taken** –The Mortgage Maniac reports the date the action was taken. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac will report the date the loan was purchased.
- **Property Address** –The Mortgage Maniac reports the street address, city, state, and zip code of the property.
- **Property Location** –The Mortgage Maniac reports the county name and census tract for the property.
- **Ethnicity** –The Mortgage Maniac reports the ethnicity of the applicant and co-applicant. The applicant or co-applicant may select any of the ethnicity categories they choose. However, for HMDA LAR reporting purposes, The Mortgage Maniac will only report up to five of the codes selected for the ethnicity for each of the applicants and co-applicants. When an application is taken face-to-face, and the applicant or co-applicant does not make an ethnicity selection, The Mortgage Maniac requires the loan originator to collect ethnicity by visual observation or by the

## Home Mortgage Disclosure Act Policy

surname of the applicant or co-applicant. In this instance, the loan originator may only select either Code 1 (Hispanic or Latino) or Code 2 (Not-Hispanic or Latino). The Ethnicity subcategories (codes 11-14) may only be completed by the applicant/co-applicant. They cannot be completed by the loan originator using visual observation or surname. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, reporting ethnicity is optional.

- **Race** –The Mortgage Maniac reports the race of the applicant and co-applicant. The applicant or co-applicant may select any of the race categories they choose. However, for HMDA LAR reporting purposes, The Mortgage Maniac will only report up to five of the codes selected for the race for each of the applicant and co-applicant. Race selections Codes 1, 27, and 44 include free form text fields the applicant can complete. When these free form text fields are completed, The Mortgage Maniac reports the applicable codes and report the text specified by the applicant or co-applicant. When an application is taken face-to-face, and the applicant or co-applicant does not make a race selection, The Mortgage Maniac requires the loan originator to collect race by visual observation or by the surname of the applicant or co-applicant. In this instance, the loan originator may only select Codes 1 – 5 (American Indian or Alaskan Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, and White). The race subcategories (Codes 21-27 and Codes 41-44) may only be completed by the applicant/co-applicant. They cannot be completed by the loan originator using visual observation or surname. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, reporting race is optional.
- **Sex** –The Mortgage Maniac reports the sex of the applicant or co-applicant. When the applicant or co-applicant selects more than one sex, The Mortgage Maniac reports all selections. When an application is taken face-to-face, and the applicant or co-applicant does not make a sex selection, The Mortgage Maniac requires the loan originator to collect the sex category by visual observation of the applicant or co-applicant. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, reporting sex is optional.
- **Age** –The Mortgage Maniac reports the age of the applicant or co-applicant. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, reporting age is optional.
- **Income** –The Mortgage Maniac reports the gross annual income (rounded to the nearest dollar) of the applicant(s) relied upon when making the credit decision. If a credit decision was not made, The Mortgage Maniac reports the gross annual income used when processing the application. The Mortgage Maniac reports NA when income information is not requested or relied on for the credit decision, such as for non-qualifying streamline refinances. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, reporting income is optional.
- **Type of Purchaser** –The Mortgage Maniac reports the type of entity purchasing the loan when a loan is sold in the same year The Mortgage Maniac originates or purchases the loan. The Mortgage Maniac uses code 0 (NA) when reporting loans that were not originated or sold, such as denied, withdrawn, closed for incompleteness, or approved but not accepted applications. The Mortgage Maniac also uses code 0 (NA) when reporting loans that were originated, but not sold in the same year and when The Mortgage Maniac purchases a delegated correspondent loan that is not sold in the same calendar year.
- **Rate Spread** –The Mortgage Maniac reports the rate spread percentage, to at least three decimal places, between the APR on a loan and the average prime offer rate (APOR) for a comparable transaction as of the date the rate is set. The Mortgage Maniac reports NA for applications that did not result in an origination except for approved, but not accepted transactions. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac also reports NA.

## Home Mortgage Disclosure Act Policy

- **HOEPA Status** –The Mortgage Maniac reports whether the loan is covered by the provisions of the Home Ownership and Equity Protection Act (HOEPA). The Mortgage Maniac reports NA for loans that are not originated.
- **Lien Status** –The Mortgage Maniac reports the lien status of the loan.
- **Applicant(s) Credit Score** –The Mortgage Maniac reports the credit score or scores relied on in making the credit decision, in numeral form. The Mortgage Maniac reports the middle of the three scores received, if only two scores are received The Mortgage Maniac reports the lowest score. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac reports Code 8888 (Not applicable).
- **Credit Scoring Model** –The Mortgage Maniac reports the name and version of the credit scoring model used to generate the score relied upon in making the credit decision. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac reports Code 9 (Not applicable).
- **Reasons for Denial** –The Mortgage Maniac reports the reasons for each denial, indicating up to four reasons.
- **Total Loan Costs or Total Points and Fees** –The Mortgage Maniac reports, only for covered loans subject to the Ability to Repay provisions of Regulation Z, 1026.43, either:
  - the amount of total loan costs as disclosed on Line D of the Closing Cost Details page of the Closing Disclosure (CD) in cases where a CD is provided for the covered loan pursuant to Regulation Z. When the amount of total loan costs changes because The Mortgage Maniac provides a revised version of the disclosures required under Regulation Z, The Mortgage Maniac reports the revised amount, provided that the revised disclosure was provided to the borrower during the same reporting period in which closing occurred; or
  - the total points and fees charged in connection with the covered loan, expressed in dollars and calculated pursuant to Regulation Z in cases where the covered loan is not subject to the CD requirements in Regulation Z.

The Mortgage Maniac reports NA if the loan is not subject to the Ability to Repay provisions of Regulation Z, and for loans subject to the Ability to Repay provisions for which a CD was not provided.

- **Origination Charges** –The Mortgage Maniac reports, in dollars, to two decimal points, the total of all itemized origination charges that are designated borrower-paid at or before closing as disclosed on as disclosed on Line A of the Closing Cost Details page of the CD for transactions subject to the CD requirements of Regulation Z. The Mortgage Maniac reports NA if the loan is not subject to the CD requirements of Regulation Z.
- **Discount Points** –The Mortgage Maniac reports, in dollars to two decimals points, the amount of discount points paid to the creditor to reduce the interest rate as disclosed on Line A.01 of the Closing Cost Details page of the CD for transactions subject to the CD requirements of Regulation Z. The Mortgage Maniac reports NA if the loan is not subject to the CD requirements of Regulation Z. The Mortgage Maniac leaves this data field blank if no points were paid.
- **Lender Credits** –The Mortgage Maniac reports, in dollars to two decimals points, the amount of lender credits as disclosed under Section J of the Closing Cost Details page of the CD for transactions subject to the CD requirements of Regulation Z. The Mortgage Maniac reports NA if the loan is not subject to the CD requirements of Regulation Z. The Mortgage Maniac leaves this data field blank if no credits were given.

## Home Mortgage Disclosure Act Policy

- **Interest Rate** –The Mortgage Maniac reports the interest rate to three decimal points for applications that are approved, but not accepted, originated, or purchased. The Mortgage Maniac reports NA for applications that are denied, withdrawn, or closed for incompleteness.
- **Prepayment Penalty Term** –The Mortgage Maniac reports, in numeral form, the prepayment penalty term in months for loans with a prepayment penalty. The Mortgage Maniac reports NA for loans without a prepayment penalty or for loans that are not subject to Regulation Z.
- **Debt-to-Income Ratio** –The Mortgage Maniac reports the ratio of the applicant’s or borrower’s total monthly debt-to-income (DTI) relied on in making the credit decision. The Mortgage Maniac reports NA for loans where The Mortgage Maniac did not rely on a DTI ratio, such as non-qualifying streamline refinances, and for applications where no credit decision was made. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac reports NA.
- **Combined Loan-to-Value (CLTV) ratio** –The Mortgage Maniac reports the ratio of the total amount of debt that is secured by the property to the value of the property relied on in making the credit decision. The Mortgage Maniac reports NA for loans where The Mortgage Maniac did not rely on a CLTV ratio, such as non-qualifying streamline refinances, and for applications where no credit decision was made. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac reports NA.
- **Loan Term** –The Mortgage Maniac reports the number of months after which the legal obligation will mature or terminate.
- **Introductory Rate Period** –The Mortgage Maniac reports the number of months, or proposed number of months in the case of an application, until the first date the interest rate may change after closing or account opening. The Mortgage Maniac reports NA for fixed rate loans.
- **Non-amortizing Features**–The Mortgage Maniac reports whether the contractual terms include or would have included a balloon payment, interest-only payments, negative amortization, or any other non-amortizing feature.
- **Property Value** –The Mortgage Maniac reports the value of the property securing the covered loan or, in the case of an application, proposed to secure the covered loan relied on in making the credit decision. The Mortgage Maniac reports NA for loans where The Mortgage Maniac did not rely on a property value, such as non-qualifying streamline refinances, and for applications where no credit decision was made.
- **Manufactured Home Secured Property Type** –The Mortgage Maniac reports whether the covered loan or application is, or would have been, secured by a manufactured home and land or a manufactured home and not land. The Mortgage Maniac reports Code 3 for loans and applications not secured by a manufactured home or secured by a manufactured home that is a multifamily dwelling.
- **Manufactured Home Land Property Interest** –The Mortgage Maniac reports the applicant’s or borrower’s land property interest in the land on which a manufactured home is, or will be, located. The Mortgage Maniac reports Code 5 for loans and applications not secured by a manufactured home or secured by a manufactured home that is a multifamily dwelling.
- **Total Units** –The Mortgage Maniac reports the number of individual dwelling units related to the property securing the covered loan or, in the case of an application, proposed to secure the covered loan.
- **Multifamily Affordable Units** –The Mortgage Maniac reports the number of individual dwelling units related to the property that are income-restricted pursuant to federal, state, or local

## Home Mortgage Disclosure Act Policy

affordable housing programs. The Mortgage Maniac reports NA for loans and applications not secured by a multifamily dwelling.

- **Application Channel (Submission of Application and Initially Payable To)** –The Mortgage Maniac reports whether the applicant or borrower submitted the application for the covered loan directly to The Mortgage Maniac and whether the obligation arising from the covered loan was, or in the case of an application, would have been initially payable to The Mortgage Maniac. In the event The Mortgage Maniac purchases a loan from a delegated correspondent, The Mortgage Maniac reports Code 3 (Not applicable).
- **Mortgage Loan Originator NMLS ID Number** –The Mortgage Maniac reports the unique identifier assigned by the Nationwide Mortgage Licensing System and Registry for the mortgage loan originator.
- **Automated Underwriting System (AUS) & Result** –The Mortgage Maniac reports the name of the AUS used to evaluate the application and the result generated by that AUS. The Mortgage Maniac reports Code 6 (Not applicable – for AUS system) and Code 17 (Not Applicable – for AUS result) for loans where an AUS was not used and in the event The Mortgage Maniac purchases a loan from a delegated correspondent.
- **Reverse Mortgage** –The Mortgage Maniac reports whether the covered loan is, or the application was for, a reverse mortgage.
- **Open-end Line of Credit** –The Mortgage Maniac reports whether the covered loan is, or the application is for, an open-end line of credit.
- **Business or Commercial Purpose** –The Mortgage Maniac reports whether the covered loan is, or the application is for a covered loan that will be, made primarily for a business or commercial purpose.

### 6. Collection of Demographic Information Regarding Ethnicity, Race, and Sex

The Mortgage Maniac requires its loan originators, including third-party loan originators, to gather the required demographic information (ethnicity, race, and sex) for each applicant and co-applicant on the loan regardless of the manner in which the application is taken. Loan originators must ask applicants and co-applicants for this information but may not require the applicant or co-applicant to provide the information. In instances where the loan originator is taking an application in person, and the applicant or co-applicant did not wish to provide the demographic information, the loan originator must also specifically note whether or not this information was collected on the basis of visual observation or surname.

Prior to collecting demographic information during a face-to-face or phone application interview, The Mortgage Maniac requires loan originators to read the following statement to the applicants.

*“The purpose of collecting this information is to help ensure that all borrowers are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask borrowers for their demographic information (ethnicity, race, and sex) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for “Ethnicity” and one or more designations for “Race”. The law provides that we may not discriminate on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, race, and sex on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status*

## Home Mortgage Disclosure Act Policy

*information you provide in this application. If you do not wish to provide some or all of this information, please check below.”*

The Mortgage Maniac provides questions regarding the ethnicity, race, and sex of the applicant and co-applicant on its loan application form provided in person or on the Internet. An applicant may provide an absent co-applicant's ethnicity, race, and sex on behalf of the absent co-applicant.

The loan originator must offer the applicant and co-applicant the option of selecting more than one ethnicity or race category or subcategories as follows:

- **Ethnicity** – There are two ethnicity categories: Hispanic and Latino; and Not Hispanic and Latino.

The Hispanic or Latino category also has the following four subcategories: Mexican; Puerto Rican; Cuban; and Other Hispanic or Latino. If an applicant or co-applicant selects the Other Hispanic or Latino ethnicity subcategory, the applicant and co-applicant may also provide, via free form text, a particular Hispanic or Latino ethnicity not listed in the standard subcategories.

- **Race** – There are five race categories: American Indian or Alaska Native; Asian; Black or African American; Native Hawaiian or Other Pacific Islander; and White.

The American Indian or Alaska Native category allows the applicant or co-applicant to provide, via free form text, the name of the American Indian or Alaska Native Enrolled or Principal Tribe.

The Asian race aggregate category has seven subcategories: Asian Indian; Chinese, Filipino; Japanese; Korean; Vietnamese; and Other Asian. If an applicant and co-applicant selects the Other Asian race subcategory, the applicant and co-applicant may also provide, via free form text, a particular Other Asian race not listed in the standard subcategories.

The Native Hawaiian or Other Pacific Islander race aggregate category has the following four subcategories: Native Hawaiian; Guamanian or Chamorro; Samoan; and Other Pacific Islander. If an applicant selects the Other Pacific Islander race subcategory, the applicant or co-applicant may also provide, via free form text, a particular Other Pacific Islander race not listed in the standard subcategories.

### A. Application Taken Face-to-Face

When an application is taken in person, and the applicant or co-applicant chooses not to answer these questions, the loan originator must indicate “I do not wish to provide this information” for each demographic category (ethnicity, race, and sex) on the loan application form. Furthermore, the loan originator must indicate the applicant's ethnicity, race, and sex based on visual observation or surname in the demographic information section of the loan application. The loan originator may only select either Hispanic or Latino or Not Hispanic or Latino for the ethnicity category and may only select American Indian or Alaska Native; Asian; Black or African American; Native Hawaiian or Other Pacific Islander; White for the race category. The loan originator may not select or use the ethnicity or race subcategories when collecting such information on the basis of visual observation or surname.

Additionally, the loan originator must indicate on the loan application form that the application was taken in a face-to-face interview and whether the ethnicity, sex or race of the applicant(s) or borrower was collected by visual observation or surname.

### B. Application by Telephone, Mail, or Internet

When an applicant or co-applicant declines to answer the demographic information questions on an application that is taken by telephone, mail, or Internet the loan originator must indicate “I do not wish to provide this information” for each demographic category (ethnicity, race, and sex) on the loan application form. In such cases, the loan originator does not collect the applicant's or co-applicant's

## Home Mortgage Disclosure Act Policy

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ethnicity, race, or sex on the basis of visual observation or surname. Additionally, the loan originator must indicate on the loan application form whether the application was taken in a telephone interview, by fax or mail, or by email or Internet.

When an applicant or co-applicant begins an application by telephone, mail, or Internet, and does not provide the requested information on the application but does not select “I do not wish to provide this information” on the application, and the applicant or co-applicant later meets in person with the loan originator to complete the application, the loan originator must request the applicant’s or co-applicant’s ethnicity, race, and sex. If the applicant or co-applicant does not provide the requested information during the in-person meeting, the loan originator must note this fact and then follow the procedure for face-to-face interviews to note the information on the basis of visual observation or surname. If the meeting occurs after the application process is complete, the loan originator is not required to obtain the applicant’s ethnicity, race, and sex.

When an applicant or co-applicant provides the requested information for some but not all fields, The Mortgage Maniac must report the information that was provided by the applicant or co-applicant, whether partial or complete. If an applicant or co-applicant provides partial or complete information on ethnicity, race, and sex and also checks the “I do not wish to provide this information” box on an application that is taken by mail or on the Internet, or makes that selection when applying by telephone, The Mortgage Maniac must report the information on ethnicity, race, and sex that was provided by the applicant or co-applicant.

### 7. Submission of LAR Data

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The Mortgage Maniac is responsible for compiling, reviewing and submitting the HMDA LAR on or before the due date if it is subject to HMDA and Regulation C. An authorized representative of The Mortgage Maniac with knowledge of the data submitted will certify the accuracy and completeness of the LAR. The Mortgage Maniac will retain a copy of the HMDA LAR for its records for at least three years. The Mortgage Maniac reports its HMDA LAR data to the Consumer Financial Protection Bureau (CFPB) on an annual basis on or before March 1st following the calendar year of the data. The Mortgage Maniac records transactions on the LAR within thirty calendar days after the end of the calendar quarter in which final action on the transaction is taken.

Effective January 1, 2020, the HMDA Rule requires some financial institutions to report data on a quarterly basis as well as on an annual basis. The quarterly reporting requirement applies to a financial institution that reported at least 60,000 originated covered loans and applications (combined) for the preceding calendar year. Purchased covered loans are not included when determining whether the quarterly reporting requirement applies. If quarterly reporting is required, the financial institution must report all data required to be reported for the calendar quarter within 60 calendar days after the end of the calendar quarter. The quarterly reporting requirement does not apply, however, to the fourth quarter of the year. A financial institution subject to the quarterly reporting requirement reports its fourth quarter data as part of its annual submission. In its annual submission, a quarterly reporter will resubmit the data previously submitted for the first three calendar quarters of the year, including any corrections to the data, as well as its fourth quarter data. The Mortgage Maniac will begin evaluating in 2020 if it qualifies for the quarterly reporting requirement for larger-volume reporters.

#### A. LAR Resubmission

When The Mortgage Maniac identifies through internal or external audit or examination, that The Mortgage Maniac’s LAR is found to contain a certain number of errors exceeding the CFPB’s resubmission thresholds, The Mortgage Maniac will correct and resubmit its data. The Mortgage Maniac will resubmit data if 10% or more of its sample set contains errors.

### 8. Accountability and Monitoring

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The Mortgage Maniac implements internal, pre-submission HMDA audits quarterly to test for and evaluate reported data accuracy. These audits include transactional analysis of the data to be reported, written reports reflecting the findings of the audit, and recommendations for corrective actions, if needed.

The Mortgage Maniac undertakes prompt corrective action in response to any identified deficiencies in its HMDA data or procedures. Corrective actions include, but are not limited to, providing personnel with additional HMDA training; improving internal controls over the reporting process; resubmission, when applicable; increasing the frequency of pre-submission internal data audits; and/or appointing additional staff to assist in ensuring accurate reporting.

### 9. Disclosure of LAR Data on CFPB Website and Required Public Notice

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The Federal Financial Institutions Examination Council (FFIEC) will make available a disclosure statement based on the data each financial institution submits for the preceding calendar year. No later than three business days (defined as any day other than a Saturday, Sunday, or legal public holiday) after receiving notice from the FFIEC that the disclosure statement is completed, The Mortgage Maniac will make available to the public, upon request, a written notice that clearly conveys that The Mortgage Maniac's disclosure statement may be obtained on the CFPB's website at [www.consumerfinance.gov/hmda](http://www.consumerfinance.gov/hmda). This notice will be available upon request at The Mortgage Maniac's home office and at each branch office. The Mortgage Maniac is responsible for ensuring the notice is provided to each branch office. The branch office is responsible to ensure the notice is posted. The notice will be available in the calendar year following the calendar year for which The Mortgage Maniac collected HMDA data. The notice will be available for at least five years.

Additionally, The Mortgage Maniac will post, in the lobby of its home office and at each branch office, a notice of the general availability of The Mortgage Maniac's HMDA data, as modified by the CFPB to protect applicant and borrower privacy, on the CFPB website at [www.consumerfinance.gov/hmda](http://www.consumerfinance.gov/hmda). The notice will be available for at least three years.

### 10. Training

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The Mortgage Maniac will provide new hire and periodic, on-going training related to HMDA. Training is designed to improve the knowledge, performance, and skills of The Mortgage Maniac's employees and to ensure compliance with HMDA and Regulation C. Training will be provided to all employees with responsibilities for HMDA reporting. New employees will be provided training tailored to their roles and responsibilities as soon as practical after hire. The Mortgage Maniac is responsible to ensure employees receive appropriate training and for ensuring training is updated for any amendments to the law or The Mortgage Maniac's policy.

The Mortgage Maniac will retain evidence of employee HMDA training including training dates, attendees, content of the training and any test or performance results.

### 11. Penalties

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The penalties for failing to comply with HMDA's reporting requirements vary from \$5,000 to \$1,000,000 per day, depending on the severity of the violation. The penalties may be assessed against an institution, its directors, officers, employees, agents, consultants, and any other person who participates in its affairs.

# Home Ownership and Equity Protection Act Policy

Revision Date: 1/25/2021

## 1. Overview

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The Home Ownership and Equity Protection Act (HOEPA) is a 1994 amendment to the Truth in Lending Act (TILA) 12 CFR §1026.32, which was amended as of January 10, 2014. HOEPA's primary purpose is to stop unethical practices associated with high cost mortgages. HOEPA imposes additional disclosure requirements and imposes substantive limitations that prohibit specific acts and practices in connection with loans with rates or fees above a certain percentage or amount making them a high cost mortgage as defined by the HOEPA regulation

## 2. Definitions

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The following definitions apply for this Policy. They are not intended to be a complete list of official definitions in Regulation Z.

- **Average Prime Offer Rate (APOR)** – means an average annual percentage rate based on a survey estimate of Annual Percentage Rates (APR) currently offered on prime mortgage loans. The APOR is published weekly by the FFIEC at: <https://ffiec.cfpb.gov/tools/rate-spread>.
- **Consumer Credit Transaction** – means credit offered or extended to a consumer primarily for personal, family, or household purposes.
- **Dwelling** – means 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.
- **High Cost Mortgage** – means a consumer credit transaction secured by the consumer's principal dwelling that exceeds the defined HOEPA APR, Points and Fees and Prepayment Penalty limits.

## 3. Policy Statement

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Under HOEPA, certain requirements must be satisfied once triggers for a high cost mortgage have been met. The Mortgage Maniac is implementing the following *Home Ownership and Equity Protection Act Policy* to ensure compliance with applicable requirements. Every loan originated by The Mortgage Maniac must be considered in light of the HOEPA requirements.

## 4. Covered Transactions

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HOEPA applies to any high cost first or second lien mortgage that is a consumer credit transaction secured by the consumer's principal dwelling, such as:

- Purchase loans
- Refinance transactions
- Closed- or Open-end home equity loans
- Bridge Loans to obtain principal dwelling
- Home improvement loans
- Temporary loans

### 5. Exempt Transactions

The following transactions are exempt from HOEPA requirements:

- A reverse mortgage transaction subject to §1026.33;
- A transaction to finance the initial construction of a dwelling;
- A transaction originated by a Housing Finance Agency, where the Housing Finance Agency is the creditor for the transaction; or
- A transaction originated pursuant to the United States Department of Agriculture's Rural Development Section 502 Direct Loan Program.

### 6. HOEPA Thresholds

HOEPA establishes thresholds for high cost mortgages. Covered loans are considered high cost mortgages when they exceed the following thresholds.

#### A. Annual Percentage Rate (APR) Threshold

The HOEPA APR threshold varies for first and second lien transactions. Covered loans are considered high cost mortgages when the APR applicable to the transaction exceeds the Average Prime Offer Rate (APOR) index for a comparable transaction\* as of the date the interest rate was set:

- 6.5% points for first-lien loans;
- 8.5% for subordinate-lien loans; or
- 8.5% points for first-lien loans if the dwelling is personal property and the loan amount is less than \$50,000.

\*A comparable APOR varies based on amortization type:

- **Fixed rate loan** – a comparable APOR is the APOR for a loan with the same term (i.e. 30 yr.).
- **Variable rate loan** – a comparable APOR is the APOR for the initial fixed-rate period (the term until the first interest rate change).

The HOEPA APR calculation is different than the APR calculation for other TILA APR disclosure purposes. For HOEPA, the APR must be calculated using the following interest rate:

- **Fixed rate loan** – the interest rate in effect on the date the interest rate was set.
- **Variable rate loan** – the greater of the Note rate for fully-indexed rate in effect on the date the interest rate was set.
- **Step rate loan** – the maximum rate that the borrower may pay during the term of the loan.

#### B. Points and Fees Threshold

The HOEPA Points and Fees threshold varies based on the loan size. Covered loans are considered high cost mortgages when the points and fees exceed the following:

- 5% of the total loan amount\* if the loan amount is \$21,980 or more; or
- the lesser of 8% of the total loan amount\* or \$1,099 for loan amounts less than \$21,980 (adjusted annually)

\*The total loan amount is the amount financed as defined by TILA.

## Home Ownership and Equity Protection Act Policy

The following items are **included** in the points and fees calculation:

- Finance charges unless specifically excluded from the QM points and fees, such as origination fees, and discount points;
- Real estate related fees if they are not reasonable in amount or if they are paid to a creditor or creditor's affiliate;
- LO Compensation paid directly or indirectly by a consumer or creditor to an LO or broker other than compensation paid by a mortgage broker, creditor or retailer of manufactured homes to an employee;
- PMI premiums that either exceed the FHA premium or are not required to be refunded when the loan is paid in full. To simplify: any portion of a "single-pay" premium that is in excess of 1.75% (1.75% being the current FHA UFMIP) would count towards the 3% cap;
- Loan-Level Price Adjustments (LLPAs);
- Maximum prepayment penalty that a consumer could be charged for prepaying the loan;
- Prepayment penalty charge for any underlying lien (including subordinate financing) being paid off with the proposed transaction if the underlying lien is currently held or serviced by the creditor or its affiliate; and
- Premiums for credit insurance; credit property insurance; other life, accident, health or loss-of-income insurance where the creditor is beneficiary; or debt cancellation or suspension coverage payments.

The following items are **not included** in the points and fees calculation:

- Interest fees or the time-price differential;
- FHA Upfront Mortgages Insurance Premiums (UFMIP) and annual Mortgage Insurance Premiums (MIPs);
- USDA Guaranty fees;
- VA Funding fees;
- Monthly private mortgage insurance (PMI). The portion of upfront PMI that does not exceed the current FHA upfront MIP may also be excluded if the premium is refundable on a prorated basis and a refund is automatically issued upon loan satisfaction.
- Bona fide third-party fees only if they are not retained by the creditor, broker, an individual LO, or affiliate of either;
- Real estate related fees if reasonable in amount and not paid directly or indirectly to a creditor or creditor's affiliate, including, but not limited to:
  - Title fees including title insurance, property survey, title exam, etc.;
  - Fees for preparing loan related documents (deeds, mortgages, etc.);
  - Notary fees;
  - Credit report fees;
  - Appraisal/inspection fees;
  - Fees related to flood hazard determinations;
  - Amounts paid into escrow or trustee accounts that are not otherwise included in the finance charge (except for amounts held for future payment of taxes);
  - Bona Fide Discount Points

## Home Ownership and Equity Protection Act Policy

- Up to two bona-fide discount points (as defined under the ATR/QM Rule) may be excluded if the interest rate before the discount does not exceed the APOR for a comparable transaction by more than 1% point; and
- Up to 1 bona fide discount point if the interest rate before the discount does not exceed the APOR for a comparable transaction by more than 2 points;
  - Creditor paid charges (except for the loan originator compensation paid by the creditor that is required to be included in the points and fees); and
  - Seller paid charges that must be specifically included in the QM points and fees, such as loan originator compensation, origination fees, non-bona fide discount points, credit insurance, or prepayment penalties, etc.

### C. Prepayment Penalty Threshold

Covered loans are considered high cost mortgages if a prepayment penalty can be charged:

- more than 36 months after consummation or account opening or
- in an amount more than 2% of the amount prepaid.

## 7. High Cost Mortgage Requirements

When a loan is determined to be a high cost mortgage under HOEPA, The Mortgage Maniac will comply with the following requirements.

### A. Required Disclosures

The Mortgage Maniac provides the following disclosures to the borrower at least three days prior to consummation of the mortgage transaction for any high cost mortgage:

- Specific disclosure which states: "You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan.";
- Annual Percentage Rate;
- Amount of regular or minimum period payment;
- Amount of any allowable balloon payment;
- Variable-rate information, including a statement that the interest and monthly payment may increase, and the amount of the single maximum monthly payment based on the maximum interest rate required to be included in the Note; and
- Total amount borrowed for closed-end transactions or for open-end transactions the credit limit for the loan when the loan is opened.

### B. Loan Term Limitations

High cost mortgages have limitations on certain loan terms. When applicable, The Mortgage Maniac will limit loan terms regarding:

- Balloon Payments (except for a mortgage with a payment schedule adjusted to the seasonal or irregular income of the borrower, bridge loans of 12 months or less, or if the creditor is a small creditor operating in a rural or underserved area that meets the criteria in §1026.43 for a small creditor balloon-payment qualified mortgage);
- Negative Amortization;

## Home Ownership and Equity Protection Act Policy

- Advance Payments, such as a payment schedule that consolidates payments and pays them in advance from the proceeds;
- Interest rates increases after default;
- Rebates calculated less favorably than the actual method defined for rebates of interest arising from a loan acceleration due to default;
- Prepayment penalties; and
- Acceleration of debt/due-on-demand clauses other in the instances of fraud or misrepresentation by the borrower; default; or action or inaction of borrower that affects the creditor's security in the loan or the rights of the creditor in regard to the security of the loan.

### C. Prohibited Acts and Practices

The following acts and practices are prohibited for high cost mortgages. When applicable, The Mortgage Maniac adheres to the following:

- **Payments for Home Improvement Contracts** –The Mortgage Maniac will not make any payments to a home improvement contractor unless such payment is payable jointly to the borrower and the contractor or, at the election of the borrower, through a third-party escrow pursuant to the terms established in a written agreement signed by the borrower, creditor and contractor.
- **Notice to Assignee** –The Mortgage Maniac will not sell or assign a high cost mortgage without furnishing the following statement to the purchaser or assignee: “Notice: This is a mortgage subject to special rules under the Federal Truth in Lending Act. Purchasers or assignees of this mortgage could be liable for all claims and defenses with respect to the mortgage that the consumer could assert against the creditor.”
- **Refinancing Within One-Year Period** –The Mortgage Maniac will not refinance any HOEPA loan to the same borrower into another HOEPA loan, unless the refinancing is in the borrower's interest.
- **Repayment Ability** –The Mortgage Maniac will not make a high cost mortgage solely on the value of the borrower's collateral without regard to the borrower's repayment ability, including their current and reasonably expected income, employment, assets (other than the collateral), current obligations, and mortgage-related obligations. Borrower's repayment ability will be verified.
- **Pre-Loan Counseling** –The Mortgage Maniac will not make a high cost mortgage to a borrower unless the borrower has completed pre-loan counseling from a counselor approved by the U.S. Department of Housing and Urban Development. Typically, counseling should take place in two phases. The first phase of counseling must occur after the borrower receives initial loan disclosures for the proposed loan. The second phase of counseling should occur after the borrower receives the required high cost loan disclosures at least 3 business days prior to closing since the homeownership counselor must certify, in writing, that the borrower received counseling and all of the required high cost mortgage disclosures. The Mortgage Maniac will require a written certification of counseling from the approved homeownership counselor that counseling was provided to the borrower within the required timeframes.
- **Recommending Default** –The Mortgage Maniac will not recommend or encourage default on an existing loan or other debt prior to and in connection with the consummation or account opening of a high cost mortgage that refinances all or any portion of such existing loan or debt.

## Home Ownership and Equity Protection Act Policy

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- **Modification or Deferral Fees** –The Mortgage Maniac will not charge a borrower any fee to modify, renew, extend, or amend a high cost mortgage or to defer any payment under the terms of a high cost mortgage.
- **Late Fees** –The Mortgage Maniac will not charge the borrower late fees in an amount to exceed the amount specifically allowed by the Note and will not charge a late fee that exceeds 4% of the amount of the payment past due. Late fees may only be charged once for a single late payment event and may not be charged unless the payment is not received until the 15th day after the payment is due. For payments in which interest is paid in advance, late fees will not be charged until the 30th day after the payment is due.
- **Fees for Payoff Statements** –The Mortgage Maniac will not charge borrowers a fee for providing a payoff statement in connection with a high cost mortgage.
- **Financing Points and Fees** –The Mortgage Maniac will not allow financing of any charges that are included in the definitions of points and fees.
- **Structuring** –The Mortgage Maniac will not structure loans high cost mortgage transactions into separate parts to evade high cost mortgage requirements.

# Homeowners Protection Act Policy

Revision Date: 1/25/2021

## 1. Overview

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The Homeowners Protection Act (HPA), enacted in 1999, is designed to provide mortgagors with the right to cancel their Private Mortgage Insurance (PMI) when certain criteria have been met. It also establishes provisions for the automatic termination of PMI, sets forth disclosure and notification requirements, and requires the return of unearned PMI premiums. Furthermore, the HPA requires lenders and servicers to provide certain disclosures concerning PMI for covered loans.

## 2. Definitions

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The following definitions apply for this Policy. They are not intended to be a complete list of official definitions in the HPA.

- **Good Payment History** – means that at the time of the request for cancellation, the mortgage may not have been more than 30 days late within the previous 12 months or 60 days late within the previous 24 months.
- **High Risk Mortgage** – means a covered transaction that is deemed as high risk by the creditor, in the case of non-conforming loans, or by Fannie Mae or Freddie Mac, in the case of conforming loans.
- **Original Value** – means the lesser of purchase price, if applicable, or the appraised value at the time the loan was closed.
- **Private Mortgage Insurance (PMI)** – means mortgage insurance other than mortgage insurance made available under the National Housing Act [12 U.S.C. 1701 et seq.], title 38, or title V of the Housing Act of 1949 [42 U.S.C. 1471 et seq.].
- **Residential Mortgage Transaction** – means a transaction consummated on or after the date that is 1 year after July 29, 1998, 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 against a single-family dwelling that is the principal residence of the mortgagor to finance the acquisition, initial construction, or refinancing of that dwelling.

## 3. Policy Statement

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The Mortgage Maniac is implementing the following *Homeowners Protection Act Policy* to ensure compliance with applicable requirements.

## 4. Covered Transactions

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The HPA applies to residential mortgage transactions secured by a single-family (1-unit), principal residence. The HPA provisions apply only to conventional loans with private mortgage insurance and the HPA specifically exempts loans with FHA mortgage insurance. Furthermore, Veterans Administration (VA) and US Department of Agriculture (USDA) Guarantee Fees are not considered private mortgage insurance and these loans are also not subject to the HPA.

## 5. Cancellation and Termination of Borrower Paid PMI

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The HPA sets forth the following cancellation and termination provisions for covered loans with borrower paid PMI. There are no cancellation/termination provisions for borrowers with lender paid mortgage

insurance or for loans that are not covered by the HPA. Furthermore, the borrower's right to request cancellation does not apply to high risk loans.

### A. Borrower Requested Cancellation

Borrowers have the right to request cancellation of PMI on the date on which the loan's principal balance:

- is first scheduled to reach 80 percent of the original value of the property based on the loan amortization schedule at consummation (or, for Adjustable Rate Mortgage (ARM) loans, the amortization schedule currently in effect); or
- actually reaches 80 percent of the original value of the property at the time the loan is closed.

Borrowers requesting cancellation of PMI must:

- submit a written cancellation request;
- have a good payment history;
- be current on the mortgage payments; and
- satisfy any requirement of the mortgage holder for evidence that the value of the property has not declined below the original value; and that the property is not subject to a subordinate lien.

Servicers may not require the borrower to pay further payments or premiums more than 30 days after the borrower meets all of the criteria above for borrower requested cancellation. Additionally, any unearned premiums must be refunded to the borrower within 45 days of the termination date.

### B. Automatic Termination

The HPA requires lenders and/or servicers to automatically terminate PMI on loans once the outstanding principal balance reaches 78% of the original value (or for high risk loans at 77% of the original value). To qualify for automatic termination, the borrower must be current on the loan. When the loan is not current on the date of automatic termination, the coverage is terminated as soon as the loan becomes current. Servicers must terminate coverage within 30 days of the automatic termination date and may not require the borrower to pay further payments or premiums more than 30 days from the date of termination. Any unearned premiums must be refunded to the borrower within 45 days of the termination date.

### C. Final (aka Midpoint) Termination

The HPA requires lenders and/or servicers to automatically terminate PMI on loans by the midpoint of the amortization period if the PMI was not eligible to be cancelled by the borrower's request or at the time of automatic termination. To qualify for automatic termination, the borrower must be current on the loan. When the loan is not current on the date of final termination, the coverage is terminated as soon as the loan becomes current. Servicers must terminate coverage within 30 days of the final termination date and may not require the borrower to pay further payments or premiums more than 30 days from the date of termination. Any unearned premiums must be refunded to the borrower within 45 days of the termination date.

## 6. PMI Disclosures

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The HPA requires lenders and servicers to provide disclosures to borrower detailing their rights with regard to PMI cancellation and termination during both loan origination and loan servicing. The content

and timing of the disclosures varies depending on whether the PMI is borrower or lender paid, the loan is a fixed or adjustable rate mortgage, or the loan is designated as a high risk loan.

The Mortgage Maniac provides the disclosures described below to ensure compliance with the applicable HPA requirements.

### A. Borrower Paid MI Disclosure

The HPA requires the lender to provide to the borrower, at the time of consummation, disclosures describing the borrower's rights for PMI cancellation and termination. The written disclosure notices vary based on whether the loan is a fixed or adjustable rate mortgage.

- **Fixed rate mortgage** disclosures notices must include the following elements:
  - The borrower's right to request cancellation of PMI on the date on which the loan balance is first scheduled to reach 80 percent of the original value of the property based on the loan amortization schedule at consummation; or the loan balance actually reaches 80 percent of the original value of the property at the time the loan is closed.
  - A statement that PMI will automatically terminate when the Loan-to-Value ratio reaches 78 percent of the original value of the property, and the date on which that is projected to occur (based on the initial amortization schedule).
  - A statement that the HPA provides for exemptions to the cancellation and automatic-termination provisions for high risk mortgages, and whether these exemptions apply to the borrower's loan.
  - A written amortization schedule.
- **Adjustable rate mortgage** disclosures notices must include the following elements:
  - The borrower's right to request cancellation of PMI on the date on which the loan balance is first scheduled to reach 80 percent of the original value of the property based on the loan amortization schedule at consummation; or the loan balance actually reaches 80 percent of the original value of the property at the time the loan is closed.
  - A statement that the servicer will notify the borrower when the cancellation dates noted above occur.
  - A statement that PMI will automatically terminate when the Loan-to-Value ratio reaches 78 percent of the original value of the property.
  - A statement that the HPA provides for exemptions to the cancellation and automatic-termination provisions for high risk mortgages, and whether these exemptions apply to the borrower's loan.

### B. Lender Paid MI Disclosure

The HPA requires the lender to provide to the borrower, no later than the date on which a loan commitment is made, a disclosure describing the difference between lender paid and borrower paid PMI. The written disclosure notice must include the following elements:

- Advise that the insurance differs from borrower paid PMI because it cannot be cancelled by the borrower or automatically terminated as provided under the act.
- Advise that lender paid PMI usually results in a mortgage having a higher interest rate than it would in the case of borrower paid PMI.

## Homeowners Protection Act Policy

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- Advise that the lender paid PMI only terminates when the mortgage is refinanced, paid off, or is otherwise terminated.
- A statement that both lender-paid and borrower-paid PMI have benefits and disadvantages.
- A generic analysis of the costs and benefits of a mortgage with lender paid vs. borrower paid PMI over a ten-year period, assuming prevailing interest and property appreciation rates.
- A statement that lender paid PMI may be tax deductible for purposes of federal income taxes, if the borrower itemizes expenses for that purpose.

### C. High Risk Loans

When PMI is required for high risk loans, the lender must provide to the borrower a written notice at consummation stating that PMI will not be required beyond the date that is the midpoint of the loan's amortization schedule if, on that date, the borrower is current on payments as required by the terms of the loan.

### D. Annual Servicing Disclosures

The HPA requires servicers to provide an annual written disclosure that details the PMI cancellation and termination rights of the borrower for covered transactions for which PMI is required. The disclosure must also include the address and telephone number that the borrower may use to contact the servicer to discuss cancellation of PMI.

# Identity Theft Prevention Program

Revision Date: 1/25/2021

## 1. Overview

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The Mortgage Maniac has adopted this *Identity Theft Prevention Program* to ensure that it has in place reasonable policies and procedures that are designed to detect, prevent and mitigate identity theft in connection with the opening of a Covered Account or any existing Covered Account, in compliance with the requirements of the Fair and Accurate Credit Transactions Act (“FACTA”) Red Flags Rule. To that end, this *Identity Theft Prevention Program* incorporates policies and procedures designed to accomplish the following objectives:

- Identify relevant Red Flags for the Covered Accounts or Programs that The Mortgage Maniac offers;
- Detect Red Flags that have been incorporated in the *Identity Theft Prevention Program*;
- Respond appropriately to any Red Flags that are detected to prevent and mitigate identity theft;
- Ensure that the *Identity Theft Prevention Program* (including the Red Flags determined to be relevant) is updated periodically to reflect changes in risks to customers and to the safety and soundness of The Mortgage Maniac from identity theft;
- Establish the framework to be used and principles that guide the development and implementation of, and updates to, the *Identity Theft Prevention Program*; and
- Track and document appropriate identity theft prevention, detection and mitigation activities.

## 2. Definitions

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- **Covered Account** – A Covered Account is an account that The Mortgage Maniac offers or maintains, primarily for personal, family or household purposes, that involves or is designed to permit multiple payments or transactions; or any other account that The Mortgage Maniac offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of The Mortgage Maniac from identity theft.
- **Red Flag** – Red Flag means a pattern, practice or specific activity that indicates the possible existence of identity theft.
- **Identity Theft** – Identity Theft means a fraud committed or attempted using the identifying information of another person without authority. Identifying information includes any name or number that may be used to identify a specific person, including name, Social Security number, date of birth, government-issued identification number, alien registration number, government passport number, employer or taxpayer identification number, or telecommunications identifying information or access device.
- **Service Provider** – Service Provider means a person or business that provides a service directly to The Mortgage Maniac involving Covered Accounts.

### 3. Administration of Program and Program Updates

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#### A. Administration of Identity Theft Prevention Program

The Mortgage Maniac has designated a Compliance Officer to be responsible for the development, implementation, and continued administration of the *Identity Theft Prevention Program* including:

- Reporting to the Board of Directors and Senior Management at least annually on the effectiveness of the *Identity Theft Prevention Program* for compliance with the Red Flags Rule. The report will address material matters related to the Program and evaluate the effectiveness of the policies and procedures of The Mortgage Maniac in addressing the risk of identity theft in connection with the opening of covered accounts and with respect to existing covered accounts; service provider arrangements; significant incidents involving identity theft and management's response; and recommendations for material changes to the *Identity Theft Prevention Program*.
- Providing oversight of The Mortgage Maniac's service provider relationships to ensure that the activity of the service provider is conducted in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of identity theft.
- Ensuring that any red flags that are identified and reported are appropriately responded to.
- Tracking and maintaining documentation of identity theft detection, prevention, and mitigation efforts.

#### B. Identity Theft Prevention Program Updates

The Mortgage Maniac will review the *Identity Theft Prevention Program* as appropriate to ensure that the Program addresses all identified Red Flags. The Compliance Officer will ensure that the *Identity Theft Prevention Program* is reviewed and updated if changes occur in The Mortgage Maniac's business activities or practices--i.e., mergers, acquisitions, alliances, joint ventures, service providers, etc. The Compliance Officer will further ensure that the Program is reviewed and updated if new Red Flags are identified based on The Mortgage Maniac's experience with identity theft; The Mortgage Maniac is aware of changes in the methods of identity theft at large and in the methods to detect, prevent and mitigate identity theft. At a minimum, the Compliance Officer will review the program on an annual basis to verify that it remains current.

### 4. Risk Assessment & Identification of Red Flags

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#### A. Risk Assessment

The Mortgage Maniac has performed an initial risk assessment and determined that The Mortgage Maniac offers covered accounts, namely mortgage loans, and there is a reasonably foreseeable risk of identity theft associated with The Mortgage Maniac's mortgage lending business. In conducting the risk assessment, we have considered: 1) the methods The Mortgage Maniac uses to open its covered accounts, including methods other than face-to-face methods such as via internet and telephone; 2) the methods The Mortgage Maniac uses to provide access to accounts; and 3) previous experiences that The Mortgage Maniac has had involving identity theft.

#### B. Periodic Risk Assessment

The Mortgage Maniac will perform a risk assessment on at least an annual basis to confirm the Covered Accounts of the business that are subject to risk of identity theft. In addition, if The Mortgage Maniac experiences any or the following events a new risk assessment will be conducted as soon as practical in

## Identity Theft Prevention Program

order to include any additional Covered Accounts: merger, acquisition, joint venture, alliance and/or new lines of business.

### 5. Red Flags Detection & Response

Red Flags that The Mortgage Maniac employees should be aware of and on the lookout for are included herein and in Addendum A to this Identity Theft Prevention Program.

#### A. Red Flags Detection

The Mortgage Maniac detects the Red Flags we identified in Addendum A in the following ways:

- The Mortgage Maniac obtains identifying information about, and verifies the identity of, a person opening a covered account in accordance with The Mortgage Maniac's policies and procedures regarding customer identification and verification established to comply with the Patriot Act. The Mortgage Maniac follows appropriate procedures for authenticating customers, monitoring transactions, and verifying the validity of change of address requests, in the case of existing covered accounts.
- The Mortgage Maniac routinely obtains and reviews credit reports of consumers throughout the loan origination process. Fraud Alerts, Active Duty Alerts and Credit Freeze alerts are written notations that may appear in the consumer's credit file. A credit reporting agency may issue a Notice of Address Discrepancy, which is a notice that the address included in the user's request for a consumer report and the addresses in the consumer reporting agency's files are substantially different. Information included in a consumer's credit report may also signal Red Flags such as an increase in credit inquiries for no apparent reason and/or or an unusual number of new credit relationships.
- The Mortgage Maniac is utilizing certain programs and software to verify and authenticate identity and that draw attention to alerts in the borrower's credit report such as fraud alerts, address discrepancies and issues with the consumer's social security number, telephone number, address and other suspicious personal identifying information.
- Employees are trained in detecting signs of forged or altered documents such as driver's licenses, loan applications, tax documents, and the like and to recognize when photo identification and/or description doesn't match or is inconsistent with information given by the person providing such documentation. Employees are also trained to detect suspicious personal identifying information such as a suspicious name or SSN based on observation.
- All employees are required to immediately notify the Compliance Officer if they are notified by a consumer, a victim of identity theft, a law enforcement agency, or someone else that an account has been opened or used fraudulently. The same procedure applies if The Mortgage Maniac's credit report vendor notifies The Mortgage Maniac that a consumer has contacted them regarding possible fraud related to The Mortgage Maniac's request for a credit report.
- All employees are required to immediately notify the Compliance Officer if a customer (or non-customer) reports receiving or responding to a phishing email or providing personal information on a cloned website that appears to reference/refer to The Mortgage Maniac or upon receipt of any information indicating the existence of a security breach.

### 6. Responding to Red Flags

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The Mortgage Maniac has established procedures to respond to and mitigate Red Flags to prevent and mitigate Identity theft. The procedures incorporate appropriate responses including, without limitation, the following:

- Monitoring a covered account for evidence of identity theft.
- Contacting the customer.
- Changing any passwords, security codes, or other security devices that permit access to a covered account.
- Reopening a covered account with a new account number.
- Not opening a new covered account.
- Not attempting to collect on a covered account.
- Notifying law enforcement.
- Determining that no response is warranted under the particular circumstances.

### 7. Oversight of Service Provider Arrangements

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When The Mortgage Maniac engages a service provider to perform an activity in connection with one or more covered accounts it must take steps to ensure that the activity of the service provider is conducted in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of identity theft. Such steps include:

- Requiring the service provider by contract to have policies and procedures to detect relevant Red Flags that may arise in the performance of the service provider's activities, and either reporting the Red Flags to The Mortgage Maniac or taking appropriate steps to prevent or mitigate identity theft.
- Conducting an investigation of the service provider to the extent necessary to confirm that the service provider has followed policies and procedures designed to detect, prevent, and mitigate the risk of identity theft.

### 8. Training

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The Mortgage Maniac must ensure that all relevant employees and staff receive training regarding the detection of red flags and the prevention and mitigation of identity theft as necessary to effectively implement the *Identity Theft Prevention Program*. Such training will enable relevant staff to address the risk of identity theft and should include, at a minimum, instruction on identity theft; the Red Flags Rule and its requirements; and the detection and responses to identity theft red flags.

## Addendum A

### 1. Alerts, Notifications or Warnings from a Consumer Reporting Agency

- A fraud or active duty alert is included with a consumer report.
- A consumer reporting agency provides a notice of credit freeze in response to a request for a consumer report.
- A consumer reporting agency provides a notice of address discrepancy.
- A consumer report indicates a pattern of activity that is inconsistent with the history and usual pattern of activity of an applicant or customer, such as:
  - A recent and significant increase in the volume of inquiries;
  - An unusual number of recently established credit relationships;
  - A material change in the use of credit, especially with respect to recently established credit relationships; or
  - An account that was closed for cause or identified for abuse of account privileges by a financial institution or creditor.

### 2. Suspicious Documents

- Documents provided for identification appear to have been altered or forged.
- The photograph or physical description on the identification is not consistent with the appearance of the applicant or customer presenting the identification.
- Other information on the identification is not consistent with information provided by the person opening a new covered account or customer presenting the identification.
- Other information on the identification is not consistent with readily accessible information that is on file with the financial institution or creditor, such as a signature card or a recent check.
- An application appears to have been altered or forged or gives the appearance of having been destroyed and reassembled.
- Personal identifying information provided is inconsistent when compared against external information sources used by the financial institution or creditor. For example:
  - The address does not match any address in the consumer report; or
  - The Social Security Number (SSN) has not been issued or is listed on the Social Security Administration's Death Master File.
- Personal identifying information provided by the customer is not consistent with other personal identifying information provided by the customer. For example, there is a lack of correlation between the SSN range and date of birth.
- Personal identifying information provided is associated with known fraudulent activity as indicated by internal or third-party sources used by the financial institution or creditor. For example:
  - The address on an application is the same as the address provided on a fraudulent application; or

## Identity Theft Prevention Program

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- The phone number on an application is the same as the number provided on a fraudulent application.
- Personal identifying information provided is of a type commonly associated with fraudulent activity as indicated by internal or third-party sources used by the financial institution or creditor. For example:
  - The address on an application is fictitious, a mail drop, or prison; or
  - The phone number is invalid or is associated with a pager or answering service.
- The SSN provided is the same as that submitted by other persons opening an account or other customers.
- The address or telephone number provided is the same as or similar to the account number or telephone number submitted by an unusually large number of other persons opening accounts or other customers.
- The person opening the covered account or the customer fails to provide all required personal identifying information on an application or in response to notification that the application is incomplete.
- Personal identifying information provided is not consistent with personal identifying information that is on file with the financial institution or creditor.
- For financial institutions and creditors that use challenge questions, the person opening the covered account, or the customer cannot provide authenticating information beyond that which generally would be available from a wallet or consumer report.

### **3. Notice from Customers, Victims of Identity Theft, Law Enforcement Authorities, or Other Persons Regarding Possible Identity Theft in Connections with Covered Accounts Held by the Financial Institution or Creditor**

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- The financial institution or creditor is notified by a customer, a victim of identity theft, a law enforcement authority, or any other person that it has opened a fraudulent account for a person engaged in identity theft.

# Loan Originator Compensation Policy

Revision Date: 1/25/2021

## 1. Overview

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Section 1026.36 of Regulation Z (Loan Originator Compensation Rule) generally regulates how compensation is paid to a loan originator in most closed-end mortgage transactions, imposes qualification duties on loan originators, and prohibits certain acts and practices. The law was intended to protect consumers from unfair, deceptive, or abusive acts or practices that can arise from loan originator compensation practices.

## 2. Definitions

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The following definitions apply to this Policy:

- **Compensation** – means any salaries, commissions, and/or financial or similar incentives received and retained by a loan originator, including annual or periodic bonuses, awards (i.e. stock, stock options, or equity interests), services, trips or similar prizes.
- **Credit Insurance** – means any credit life, credit disability, credit unemployment, or credit property insurance, or any other accident, loss-of-income, life, or health insurance, or any payments directly or indirectly for any debt cancellation or suspension agreement or contract.
- **Creditor** – means a creditor that closes a loan in its own name and funds the loan from a bona fide warehouse line of credit, its own money or deposits held by the creditor. A creditor is not a loan originator.
- **Loan Originator** – means a natural person, who, in expectation of, or for direct or indirect compensation or other monetary gain, performs any of the following activities:
  - takes residential mortgage loan applications;
  - offers, arranges or assists consumers in obtaining or applying to obtain a residential mortgage loan;
  - offers or negotiates terms of a residential mortgage loan;
  - obtains or makes an extension of consumer credit for another person; or
  - through advertising or other means of communication represents to the public that such person can or will perform any of these services.

**The term “loan originator” does not include:**

- A person who does not take a consumer credit application or offer or negotiate credit terms available from a creditor, but who performs purely administrative or clerical tasks on behalf of a person who does engage in such activities.
- An employee of a manufactured home retailer who does not take a consumer credit application, offer or negotiate credit terms available from a creditor, or advise a consumer on credit terms (including rates, fees, and other costs) available from a creditor.
- A person that performs only real estate brokerage activities and is licensed or registered in accordance with applicable State law, unless such person is compensated by a creditor or loan originator or by any agent of such creditor or loan originator for a particular consumer credit transaction subject to Loan Originator Compensation Rule.

## Loan Originator Compensation Policy

- A person, estate, or trust that provides seller financing for the sale of no more than 3 properties in any 12-month period provided that:
  - the person, estate, or trust has not constructed, or acted as a contractor for the construction of, a residence on the property in the ordinary course of its business;
  - it is determined that the consumer has ability to repay;
  - the financing is fully amortizing; and
  - the financing is either fixed or adjustable only after 5 years. If the financing is adjustable rate, then the rate must be determined by adding a margin to a widely available index rate, and it must be subject to interest rate caps.
- A person, estate, or trust that provides seller financing for sale of no more than 1 property in any 12-month period provided that:
  - the person, estate, or trust has not constructed, or acted as a contractor for the construction of, a residence on the property in the ordinary course of its business;
  - the financing does not result in negative amortization; and
  - the financing is either fixed or adjustable only after 5 years. If the financing is adjustable rate, then the rate must be determined by adding a margin to a widely available index rate, and it must be subject to interest rate caps.
- A servicer or servicer's employees, agents, and contractors who offer or negotiate terms for purposes of renegotiating, modifying, replacing, or subordinating principal of existing mortgages where consumers are behind in their payments, in default, or have a reasonable likelihood of defaulting or falling behind. This exception does not apply, however, to a servicer or servicer's employees, agents, and contractors who offer or negotiate a transaction that constitutes a refinancing under §1026.20(a) of TILA or obligates a different consumer on the existing debt.
- A creditor that engages in loan origination activities if the creditor does not finance the transaction at consummation out of the creditor's own resources, including by drawing on a bona fide warehouse line of credit or out of deposits held by the creditor. All creditors that engage in any of the foregoing loan origination activities are loan originators.
- **Loan Originator Organization** – means loan originators that are not natural persons, such as mortgage brokerage firms and sole proprietorships. A Loan Originator Organization is considered a loan originator when the Loan Originator Organization does not finance the transaction at consummation from its own resources.
- **Mortgage Broker** – means any loan originator that is not an employee of the creditor. Loan originators consist of both individuals and entities, and an employee of a mortgage broker and/or creditor is a loan originator if they engage in the activities of a loan originator as defined in this Policy.
- **Proxy for Terms of a Transaction** – means a factor, that is not itself a term of a transaction, that consistently varies with a term or terms of the transaction over a significant number of transactions, and the loan originator has the ability, directly or indirectly, to add, drop, or change the factor when originating the transaction.
- **Steering** – means directing, advising, counseling or otherwise influencing a consumer to accept a particular transaction.
- **Table-Funding Lender** – means a funding lender in a table-funded transaction. The funding lender is considered a loan originator.

## Loan Originator Compensation Policy

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- **Term of a Transaction (or Transaction Term)** – means any right or obligation of the parties to the credit transaction, except that the amount of credit extended is not a term of a transaction or a proxy for a term of a transaction, provided that compensation is based on a fixed percentage of the amount of credit extended; however, such compensation may be subject to a minimum or maximum dollar amount. Transaction terms include but are not limited to the interest rate, the annual percentage rate (APR), the collateral type, the existence of a prepayment penalty, the origination points or fees paid to the creditor or loan originator, or fees for credit-required title insurance. Loan originators are prohibited from receiving compensation based on transaction terms.

### 3. Policy Statement

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The Mortgage Maniac will ensure that applicable employees meet the Loan Originator Compensation Rule's qualification requirements, including licensing or registration. Further, in the event The Mortgage Maniac conducts business with loan originators under a mortgage broker arrangement, it will ensure the mortgage brokers meet applicable licensing or registration requirements. All compensation paid to loan originators will, at all times comply with applicable law, including the Loan Originator Compensation Rule and nothing in this Policy shall be construed to conflict with applicable law.

### 4. Applicability

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The Loan Originator Compensation Rule applies to all persons who engage in the activities of a loan originator. The Rule applies to almost all closed-end consumer credit transactions secured by a dwelling (including any real property secured by residential structures that contain one-to-four units, condominiums and cooperatives). These loans are subject to the provisions on compensation, qualification, identification, and the establishment and maintenance of written policies and procedures for compliance.

The provisions on compensation, qualification, identification, and the establishment and maintenance of written policies and procedures do not apply to open-end credit plans including HELOCs or time-share plans. The prohibitions on mandatory arbitration clauses, waivers of federal claims, and certain financing practices for credit insurance apply to closed-end consumer credit transactions secured by a dwelling (except certain time-share plans) and to HELOCs secured by a consumer's principal dwelling.

### 5. Loan Originator Compensation Rules

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The Mortgage Maniac considers compensation to include salaries, commissions or any financial or similar incentive provided to a loan originator, such as merchandise and prizes. Compensation may also be in the form of fees, such as a processing fee, paid to a loan originator.

The Mortgage Maniac complies with the Loan Originator Compensation Rule by ensuring that it does not pay any loan originator compensation that is prohibited in the rule. Additionally, to ensure compliance with the Loan Originator Compensation Rule, The Mortgage Maniac requires compensation agreements for its loan originators, including third-party loan originators, and its non-producing branch managers, production managers, and other staff responsible for oversight of loan production. These agreements set forth applicable compensation and may only be revised on a defined periodic basis and revisions may not apply retroactively.

The Loan Originator Compensation Rule prohibits lenders from entering into compensation agreements with loan originators that are based on the profits of a particular branch or operations center unless the profit is calculated in whole or in part based on an aggregate volume of credit extended during a particular period. Furthermore, managers who originate loans cannot receive compensation based on loan terms,

## Loan Originator Compensation Policy

even if such compensation would be limited to loans not originated by the manager. However, managers may receive a fixed percentage amount of all loans originated, based on volume of credit extended.

The Mortgage Maniac may provide bonuses, profit sharing, and a 401(k) match at its sole discretion and at all times in compliance with the Loan Originator Compensation Rule. Any and all bonuses for loan originators must total less than 10% of the loan originator's total compensation during the period for which the bonus is paid. In no event may a bonus be directly or indirectly based on the terms of that individual loan originator's transactions. Profit-sharing compensation and contest incentives are at all times subject to the 10% cap. Bonuses, profit sharing, and contest incentives are aggregated when calculating the percentage. 401(k) contributions may not be based upon the terms of the individual loan originator's transactions.

Before any compensation may be paid to a loan originator, whether in the form of salary, commission, bonuses, additional compensation from awards or contests, or any other financial incentive, the proposed compensation must be approved by The Mortgage Maniac Senior Management, without exception.

### A. Prohibition on Compensation Based on the Terms of the Transaction

Under the Loan Originator Compensation Rule, a loan originator shall not receive, and a person 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. This applies to payments by lenders to independent mortgage brokers and payments by lenders to their employees who engage in the activities of a loan originator.

A loan factor that is not itself a term of a transaction is a proxy for a term of the transaction if: 1) the loan factor consistently varies with that term over a significant number of transactions, and 2) the loan originator has the ability, directly or indirectly, to add, drop, or change the loan factor in originating the transaction. Terms of a transaction include, but are not limited to:

- the interest rate;
- the annual percentage rate;
- the collateral type;
- the existence of a prepayment penalty;
- origination or other fees paid to the creditor or loan originator; and
- fees required by the creditor or loan originator for any credit-related product or service provided by the creditor or loan originator.

For purposes of the Loan Originator Compensation Rule, the amount of credit extended is not a term of a transaction provided that the loan originator compensation is based on a fixed percentage of the amount of credit extended. Such compensation may be subject to a minimum and maximum dollar amount as long as the amounts do not vary with each transaction.

The Mortgage Maniac does not pay its loan originators, 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, the terms of multiple transactions by multiple individual loan originators, or a proxy for any of the foregoing.

## Loan Originator Compensation Policy

### B. Receipt of Compensation Paid by a Consumer and Prohibition on Dual Compensation

Loan originators are prohibited from receiving dual compensation. Loan originators may receive compensation directly from a consumer only if the loan originator does not receive compensation, directly or indirectly, from any person other than the consumer in connection with the transaction. This includes payments from any person to the loan originator where the person knows (or has reason to know) that the consumer is paying the loan originator.

The prohibition on dual compensation applies even when the loan originator's compensation is not based on the terms of the transaction, for example compensation that is based on a flat fee or a percentage of the loan's principal balance.

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 creditor 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 as long as the compensation is in compliance with the Loan Originator Compensation Rules.

The Mortgage Maniac requires loan originators to choose between being paid by the consumer and being paid by The Mortgage Maniac. Regardless of the source of compensation, the amount of compensation received by the loan originator will be the same.

### C. Acceptable Forms of Compensation

The Mortgage Maniac may choose to pay compensation according to the following methods with respect to the payment of loan originators' salary, commissions, and other compensation:

- Evaluating the loan originator's overall loan volume (dollar amount or units) delivered to The Mortgage Maniac;
- Hourly wages for actual hours worked;
- Consideration regarding whether the customer is an existing or new customer;
- Based on a fixed percentage of the amount of credit extended (which may be subject to a minimum or a maximum cap);
- The long-term performance of the loan originator's loans;
- A percentage of applications submitted by the loan originator to the creditor that result in a closed loan;
- The quality of the loan originator's loan files; and
- Incentive payments based on number of loans originated within specified period of time (contests).

### D. Changes to Compensation

Loan originators may not increase or decrease their compensation in a particular transaction. Further, the amount of compensation for a transaction may not change based on whether different terms are negotiated. The Mortgage Maniac may choose to offer better terms or pricing to a consumer for competitive reasons, but it may not reduce the loan originator's compensation.

## Loan Originator Compensation Policy

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However, the Loan Originator Compensation Rule allows loan originators to reduce their compensation to lower actual settlement costs to consumers if there is an unforeseen increase in the actual settlement costs over the amount disclosed to the consumer on the LE or CD. An increase in a settlement cost at closing is unforeseen if the increase occurs even when the estimate provided to the consumer is consistent with the best information reasonably available to the disclosing party at the time the disclosure was made. For example, if a consumer locks in a rate for a purchase transaction and a title issue delays the closing by a week and the rate lock expires. As long as the title issue was unforeseen, the loan originator may decrease compensation to pay in whole or in part for the rate-lock extension fee. Loan originator errors are not considered unforeseen.

Instances where compensation may be decreased should be rare and must be approved by The Mortgage Maniac's Senior Management. Additionally, under no circumstance may The Mortgage Maniac charge fees to a loan originator by deducting the fees from the compensation to the loan originator when the loan originator fails to follow the creditor's policy and, as a result, the creditor is not able to impose fees on the consumer.

### 6. Third-Party Charges

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The Mortgage Maniac will allow loan originators to collect and pass along bona fide third-party charges, such as credit report charges, that are not retained by The Mortgage Maniac, the loan originator, or an affiliate of The Mortgage Maniac or loan originator. However, loan originators are prohibited from paying some or all of the third-party fees for a consumer (or crediting the consumer out of pocket). If a loan originator marks-up/up-charges the third-party charge, the difference between the actual charge and the marked-up charge is compensation.

In instances where a loan originator cannot accurately determine the actual third-party charge when it is imposed and instead uses average charge pricing in accordance with the Real Estate Settlement Procedures Act (RESPA), the loan originator's compensation does not include amounts above the third-party charge even if the loan originator retains the amount. In these cases, the amount charged must be bona fide and reasonable and must comply with state and other applicable law.

### 7. Anti-Steering Provisions

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The Mortgage Maniac complies with the anti-steering provisions in the Loan Originator Compensation Rule. The rule defines steering as directing, advising, counseling or otherwise influencing a consumer to accept a particular transaction. Loan originators may not direct or steer a consumer to a loan based on the fact that the loan originator receives more compensation for that loan vs. another type of available loan, unless that loan is in the consumer's best interest. Loan originators must comply with The Mortgage Maniac's principles for anti-steering and exercise all steps and procedures required to support any safe harbor exceptions in the Loan Originator Compensation Rule.

#### A. Determining the Consumer's Best Interest

The Mortgage Maniac will determine whether the transaction is in the consumer's interest by comparing the transaction with other possible loan offers available through the same loan originator and for which the consumer would likely qualify. Possible loan offers include loans that could be obtained from a creditor with which the loan originator regularly does business.

### B. Safe Harbor

The Mortgage Maniac will consider a transaction to be in compliance with the anti-steering provisions if:

- the loan originator is an employee of The Mortgage Maniac and the compensation for the transaction is not based on the conditions or terms of the transaction; or
- the loan originator is an employee of The Mortgage Maniac but acts as a mortgage broker by forwarding a consumer's application to another creditor and presents the loan options that meet the conditions for the options presented for each type of type of transaction in which the consumer expressed an interest; or
- the loan originator is not an employee of The Mortgage Maniac and presents the loan options that meet the conditions for the options presented for each type of type of transaction in which the consumer expressed an interest.

"Type of transaction" refers to whether a loan has an annual percentage rate that cannot increase after consummation, a loan has an annual percentage rate that may increase after consummation, or the loan is a reverse mortgage.

All of the following conditions must be met to be eligible for safe harbor:

- The loan originator must obtain loan options from a significant number of the creditors with which the loan 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; or, in the case of a reverse mortgage, a loan without a prepayment penalty, or shared equity or shared appreciation; and
  - The loan with the lowest total dollar amount for origination points or fees and discount points (or, 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).
- 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 loan originator presents to the consumer more than three loans, the loan originator must highlight the loans that satisfy the specified criteria.
- The loan originator can present fewer than three loans and still comply with the anti-steering provision if the loan(s) presented to the consumer satisfy the criteria for the options and the required provisions are otherwise met.

### 8. Name and NMLSR ID Required on Loan Documents

Loan originator organizations must require its name and NMLSR ID (if the NMLSR has provided an NMLSR ID) and the name of the individual loan originator as it appears in the NMLSR with primary responsibility for the origination and the individual loan originator's NMLSR ID (if provided an NMLSR ID) on the following loan documents:

- Credit application;
- Loan Estimate and Closing Disclosure;
- Note or loan contract; and
- Security instrument.

The Mortgage Maniac complies with this requirement by providing the required information on the loan documents noted above.

### **9. Prohibition on Financing Credit Insurance**

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Under the Loan Originator Compensation Rule, creditors are prohibited from financing, directly or indirectly, any premiums or fees for credit insurance in connection with a closed-end consumer credit transaction secured by a dwelling (except for certain time-share plans) or for a HELOC secured by the consumer's principal dwelling. This prohibition does not apply to credit insurance when the premiums or fees are calculated and paid in full on a monthly basis. The prohibition is violated for monthly-pay credit insurance if, upon the close of the monthly period in which the premium or fee is due, the creditor includes the premium or fee in the amount owed. The Loan Originator Compensation Rule excludes credit unemployment insurance from the definition of credit insurance if the credit unemployment insurance premiums are reasonable; the creditor receives no direct or indirect compensation in connection with the credit unemployment insurance premiums; and the credit unemployment insurance premiums are paid pursuant to a separate insurance contract and are not paid to an affiliate of the creditor.

The Mortgage Maniac does not allow financing of credit insurance.

### **10. Training**

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The Mortgage Maniac will provide new hire and periodic training covering federal and state law requirements that apply to loan origination activities. The training will be developed considering the responsibilities of individual loan originators and the nature and complexity of the mortgage loans they can offer. Training programs sponsored or regulated by a government agency, a housing finance agency, or NMLSR-approved licensed loan originator continuing-education training may satisfy these training requirements if the training covers the types of loans the loan originator originates and the applicable federal and state laws and regulations.

### **11. Record Retention**

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The Mortgage Maniac will maintain all records of loan originator compensation, including all agreements, and records of all compensation received from creditors, consumers, and other individuals for a period of 3 years after the date of payment or receipt.

### **12. Disciplinary Action**

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The Mortgage Maniac's senior management is responsible for implementation of this Policy and the procedures necessary to ensure that this Policy is followed. The Mortgage Maniac will take corrective action, as appropriate and in accordance with the severity of the violation. Violations found may warrant disciplinary action up to and including suspension or termination of the loan originator.

# Privacy Notice Policy

Revision Date: 1/25/2021

## 1. Overview

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Section 502-509 of title V of the Gramm-Leach-Bliley Act (GLBA), and its implementing Regulation P, (also known as the Privacy Rule) requires financial institutions to provide notice to customers about their privacy policies and practices; describe the conditions under which they may disclose nonpublic personal information about consumers to nonaffiliated third parties; and provide a method for consumers to prevent companies from disclosing that information to most nonaffiliated third parties by opting-out of that disclosure. Furthermore, the Fair Credit Reporting Act (FCRA) and the Right to Financial Privacy Act (RFPA) contain provisions to ensure protection of the financial information of consumers

## 2. Definitions

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The following definitions apply to this Policy:

- **Consumer** – means an individual who obtains or has obtained from a financial institution a financial product or service that is to be used primarily for personal, family, or household purposes and includes such an individual’s legal representative. A consumer includes an individual who provides nonpublic personal information in order to obtain a determination about whether he or she qualifies for a loan. A consumer also includes an individual who applies for a loan, regardless of whether credit is extended to that person.
- **Customer**– means a consumer who has a “customer relationship” with a financial institution. A “customer relationship” is a continuing relationship between a consumer and a financial institution under which the institution provides one or more financial products or services to the consumer that are to be used primarily for personal, family, or household purposes.
- **Nonpublic Personal Information** – means any information that is not publicly available and that a consumer provides to a financial institution to obtain a financial product or service from the institution; results from a transaction between the consumer and the institution involving a financial product or service; or a financial institution otherwise obtains about a consumer in connection with providing a financial product or service.

## 3. Policy Statement

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The Mortgage Maniac requires all employees, affiliates, and service providers to comply with all consumer protection regulations regarding the privacy and disclosure of consumer information. The Mortgage Maniac also complies with all disclosure requirements regarding its privacy policies and practices by providing customers with a privacy notice that clearly describes The Mortgage Maniac's practice of collecting, protecting, and sharing customer’s nonpublic personal information (NPI) with affiliates and third parties at the time that a customer relationship is established. Wherever local privacy regulations are more stringent than the requirements set forth in this Policy, the more stringent requirement will be followed.

The Mortgage Maniac will send a copy of the privacy notice to all new customers in the timeframes specified in the Privacy Rule. The Mortgage Maniac will also provide a privacy notice annually during the continuation of the customer relationship, if applicable.

## 4. Privacy Notice Requirements

The Mortgage Maniac complies with the following privacy notice requirements under the GLBA and, when applicable, the FCRA. Further, the GLBA provides that The Mortgage Maniac will obtain a “safe harbor” and will satisfy the disclosure requirements for notices if it chooses to use the model form provided under the GLBA.

### A. Initial Privacy Notices

The Mortgage Maniac is required to provide an initial privacy notice to customers when a customer establishes a relationship with The Mortgage Maniac by providing any personally identifiable financial information in an effort to obtain a mortgage loan.

The Mortgage Maniac is also required to provide a consumer a privacy notice before sharing NPI with nonaffiliated third parties outside of the exceptions described below. If The Mortgage Maniac doesn't share information with nonaffiliated third parties, or if it only shares within the exceptions, The Mortgage Maniac does not have to provide a privacy notice to consumers.

If The Mortgage Maniac is required to provide a privacy notice to consumers, it may choose to give a “short-form notice” instead of a full privacy notice. The short-form notice must:

- explain that The Mortgage Maniac's full privacy notice is available on request;
- describe a reasonable way that consumers may obtain the full privacy notice; and
- include an opt-out notice.

### B. Annual Privacy Notices

The Mortgage Maniac also sends annual privacy notices to their customers during the continuation of the customer relationship, if applicable. The annual notice must accurately describe The Mortgage Maniac's privacy policies and practices in effect at the time the notice is sent.

Annually means at least once in any period of 12 consecutive months during which that relationship exists. The Mortgage Maniac does not send privacy notices after the relationship with the customer has ended.

### C. Information Included in Privacy Notices

The privacy notice includes:

- The categories of NPI that The Mortgage Maniac collects;
- The categories of NPI that The Mortgage Maniac discloses;
- The categories of affiliates and nonaffiliated third parties to whom The Mortgage Maniac discloses NPI;
- The categories of NPI about former customers that The Mortgage Maniac discloses and the categories of affiliates and nonaffiliated third parties to whom The Mortgage Maniac discloses NPI about former customers;
- If The Mortgage Maniac discloses NPI to a nonaffiliated third party, a separate statement of the categories of information it discloses and the categories of third parties with whom The Mortgage Maniac has contracted;
- An explanation of the consumer's right under Regulation P §1016.10(a) to opt-out of the disclosure of NPI to nonaffiliated third parties, including the method(s) by which the consumer may exercise that right at that time;

- Any disclosures made under section the Fair Credit Reporting Act (that is, notices regarding the ability to opt-out of disclosures of information among affiliates); and
- The Mortgage Maniac policies and practices with respect to protecting the confidentiality and security of NPI.

### D. Exceptions to Privacy Notice Requirement

Exceptions for processing transactions at consumer's request – Exceptions to the initial privacy notice, opt-out and for service providers and joint marketing do not apply if The Mortgage Maniac discloses NPI as necessary to effect, administer, or enforce a transaction that a consumer requests or authorizes, or in connection with:

- Servicing or processing a financial product or service that a consumer requests or authorizes;
- Maintaining or servicing the consumer's account with The Mortgage Maniac, or with another entity as part of a private label credit card program or other extension of credit on behalf of such entity; or
- A proposed or actual securitization, secondary market sale (including sales of servicing rights), or similar transaction related to a transaction of the consumer.

### 5. Opt-Out Notice

Opt-out means a direction by the consumer that The Mortgage Maniac may not disclose NPI about that consumer to a nonaffiliated third party, other than as permitted by law. The opt-out notice is a clear and conspicuous notice to all customers that accurately explains the right to opt-out under that section. The notice states:

- that The Mortgage Maniac discloses or reserves the right to disclose NPI about a consumer to a nonaffiliated third party;
- that the consumer has the right to opt-out of that disclosure; and
- a reasonable means by which the consumer may exercise the opt-out right.

### A. Exceptions to Opt-Out Notice

The requirements for initial notice and for service providers and joint marketing do not apply when The Mortgage Maniac discloses NPI:

- With the consent or at the direction of the consumer, provided that the consumer has not revoked the consent or direction;
- To protect the confidentiality or security of The Mortgage Maniac records pertaining to the consumer, service, product, or transaction;
- To protect against or prevent actual or potential fraud, unauthorized transactions, claims, or other liability;
- For required institutional risk control or for resolving consumer disputes or inquiries;
- To persons holding a legal or beneficial interest relating to the consumer or acting in a fiduciary or representative capacity on behalf of the consumer;
- To provide information to insurance rate advisory organizations, guaranty funds or agencies, agencies that are rating The Mortgage Maniac, persons that are assessing The Mortgage Maniac compliance with industry standards, and The Mortgage Maniac attorneys, accountants, and auditors;

- To the extent specifically permitted or required under other provisions of law and in accordance with the Right to Financial Privacy Act of 1978, to law enforcement agencies (including the Bureau, a Federal functional regulator, the Secretary of the Treasury, with respect to 31 U.S.C. Chapter 53, Subchapter II (Records and Reports on Monetary Instruments and Transactions) and 12 U.S.C. Chapter 21 (Financial Recordkeeping), a state insurance authority, with respect to any person domiciled in that insurance authority's state that is engaged in providing insurance, and the Federal Trade Commission), self-regulatory organizations, or for an investigation on a matter related to public safety;
- To a consumer reporting agency in accordance with the Fair Credit Reporting Act;
- From a consumer report reported by a consumer reporting agency;
- In connection with a proposed or actual sale, merger, transfer, or exchange of all or a portion of a business or operating unit if the disclosure of NPI concerns solely consumers of such business or unit;
- To comply with Federal, State, or local laws, rules and other applicable legal requirements;
- To comply with a properly authorized civil, criminal, or regulatory investigation, or subpoena or summons by Federal, state, or local authorities; or
- To respond to judicial process or government regulatory authorities having jurisdiction over The Mortgage Maniac for examination, compliance, or other purposes as authorized by law.

## 6. Revised Notices

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The Privacy Rule is designed to enable consumers to make opt-out decisions based on an accurate description of a financial institution's privacy policies and practices. Before disclosing NPI about a consumer to a nonaffiliated third party other than as described in The Mortgage Maniac's most recent privacy notice, The Mortgage Maniac must provide the consumer a revised initial notice, a new opt-out notice, and reasonable opportunity to opt out.

A revised notice is not required in the instance where The Mortgage Maniac makes a change to disclose NPI to a new nonaffiliated third party that was adequately described in its prior notice.

## 7. Delivery Requirements

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The Mortgage Maniac provides the required privacy and opt-out notices simultaneously. The Mortgage Maniac provides privacy notices and opt-out notices so that each consumer can reasonably be expected to receive actual notice in writing. The notice can be hand-delivered, mailed, or, if the consumer consents, delivered electronically.

## 8. Prohibition on Disclosure of Account Notices

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The Privacy Rule prohibits financial institutions from sharing account numbers or similar access numbers or codes for marketing purposes. This prohibition applies even when a consumer or customer has not opted-out of the disclosure of NPI concerning his or her account.

Under no circumstances will The Mortgage Maniac disclose, other than to consumer reporting agencies, access codes or account numbers for use in marketing.

## 9. Limitations on Redislosure or Reuse of NPI

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When a financial institution receives NPI from a nonaffiliated financial institution, its disclosure and use of the information is limited as follows:

- For NPI received under any of the privacy and opt-out notice exceptions outlined above, the financial institution is limited to:
  - Disclosing the information to the affiliates of the financial institution from which it received the information;
  - Disclosing the information to its own affiliates, who may, in turn, disclose and use the information only to the extent that the financial institution can do so; and
  - Disclosing and using the information pursuant to any of the privacy and opt-out notice exceptions outlined above (for example, an institution receiving information for account processing could disclose the information to its auditors).
- For NPI received other than under any of the privacy and opt-out notice exceptions outlined above, the recipient's use of the information is unlimited, but its disclosure of the information is limited to:
  - Disclosing the information to the affiliates of the financial institution from which it received the information;
  - Disclosing the information to its own affiliates, who may, in turn disclose the information only to the extent that the financial institution can do so; and
  - Disclosing the information to any other person, if the disclosure would be lawful if made directly to that person by the financial institution from which it received the information.

### 10. Fair Credit Reporting Act and Privacy

The Fair Credit Reporting Act (FCRA), among other things, allows financial institutions to share information with others about its own transactions or experiences with a consumer. However, when a financial institution shares information about third-parties' transactions with a consumer, such as sharing a list of its customers and information such as their credit scores with another financial institution to jointly market or sponsor other financial products or services, it could cause the financial institution to be considered a consumer reporting agency that is subject to strict guidelines under FCRA. Furthermore, civil or criminal penalties could apply if a financial institution fails to comply with any requirements of the FCRA.

Financial institutions can avoid additional requirements and penalties under FCRA by not providing others with information from credit reports or third-party transactions. Additionally, FCRA contains an exception that allows financial institutions to share information contained in consumer reports and other information, such as information on an application for credit, as long as that information is shared with an affiliate and before the information can be used for marketing and solicitation, the financial institution:

- clearly and conspicuously discloses to the consumer that the information may be shared with an affiliate; and
- gives the consumer the opportunity, before the information is shared, to opt-out of having their information shared.

The GLBA notice is sufficient to meet FCRA notice requirements for sharing information with affiliates. Furthermore, the FCRA notice and opt-out requirements do not apply to a financial institution if it uses eligibility information that it receives from an affiliate to make a solicitation for marketing purposes to a consumer with whom the financial institution has a preexisting business relationship.

### 11. The Right to Financial Privacy Act

The Right to Financial Privacy Act (RFPA) protects a customer's right to privacy with respect to information being disclosed to the federal government regarding the financial records maintained about the customer by financial institutions. The RFPA is intended to balance the federal government's need for information when conducting a criminal investigation with the customer's right to privacy. It establishes specific procedures that federal government authorities must follow in order to obtain information from a financial institution about a customer's financial records. Generally, these requirements include obtaining subpoenas, notifying the customer of the request, and providing the customer with an opportunity to object.

Under the RFPA, the government must reasonably describe the records it wants and may use one of five methods to obtain those records:

- **Customer Authorization**

Under this method the customer must give a signed and dated authorization to both the government and the institution. Further, the authorization must state the customer's rights under the RFPA. In this document, the customer must:

- Authorize the disclosures for no more than 3 months.
- State that the authorization can be revoked at any time before records are disclosed.
- Identify the records to be disclosed
- Specify the purpose for which, and the government authority to which, records may be disclosed.

- **Administrative Subpoena or Summons**

A government authority may obtain financial records using an administrative subpoena or summons if there is reason to believe the records are relevant to a legitimate law enforcement inquiry. A copy of the subpoena or summons must have been served to the customer, or mailed to the customer's last known address, on or before the date on which it was served to the financial institution and it should include a notice regarding the nature of the law enforcement inquiry and notify the customer of his or her right, and procedures, to contest the inquiry.

- **Search Warrants**

Search warrants must be obtained according to the federal rules of criminal procedure. The customer must receive a copy of the search warrant no later than ninety days after it is issued and receive a notice of his or her rights under the RFPA.

- **Judicial Subpoena**

A government authority can obtain financial records under a judicial subpoena only if there is a reason to believe the records are relevant to a legitimate law enforcement inquiry. When a judicial subpoena is issued, the subpoena must have been served to the customer, or mailed to the customer's last known address, and it must state the nature of the law enforcement inquiry and notify the customer of his or her right, and procedures, to contest the inquiry.

- **Formal written request**

A government agency may request financial records using a formal written request only if all of the following conditions are met:

- The government agency doesn't appear to have legal authority to issue a summons or subpoena;
- The request is authorized by regulation issued by the head of the agency; or
- There is reason to believe the records are relevant to a legitimate law enforcement inquiry.

When a formal written request is used, it must have been served to the customer, or mailed to the customer's last known address, and it must state the nature of the law enforcement inquiry and notify the customer of his or her right, and procedures, to contest the inquiry.

The RFPA also contains exceptions for depository institutions under 12 US Code Section 3413, allowing these institutions to, among other things, disclose:

- financial records that are not identified with or identified as coming from a particular customer;
- customer financial records to its supervisory agencies;
- financial records or information required by federal statute; and
- financial information in accordance with procedures authorized by the IRS.

# Real Estate Settlement Procedures Act Policy

Revision Date: 1/25/2021

## 1. Overview

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The Real Estate Settlement Procedures Act (RESPA) was enacted in 1974 as a consumer disclosure and anti-kickback statute designed to inform consumers of their settlement costs, prohibit kickbacks that can increase the cost of obtaining a mortgage, and to ensure the accurate accounting and maintenance of escrow accounts. The regulations that implement RESPA are known as Regulation X. Effective July 21, 2011, the authority to administer and enforce RESPA was transferred to the Consumer Financial Protection Bureau (CFPB).

The CFPB's rule on Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) (TILA-RESPA rule) went into effect on October 3, 2015. Refer to the *TILA-RESPA Integrated Disclosures Policy* for The Mortgage Maniac's policy and procedures for compliance with TRID.

## 2. Definitions

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The following definitions apply for this Policy. They are not intended to be a complete list of all official definitions for RESPA.

- **Application** – means the submission of the borrower's information for a credit decision related to a federally related mortgage loan, which includes the following six data elements:
  - Borrower name
  - Borrower monthly income
  - Borrower social security number
  - Property address
  - Estimated value of the property
  - Mortgage loan amount requested

Additionally, for applications not covered by TRID, The Mortgage Maniac may require additional information deemed necessary.

- **Business Day** – means a day on which the offices of the business entity are open to the public for carrying on substantially all of the entity's business functions.
- **Changed Circumstances**
  - Changed circumstances means
    - Acts of God, war, disaster, or other emergency;
    - Information particular to the borrower or transaction that was relied on in providing the GFE and that changes or is found to be inaccurate after the GFE has been provided. This may include information about the credit quality of the borrower, the amount of the loan, the estimated value of the property, or any other information that was used in providing the GFE;
    - New information particular to the borrower or transaction that was not relied on in providing the GFE; or
    - Other circumstances that are particular to the borrower or transaction, including boundary disputes, the need for flood insurance, or environmental problems.

## Real Estate Settlement Procedures Act Policy

- Changed circumstances do not include:
  - The borrower's name, the borrower's monthly income, the property address, an estimate of the value of the property, the mortgage loan amount sought, and any information contained in any credit report obtained by the loan originator prior to providing the GFE, unless the information changes or is found to be inaccurate after the GFE has been provided; or
  - Market price fluctuations by themselves.
- **Escrow Account** – means any account that a lender or 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 lender have agreed that the servicer should collect and pay.
- **Federally Related Mortgage Loan** – means a loan (other than a temporary loan) secured by a first or subordinate lien on residential real property upon which:
  - A one-to-four family structure is located or is to be constructed using proceeds of the loan (including individual units of condominiums and cooperatives)
  - A manufactured home is located or is to be constructed using proceeds of the loan

Additionally, the loan must fall within one of the following categories:

- Loans made by a lender, creditor, dealer;
- Loans made or insured by an agency of the federal government;
- Loans made in connection with a housing or urban development program administered by an agency of the federal government;
- Loans made and intended to be sold by the originating lender or creditor to FNMA, GNMA, or FHLMC (or its successor); or
- Loans that are the subject of a home equity conversion mortgage or reverse mortgage issued by a lender or creditor subject to the regulation.

Federally related mortgage loans also include installment sales contracts, land contracts, or contracts for deeds on otherwise qualifying residential property if the contract is funded in whole or in part by proceeds of a loan made by a lender, specified federal agency, dealer or creditor subject to the regulation.

- **Thing of Value** – means, without limitation:
  - Monies, things, discounts, salaries, commissions, fees, duplicate payments of a charge, stock, dividends;
  - Distributions of partnership profits, franchise royalties, credits representing monies that may be paid at a future date, the opportunity to participate in a money-making program, retained or increased earnings, increased equity in a parent or subsidiary entity;
  - Special bank deposits or accounts, special or unusual banking terms, services of all types at special or free rates;
  - Sales or rentals at special prices or rates, lease or rental payments based in whole or in part on the amount of business referred;
  - Trips and payment of another person's expenses; and/or
  - Reduction in credit against an existing obligation.

### 3. Covered and Exempt Transactions

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RESPA covers all federally-related mortgage loans secured by residential properties that are made to consumers for the purpose of personal, family or household use, regardless of the lien position.

RESPA does not cover the following loans:

- Commercial or business purpose loans
- Temporary loans, such as construction or bridge loans
- Loans on vacant land
- Assumptions, unless the mortgage instruments require lender approval for the assumption and the lender approves the assumption
- Modifications, as long as a new note is not required

Most closed-end mortgage loans are exempt from the requirement to provide some of the initial application disclosures, specifically the Good Faith Estimate, HUD-1 Settlement Statement, and application servicing disclosure; however, these loans are subject to disclosure, timing, and other requirements under TILA-RESPA Integrated Disclosures (TRID) rules. HELOCS, reverse mortgages and chattel-secured mortgages should continue to use the Truth in Lending (TIL) disclosure and RESPA disclosures, as applicable.

### 4. Policy Statement

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Under RESPA, The Mortgage Maniac provides disclosures, including, but not limited to the Good Faith Estimate (GFE) and HUD-1 Settlement Statement (HUD-1) for loans not covered under the TRID Rule, Servicing Disclosure Statement, Affiliated Business Arrangement Disclosure, and Escrow Account Disclosures. Furthermore, in the event The Mortgage Maniac retains servicing on a loan, it, or its sub-servicer, will comply with all RESPA requirements for loan servicing.

### 5. Application Loan Disclosures

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RESPA sets forth the following application loan disclosure requirements.

#### A. Good Faith Estimate – Required for Applications Not Covered by TRID

The GFE form that is designed to allow borrowers to shop for a mortgage loan by comparing settlement costs and loan terms. The GFE discloses all settlement charges and gives an estimate of total settlement costs plus it provides identifying information for the lender, expiration dates for the interest rate and settlement charges, and a summary of the loan terms, such as the loan amount, term, initial interest rate, monthly payment, escrow account information. The GFE also contains a tolerance chart identifying charges that can change at closing, an optional tradeoff table to provide information about alternative loans, and a chart the applicant can use when shopping with other lenders for a mortgage loan.

RESPA requires that the estimated settlement charges and loan terms listed on the GFE be honored for at least 10 business days from the date the GFE is provided, but it does not establish a minimum period of availability for which the interest rate must be honored. The Mortgage Maniac will determine the expiration date for the interest rate of the loan stated on the GFE.

RESPA also establishes tolerances or limits on the amount actual settlement charges can vary at closing from the amounts stated on the GFE. If, at settlement, the charges exceed the charges listed on the GFE by more than the permitted tolerances, The Mortgage Maniac must cure the tolerance

## Real Estate Settlement Procedures Act Policy

violations by reimbursing to the borrower the amount by which the tolerance was exceeded. Tolerance violations should be cured at settlement or within 30 calendar days after settlement.

In transactions involving new home purchases, where settlement is expected to occur more than 60 calendar days from the time a GFE is provided, The Mortgage Maniac may provide the GFE to the borrower with a clear and conspicuous disclosure stating that at any time up until 60 calendar days prior to closing, The Mortgage Maniac may then issue a revised GFE, within the applicable timeframe, without regard to the tolerances or limits established under RESPA. If The Mortgage Maniac does not provide this disclosure, it cannot issue a revised GFE except as otherwise provided in RESPA.

The Mortgage Maniac will provide the GFE no later than three business days after receipt of an application that is not covered by TRID. The Mortgage Maniac is not required to provide a GFE if, before the end of the three-business day period, the application is denied or the applicant withdraws the application.

The Mortgage Maniac may also issue revised GFEs throughout the application process reflecting changes to estimated settlement costs and loan terms, but only if those changes are a result of a changed circumstance, as defined by RESPA. In the event that The Mortgage Maniac issues a revised GFE based upon a changed circumstance, it must do so within three business days of receiving information sufficient to establish the changed circumstance.

Finally, RESPA prohibits charging the applicant any fee, other than a fee for a credit report, before the applicant receives the GFE. The Mortgage Maniac complies with this requirement.

### **B. Settlement Service Provider List**

When The Mortgage Maniac provides a GFE and allows the applicant to shop for certain third-party settlement services instead of requiring the use of a particular service provider, The Mortgage Maniac should provide the applicant with a written list of service providers for the settlement services for which the applicant is allowed to shop. The list of providers must be issued on a separate sheet of paper and be provided at the time the GFE is issued. The list must identify the type of service, the name, address and telephone number of the service provider, and describe the nature of any relationship between the service provider and The Mortgage Maniac.

### **C. Servicing Disclosure Statement**

The Mortgage Maniac provides the applicant with a Servicing Disclosure Statement within three business days of receipt of the application. The Servicing Disclosure Statement is a disclosure to the applicant that indicates whether or not the servicing of the loan may be assigned, sold, or transferred to any other person at any time while the loan is outstanding. The Servicing Disclosure Statement is not required to be delivered if the loan application is denied within the three business day period.

### **D. Homeownership Counseling Notice**

The Homeownership Counseling Notice must include a clear and conspicuous written list of 10 Housing and Urban Development (HUD) certified/approved homeownership counseling organizations that provide relevant counseling services in the loan applicant's current location. The loan applicant's zip code must be used to generate a list of the 10 closest HUD-approved counseling organizations. Additionally, the list must be obtained no earlier than 30 days prior to the time when the list is provided to the loan applicant.

The Homeownership Counseling Notice must contain specific information about the homeownership counseling organizations. Information about the counseling providers (to the extent that this

## Real Estate Settlement Procedures Act Policy

information is available through the CFPB's or HUD's website) must include, the organization name, phone number, address, website URL, email address, counseling services provided, and languages spoken.

The Mortgage Maniac must provide loan applicants with the Homeownership Counseling Notice no later than three business days after receipt of an application.

### E. Special Information Booklet

RESPA requires lenders to provide a special information booklet issued by the CFPB no later than three business days after receipt of an application for certain transactions. The Mortgage Maniac will provide the special information booklet identified below within three business days of application.

- For **closed-end first lien purchase transactions**, the booklet titled "Your Home Loan Toolkit" must be provided.
- For **first or second lien open-end lines of credit**, such as home equity lines of credit (HELOCs), the booklet titled "When your Home is On the Line: What You Should Know About Home Equity Lines of Credit" must be provided.

### F. Affiliated Business Arrangement Disclosure

An Affiliated Business Arrangement (ABA) disclosure is required whenever a settlement service provider involved in a RESPA covered transaction refers the applicant to a provider with whom the referring party has an ownership or other beneficial interest. The Mortgage Maniac must give the ABA disclosure to the applicant at or prior to the time of referral, if applicable. The disclosure must describe the business arrangement that exists between the two providers and give the applicant an estimate of the second provider's charges.

## 6. Disclosures Required at Time of Settlement/Closing

RESPA sets forth the following loan disclosure requirements at the time of the settlement/closing of a loan.

### A. HUD-1 Settlement Statement

The HUD-1 is a standard form that clearly shows all charges imposed on borrowers and sellers in connection with the settlement and includes a comparison chart to help borrowers compare the charges disclosed on the GFE and the actual charges listed on the HUD-1. RESPA allows the borrower to request to see the HUD-1 one day before the actual settlement. The settlement agent must then provide the borrowers with a completed HUD-1 based on information known to the agent at that time. The Mortgage Maniac will provide borrowers with a copy of the HUD-1 (even if preliminary) one day before settlement or closing based on the information known at that time.

### B. Initial Escrow Account Disclosure Statement

RESPA requires lender to provide borrowers with a disclosure at settlement/closing that itemizes the estimated taxes, insurance premiums and other charges anticipated to be paid from an escrow account during the first twelve months of the loan. The disclosure also lists the monthly escrow payment amount, any required cushion, and payments which are expected to be deposited into the escrow account during the first year of the loan. The Mortgage Maniac provides a copy of the Initial Escrow Account Disclosure Statement to the borrower at settlement or closing.

### 7. Loan Servicing Disclosures

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RESPA sets forth the following loan disclosure requirements during the servicing of the loan. In the event The Mortgage Maniac retains servicing on a loan, it, or its sub-servicer, will comply with these requirements.

#### A. Annual Escrow Account Statement

The Annual Escrow Account Statement summarizes all escrow account deposits and payments during the servicer's twelve-month computation year. It also notifies the borrower of any shortages or surpluses in the account and advises the borrower about the course of action being taken to address any shortages or surpluses.

#### B. Servicing Transfer Statement

A Servicing Transfer Statement is required if the loan servicer sells or assigns the servicing rights to a borrower's loan to another loan servicer. The Mortgage Maniac will notify the borrower 15 days before the effective date of the loan transfer for all loans transferred. As long the borrower makes a timely payment to the old servicer within 60 days of the loan transfer, The Mortgage Maniac will not penalize borrower for a late payment. The Servicing Transfer Notice sent by The Mortgage Maniac will include the name and address of the new servicer, toll-free telephone numbers, and the date the new servicer will begin accepting payments.

### 8. Requirements for Escrow Accounts

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RESPA sets forth the following requirements for escrow accounts. In the event The Mortgage Maniac retains servicing on a loan, The Mortgage Maniac, or its sub-servicer, will comply with these requirements.

#### A. Limitation on Payments into the Escrow Account

The Mortgage Maniac may not require a borrower to deposit more than the following amounts into the escrow account:

- **At settlement**, an amount sufficient to pay the charges attributable to the period from the date the payment(s) were last paid until the initial payment date.
- **Throughout the life of the escrow account**, a monthly sum equal to 1/12 of the total annual escrow payments plus a charge to maintain a cushion no greater than 1/6 (2 months) of the estimated total annual payments.

#### B. Escrow Analysis

In the event The Mortgage Maniac retains servicing on a mortgage loan, The Mortgage Maniac, or its sub-servicer, will conduct an annual escrow analysis to estimate the amount of escrow items to be disbursed in the following year. If the amount of the charge is unknown, the estimate may be based on the preceding year's charge, with an increase not to exceed the most recent year's change in the Consumer Price Index. Upon completion of the escrow analysis, The Mortgage Maniac will take one of the actions noted below if any of these circumstances occur:

- **Surplus** – when the balance in the account exceeds the required amount, and the surplus is \$50 or more, The Mortgage Maniac must refund the surplus to the borrower within 30 days. If the surplus is less than \$50, The Mortgage Maniac may either refund the surplus or credit the amount towards the next year's escrow payments.

## Real Estate Settlement Procedures Act Policy

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- **Shortage** – when the balance in the account will not meet the estimated amount required for the following year, The Mortgage Maniac may require the borrower to repay the shortage in equal payments over a 12-month period. If the amount is less than one month's payment, The Mortgage Maniac may, at its option, either require the payment within 30 days or allow the borrower to pay the shortage in equal payments over a 12-month period.
- **Deficiency** – when there is a negative balance in the escrow account, The Mortgage Maniac may require the borrower to repay the deficiency in 2 or more equal monthly payments.

Upon completion of an escrow analysis, The Mortgage Maniac, or its sub-servicer, will prepare and deliver the escrow account statement to the borrower within 30 calendar days of completion of the escrow analysis. The statement will include the following:

- Current monthly mortgage payment and the portion deposited in the escrow account;
- Past year's monthly mortgage payment and the portion deposited in the escrow account;
- Total amount paid into the escrow account during the past computation year;
- Total amount paid out of the escrow account during the same period for taxes, insurance, and other charges, separately identified;
- Account balance at the end of the period;
- An explanation of how any surplus is being handled by The Mortgage Maniac or how any shortage or deficiency is to be paid by the borrower; and
- An explanation why the estimated low monthly balance was not reached, if applicable.

## 9. Additional Servicing Requirements

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RESPA Subpart C sets forth a variety of loan servicing standards that include the escrow account disclosures discussed above as well as the following:

- General Servicing Policies, Procedures and Requirements
- Mortgage Servicing Transfer Requirements
- Escrow Payment and Balance Handling
- Error Resolution Procedures
- Information Request Handling
- Force-Placed Insurance Standards
- Loss Mitigation Procedures, including Early Intervention for Certain Borrowers and Continuity of Contact Requirements

In the event The Mortgage Maniac retains servicing on a loan, it, or its sub-servicer, will comply with these requirements.

## 10. Other Consumer Protection and Prohibited Actions (RESPA Section 8)

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RESPA Section 8 prohibits anyone from giving or accepting a fee, kickback, or anything of value in exchange for the referral of business involving a federally-related mortgage loan. In addition, RESPA prohibits fee splitting and receiving unearned fees for services not actually performed. Appendix B of Regulation X provides specific guidance on the meaning and coverage of the prohibition against kickbacks and unearned fees.

### **A. No Split of Charges Except for Actual Services Performed**

The Mortgage Maniac will not give or accept any portion, split, or percentage of any charge made or received for the rendering of a settlement service other than for services that were actually performed. A charge by a person for which no or nominal services are performed or for which duplicative fees are charged is an unearned fee and is prohibited.

### **B. No Referral Fees**

The Mortgage Maniac will not give or accept any fee, kickback or other thing of value pursuant to any agreement or understanding, oral or otherwise, for the referral of a settlement service involving a federally related mortgage loan. The Mortgage Maniac will not pay any other company or the employees of any other company for the referral of settlement service business. A referral includes any oral or written action directed to a person which has the effect of positively influencing the selection by that person of a provider of a settlement services or business incident to or part of a settlement service when the person will pay for such settlement services. A referral also occurs whenever a person paying for a settlement service or business incident thereto is required to use a particular provider of a settlement service or business incident thereto.

### **C. Penalties and Liabilities**

Civil and criminal liability for violating the prohibition against kickbacks and unearned fees includes:

- Civil liability to the parties affected, equal to three times the amount of any charge paid for such settlement service.
- The possibility that the costs associated with any court proceeding together with reasonable attorney's fees could be recovered.
- A fine of not more than \$10,000 or imprisonment for not more than one year or both.



# Record Retention Policy

Revision Date: 1/25/2021

## 1. Overview

Various regulations and investors require that loan records and documentation are adequately protected and maintained and that loan records which are no longer needed are discarded at the appropriate time.

## 2. Policy Statement

The Mortgage Maniac retains records for at least the minimum period of time that is required by law. This Policy discusses federal mortgage lending document retention requirements. The Mortgage Maniac shall coordinate the education and training of employees, work to ensure compliance, and periodically update this Policy to reflect changes to existing laws and regulations, or to include new laws and regulations. The Mortgage Maniac expects all employees to fully comply with record retention or destruction policies and schedules.

## 3. Federal Record Retention Periods

The minimum federally required record retention periods are listed below. Electronic records contained in contracts, notices, or disclosures must remain accessible to all persons who are legally entitled to access for the period required in the governing contract or for the retention period governing the notice or disclosure as listed below.

Regulation	Record	Retention Period
<b>Regulation B</b> Equal Credit Opportunity Act (ECOA)	Mortgage loan applications and required ECOA notifications including: <ul style="list-style-type: none"> <li>Any written or recorded information used in evaluating the application that is retained by The Mortgage Maniac</li> <li>Notifications of actions taken</li> <li>Complaint correspondence</li> <li>Prescreened solicitations</li> <li>Fair lending self-test documentation</li> </ul>	25 months after date of creditor's notice or after completion of the self-test
<b>Regulation C</b> Home Mortgage Disclosure Act (HMDA)	<ul style="list-style-type: none"> <li>Loan/Application Register (LAR)</li> <li>Public Disclosure Statement</li> </ul>	3 years — LAR 5 years — public disclosure statement
<b>Regulation G</b> Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act	Registrants' criminal history background report and any actions taken	Regulation does not specify
<b>Regulation H</b> Flood Disaster Protection Act	Special flood hazard determination form and receipt of notices to the borrower and servicer, force-placed notices, and evidence of flood insurance if required	Life of loan

## Record Retention Policy

Regulation	Record	Retention Period
<b>Regulation P</b> Privacy of Consumer Financial Information		No specific recordkeeping requirements, but required to produce if requested, therefore evidence of procedures recommended for one exam cycle
<b>Regulation V</b> Fair Credit Reporting Act (FCRA)	<ul style="list-style-type: none"> <li>• Records to substantiate accuracy of consumer information furnished to credit reporting agencies that is subject to a direct dispute</li>   <li>• Prescreened offers of credit or insurance based on consumer reports (retain criteria used to make the offer and the requirements that apply to loan if secured)</li> </ul>	<p>Reasonable period of time, but not less than any applicable recordkeeping requirement to substantiate the accuracy of any information about consumers it furnishes that is subject to a direct dispute</p> <p>3 years</p>
<b>Regulation X</b> Real Estate Settlement Procedures Act (RESPA)	<ul style="list-style-type: none"> <li>• HUD-1/HUD-1A (if applicable), documents relating to kickbacks and unearned fees, and affiliated business arrangements</li>   <li>• Records documenting servicing actions taken for a mortgage loan account, including servicing disclosure statements. The servicing file must be accessible within 5 days and include transactions credited or debited to the account and escrow or suspense accounts, the security instrument, servicers' notes for communications with the borrower, and any documents the borrower provided to the servicer</li> </ul>	<p>5 years after settlement</p> <p>1 year after loan is discharged or servicing is transferred</p>
<b>Regulation Z</b> Truth in Lending Act (TILA)	<ul style="list-style-type: none"> <li>• Loan disclosures, other than the Loan Estimate and Closing Disclosure noted below</li>   <li>• Loan Estimate</li>   <li>• Closing Disclosure</li>   <li>• Loan originator compensation records &amp; ability to repay documentation</li> </ul>	<p>2 years</p> <p>3 years after consummation</p> <p>5 years after consummation</p> <p>3 years after the date of payment</p>
	<ul style="list-style-type: none"> <li>• Servicing transfer notices and records evidencing that the servicer performed the required servicing actions and issued the required disclosures</li> </ul>	<p>5 years</p>

## Record Retention Policy

Regulation	Record	Retention Period
<b>Regulation BB</b> Community Reinvestment Act (CRA)	<ul style="list-style-type: none"> <li>• CRA disclosure statement</li> <li>• CRA public file, including written comments, assessment areas, branch information, and HMDA disclosure statement (if HMDA data is reported)</li> <li>• Written comments about CRA performance and the bank's responses</li> <li>• Most recent public CRA performance evaluation</li> </ul>	Current and prior 2 calendar years or one examination cycle, whichever is great
<b>Bank Secrecy Act/Anti-Money Laundering</b>	CIP Documents and evidence of OFAC compliance, Suspicious Activity Reports	5 years
<b>FHA</b>	<ul style="list-style-type: none"> <li>• Mortgage file, including the case binder</li> <li>• QC review documentation including selection criteria, review documentation, findings, and corrective action</li> </ul> <p><b>Note:</b> Form HUD-93114 and all other pertinent records must be in the mortgagor's case file for the life of the insured mortgage plus 3 years. In the event the mortgage is transferred to another mortgagee or servicer, and/or assigned to HUD, this documentation must remain a part of the mortgagor's case file and must be conveyed to the new mortgagee, servicer, and/or HUD which shall retain the entire case file for the life of the mortgage plus 7 years.</p>	<p>2 years from the date of endorsement</p> <p>3 years or upon request</p>

In addition to federal record retention requirements, The Mortgage Maniac complies with investor, state, or supervisory agency record retention requirements when record retention periods are longer than the federal regulatory period. Additionally, all business records related to the mortgage business should be retained for a period of five years, unless otherwise listed below. Business records include, but are not limited to:

- federal tax withholding forms including reports of income for federal taxation;
- personnel records and evidence of payments to all employees and contractors;
- the Board of Directors and Senior Management, principals or partners meeting minutes;
- books of accounts including checkbooks, check registers, bank statements, deposit slips, withdrawal slips, cancelled checks; and
- contracts, agreements and escrow instructions.

#### 4. Document Destruction and Litigation Holds

Once document retention periods have expired, documents should be destroyed. Documents containing non-public personal information about consumers will be shredded and/or incinerated to ensure that confidential information is not disclosed. If there is pending litigation, claims, audits, or investigations, related documents may not be destroyed, and must be retained until those matters are completed.

# Secure and Fair Enforcement for Mortgage Licensing Act Policy

Revision Date: 1/25/2021

## 1. Overview

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The Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) was created under the Housing and Economic Recovery Act of 2008. The SAFE Act prohibits individuals from engaging in the business of a residential mortgage loan without first obtaining and annually maintaining a state license and registration as a licensed mortgage loan originator (MLO) and a unique identifier. The SAFE Act requires that federal registration and state licensing and registration be completed through the Nationwide Multi-State Licensing System and Registry (NMLS). The SAFE Act attempts to achieve the following objectives:

- Provide uniform license applications and reporting requirements for state-licensed MLOs;
- Provide a comprehensive licensing and supervisory database;
- Aggregate and improve the flow of information to and between regulators;
- Provide increased accountability and tracking of loan originators;
- Streamline the licensing process and reduce regulatory burden;
- Enhance consumer protections and support anti-fraud measures;
- Provide consumers with easily accessible information regarding the employment history of and disciplinary and enforcement actions against MLOs;
- Establish a means by which MLOs would be required to act in the best interests of the borrower;
- Facilitate responsible behavior in the subprime mortgage market place; and
- Facilitate the collection and disbursement of consumer complaints on behalf of state mortgage regulators.

## 2. Definitions

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The following definitions apply for this Policy. They are not intended to be a complete list of official definitions in the SAFE Act.

- **The Nationwide Multi-State Licensing System and Registry (NMLS)** – means the registry developed and maintained by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators for the licensing and registration of loan originators.
- **Mortgage Loan Originator** – means an individual who takes an application and, for compensation or gain, offers or negotiates terms of a residential mortgage loan pursuant to a request from and based on information provided by the borrower. All residential MLOs must be registered with the NMLS.
- **Residential Mortgage Loan** – means 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 in Section 103(x) of the Truth in Lending Act, 15 U.S.C. Section 1602(x)) or residential real estate upon which is constructed or intended to be constructed a dwelling.
- **Unique Identifier** – means a number or other identifier that: (1) permanently identifies a registered MLO; (2) is assigned by protocols established by the NMLS and the CFPB to facilitate electronic tracking of MLOs, as well as uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against MLOs; and (3) must not be used for purposes other than those set forth under the SAFE Act.

## Secure and Fair Enforcement for Mortgage Licensing Act Policy

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### 3. Policy Statement

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The Mortgage Maniac requires all MLOs to register with the NMLS and meet applicable federal and state requirements for licensure. All MLOs are required to register with the NMLS, submit to a background check, meet federal and state (if applicable) pre-licensing education requirements, pass the MLO federal and state (if applicable) exam and adhere to license renewal requirements. MLOs are prohibited from conducting any loan originator activity, as defined by the state where the MLO originates loans, until he/she receives all applicable state required licenses and the NMLS has recorded his/her NMLS ID number as being sponsored by The Mortgage Maniac.

The Mortgage Maniac submits all reports of condition (Mortgage Call Reports) as required under the SAFE Act and by applicable state regulators.

The Mortgage Maniac adopts and follows this written policy and applicable procedures to assure compliance with the SAFE Act. At a minimum, procedures must:

- Establish a process for identifying which employees are required to be registered mortgage loan originators;
- Require that all employees who are MLOs to be informed of the registration requirements of the SAFE Act and this part and be instructed on how to comply with such requirements and procedures;
- Establish procedures to comply with the unique identifier requirements;
- Establish reasonable procedures for confirming the adequacy and accuracy of employee registrations, including updates and renewals, by comparisons with its own records;
- Establish reasonable procedures and tracking systems for monitoring compliance with registration and renewal requirements and procedures;
- Provide for independent testing for compliance with this part to be conducted at least annually by internal personnel or by an outside party;
- Provide for appropriate action in the case of any employee who fails to comply with the registration requirements of the SAFE Act or The Mortgage Maniac's related policies and procedures;
- Establish a process for reviewing employee criminal history background reports received, taking appropriate action consistent with applicable Federal law and maintaining records of reports and actions taken with respect to applicable employees; and
- Establish procedures designed to ensure that any third party with which The Mortgage Maniac has arrangements related to mortgage loan origination has policies and procedures to comply with the SAFE Act.

### 4. Covered Transactions

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All consumer purpose loans secured by a mortgage, deed of trust or other consensual security interest on a dwelling are subject to the SAFE Act. Covered loans include purchase loans, refinances, junior liens, home equity lines of credit, construction loans, and reverse mortgages.

MLOs perform activities that cause them to meet the regulatory definition of a MLO and are, therefore, subject to the registration requirements of the SAFE Act.

## Secure and Fair Enforcement for Mortgage Licensing Act Policy

### 5. Administration of SAFE Act Requirements

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The Mortgage Maniac management is responsible to administer the SAFE Act program and maintain compliance with the SAFE Act and any applicable individual state licensing requirements. The Mortgage Maniac management will ensure that assigned roles are carried out as required by the SAFE Act and that all employees who must be licensed as MLOs are properly licensed and such licensees are properly maintained while that individual is an employee of The Mortgage Maniac.

### 6. Company Registration

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The Mortgage Maniac will maintain a company registration by supplying the following information to the NMLS, as well as any other requirements:

- Name, main office address, and business contact information;
- Internal Revenue Service Employer Tax Identification Number (EIN);
- Identification of its primary Federal regulator;
- The The Mortgage Maniac's primary point of contact for the NMLS;
- Name(s) and contact information of the individual(s) with authority to enter information into the NMLS; and

The individual(s) with authority to submit NMLS information must verify their identity and must attest that they have the authority to enter data on behalf of The Mortgage Maniac, that the information provided to the NMLS is accurate. Furthermore, The Mortgage Maniac will keep the required information current by updating the information within 30 days of any change in such information.

#### A. Company to Validate MLO's Registration and Licenses

The Mortgage Maniac management and designated employees will, at the time of new hire, validate a MLO's registration and licenses to ensure each MLO is properly licensed before allowing the MLO to engage in origination activities. Additionally, management and designated employees will continuously monitor MLO's registration and licenses to ensure that registration and licenses remain valid and that all licenses are renewed timely.

#### B. Company Annual Renewal and Changes to Information

The Mortgage Maniac must update the information it submitted to the NMLS during the annual renewal period and must confirm the registration information provided by MLO employees during this time. The Mortgage Maniac is required to notify the NMLS within 30 days of any change to its information. Furthermore, The Mortgage Maniac must notify the NMLS within 30 days of the date a MLO ceases to be an employee.

### 7. MLO Registration and State Licensing

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All MLOs must be registered with the NMLS and, when applicable, obtain and maintain a valid loan originator license from each state in which the MLO originates mortgage loans. The Mortgage Maniac specifically prohibits MLOs from engaging in origination activities until they are properly licensed.

Each MLO employed by The Mortgage Maniac must complete any pre-licensure requirements as required by NMLS or the applicable state and must submit the following to the NMLS, among any other requirements:

## Secure and Fair Enforcement for Mortgage Licensing Act Policy

- Identifying information, including name, home address, social security number, gender, date of birth, and principal business location;
- Employment history for the prior 10 years;
- Disclosure of specified criminal, civil, judicial, or state, federal, or foreign financial authority regulatory actions against the employee;
- Fingerprints, for purposes of a Federal Bureau of Investigation background check;
- Attestation to the accuracy of the information submitted; and
- Authorization for the NMLS and The Mortgage Maniac to obtain information related to any administrative, civil, or criminal action to which the MLO is a party; and must authorize the NMLS to make certain information available to the public.

### A. MLO Annual Renewal and Changes to Information

A MLO must update the information it submitted to the NMLS during the annual renewal period. MLOs are also required to update their NMLS information within 30 days of a significant change, including the following events:

- Name changes,
- Employment changes,
- Home address and contact information, or
- Reportable changes to legal or regulatory actions.

Note: States may have additional requirements that must be met to renew a MLO's state license.

### B. MLO Annual Required Training

MLOs are required to renew their license annually and complete continuing education approved by the NMLS. The following requirements apply to annual renewals:

- Continue to meet the licensing standards above.
- Complete annual continuing education requirements, which must include at least 8 hours of education per year with the following minimum requirements:
  - 3 hours must be in Federal law and regulations;
  - 2 hours must be in ethics, such as fair lending, fraud and consumer protection; and
  - 2 hours must be related to lending standards for the non-traditional lending market.

Note: States may have additional requirements that must be met to renew a MLO's state license.

### C. New Employees Previously or Currently Licensed

When The Mortgage Maniac hires a MLO who is already licensed through the NMLS with a unique identifier and who has maintained the license, then the registration requirements of the SAFE Act are met if:

- The Mortgage Maniac updates the employment information with the NMLS;
- The Mortgage Maniac submits its own information to the NMLS confirming sponsorship of the new hire; and
- The MLO updates the NMLS before acting as a MLO for The Mortgage Maniac and submits new fingerprints for a background check if the MLO's fingerprints on file with the NMLS are more than 3 years old.

## Secure and Fair Enforcement for Mortgage Licensing Act Policy

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Note: States may have additional requirements that must be met before a MLO may begin origination activity.

### D. New Employees via Acquisitions, Mergers, Reorganizations

When licensed MLOs become employees of The Mortgage Maniac as a result of an acquisition, merger, or reorganization, they must update the NMLS information within 60 days of the effective date of the acquisition, merger, or reorganization. New fingerprints are not required when a MLO becomes employed as a result of an acquisition, merger, or reorganization.

Note: States may have additional requirements that must be met before a MLO may begin origination activity.

## 8. Requirement to Provide Unique Identifier

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MLOs receive a unique identifier from the NMLS that is valid as long as they are actively registered and licensed.

The SAFE Act requires MLOs to provide their unique identifier to consumers:

- Upon request;
- Before acting as a MLO; and
- Through any initial written communication with a consumer, whether on paper or electronically, such as advertisements, emails, business cards, etc.

Regulation Z requires that the MLO unique identifier be displayed on the:

- credit application;
- Loan Estimate and Closing Disclosure;
- note or loan contract; and
- security instruments.

Additionally, the Federal Housing Finance Agency (FHFA) directed both Fannie Mae and Freddie Mac and HUD to require collection of NMLS unique identifiers and that mortgage loan applications include the MLO and company unique identifiers.

## 9. Temporary Authority Requirements for MLOs

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The Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amended the SAFE Act. The amendment, which was effective November 24, 2019, allows qualified MLOs to be authorized temporarily to originate loans in a state where the MLO has submitted an application for licensure but has not yet completed testing and pre-licensing education requirements (Temporary Authority).

To obtain Temporary Authority, the MLO must satisfy specific eligibility requirements, must submit a complete MLO license application, and must not have had a disqualifying event. It is the intent of The Mortgage Maniac to comply with the Temporary Authority requirements under the SAFE Act. MLOs are also required to comply with Temporary Authority requirements and to only perform origination activities when The Mortgage Maniac informs the MLO that the MLO has the authorization to do so.

### A. Definitions

The following definition applies for this section.

- **Application State** means a state in which a MLO seeks to be licensed.

## Secure and Fair Enforcement for Mortgage Licensing Act Policy

- **Complete MLO license application or application** means an application for a mortgage loan originator license in a state in which a MLO seeks to be licensed. An Application includes the following information:
  - a completed Individual Licensing Form (MU4);
  - explanation and supporting documentation for any “Yes” answers to a disclosure question;
  - the receipt of a criminal history record information check from the FBI;
  - credit report authorization;
  - worker classification (only W-2 employees are eligible for Temporary Authority);
  - a request for sponsorship from the MLO’s employer; and
  - any required state-specific documentation.

Note: An eligible individual can submit a MLO license application without passing the SAFE Act Test or meeting Pre-Licensure education requirements.

- **Temporary Authority to Operate** as a loan originator permits the following individuals to originate loans while completing any state-specific requirements for licensure such as education or testing:
  - Qualified MLOs who are changing employment from a depository institution to a state-licensed mortgage company; and
  - Qualified state-licensed MLOs seeking licensure in another state.

### B. Eligibility Requirements

To be eligible for Temporary Authority a MLO must be:

- employed as a W-2 employee of a state-licensed mortgage company;
- sponsored through NMLS by the same state-licensed mortgage company; and
- licensed as a MLO in any state continuously during the 30-days preceding the date of the application submission to the Application State OR be registered in NMLS as a MLO continuously during the one-year period preceding the date of the application submission.

**Break in Service.** While a MLO is transitioning to a new employer, a MLO may have a break in service. To be eligible for Temporary Authority the break in service cannot exceed 14 calendar days and is calculated from the MLO’s federal deregistration or state licensure termination until an employer submits a sponsorship request.

## Secure and Fair Enforcement for Mortgage Licensing Act Policy

In addition, the MLO must meet the following eligibility requirements. The MLO must not have:

- had an application for a loan originator license denied;
- had a loan originator license revoked or suspended in any jurisdiction;
- been subject to, or served with, a cease and desist order; or
- been convicted of a misdemeanor or felony that would preclude licensure under the law of the Application State.

### C. When Temporary Authority Begins

Temporary Authority begins when a MLO who meets the eligibility requirements submits a complete MLO license application to the Application State in NMLS. If the MLO is eligible for Temporary Authority, the NMLS will indicate this in the system. Generally, Temporary Authority begins on the date the application is submitted if NMLS can automatically verify the MLO's eligibility. However, if a manual state review is required to verify eligibility, Temporary Authority would begin at the completion of the state's review.

For example, if an applicant submits an application that meets the requirements for Temporary Authority on Friday and the state begins the license application review on Monday, Temporary Authority would begin on Friday if the NMLS is able to automatically verify eligibility. If NMLS is unable to automatically verify eligibility, a manual state review would be required to verify eligibility and Temporary Authority would begin at the completion of that review. This information will be indicated in the NMLS.

A MLO may not engage in loan origination activity until Temporary Authority or the license has been issued by the Application State. The Mortgage Maniac requires that MLOs and appropriate personnel actively monitor and comply with these requirements and that MLOs may only engage in loan origination activities when the MLO has the authorization to do so from The Mortgage Maniac, the NMLS, and the state.

### D. Certain Responsibilities Under Temporary Authority

Any individual who is deemed to have Temporary Authority to act as a loan originator in an Application State is subject to the SAFE Act requirements and to applicable state laws to the same extent as if that individual was already licensed by the Application State. The Mortgage Maniac and any MLOs originating loans under Temporary Authority will comply with the state laws of the Application State and federal requirements, including but not limited to the following requirements.

- Under the SAFE Act, MLOs must obtain the appropriate surety bond or recovery fund coverage in accordance with the state requirements where Temporary Authority is granted.
- MLOs are required to complete any follow up requests made by a state regulator while the MLO has Temporary Authority, such as updating any expired or incorrect documents.
- MLOs must actively complete testing and pre-licensure education requirements.
- MLOs who have Temporary Authority must be reported on the Mortgage Call Report.

## Secure and Fair Enforcement for Mortgage Licensing Act Policy

### E. Disqualifying Events and the End of Temporary Authority

Temporary Authority will end on the earliest date of any one of the following disqualifying events occurring:

- the date the MLO withdraws the application for licensure from the Application State;
- the date the Application State denies or issues a notice of intent to deny the application;
- the date the Application State grants the state license; or
- 120 days after the date the MLO submitted the application, if the application is listed in the NMLS as incomplete.

If a MLO later becomes ineligible or a disqualifying event occurs, the MLO must cease origination activity in the Application State and may be required to cease origination activity in the other states where the MLO was granted Temporary Authority. If a state denies an application, Temporary Authority will end in all states and the MLO must cease origination activities in all states the MLO has been granted Temporary Authority. If the state issues an intent to deny, Temporary Authority ends only for the Application State and the MLO must cease origination activity in the Application State.

If an application is complete, including testing and education, and the state agency has not yet made a decision on the application, then Temporary Authority will continue until the state acts on the application.

The Mortgage Maniac will monitor NMLS to determine the Temporary Authority status and any changes thereto. The Mortgage Maniac and MLOs must comply with the requirements of this policy and with any requirements issued by federal and state agencies having to do with Temporary Authority or licensing.

# Social Media Policy

Revision Date: 1/25/2021

## 1. Overview

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The Federal Financial Institutions Examination Council (FFIEC), Consumer Financial Protection Bureau (CFPB) and other federal and state entities hold companies accountable for information distributed via social media sites on behalf of the company. Content posted on social media has the potential to pose risks to mortgage companies since it could impact a company's reputation in the industry if these risks are not controlled and appropriately monitored.

## 2. Definitions

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The following definition applies for this Policy.

- **Social Media**, as defined by the Federal Financial Institutions Examination Council (FFIEC), means a form of interactive online communication in which users can generate and share content through text, images, audio, and/or video. Social media can take many forms, including, but not limited to, micro-blogging sites (e.g., Facebook, Google Plus, Instagram, MySpace, TikTok, and Twitter); forums, blogs, customer review web sites and bulletin boards (e.g., Yelp); photo and video sites (e.g., Flickr and YouTube); sites that enable professional networking (e.g., LinkedIn); virtual worlds (e.g., Second Life); and social games (e.g., FarmVille and CityVille).

Social media can be distinguished from other online media in that the communication tends to be more interactive. For purposes of this Policy, messages sent via email or text message, standing alone, do not constitute social media, although such communications may be subject to a number of laws and regulations discussed in this or other policies. Social media is a dynamic and constantly evolving technology and thus any definition for this technology is meant to be illustrative and not exhaustive. In addition to the examples of social media mentioned above, other forms of social media may emerge in the future that companies should also consider.

## 3. Policy Statement

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Social media is a medium that can attract and interact with customers. It is critical for employees to understand that their communication via social media may be viewed by the public as reflecting The Mortgage Maniac's official policies or may otherwise reflect poorly on The Mortgage Maniac, depending on the form and content of the communication. Social media posts can immediately reach a large audience of potential customers, partners, regulators, or competitors. The flexible nature of these communication channels can pose serious reputational and privacy risk for The Mortgage Maniac and its customers, and employees.

The Mortgage Maniac adopts this Policy to provide guidelines aimed at mitigating reputational risk and regulatory compliance concerns for employees' use of social media as it relates to business, products, and services. This Policy also provides guidelines and standards on how The Mortgage Maniac conducts and oversees its social media practices, such as identifying roles and responsibilities related to social media, and managing, monitoring, and responding to social media. The Mortgage Maniac has a duty to ensure compliance with all applicable federal and state advertising regulations. The guidelines in this Policy apply to professional use of social media on behalf of The Mortgage Maniac as well as personal use of social media when referencing products or services.

### 4. Objectives & Roles and Responsibilities

Senior management authorizes the use of social media and recognizes its benefit to increase brand awareness and communicate The Mortgage Maniac's key services and message to prospects, partners and clients. Employees are responsible for anything they post about The Mortgage Maniac on any social media channel. Employees are expected to use common sense when posting, and to never disclose private or harmful information about The Mortgage Maniac or its affiliates, customers, employees, vendors or competitors. In addition, when engaging in personal social media activity, if employees mention The Mortgage Maniac or its affiliates, customers, employees, vendors or competitors, they must make it clear that the opinions expressed are the employee's opinions only and do not reflect the views of The Mortgage Maniac. Violating any part of this Policy could result in disciplinary action up to and including termination.

To ensure compliance and mitigate reputational risks associated with the use of social media, the The Mortgage Maniac designates the Compliance Officer with monitoring all employee and company social media use and presence. Specifically, the Compliance Officer is responsible for the following:

- Requesting all newly onboarded employees for a list of their social media websites, vanity URLs, etc., and reviewing all such social media to ensure compliance with state and federal regulations and with this Social Media Policy;
- Continuously monitoring employees' social media content, including both sites controlled by The Mortgage Maniac and employees' personal social media accounts;
- Developing a formal process for employee submission of social media marketing campaigns and online content to ensure compliance with applicable consumer protection laws and this *Social Media Policy*;
- Reviewing proposed social media marketing campaigns and online content for compliance with applicable consumer protection laws;
- Providing guidance and training regarding the use of social media to employees; and

Retaining documentation of employees' social media use and the reviews that are performed to monitor employees' social media presence.

### 5. Social Media Risks

The use of social media to attract and interact with customers can impact a company's risk profile, including the risk of harm to consumers, compliance and legal risks, and reputational risks. All communications occurring via social media that are affiliated in any manner with The Mortgage Maniac must be compliant with applicable federal, state, and local statutes, regulations, rules, and ordinances.

#### A. Reputational Risk

Protecting reputational risk in a social media context can be challenging. Risk may arise through comments made by social media users, such as current or former employees, current or former customers, anonymous hackers, and third-party partners. Reputational risk can occur in various manners, including activities that result in:

- dissatisfied customers or negative publicity;
- privacy concerns;
- consumer protection issues;
- dissatisfied current or former employees;

- negative brand identity;
- impostors masquerading as a company; or
- spoofs of a company's communications.

### B. Regulatory Compliance Risk

Compliance risk in the use of social media must be mitigated by, at a minimum, monitoring social media postings, ensuring review and approval of social media advertising, and responding to and escalating, if applicable, complaints received via social media postings and responses. Various laws and acts must be considered when assessing regulatory compliance risk related to the use of social media. The Mortgage Maniac is dedicated to ensuring that its use of social media does not violate any laws or regulations, including but not limited to the following:

- **Fair Lending Laws – Equal Credit Opportunity Act and Fair Housing Act** – These laws, among other things, contain prohibitions on discrimination and discouraging applications of protected classes of persons. The Mortgage Maniac reviews advertisements and marketing materials to ensure that its use of social media does not violate fair lending laws or unintentionally discourage consumers from making an application.
- **Truth in Lending Act (TILA)** – TILA advertisement rules apply to advertisements delivered electronically, including through social media. The Mortgage Maniac's social media communications will be reviewed and approved to ensure they comply with TILA's advertising provisions.
- **Real Estate Settlement Procedures Act** – Section 8 of the Real Estate Settlement Procedures Act (RESPA) prohibits certain activities in connection with mortgage loans, such as prohibitions on fee splitting, as well as giving or accepting a fee, kickback, or thing of value in exchange for referrals of settlement services. These requirements apply to applications taken electronically, including via social media. The Mortgage Maniac will review its social media communications to ensure RESPA requirements are always considered.
- **Unfair, Deceptive, or Abusive Acts or Practices** – the Federal Trade Commission and the Dodd-Frank Wall Street Reform and Consumer Protection Act prohibit unfair, deceptive, or abusive acts or practices. An act or practice can be unfair, deceptive, or abusive despite technical compliance with other laws. The Mortgage Maniac will review all advertisements and other practices or uses of social media to ensure it does not engage in any advertising or other practice via social media that could be deemed unfair, deceptive, or abusive.

## 6. Employee Use of Social Media

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Employees are responsible for what they post on social media. Employees must ensure that, if any social media relating to The Mortgage Maniac is posted on any The Mortgage Maniac or personal website, blog, Facebook, Twitter, Instagram, etc., it must be managed in a way that it neither creates embarrassment for The Mortgage Maniac nor presents any legal, compliance, or reputational risks. Most importantly, use of social media related to The Mortgage Maniac cannot have the potential to negatively impact The Mortgage Maniac or its brand.

Employees may not directly or indirectly make any statements or representations on any blog or website that could reasonably be attributable to The Mortgage Maniac unless approved in advance. To obtain approval for any statement or representations that may be attributable to The Mortgage Maniac, employees should submit their request for approval along with the proposed social media to the Compliance Officer.

## Social Media Policy

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Additionally, employees may not post information that discloses any confidential information about The Mortgage Maniac and/or its employees. All employees are prohibited from discussing or posting The Mortgage Maniac's confidential or proprietary information on any social media networks. Employees may not reference or cite The Mortgage Maniac's clients, partners or customers without their express written consent. Additionally, any statement about The Mortgage Maniac's services must be true and not misleading. Employees should not use the The Mortgage Maniac's registered or common law trademarks and service marks ("marks") on their personal social media sites without having a valid license to use such marks.

To ensure all information about The Mortgage Maniac or what it offers is accurately and fairly represented, all employees should refrain from offering advice or counsel via social media. The Mortgage Maniac may, in its sole discretion, prohibit an employee from making any social media posts on a private website for any reason, including but not limited to the fact that the type or nature of any other posts on any particular site could conflict with The Mortgage Maniac's values, branding, or would otherwise violate the spirit or intent of governing laws or regulations. Employees must immediately delete any existing social media posts or blogs pertaining to The Mortgage Maniac's business when requested by The Mortgage Maniac.

The Mortgage Maniac prohibits employees from engaging in any marketing or advertising that has not been approved by The Mortgage Maniac prior to its dissemination. This includes the development and maintenance of any social media content that concerns The Mortgage Maniac's business or an employee's scope of employment, including but not limited to, loan products and terms.

Employees may not directly or indirectly create, or participate in the creation of any blog, domain name, email address, or internet site, whether personal or otherwise, that would create any impression that The Mortgage Maniac, or its parent or affiliates, sponsors or supports the content or views expressed without prior The Mortgage Maniac approval. This includes team names and other employee branding techniques, which cannot be utilized without approval.

Posts made to social media that are in any manner deceptive through statement or omission, or that mention or refer to information that would become inaccurate if left online without modification or deletion will not be permitted. Further, social media posts that do not contain the appropriate regulatory disclosures will be not be allowed. Social media should never mimic the branding of another company, have a tendency to create consumer confusion, or denigrate another company or its products. Social media that is inappropriate, has the potential to discourage applications or encourage any specific ethnic, gender, age, religious, or racial group to apply or that undermines, or that conflicts with any The Mortgage Maniac policy or federal and applicable state mortgage lending laws or regulations is prohibited.

The Mortgage Maniac reserves the right to audit employees' social media to ensure compliance with The Mortgage Maniac's policies and federal and state laws and regulations pertaining to the mortgage industry. Employees should anticipate that any business-related matters in which they participate online will be shared and known by The Mortgage Maniac and by the public. Further, to the extent that an employee's online activities begin to impact The Mortgage Maniac, or in the event of any investigation, The Mortgage Maniac will expect employees to provide access to secured sites/accounts for the purpose of conducting investigations as necessary.

## 7. Privacy

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Privacy rules have particular relevance to social media when a company collects, or otherwise has access to, information from or about consumers. The Mortgage Maniac's social media monitoring and review of advertisements and marketing takes into consideration the federal and state laws and regulations regarding the privacy of consumer information.

The Mortgage Maniac is also responsible for the information posted by others to The Mortgage Maniac's social media sites, which could include consumer information that is considered private and not public but is technically in compliance with privacy laws. The Mortgage Maniac actively monitors and responds to comments in the channels where it is active and takes action to promptly remove entries that include private information about customers.

### **8. Customer Questions or Complaints**

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Reputation risks exist when The Mortgage Maniac does not address consumer questions or complaints received via social media in a timely or appropriate manner. Additionally, compliance risk can occur when a customer uses social media to communicate issues or concerns directly with The Mortgage Maniac.

The Mortgage Maniac monitors social media posts to identify issues and concerns and will respond to questions or complaints, as applicable. When employees identify questions, comments, or complaints on social media, or if there is a complaint or issue regarding an employee's use of social media affecting The Mortgage Maniac in some manner, the employee should not respond. Instead, the employee should follow the process set out in The Mortgage Maniac's *Complaint Management Policy* and escalate the complaint accordingly.

# Third-Party Service Provider Oversight Policy

Revision Date: 1/25/2021

## 1. Overview

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The Mortgage Maniac recognizes that engaging service providers is often appropriate and can enhance performance, profitability and customer satisfaction. The Mortgage Maniac may outsource certain functions to service providers to reduce costs, rely upon the service provider's expertise, or for help in developing and marketing products or services.

It is important that The Mortgage Maniac choose service providers that comply with federal and state consumer financial laws and that avoid consumer harm. In addition, the Consumer Financial Protection Bureau (CFPB) and other regulators require financial institutions to have a comprehensive and effective process for managing the risks associated with service provider relationships. The depth and formality of the risk management process for service providers may vary depending upon the service being performed (its size, scope, complexity, importance and potential for consumer harm) and the performance of the service provider in carrying out its activities in compliance with Federal consumer financial laws and regulations.

This Policy sets forth general standards by which service providers are engaged and analyzed.

## 2. Definitions

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The following definitions apply to this Policy:

- **Nonpublic Personal Information (NPI)** – means any personally identifiable financial information that a financial institution collects about an individual in connection with providing a financial product or service, unless that information is otherwise publicly available. NPI includes:
  - any information an individual gives The Mortgage Maniac to get a loan (for example, name, address, income, Social Security number, or other information on an application);
  - any information that The Mortgage Maniac obtains about an individual from a transaction involving The Mortgage Maniac's financial product(s) or service(s) (for example, the fact that an individual is a consumer or customer, account numbers, payment history, loan or deposit balances, and credit or debit card purchases); or
  - any information The Mortgage Maniac gets about an individual in connection with providing a financial product or service (for example, information from court records or from a consumer report).

NPI does not include information that The Mortgage Maniac has a reasonable basis to believe is lawfully made "publicly available." In other words, information is not NPI when The Mortgage Maniac has taken steps to determine:

- that the information is generally made lawfully available to the public; and
  - that the individual can direct that it not be made public and has not done so.
- **Service Provider** – means any person or entity that provides a material service to a financial institution in connection with the offering or provision of a consumer financial product or service. A service provider may or may not be affiliated with the entity to which it provides services.

## 3. Policy Statement

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It is The Mortgage Maniac's policy to take necessary steps to ensure that service providers do not present an unwarranted risk to consumers or customers. The key to the effective use of a service provider is to

## Third-Party Service Provider Oversight Policy

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appropriately assess, measure, monitor, and control the risks associated with the relationship. Thus, as part of its risk management process, The Mortgage Maniac engages in:

- a pre-engagement risk assessment,
- pre-engagement due diligence,
- contract structuring and review, and
- continual oversight.

The Mortgage Maniac and its employees shall not engage a service provider without the express approval of Senior Management. The Compliance Officer is responsible for performing the necessary actions to appropriately mitigate third-party service provider risk.

### 4. Pre-Engagement Risk Analysis

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Before entering into an engagement with a service provider, the Compliance Officer shall assess whether the service provider is a high, medium, or low risk vendor by evaluating the nature of the relationship, the scope and magnitude of the services, and the risk to The Mortgage Maniac's business, including access to customers' non-public personal information (NPI). In addition, The Mortgage Maniac will evaluate whether any industry-specific due diligence is required pursuant to state, federal, or agency requirements. Service providers will be categorized into the following risk tiers and the appropriate level of due diligence will be conducted accordingly:

- **High Risk** – Defined as service providers providing services that affect The Mortgage Maniac's loan-level mortgage lending business practices and that have access to NPI.
- **Medium Risk** – Defined as service providers providing services that enable The Mortgage Maniac to conduct its mortgage lending business, but do not affect loan-level business practices, and that have access or potential access to NPI.
- **Low Risk** – Defined as service providers that have no impact on The Mortgage Maniac's mortgage lending business, do not have access to NPI, and do not have industry-related licensure requirements.

### 5. Pre-Engagement Due Diligence

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Based on the level of risk identified through the risk assessment, the Compliance Officer will conduct relevant due diligence to verify that the service provider will help achieve The Mortgage Maniac's strategic and financial goals and is capable of complying with federal consumer financial laws. The scope and depth of due diligence is directly related to the importance and magnitude of the relationship with the service provider.

Comprehensive due diligence involves a review of all available information about a potential service provider, focusing on the entity's financial condition, its specific relevant experience, its knowledge of applicable laws and regulations, its reputation, and the scope and effectiveness of its operations and controls. The evaluation of a service provider may include the following items depending on the scope and magnitude of the services:

- Financial statements, annual reports, SEC filings, and other available financial indicators;
- Significance of the proposed contract on the service provider's financial condition;
- Experience and ability in implementing and monitoring the proposed activity;
- Business reputation;
- Qualifications and experience of service provider's principals;

## Third-Party Service Provider Oversight Policy

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- Strategies and goals, including service philosophies, quality initiatives, efficiency improvements, employment, privacy and compliance policies and procedures;
- Existence of any significant complaints or litigation, or regulatory actions against the service provider;
- Ability to perform the proposed functions using current systems or the need to make additional investment;
- Use of other parties or subcontractors by the service provider;
- Scope of internal controls, systems and data security, privacy protections, and audit coverage;
- Business resumption strategy and contingency plans;
- Knowledge of relevant consumer protection and civil rights laws and regulations;
- Adequacy of management information systems; and
- Insurance coverage.

The Mortgage Maniac will not enter into relationships with potential service providers if the risk posed to The Mortgage Maniac or its consumers or customers is too great based upon due diligence findings. The Compliance Officer will document all due diligence performed for service providers and will retain such documentation for a reasonable period of time.

### 6. Contract Structuring and Review

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Once a service provider is selected, the Compliance Officer will ensure that the specific expectations and obligations are outlined in a written contract prior to entering into the arrangement. The Mortgage Maniac shall review and approve all contracts and other documents governing the relationship prior to engaging any service provider. Appropriate legal counsel should also review significant contracts prior to finalization.

The level of detail in contract provisions will vary with the scope and risks associated with the service provider relationship. The contract with the service provider must include clear expectations about compliance, as well as appropriate and enforceable consequences for violating any compliance-related responsibilities, including engaging in unfair, deceptive, or abusive acts or practices.

When establishing and maintaining a relationship with a service provider, The Mortgage Maniac will utilize the guidance provided in the CFPB Bulletin 2012-03 on Service Providers, the CFPB Compliance Bulletin and Policy Guidance 2016-02 on Service Providers, and the FDIC Financial Institutions Letter, Guidance for Managing Third-Party Risk. When entering into an agreement, the following should be considered:

- **Scope** – The contract should set forth the rights and responsibilities of each party to the contract, including: timeframe of the engagement; specifications of the service or product to be provided; other services to be provided such as customer service, employee training or equipment; identification of which party will be responsible for delivering required customer disclosures; responsibility to comply with applicable laws and regulations; required insurance coverage; authorization to monitor and audit the service provider; etc.
- **Cost/Compensation** – The contract should outline the fees and costs to be paid by each party, including any costs for purchasing and maintaining any equipment or software and costs for legal or audit expenses. Also, compensation should be consistent with consumer protection laws. The Mortgage Maniac does not allow the use of compensation arrangements which may encourage loan originators to inappropriately steer borrowers into higher cost products.

## Third-Party Service Provider Oversight Policy

- **Performance Standards** – It may be appropriate for the contract to clearly define performance standards to measure the performance of the service provider. Management should periodically review the performance measures to ensure consistency with its overall objectives.
- **Reports** – The contract may also mandate that the service provider provide management with information reports, such as performance reports, audits, financial reports, security, or exception-based reports that provide notification of any changes or problems that could pose a risk to the financial institution or relationship with the service provider.
- **Audit** – The contract should also specify the right to audit the service provider as needed to monitor performance. The contract should define specific internal controls required of the service provider, if material to the arrangement.
- **Confidentiality and Security** – The contract should prohibit the service provider and its agents from using or disclosing The Mortgage Maniac's information (except as necessary to perform the functions designated by the contract). The nonpublic personal information of The Mortgage Maniac's consumers or customers must be handled in a manner consistent with The Mortgage Maniac's privacy policy and with applicable privacy laws and regulations. Any breaches in the security and confidentiality of information, including a potential breach resulting from an unauthorized intrusion, must promptly be disclosed to The Mortgage Maniac.
- **Customer Complaints** – The contract should specify who has the duty to respond to any complaints received by the service provider from The Mortgage Maniac's consumers or customers and for providing copies of any complaint, response, and periodic reports detailing the status and resolution to The Mortgage Maniac.
- **Subcontracting** – The contract should spell out the permissibility or prohibition of the service provider to subcontract or use another party to meet its obligations with respect to the contract, and any notice or approval requirements. Any subcontractor should be subject to the same criteria, standards and terms of operation as the service provider.
- **Business Resumption and Contingency Plans** – The contract should address the service provider's responsibility for continuation of services in the event of an operational failure, including both man-made and natural disasters.
- **Default and Termination** – The contract should specify what circumstances constitute default, identify remedies, and allow for a reasonable opportunity to cure a default. Similarly, termination rights must be identified in the contract, especially for material third-party arrangements and relationships involving rapidly changing technology or circumstances. Termination rights may be sought for various conditions, such as a change in control, substantial increase in cost, failure to meet performance standards, failure to fulfill contractual obligations, inability to prevent violations of law, bankruptcy, service provider or company closure, and insolvency. The contract must state termination and notification requirements, with operating requirements and time frames to allow for the orderly conversion to another entity without excessive expense. Return of The Mortgage Maniac's data, records, and other resources must also be addressed.
- **Dispute Resolution** – Management should consider whether the contract should include a dispute resolution process for the purpose of resolving problems expeditiously. Continuation of the arrangement between the parties during the dispute should be addressed and customer impact should be considered.
- **Ownership and License** – The contract should address ownership issues and the service provider's right to use The Mortgage Maniac's property, including data, equipment, software, and intellectual property. The contract should also address ownership and control of any records generated by the service provider.

## Third-Party Service Provider Oversight Policy

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- **Indemnification** – The contract should include indemnification provisions that may reduce the potential for The Mortgage Maniac to be held liable for claims arising from the service provider’s negligence. Nonetheless, The Mortgage Maniac is still responsible to conduct business in a safe and sound manner and in compliance with laws and regulations.
- **Limits on Liability** – A service provider may wish to contractually limit the amount of liability that it could incur. Before entering into such a contract, management should consider whether the proposed damage limitation is reasonable compared to the amount of loss The Mortgage Maniac could experience should the service provider fail to adequately perform.

### 7. Third-Party Service Provider Oversight

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It is The Mortgage Maniac's policy to maintain adequate oversight of service provider activities and adequate quality control over those products and services provided through service provider arrangements to minimize exposure to potential significant financial loss, reputation damage, and supervisory action.

The Mortgage Maniac will review significant service provider arrangements at least annually or whenever there is a material change to the program. The Mortgage Maniac will periodically review service providers’ services and practices to verify that they are consistent with the terms of the written agreement and that risks are being controlled. The Mortgage Maniac will establish internal controls and on-going monitoring to determine whether the service provider is complying with federal consumer financial laws; and taking prompt action to address fully any problems identified through the monitoring process, including terminating the relationship where appropriate.

The Mortgage Maniac will maintain records of service provider relationships, which may include contracts, business plans, risk analyses, due diligence, oversight activities, identified weaknesses, corrective action, and termination notices.

# TILA-RESPA Integrated Disclosures Policy

Revision Date: 1/25/2021

## 1. Overview

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The Dodd-Frank Wall Street Reform and Consumer Protection Act transferred rulemaking authority under both the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) to the Consumer Financial Protection Bureau (CFPB) and mandated that the CFPB establish a single disclosure incorporating both the TILA and RESPA disclosure requirements for mortgage loan transactions. Two new disclosure forms were developed under the TILA-RESPA Integrated Disclosures (TRID) Rule using clear language and are designed to make it easier for consumers to locate key information and costs to close the loan. The Loan Estimate (LE) replaces the Good Faith Estimate (GFE) form and the initial Truth in Lending (TIL) form. The Closing Disclosure (CD) replaces the final TIL form and the HUD-1 Settlement Statement (HUD-1) form.

The TRID Rule requires that, for most mortgage applications received on or after October 3, 2015, the new forms must be used to disclose mortgage information to the applicants.

## 2. Definitions

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The following definitions apply to this Policy:

- **Application** – means receipt of the following six (6) items that constitutes an application.
  - Borrower Name
  - Borrower Social Security Number
  - Borrower Income
  - Property Address
  - Estimated Property Value
  - Loan Amount

No other discretionary items may be added to the list.

- **Business Day (*Standard*)** – means any day on which The Mortgage Maniac's offices are open to the public for carrying out substantially all of its business functions.
- **Business Day (*Specific*)** – means all calendar days except Sundays and legal federal holidays. Those holidays include New Year's Day, Martin Luther King Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.
- **Change of Circumstance** – means:
  - 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 creditor relied on when providing the Loan Estimate and that was inaccurate or changed after the disclosure was provided; or
  - New information specific to the consumer or transaction that the creditor did not rely on when providing the Loan Estimate.
- **Consummation** – means when the consumer becomes contractually obligated to The Mortgage Maniac on the loan. The time when the consumer becomes contractually obligated is defined under state law.

### 3. Policy Statement

To comply with the TRID Rule, The Mortgage Maniac has implemented this *TILA-RESPA Integrated Disclosure Policy*. The Mortgage Maniac employees are required to adhere to The Mortgage Maniac's Policy and to the TRID Rule as discussed below.

### 4. Covered Transactions

The TRID Rule applies to most closed-end credit transactions secured by real property and cooperative units, construction-only loans, vacant land, property with 25 or more acres, and credit extended to certain trusts for tax or estate planning.

The TRID Rule does not apply to reverse mortgages, HELOCS, mobile homes, and dwellings not attached to land. Further, the TRID Rule does not apply to an extension of credit primarily for a business, commercial or agricultural purpose. The Mortgage Maniac has the option to use the LE and CD on loans that are not covered by the TRID Rule; however, The Mortgage Maniac must use the GFE, HUD-1 Settlement Statement, and the TIL disclosures for transactions covered by TILA or RESPA that require those disclosures, such as reverse mortgages, home equity line of credits (HELOCs), or chattel -dwelling loans not attached to real property.

#### A. Exemption for Certain Housing Assistance Loans

Transactions that satisfy six criteria associated with certain housing assistance loans for low- and moderate-income consumers are eligible for an exemption from requirements pertaining to the LE, CD, and Special Information Booklet. These transactions are also eligible for an exemption from certain Regulation X disclosure requirements, as applicable.

To qualify for the partial exemption, the transaction must meet all of the following criteria:

- The transaction is secured by a subordinate-lien.
- The transaction is for the purpose of down payment, closing costs, or other similar home buyer assistance, such as principal or interest subsidies, property rehabilitation assistance, energy efficiency assistance, or foreclosure avoidance or prevention.
- The credit contract provides that it does not require the payment of interest.
- The credit contract provides that repayment of the amount of credit extended is forgiven either incrementally or in whole, at a certain date and subject only to specified ownership and occupancy conditions, such as a requirement that the property be the consumer's principal dwelling for five years; deferred for a minimum of 20 years after consummation of the transaction; deferred until sale of the property; or deferred until the property securing the transaction is no longer the consumer's principal dwelling.
- The total of costs payable by the consumer in connection with the transaction include only recording fees, transfer taxes, a bona fide and reasonable application fee, and a bona fide and reasonable fee for housing counseling services. The application fee and housing counseling services fee must be less than one percent of the loan amount.
- The creditor provides either the Truth in Lending disclosures or the LE and CD. Regardless of which disclosures the creditor chooses to provide, the creditor must comply with all Regulation Z requirements pertaining to those disclosures.

### 5. Pre-Disclosure Activity Restrictions

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The TRID Rule imposes restrictions on certain pre-disclosure activities regarding imposition of fees, requiring verification of information and providing cost estimates.

#### A. Collection or Imposition of Fees Before the Consumer Receives the Loan Estimate

The TRID Rule prohibits collection or imposition of a fee, other than a credit report, from a consumer before the consumer has received the LE and indicated an intent to proceed with the transaction related to the LE. The TRID Rule considers a fee to be imposed upon the consumer if a consumer is required to provide a payment method, even if payment is actually made at a later time.

The Mortgage Maniac will not impose any fee on the consumer until the LE has been received by the consumer and the consumer has indicated an intent to proceed with the transaction, with the exception of a reasonable credit report fee. The Mortgage Maniac will also not hold credit card information or a post-dated check for future fee charges in accordance with the TRID Rule.

#### B. Providing Written Cost Estimate Before Providing Loan Estimate

The Mortgage Maniac may provide consumers with a written estimate of terms or costs before the consumer receives an LE as long as the cost estimate does not have substantially similar headings, content or format as an LE and it includes the following disclaimer:

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

The disclaimer must be clearly and conspicuously stated at the top of the front of the first page of the written estimate in a font size that is no smaller than 12-point font.

The Mortgage Maniac will not provide any written estimates of terms or costs before it issues the LE without complying with these requirements.

#### C. Requiring Verifying Documents Before Providing Loan Estimate

The TRID Rule prohibits requiring consumers to submit verifying documents for information related to the consumer’s application before providing an LE. Additional information may be collected from the consumer, such as account names, numbers and balances, but The Mortgage Maniac cannot require an applicant to provide documentation as a condition to The Mortgage Maniac providing an LE.

There is no restriction if the consumer voluntarily provides the documentation. The Mortgage Maniac may request, collect, and review documentation or additional information voluntarily provided by the consumer prior to providing an LE.

### 6. Model Forms

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Creditors must use the model forms, including all of its elements, such as various font sizes, bolding, shading, and underscoring, for loans subject to the TRID Rule. There are two blank model forms each for the LE and CD in Appendix H to Regulation Z. The LE model forms are H-24(A), which is known as the Standard LE, and H-24(G), which is known as the Alternate LE. The CD model forms are H-28(A), which is known as the Standard CD, and H-28(I), which is known as the Alternate CD. Use of the appropriate model forms provide a safe harbor if properly completed with accurate content.

## TILA-RESPA Integrated Disclosures Policy

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The Standard LE and CD is typically used for transactions that involve a seller, but the TRID Rule does allow it to be used for all transactions. Some secondary market investors, however, only allow the Standard LE and CD to be used for transactions with a seller. The Alternate LE and CD should only be used for transactions that do not involve a seller.

Creditors are not allowed to mix the Standard and Alternate versions between the LE and CD. If a Standard LE is provided, then a Standard CD must be provided. Alternatively, if an Alternate LE is provided, then an Alternate CD must be provided.

### 7. Loan Estimate Content

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The LE, which replaces the initial TIL and GFE, is a three-page document that consists of a good faith estimate of credit costs and loan terms. The LE contains the following information:

#### Page 1 - Information

- Loan Estimate
  - Date Loan Estimate Issued
  - Applicant's Name
  - Property Address
  - Estimated Value
  - Loan Term
  - Purpose
  - Loan Type (Conventional, FHA, VA)
  - Loan Identification number
  - Rate Lock (whether loan is locked and the expiration date)
- Loan Terms
  - Loan Amount
  - Interest Rate
  - Monthly Principal and Interest Payment
  - Prepayment Penalty, if applicable
  - Balloon Payment, if applicable
- Projected Payments
  - Principal & Interest (If the loan has an Adjustable Payment or Adjustable Interest, the terms of the changes will be displayed.)
  - Mortgage Insurance
  - Estimated Escrow
  - Estimated Total Monthly Payment
  - Estimated Taxes, Insurance and Assessments
- Costs at Closing
  - Estimated Closing Costs
  - Estimated Cash to Close

### Page 2 – Closing Cost Details

- Loan Costs
  - Origination Charges
  - Services Borrower Cannot Shop For
  - Services Borrower Can Shop For
  - Total Loan Costs
- Other Costs
  - Taxes and Other Government Fees
  - Prepays
  - Initial Escrow Payment at Closing
  - Other
  - Total Other Costs
  - Total Closing Costs
- Calculating Cash to Close
  - Total Closing Costs
  - Closing Costs Financed (Paid from Loan Amount)
  - Down Payment/Funds from Borrower
  - Deposit
  - Funds for Borrower
  - Seller Credits
  - Adjustments and Other Credits
  - Estimated Cash to Close

### Page 3 – Additional Information About This Loan

- Lender Information
  - Lender Name
  - NMLS/ License ID
  - Loan Officer
  - Email
  - Phone
- Mortgage Broker Information
  - Mortgage Broker Name
  - NMLS/ License ID
  - Loan Officer
  - Email
  - Phone
- Comparisons
  - Total borrower will pay in first 5 years (principal, interest, mortgage insurance and loan costs)
  - Amount of principal paid after 5 years

## TILA-RESPA Integrated Disclosures Policy

- Annual Percentage Rate (APR)
- Total Interest Percentage (TIP). (Interest borrower will pay over the life of the loan, expressed as a percentage of the loan amount)
- Other Considerations
  - Appraisal Disclosure
  - Assumption (whether or not loan terms allow assumption)
  - Homeowner's Insurance Disclosure
  - Late Payment Disclosure
  - Liability After Foreclosure Statement
  - Refinance Statement
  - Servicing Disclosure (whether or not servicing will be transferred)
- Confirm Receipt
  - Applicant and Co-Applicant Signatures (optional)

### A. New Home Purchase Disclosure

The New Home Purchase Disclosure should be completed on the LE on purchases of new homes under construction when it is possible that closing could occur more than 60 days from the date of application. The disclosure advises the consumer that a revised LE may be issued at any time up until 60 calendar days prior to closing. If this disclosure is included on the LE, the lender may revise the LE and reset the good faith tolerance baseline up to 60 days prior to closing. A home is considered under construction if an occupancy permit has not been issued prior to the date of application.

### B. Written List of Service Providers

When The Mortgage Maniac allows a consumer to shop for third-party services, it will provide a Written List of Service Providers with the initial LE, on a separate sheet of paper, that identifies the services for which the consumer may shop and includes the name of the service provider identified and sufficient contact information (address and telephone number, at a minimum) for the service provider. The amount of the fee associated with the service may be included on the list of service providers, but disclosure of the fee on the list is optional. The Mortgage Maniac will ensure there is at least one available provider on the list for each service for which the consumer is allowed to shop. Furthermore, when an event that would permit resetting of tolerances due to a valid change of circumstance occurs, and an additional settlement service is required, The Mortgage Maniac may redisclose the Written List of Service Providers including the additional service at the same time as issuing the revised LE or it may provide a separate written list showing only the service provider for the additional service.

A separate disclosure of the names of services for which an applicant is not allowed to shop for (for example, credit report or appraisal, etc.) may be provided, but is not required.

### C. Names of Charges

The TRID Rule requires some specific types of charges that must be identified in a prescribed manner on the LE or CD form, such as origination charges and transfer taxes. The TRID Rule also requires fees related to title services to be preceded by the word "title" followed by a dash or a hyphen and then a description of the charge, such as title insurance or title endorsement. Other charges must be identified in a manner that reasonably identifies the service performed for the charge. In all instances the name of a particular fee must be the same on both the LE and CD.

### D. Use of “N/A” When No Value is Disclosed

The TRID Rule stipulates that “N/A” cannot be used where no value is disclosed on the LE or CD. If a disclosure is not applicable, then it should be left blank on the LE or CD. The Mortgage Maniac will comply with this requirement by not using “N/A” when a value is not disclosed.

## 8. Loan Estimate Delivery Requirements

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The initial LE must be provided to the applicant no later than three **standard** business days from receipt of the information constituting an application. The LE may be provided using the following methods:

- In person, or via courier;
- Mailing, which includes overnight delivery; or
- Via electronic delivery methods subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce (ESIGN) Act. The TRID Rule requires lenders to obtain the consumer’s consent to receive disclosures electronically (also known as eConsent) before delivering disclosures electronically.

When the LE is not provided to the applicant in person, the applicant is presumed to have received the LE three **specific** business days after it is delivered or placed in the mail (aka the “mailbox rule”), unless there is evidence that the applicant received the disclosure earlier. The mailbox rule applies to disclosures delivered by mail as well as to disclosures delivered electronically if The Mortgage Maniac has the applicant’s eConsent to receive disclosures electronically before the disclosure is sent electronically.

The Mortgage Maniac will deliver or mail the initial LE to the consumer no later than the third business day after the application is received, and no later than the seventh business day before consummation of the loan. Further, The Mortgage Maniac is aware that, although either the broker or the lender may provide the LE, the lender is ultimately responsible for the content, delivery, and timing requirements, and for any errors or defects.

### A. Initial LE Waiting Period

A seven **specific** business day waiting period is required to allow the applicant time to review the initial LE before consummation. The wait period begins on the date the lender mails or otherwise delivers the initial LE disclosure. The LE initial disclosure waiting period must expire before documents can be prepared for closing.

The consumer may waive the seven business day waiting period before consummation for a bona fide personal emergency; however, Senior Management must approve such waiver. When allowed, the consumer must provide a dated, written statement signed by all individuals that will be primarily liable on the loan describing the emergency.

## 9. Intent to Proceed with the Transaction

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The estimate of the charges and terms for all services on the LE must be available for at least ten **standard** business days from the date the LE is provided. However, the interest rate and charges and terms dependent on the interest rate are subject to change at any time unless the interest rate is locked. The charges and terms dependent on the interest rate are the charge or credit for the interest rate chosen; the adjusted origination charges; and per diem interest.

The applicant must indicate an intent to proceed within ten **standard** business days after receiving the LE in writing, verbally, via email or any other method. If intent to proceed is not received within this period, The Mortgage Maniac may issue a new LE without regard to any applicable good faith tolerances.

### 10. Loan Estimate Revisions and Good Faith Tolerances

The Mortgage Maniac may revise an LE due to a valid change of circumstance and the revised LE may be issued to reset tolerances for purposes of determining good faith. The Mortgage Maniac may also issue a revised LE to update information for informational purposes. If a charge decreases on a revised LE, The Mortgage Maniac is not required to use the decreased estimate for purposes of determining good faith, but instead may rely on the amount originally disclosed.

The charges listed on the LE must be disclosed in good faith and be consistent with the best information reasonably available at the time of loan disclosure. To determine good faith, the actual charges at closing are compared to the charges disclosed on the LE. Charges will be considered in good faith if they do not exceed the amount originally disclosed by more than the applicable tolerances. Unless there is a valid revision due to a change of circumstance or other triggering event (e.g., rate is locked, borrower requested changes), the fees charged at settlement cannot exceed the fees disclosed on the LE by more than the tolerances outlined below:

#### **Zero Tolerance**

The Mortgage Maniac must not charge consumers more than the estimated amount disclosed on the LE, unless there is a change of circumstance and a revised LE is issued within the appropriate timeframe.

- Fees paid to a creditor or broker
- Fees paid to an affiliate of the creditor or broker
- Fees paid to an unaffiliated third party if the creditor does not allow the consumer to shop for the service, such as appraisal, tax service and flood certification fees
- Transfer taxes
- Lender credits (except that lender credits for above par loan pricing may fluctuate as a percentage of the loan amount)

#### **10% Tolerance**

Charges for third-party services and recording fees paid by the consumer are grouped together and subject to a 10% cumulative tolerance. The consumer may be charged more than the amount disclosed on the LE for any of these charges as long as the total sum of charges, when added together, does not exceed 10% of the originally disclosed estimate of charges.

- Government recording fees
- Required third-party charges, when:
  - the charge is not paid to the creditor or an affiliate; and
  - consumer is permitted to shop, but selects a third party on the written list of service providers.

#### **No Tolerance Limit**

For certain charges or terms, The Mortgage Maniac may charge consumers more than the amount disclosed on the LE without any tolerance limitation. These charges are

- Prepaid Interest
- Property Insurance Premiums
- Amounts placed into an escrow, impound or reserve account
- Prorated property taxes or other property taxes due at closing

- Services required by creditor if the:
  - creditor permits the consumer to shop; and
  - consumer selects a third-party provider not on the written list of service providers.
- Charges paid to third-party service providers that are not required by creditor

### A. Change of Circumstance

The Mortgage Maniac will issue a revised LE when there has been a valid change of circumstance, which is defined as:

- 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 creditor relied on when providing the LE and that was inaccurate or changed after the disclosure were provided; or
- New information specific to the consumer or transaction that the creditor did not rely on when providing the LE.

When there is a revision due to a valid change of circumstance or other triggering event such as one of the events outlined below, The Mortgage Maniac may issue a revised LE and use it to reset the good faith baseline for the tolerances.

- Change of circumstance that cause settlement charges to increase more than permitted, such as a natural disaster that damages the property and results in additional closing costs;
- Change of circumstance that affect the applicant's creditworthiness or the value of the property securing the loan, such as income changes (e.g. applicant becomes unemployed or underwriting determines that annual income is less than represented or an appraised value is lower than expected requiring an increase in fees);
- Revisions requested by the consumer;
- Rate was not locked when initial LE was provided and locking the rate causes points or credits related to the interest rate to change;
- Consumer's indication of Intent to Proceed is more than ten **standard** business days after the LE was provided; or
- Settlement is delayed on a new construction loan by more than 60 calendar days, and the original LE stated clearly that at any time prior to 60 calendar days before consummation, the creditor may issue revised disclosures.

### B. Loan Estimate Revision Timing

The Mortgage Maniac will issue a revised LE within three **standard** business days after receiving information of change of circumstance or another triggering event. The revised LE must be received at least four **specific** business days prior to consummation. If the revised LE is delivered by mail (or delivered electronically and The Mortgage Maniac has the applicant's eConsent to receive disclosures electronically before the LE is sent), the LE is considered received three **standard** business days after placed in mail (or delivered electronically), unless there is evidence it was received sooner. In person delivery is considered received the same day. Furthermore, The Mortgage Maniac may not issue a revised LE on or after the day the CD has been issued.

If the change of circumstance occurs too close to consummation for The Mortgage Maniac to provide a revised LE (e.g., the consumer would receive the revised LE less than four **specific** business days

before consummation), The Mortgage Maniac will reflect the revised charges on the CD provided three *specific* business days before consummation.

### 11. Closing Disclosure Content

The CD, which replaces the final TIL and the HUD-1, is a five page document that is the final disclosure of the actual terms of the transaction. In general, the amount imposed on the consumer for any settlement service must not exceed the amount the settlement service provider actually received for that service; however, as outlined below the use of an average charge is allowed in certain instances. The CD contains the following information:

#### Page 1

- Closing Information
  - Date Issued
  - Closing Date
  - Disbursement Date
  - Settlement Agent
  - File #
  - Property Address
  - Sales Price
- Transaction Information
  - Borrower
  - Seller
  - Lender
- Loan Information:
  - Loan Term
  - Purpose
  - Product
  - Loan Type
  - Loan ID #, MIC #
- Loan Terms
  - Loan Amount
  - Interest Rate
  - Monthly Principal and Interest
  - Prepayment Penalty
  - Balloon Payment
- Projected Payments
  - Principal and Interest
  - Mortgage Insurance
  - Estimate Escrow
  - Estimated Total Monthly Payment
  - Estimated Taxes, Insurance and Assessments

- Cost at Closing
  - Closing Costs
  - Cash to Close

### Page 2 – Closing Cost Details

- Loan Costs
  - Origination Charges
  - Services Borrower Did Not Shop For
  - Services Borrower Did Shop For
  - Total Loan Costs
- Other Costs
  - Taxes and Government Fees
  - Prepays
  - Initial Escrow Payment at Closing
  - Total Other Costs
  - Total Closing Costs

### Page 3

- Calculating Cash to Close
  - Chart to compare charges on Loan Estimate and Closing Disclosure
- Summaries of Transaction

### Page 4

- Additional Information - Loan Disclosures
  - Describes other features of the loan, such as assumption, late charge date and amount, partial payments and escrow account. If the loan has an Adjustable Payment or Adjustable Interest, the terms of the changes will be displayed.

### Page 5

- Loan Calculations
- Other Disclosures
  - Appraisal
  - Contact Details,
  - Liability after Foreclosure (State law)
  - Refinance statement
  - Tax Deduction Statement
- Contact Information for Lender, Mortgage Broker, Real Estate Broker (B), Real Estate Broker (S) and Settlement Agent
  - Name
  - Address
  - NMLS ID/License ID
  - Contact
  - Contact NMLS ID/License ID

- Email for contact
- Phone number for contact
- Confirm Receipt
  - Applicant and Co-Applicant Signatures (optional)

### A. Use of Average Charges

Usually, the amount imposed on the consumer for any settlement service must not exceed the amount the settlement service provider actually receives for that service. However, an average charge may be imposed instead of the actual amount received for a particular service, as long as the average charge satisfies the following conditions:

- The average charge is no more than the average amount paid for that service by or on behalf of all consumers and sellers for a class of transactions;
- The Mortgage Maniac or settlement service provider defines the class of transactions based on an appropriate period of time, geographic area, and type of loan;
- The Mortgage Maniac or settlement service provider uses the same average charge for every transaction within the defined class; and
- The Mortgage Maniac or settlement service provider does not use an average charge:
  - For any type of insurance;
  - For any charge based on the loan amount or property value; or
  - If doing so is otherwise prohibited by law.

If The Mortgage Maniac allows use an average charge, The Mortgage Maniac will comply with the TRID Rule regarding use of average charges and will also develop representative samples of specific settlement costs for a particular class of transactions. Furthermore, The Mortgage Maniac will not use average charges in a way that inflates the cost for settlement services overall.

## 12. Closing Disclosure Delivery Requirements

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The consumer must receive and be given at least a three *specific* business day wait period before consummation to review the CD. If the CD is delivered by mail (or delivered electronically and The Mortgage Maniac has the consumer's eConsent to receive disclosures electronically before the CD is sent), the CD is considered received three *standard* business days after placed in mail (or delivered electronically), unless there is evidence it was received sooner. The Mortgage Maniac will deliver the CD with sufficient time before consummation to allow for receipt and the wait period. The Mortgage Maniac is responsible for ensuring the CD is received timely but may rely on the settlement agent to provide the CD on behalf of The Mortgage Maniac. Furthermore, the settlement agent is required to provide the seller with a CD reflecting the actual terms of the seller's transaction and must provide The Mortgage Maniac with a copy of the seller's disclosure.

The consumer may waive the three *specific* business day waiting period for a bona fide personal emergency; however, The Mortgage Maniac Senior Management must approve such waiver. When allowed, the consumer must have received the CD and provided a dated, written statement signed by all individuals that will be primarily liable on the loan describing the emergency.

### A. Providing a CD in Rescindable and Non-Rescindable Transactions

In loans that are not rescindable, the CD may be provided to any consumer with primary liability on the obligation. In rescindable loans, the CD must be given separately to each consumer who has the

## TILA-RESPA Integrated Disclosures Policy

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right to rescind under TILA. Each consumer given a CD must also be provided at least three *specific* business days to review the CD prior to consummation. Additionally, each consumer with the right to rescind must also be provided a copy of any subsequent CDs that are provided.

### B. Simultaneous First and Second Lien Transactions

Each loan made that is subject to the TRID Rule must have its own CD. Transactions with simultaneous close first and second lien mortgage loans that are subject to the TRID Rule must have a separate CD for each loan showing the cost of the loan, fees, and terms associated for the individual loan.

If the first lien CD discloses the entirety of the seller's transaction, subordinate lien creditors are allowed to use the Alternate LE and CD when disclosing the subordinate lien loan. If the subordinate lien creditor uses the Alternate LE for the subordinate lien loan, it must also use the Alternate CD for the subordinate lien loan.

## 13. Closing Disclosure Revisions

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The Mortgage Maniac will issue a corrected CD if terms or costs of the loan change. When a CD is used to increase a fee and reset the good faith baseline due to a valid change of circumstance the CD must be issued within three *standard* business days of identification of the change of circumstance. If the CD cannot be disclosed within three *standard* business days of identification of the change of circumstance, then any fee increases will result in tolerance cures.

In some situations, if the CD becomes inaccurate before consummation an additional three *specific* business day waiting period is required when the CD is redisclosed. When this occurs the consumers (including each consumer who has the right to rescind in a rescindable transaction) must receive the revised CD at least three *specific* business days before consummation. The following events would trigger the additional waiting period:

- APR increased by more than .125% (for regular transactions) or .25% (for irregular transactions) from the previous CD
- Change in basic loan product, such as a change from a fixed rate to an ARM or an interest only product
- Addition of a prepayment penalty

For any other changes to the CD, there is no additional waiting period and the revised CD may be given to the consumer at or before consummation. However, a consumer has the right to inspect the CD during the business day before consummation. If a consumer asks to inspect the CD the business day before consummation, The Mortgage Maniac will provide the CD to the consumer reflecting any adjustments to the costs or terms that are known at the time it is provided.

### A. Closing Disclosure Revisions After Consummation

The Mortgage Maniac must provide a corrected CD if an event in connection with the settlement occurs during the 30-calendar day period after consummation and that event causes the CD to become inaccurate and results in a change to an amount paid by the consumer from what was previously disclosed.

The Mortgage Maniac is not required; however, to provide a corrected CD if the only change that caused an inaccuracy is the per diem interest and any disclosures affected by the change in per diem interest. Nonetheless, when The Mortgage Maniac provides a corrected CD for any other reason, and the per diem interest is also inaccurate, The Mortgage Maniac must provide the corrected per diem

## TILA-RESPA Integrated Disclosures Policy

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interest (and any disclosures affected by the change in per diem interest) as well as the other updated disclosures.

Furthermore, The Mortgage Maniac must issue a corrected CD within 60 calendar days of consummation to correct non-numerical clerical violations. An error is clerical if it does not affect a numerical disclosure and does not affect the timing, delivery or other requirements.

### 14. Good Faith Analysis and Curing Tolerance Violations

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The Mortgage Maniac must perform an analysis of the amounts of fees charged at closing to determine whether they are in good faith when compared to the amounts disclosed on the LE (or revised LE, CD, or corrected CD, as applicable). When the amounts paid by the consumer at closing exceed the amounts disclosed by more than the applicable tolerance threshold, The Mortgage Maniac must provide a corrected CD and provide a cure for the tolerance violation no later than 60 calendar days after consummation. A corrected CD showing the refund must be delivered to the consumer either at closing or no later than 60 days after consummation.

Tolerance violations can be cured by:

- Providing a refund directly to the consumer;
- Providing a principal reduction; or
- Providing lender credits, either specific or general, to the consumer.

#### A. Charges Subject to Zero Tolerance

For charges subject to zero tolerance, any amount charged beyond the amount disclosed on the LE (or revised LE, CD, or corrected CD, as applicable) must be reimbursed to the consumer.

#### B. Charges Subject to 10% Tolerance

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% cumulative tolerance increases by more than 10%, even if a particular charge increases by more than 10%. The Mortgage Maniac may charge more than 10% in excess of an individual estimated charge in this category, so long as the sum of all charges is still within the 10% cumulative tolerance.

The sum of the charges actually paid by or imposed on the consumer should be compared with the sum of the 10% tolerance estimated charges on the LE (or revised LE, CD, or corrected CD, as applicable) that are actually performed. If a service that was disclosed and included in the 10% tolerance charges is not actually performed, the estimate for that charge should be removed from the 10% total amount of estimated charges.

When the cumulative sum of the 10% tolerance charges exceeds the sum of all 10% tolerance charges disclosed on the LE (or revised LE, CD, or corrected CD, as applicable) by more than 10%, the difference must be reimbursed to the consumer.

### 15. Total of Payments Accuracy

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The Total of Payments disclosed on the CD is considered accurate if it:

- Is understated by no more than \$100 (or \$35 for transactions subject to the right of rescission); or
- Is greater than the amount required to be disclosed.

## TILA-RESPA Integrated Disclosures Policy

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When the Total of Payments disclosure is inaccurate, a corrected CD must be provided to the consumers and The Mortgage Maniac may need to make restitution, when deemed necessary, to the consumer for the difference between the disclosed Total of Payments and the actual Total of Payments to the consumer.

### 16. Construction Loans

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Closed-end consumer construction loans secured by real property are subject to the TRID Rule. However, open-end consumer construction loans or consumer construction loans that are not for a personal, family, or household purpose are not subject to the TRID Rule. When providing the LE and CD for construction loans, Regulation Z's provisions under §1026.17(c)(6)(ii) and Appendix D apply.

The Mortgage Maniac may use Appendix D, which provides methods to estimate interest and disclose the terms of multiple-advance construction loans when the amounts or timing of advances is unknown at consummation. Appendix D also allows for construction-to-permanent loans to be disclosed as one transaction or as two separate transactions. When one set of disclosures is used, it must cover both phases of the transaction.

When two sets of disclosures are used, the construction phase has its own LE and CD and the permanent phase has its own LE and CD. In the instance of two sets of disclosures, The Mortgage Maniac must allocate to the construction phase disclosure the amounts for finance charges and points and fees that would not be imposed if the loan did not involve construction financing. Further, if The Mortgage Maniac charges separate finance charges and points and fees for the construction phase and the permanent phase, such fees and charges must be allocated to the phase for which they are charged. All other finance charges and points and fees not imposed solely due to the construction financing are included in the permanent financing disclosures. Fees that are not finance charges or points and fees may be allocated between the construction phase and permanent phase in any manner.

In addition to the requirements above, there are detailed guidelines regarding how to disclose the disbursement date, sales price or appraised value, the loan product, interest rate, initial payment, construction phase payments, projected payments and various other items. The Mortgage Maniac adheres to these disclosure requirements for construction loans as outlined in Regulation Z, the TRID Rule, and the CFPB TILA-RESPA Integrated Disclosure Rule Small Entity Compliance Guide.

### 17. Additional Disclosures Required by the TRID Rule

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In addition to the content of the LE and CD, the TRID Rule requires the disclosures outlined below.

#### A. Your Home Loan Toolkit

The Your Home Loan Toolkit is a booklet that explains the loan process and forms to the consumer. It must be provided to the consumer in a purchase transaction within three **standard** business days of receipt of the application. The Mortgage Maniac will deliver or place it in the mail with the initial loan disclosures not later than three **standard** business days after receiving an application. The Mortgage Maniac may customize the cover with its name and address and artwork or graphics, but The Mortgage Maniac may not change the title of the booklet or alter the contents.

The Your Home Loan Toolkit replaces the Shopping for Your Home Loan – Settlement Cost Booklet (also known as the Special Information Booklet); however, for loan types not covered by the TRID Rule, the Shopping for Your Home Loan – Settlement Cost Booklet should be provided.

### B. Escrow Closing Notice

The Escrow Closing Notice must be provided to consumers prior to cancelling an escrow account established in connection with a first lien loan secured by real property or a dwelling that is primarily for personal, family, or household purposes, other than a reverse mortgage.

In the event that The Mortgage Maniac retains servicing of any mortgage loans The Mortgage Maniac, or its sub-servicer, will provide the Escrow Closing Notice in accordance with the requirements set forth in the TRID Rule.

- When the consumer requests cancellation, The Mortgage Maniac, or its sub-servicer, will ensure that the consumer receives the Escrow Closing Notice no later than three *specific* business days before the consumer's escrow account is closed.
- When cancellation occurs for any other reason, The Mortgage Maniac, or its sub-servicer, will ensure that the consumer receives the Escrow Closing Notice no later than 30 *specific* business days before consumer's escrow account is closed.

If the Escrow Closing Notice is not provided to the consumer in person, the consumer is considered to have received the disclosures three business days after the notice is delivered or placed in the mail.

### C. Partial Payment Policy Disclosure

A Partial Payment Policy disclosure must be included in the mortgage transfer disclosure provided to consumers by a person or company who acquires legal title to the debt obligation of an existing first lien mortgage loan secured by real property or a dwelling that is primarily for personal, family, or household purposes, other than a reverse mortgage. The notice is required to inform the consumers of the partial payment policy that will apply to the mortgage loan after the transfer of ownership.

In the event that The Mortgage Maniac acquires ownership of a first lien mortgage loan secured by real property or a dwelling that is primarily for personal, family, or household purposes and is required under Regulation Z to provide the mortgage transfer disclosure, The Mortgage Maniac, or its sub-servicer, will provide this disclosure, in accordance with the requirements set forth in the TRID Rule, no later than 30 calendar days following the date of transfer.

## 18. Record Keeping

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The Mortgage Maniac will retain documentation relating to the LE and CD as follows:

- The Mortgage Maniac will retain the LE and related documentation for three years after consummation.
- The Mortgage Maniac will retain the CD for five years after consummation.

# Truth in Lending Act Policy

Revision Date: 1/25/2021

## 1. Overview

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The Truth in Lending Act (TILA) was enacted in 1968 as part of the Consumer Credit Protection Act in an effort to prevent abuses in consumer credit cost disclosures. The regulations implementing TILA are known as Regulation Z. TILA's main purpose is to protect borrowers by ensuring that they are aware of the terms and costs of credit, so that they can knowledgeably compare different loans and lenders. TILA has been amended numerous times, with the most significant changes coming from the Mortgage Disclosure Improvement Act of 2008. The authority to implement the statute by issuing regulations was transferred from the Federal Reserve Board to the Consumer Financial Protection Bureau (CFPB) on July 21, 2011. The CFPB's rule on Integrated Mortgage Disclosures under the Truth in Lending Act and the Real Estate Settlement Procedures Act (RESPA) (TILA-RESPA rule) went into effect on October 3, 2015.

## 2. Definitions

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The following definitions apply to this Policy:

- **Annual Percentage Rate (APR)** – means the measure of the total cost of credit, expressed as a yearly rate.
- **Business Day (Standard)** – means any day on which The Mortgage Maniac's offices are open to the public for carrying out substantially all of its business functions.
- **Business Day (Specific)** – means all calendar days except Sundays and legal federal holidays. Those holidays include New Year's Day, Martin Luther King Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.
- **Closed-End Credit** – means consumer credit other than open-end credit.
- **Consumer** – means a natural person to whom consumer credit is offered or extended. 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.
- **Consumer Credit** – means credit offered or extended to a consumer primarily for personal, family, or household purposes.
- **Finance Charge** – means the measure of the cost of consumer credit represented in dollars and cents. The finance charge includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as a condition to the extension of credit.
- **Open-End Credit** – means credit extended under a plan in which the creditor reasonably contemplates repeated transactions; a finance charge may be imposed on an outstanding unpaid balance; and during the term of the plan, the amount of credit that may be extended under the plan, up to the limit set by the creditor, is generally made available to the extent that any outstanding balance is repaid.
- **Residential Mortgage Transaction** – means 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.

### 3. Policy Statement

The Mortgage Maniac adopts this Policy to ensure compliance with TILA and Regulation Z. The Policy applies to all covered transactions for which the The Mortgage Maniac accepts applications.

### 4. Coverage of TILA

In general, TILA regulation applies to each individual or business that offers or extends credit when four conditions are met:

- The credit is offered or extended to consumers;
- The offering or extension of credit is done regularly;
- The credit is subject to a finance charge or is payable by a written agreement in more than four installments; and
- The credit is primarily for personal, family, or household purposes.

#### A. Exempt Transactions

The following transactions are exempt from Regulation Z:

- Credit extended primarily for a business, commercial, or agricultural purpose;
- Credit extended to other than a natural person;
- Credit in excess of an annually adjusted threshold not secured by real property or by personal property used or expected to be used as the principal dwelling of the consumer.

### 5. Disclosure Requirements

The Mortgage Maniac makes certain disclosures to consumers to comply with the various disclosure requirements under TILA. For transactions covered under the TILA-RESPA Integrated Disclosure (TRID) Rule, refer to the *TILA-RESPA Integrated Disclosures Policy* for disclosure requirements. The Mortgage Maniac issues the following disclosures, when applicable, to consumers for covered transactions:

- Consumer Handbook on Adjustable Rate Mortgages (CHARM Booklet)
- Adjustable Rate Mortgage (ARM) Disclosure
- Balloon Disclosure
- Prepayment Disclosure
- Notice of Right of to Cancel (for refinance transactions subject to rescission)

For transactions that are not covered under the TRID Rule, The Mortgage Maniac also issues the following disclosures, when applicable, to consumers for covered transactions:

- Truth in Lending Disclosure Statement (TIL)
- Home Equity Line of Credit Disclosures
- What You Should Know About Home Equity Lines of Credit
- Reverse Mortgage Disclosures

TIL disclosures, other than the LE and CD, are issued for reverse mortgages, HELOCs, and mortgages secured by a mobile home or by a dwelling that is not attached to real property. In general, these disclosures help consumers to understand the borrowing costs associated a particular loan transaction.

## Truth in Lending Act Policy

The TIL disclosures must outline, among other things, the Annual Percentage Rate (APR), Finance Charges, Amount Financed, Total of Payments and a statement that “You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.”

The Mortgage Maniac complies with both the various TILA disclosure requirements and any applicable limitations or prohibitions for these types of transactions as outlined in Regulation Z. For HELOCs, refer to Regulation Z §1026.40 (application disclosure requirements), §1026.6(a) (account opening disclosures), and §1026.7(a) (periodic statement disclosures). For reverse mortgages, refer to Regulation Z §1026.33 for disclosure requirements in addition to the TIL disclosure requirement.

When the TIL disclosure statement is used, The Mortgage Maniac also complies with the following timing requirements for providing the disclosure statement and for the waiting periods for early and corrected TIL disclosure statements.

- The Mortgage Maniac will provide the early TIL disclosure statement within three **standard** business days from receipt of the information constituting an application and no later than seven **specific** business days before consummation.
- When an APR becomes inaccurate, The Mortgage Maniac will provide a corrected TIL disclosure statement no later than three **specific** business days before consummation. The APR is considered inaccurate if the current APR for the transaction exceeds the previously disclosed APR by more than:
  - .125% for regular transactions; or
  - .25% for irregular transactions (transactions 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).

### A. Prohibition on Collection of Fees

TILA prohibits companies from collecting fees (other than credit report fee) from applicants prior to delivery of required disclosures. The Mortgage Maniac prohibits this practice in compliance with the TILA requirement.

### B. Electronic Disclosures

TILA allows companies to provide disclosures in an electronic form in compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act). The Mortgage Maniac complies with these provisions when issuing disclosures electronically.

### C. Multiple Consumers

When there is more than one consumer for the transactions, the disclosures may be made to any consumer who is primarily liable on the account. However, if the right of rescission is applicable the required TIL disclosures and the Notice of Right to Cancel must be given to each consumer having the right to rescind the transaction and also to any non-borrower with an interest in the property securing the loan.

## 6. Right of Rescission

Under Regulation Z, each borrower and non-borrower in title to the subject property or spouse with community property or homestead rights, has the right to rescind a proposed refinance transaction.

The following transactions are not rescindable:

- Residential mortgage transactions (purchase of a principal dwelling)
- Refinance transactions by the same lender, provided the new loan amount does not exceed the unpaid principal balance of the existing mortgage, any earned unpaid finance charge on the existing mortgage, and amounts attributed solely to the cost of the refinance

When rescission is applicable to a transaction, two copies of the Notice of Right to Cancel must be mailed or delivered to each borrower and non-borrower entitled to rescind the transaction.

Each borrower and applicable non-borrowers have until midnight of the third *specific* business day after the rescission is provided to rescind. The rescission period does not begin until all borrowers and all applicable non-borrowers with an interest in the collateral property receive the Notice of Right to Cancel and all other required disclosures. During the rescission period, funds cannot be disbursed until the rescission period has expired.

Changes to a proposed loan subject to rescission that require a new CD or TIL disclosure under Regulation Z also require a new Notice of Right to Cancel. The new Notice of Right to Cancel must be signed by each borrower and non-borrower entitled to rescind the transaction and a new three *specific* business day rescission period must begin and expire prior to disbursing funds.

### A. Waiver of Right to Rescind

Regulation Z outlines limited circumstances where a borrower and each applicable non-borrower may waive the right to rescind in writing, if a bona fide personal financial emergency is proven. To waive the right to rescind, The Mortgage Maniac must be provided with a dated, signed written statement that describes the emergency and specifically waives the right to rescind.

Waiver of the right to rescind is only allowed in very limited circumstances; therefore, the decision to accept such a request can only be made by The Mortgage Maniac's Broker of Record in consultation with Senior Management.

### B. Required Refunds for Rescinded Transactions

When a consumer rescinds a refinance transaction, the consumer cannot be required to pay any amount to the creditor or to a third party as part of the credit transaction. When rescission occurs, The Mortgage Maniac will refund any amounts already paid by the consumer within 20 calendar days after receipt of the consumer's intent to rescind the transaction. The refund must include any finance charges already accrued, as well as other charges, such as origination, discount, application, commitment fees, title or appraisal fees, etc., whether paid to the creditor, paid directly to a third party, or passed on from the creditor to the third party. Additionally, The Mortgage Maniac will take the necessary actions to ensure the security interest is terminated within the same 20 calendar days, if the security instrument was recorded.

## 7. Other TILA Requirements

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TILA also contains various provisions regarding lending practices to provide the consumer transparency in credit transactions as well as other consumer protections. The following Regulation Z requirements are detailed in The Mortgage Maniac's policies pertaining specifically to those provisions. Refer to the policies listed below for more information on these requirements.

- *Ability to Repay and Qualified Mortgage Policy*
- *Advertising and Marketing Policy*

- *Appraiser Independence Policy*
- *Higher-Priced Mortgage Loans Policy*
- *Home Ownership and Equity Protection Act Policy*
- *Loan Originator Compensation Policy*
- *TILA-RESPA Integrated Disclosures Policy*

# Unfair, Deceptive or Abusive Acts or Practices Policy

Revision Date: 1/25/2021

## 1. Overview

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Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), it is unlawful for any provider of consumer financial products or services to engage in any unfair, deceptive or abusive acts or practices (UDAAP). An unfair, deceptive, or abusive act or practice may also violate other federal or state laws, and a transaction that is in technical compliance with other federal or state laws may nevertheless violate the prohibition against UDAAPs.

## 2. Policy Statement

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The Mortgage Maniac does not engage in unfair, deceptive, or abusive acts or practices in any form. This Policy represents requirements based on legal and regulatory guidance and are intended to prevent The Mortgage Maniac, its employees, and third-party vendors and clients from engaging in unfair, deceptive, or abusive acts or practices.

## 3. UDAAP Standards

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The standards for unfair, deceptive, and abusive acts or practices are separate and distinct from each other.

### A. Unfair Acts or Practices

An act is unfair when:

- It causes or is likely to cause substantial injury to consumers;
- The injury is not reasonably avoidable by consumers; and
- The injury is not outweighed by countervailing benefits to consumers or to competition.

**Substantial injury** usually involves monetary harm, such as fees or costs paid by consumers because of the unfair act or practice. Actual monetary harm is not required in every case. A significant risk of concrete harm may be sufficient. In some cases, emotional impacts may amount to or contribute to substantial injury.

**Injury is not reasonably avoidable by consumers** if the act or practice interferes with their ability to effectively make decisions or to take action to avoid injury, or if transactions occur without a consumer's knowledge or consent. Furthermore, the actions that a consumer is expected to take to avoid injury must be reasonable. If an injury can only be avoided by spending large amounts of money or other significant resources, it may not be reasonably avoidable.

**Injury is not outweighed by countervailing benefits to consumers** if the act or practice is unfair and is not outweighed by consumer or competitive benefits.

### B. Deceptive Acts or Practices

A representation, omission, act or practice is deceptive when:

- The representation, omission, act, or practice misleads or is likely to mislead the consumer;
- The consumer's interpretation of the representation, omission, act, or practice is reasonable under the circumstances; and
- The misleading representation, omission, act, or practice is material.

## Unfair, Deceptive or Abusive Acts or Practices Policy

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A representation may be an express or implied claim or promise, and it may be written or oral. If material information is necessary to prevent a consumer from being misled, it may be deceptive to omit that information. It is necessary to evaluate the representation, omission, act or practice in context to determine whether the overall impression is misleading or deceptive.

When evaluating whether a representation, omission, act, or practice is misleading employees should employ the FTC “four Ps” test to determine whether:

- The statement is **prominent** enough for the consumer to notice;
- The information **presented** is in an easy-to-understand format that does not contradict other information in the material and at a time when the consumer’s attention is not distracted elsewhere;
- The **placement** of the information is in a location where consumers can be expected to look or hear; and
- The information is in close **proximity** to the claim it qualifies.

Whether a representation, omission, act, or practice is deceptive depends upon how a reasonable member of the target audience would interpret the representation. It may be deceptive even if only a significant minority of targeted consumers are misled, so long as those consumers’ interpretation is reasonable.

Finally, a representation, omission, act, or practice is material if it is likely to affect a consumer’s choice of, or conduct regarding, the product or service. Information about the central characteristics of a product or service, express claims regarding a product or service, implied claims regarding a product or service (when evidence shows that The Mortgage Maniac intended to make the claim), and knowingly false claims are presumed to be material. Omissions will be presumed to be material when The Mortgage Maniac knew or should have known that the consumer needed the omitted information to evaluate the product or service.

### C. Abusive Acts or Practices

An act or practice is abusive when it materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service; or it takes unreasonable advantage of:

- A lack of understanding on the part of the consumer of the material risks, costs, or conditions of the product or service;
- The inability of the consumer to protect his/her interests in selecting or using a consumer financial product or service; or
- The reasonable reliance by the consumer on a covered person to act in the interest of the consumer.

## 4. Identifying UDAAP and Monitoring for UDAAP Compliance

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The Mortgage Maniac monitors business practices and policies and procedures, products and services offered, and advertising materials, on an on-going basis to ensure compliance with the prohibition on UDAAP. In order to test and monitor for UDAAPs, The Mortgage Maniac:

- Reviews new products and changes in the terms and conditions of existing products for potential UDAAP concerns;
- Evaluates initial and subsequent disclosures, including customer agreements and changes in terms, for potential UDAAP concerns;
- Conducts UDAAP reviews to approve or reject proposed advertising and promotional materials;

## Unfair, Deceptive or Abusive Acts or Practices Policy

- Evaluates servicing and collections practices for UDAAP concerns;
- Conducts periodic fair lending regression and matched pair analysis to ensure that its lending practices are not inadvertently causing UDAAP concerns;
- Performs reviews of consumer complaints to identify potential UDAAP concerns;
- Reports UDAAP concerns identified by internal audits to Senior Management; and
- Conducts training programs regarding the prohibitions of UDAAP.

### A. Monitoring Advertising and Marketing Materials and Disclosures

Advertising and marketing materials as well as disclosures are subject to the prohibitions against UDAAP. The Mortgage Maniac routinely reviews these materials and disclosures to identify whether terms or services are in compliance with the prohibition on UDAAP, are clearly defined, and are available as advertised. At a minimum, advertisements or disclosures should not:

- State that rates or payments for loans are “fixed” when those rates or payments can vary without adequately disclosing that the interest rate or payment amounts are “fixed” only for a limited period of time, rather than for the full term of the loan;
- Make comparisons between actual or hypothetical credit payments or rates and any payment or rate available under the advertised product that are not available for the full term of the loan, with certain exceptions for advertisements for variable rate products;
- Characterize the products offered as “government loan programs,” “government-supported loans,” or otherwise endorsed or sponsored by a federal or state government entity even though the advertised products are not government-supported or government-sponsored loans;
- Display the name of the consumer’s current mortgage lender, unless the advertisement also prominently discloses that the advertisement is from a mortgage lender not affiliated with the consumer’s current lender;
- Make claims of debt elimination if the product advertised would merely replace one debt obligation with another; or
- Create a false impression that the mortgage broker or lender is a “counselor” for the consumer; and in foreign-language advertisements, providing certain information, such as a low introductory “teaser” rate, in a foreign language, while providing required disclosures only in English.

### B. Availability of Terms or Services as Advertised

The Mortgage Maniac routinely evaluates products and services to ensure they are consistent with the disclosures requirements and UDAAP policies. For each product and service being reviewed, The Mortgage Maniac identifies whether:

- Consumers are reasonably able to obtain the products and services, including interest rates or rewards, as represented by The Mortgage Maniac;
- Consumers receive the specific product or service that they request; and
- Counter-offers clearly, prominently, and accurately explain the difference between the original product terms or services requested and the one being offered.

## Unfair, Deceptive or Abusive Acts or Practices Policy

### C. Monitoring Employees and Third-Party Service Providers Interacting with Consumers

The Mortgage Maniac employs effective controls to select and monitor the activities of employees and third-party service providers. These controls are in place to ensure employees and third-party service providers understand the UDAAP prohibitions and do not engage in UDAAP with respect to their consumer interactions. The Mortgage Maniac also ensures that:

- Agreements with third-party service providers do not create unintended incentives to engage in UDAAP;
- Compensation arrangements and performance evaluation criteria do not create unintended incentives to engage in UDAAP;
- Employees or third-party service providers who market or promote products or services are adequately trained to ensure compliance with UDAAP; and
- Adequate policies and procedures are in place to ensure employees and third-party service providers understand UDAAP prohibitions.

### D. Servicing and Collections

The Mortgage Maniac, whether through its own servicing practices or the practices of a sub-servicer, evaluates servicing and collections practices to determine if they have the potential for raising UDAAP concerns. When evaluating servicing and collections, The Mortgage Maniac considers whether:

- Policies and procedures detailing servicing and collections practices and monitoring systems are in place to prevent unfair, deceptive, or abusive acts or practices and ensure compliance with the Fair Debt Collections Practices Act.
- Call centers, either operated by The Mortgage Maniac or by third parties, effectively respond to consumers' calls.
- Employees and third-party contractors are adequately trained to ensure they:
  - represent fees or charges on periodic statements in a manner that is not misleading;
  - only charge consumers for products and services the consumer agreed to;
  - post and credit consumer payments in a timely manner;
  - apply payments in a manner that does not unnecessarily increase consumer payments, without clear justification; and
  - mail periodic statements in time to provide the consumer ample opportunity to avoid late payments.
- Employees and third-party contractors clearly indicate to consumers that they are calling about the collection of a debt.
- Employees and third-party contractors do not disclose the existence of a consumer's debt to the public without the consent of the consumer, except as permitted by law.
- Repeated telephone calls to consumers that annoy, abuse, or harass any person at the number called are avoided.

### E. Complaint Management

Consumer complaints are handled consistently in accordance with The Mortgage Maniac's *Complaint Management Policy*. Consumer complaints play a role in the detection of UDAAP as they may identify trends of weaknesses in training, internal controls, or monitoring. Consumer complaints may also reveal that consumers did not understand the terms of a product or service. Furthermore, when a consumer alleges misrepresentation or misunderstanding it may also provide perspective into the reasonable perception of a consumer. The Mortgage Maniac routinely analyzes complaint trends to identify any possible UDAAP issues and potential identified root causes.

# Whistleblower Policy

Revision Date: 1/25/2021

## 1. Overview

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Whistleblowers play an important role in uncovering and correcting misconduct. Various federal and state whistleblower laws protect employees' rights to report an employer's misconduct (or "blow the whistle"). Employers are prohibited from taking adverse action or retaliating against a whistleblower. This Policy is intended to establish The Mortgage Maniac's commitment to protecting whistleblowers from retaliation and to encourage all employees and others to report concerns of misconduct.

## 2. Definitions

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The following definitions apply for this Policy.

- **Whistleblower** – means a person who brings misconduct by an employer or other employees to the attention of the employer or a government or law enforcement agency and who is protected by law from retaliation.
- **Whistleblowing** – means the reporting of information or concerns by a person about an employer or other employees that are reasonably believed by such person to constitute misconduct, including, but not limited to illegal conduct; fraud or dishonest acts; unfair or unethical conduct; mismanagement; abuse of power; unsafe or dangerous activity; other wrongful conduct, including but not limited to, any conduct that may affect the safety, soundness, or reputation of The Mortgage Maniac.

## 3. Policy Statement

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The Mortgage Maniac seeks to cultivate a culture of openness, accountability and integrity. In doing so, The Mortgage Maniac adopts this Policy to encourage and enable employees and others to report concerns of misconduct so that The Mortgage Maniac can identify and address misconduct early. Every employee shares the responsibility to report concerns about suspected violations of The Mortgage Maniac's policies, code of conduct, or of laws or regulations that govern The Mortgage Maniac. Employees who report misconduct in good faith will be protected from retaliation and unfair treatment for raising these concerns in accordance with this Policy.

## 4. Whistleblower Reporting

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The Mortgage Maniac has an open-door policy regarding whistleblowing. Whenever possible, employees should report concerns about misconduct to their supervisor or to the next level of management, as needed. If the employee does not feel comfortable reporting to a supervisor or is not satisfied with the supervisor's response, the employee is encouraged to notify or send a written complaint to the Compliance Officer detailing the conduct of concern. Notices may be made in person or anonymously in any form (e.g. mail, email, phone).

It is the responsibility of the Compliance Officer to investigate all whistleblowing complaints. Any complaints received by a supervisor or manager should be forwarded on to the Compliance Officer in accordance with this Policy.

### 5. Employee Protection

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The Mortgage Maniac and its employees will not retaliate against an employee who in good faith reports or raises a complaint regarding misconduct against an employee, practice or activity of The Mortgage Maniac, or of another individual or entity with whom The Mortgage Maniac has a relationship. An employee who retaliates against a person who has reported suspected misconduct in good faith may be subject to discipline which may include termination of employment.

### 6. Confidentiality

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Anonymity of the whistleblower and confidentiality of the whistleblowing matter will be maintained throughout the entire process to the extent practicable within the limitations of the law and needs of the investigation. Any employee who fails to comply with these requirements may be subject to discipline which may include termination of employment. Confidentiality of the whistleblower and whistleblowing matter is paramount to The Mortgage Maniac's whistleblowing program to ensure protection of:

- The integrity of in-progress investigation;
- The individuals or entities who report alleged improper conduct;
- The subjects of allegations from suffering consequences due to as-yet- unverified allegations; and
- The institution's reputation until claims are adequately investigated.

### 7. Investigation and Reporting

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The Mortgage Maniac's Compliance Officer is responsible for collecting, investigating, and reporting on all whistleblower complaints without regard to the suspected wrongdoer's length of service, position or title, or relationship to The Mortgage Maniac. All complaints received by a supervisor or manager must be forwarded to the Compliance Officer. Investigations will include consideration of steps called-for in each case and whether supporting evidence will trigger escalation or further action. Components of the investigation should include the following:

- Ensuring confidentiality, protection from retaliation, and anonymity of whistleblowers;
- Ensuring all complaints received through dedicated reporting channels and informal reporting channels are collected and handled in a consistent manner;
- Conducting an initial triage to separate complaints that are not actual whistleblowing matters and those that can be evaluated without the need for a detailed investigation;
- Recognizing when independent reports may in fact be separate reports of evidence of the same misconduct and should be considered as a single comprehensive investigation;
- Investigating allegations;
- Evaluating the results of any investigation; and
- Maintaining auditable records of the complaint and investigation process.

The Mortgage Maniac will take appropriate corrective measures to address any issues identified during the investigation. The results of the investigation, any identified misconduct, and any corrective action taken will be reported to appropriate unconflicted Senior Management. Furthermore, when appropriate, The Mortgage Maniac will report findings of misconduct to internal or external attorneys or auditors, or government authorities in a timely manner.

### 8. Training

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The Mortgage Maniac trains its employees consistent with this *Whistleblower Policy*. Supervisors and managers are trained to escalate any whistleblower complaints to the appropriate channel listed above in accordance with this Policy. Supervisors and managers are also trained to identify possible whistleblowing issues that they might learn of outside formal channels, such as complaints sent directly to the supervisor or manager, issues raised during employee reviews or exit interviews, or information learned or overheard in informal conversations. When such issues are raised or identified, supervisors and managers will report the whistleblower's concerns to Compliance Officer.