

## **COMPLIANCE**

### ***GOOD FAITH ESTIMATE***

The REAL ESTATE SETTLEMENT PROCEDURE ACT, ("RESPA"), requires both the Loan Broker and the Lender to give or to place in the mail, a GOOD FAITH ESTIMATE, (GFE), at the time that the application is taken or within (3) days of taking a loan application. RESPA applies if the purpose of the loan is to purchase a primary residence (a home), refinance a primary residence, or to assume the loan that will be the new borrower's primary residence.

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD") requires copies of the GFE on both purchases and refinances. This requirement is separate from RESPA and is for the sole purpose of calculating the correct loan amount. HUD is requiring the GFE in order to confirm the costs used to establish the loan amount.

### ***CONTROLLED BUSINESS ARRANGEMENT DISCLOSURE***

A disclosure must also be made to the borrower regarding any controlled business relationship connected with the settlement service. This can be in the form of a statement attached to the GFE.

### ***EQUAL CREDIT OPPORTUNITY ACT – REGULATION B***

Employees may not discriminate against any actual or potential applicant on the basis of a protected characteristic and no statements (either verbal or written) may be made that would discourage an applicant from applying or pursuing an application for credit. All loans are to be made without regard to race, color, religion, national origin, gender, marital status, age, public assistance income or exercise of consumer rights under the Consumer Credit Protection Act.

### ***ANTI-KICKBACK RULES AND PROCEDURES***

RESPA prohibits the payment of any thing of value pursuant to any agreement or understanding for the referral of a real estate settlement service.

### ***ADVERSE ACTION***

Adverse Action means either the refusal to make a loan in substantially the same amount or terms requested by an applicant (i.e. denial) or an offer to make a loan other than on substantially the same terms or amount requested by the applicant (i.e., counteroffer).

### ***RIGHT OF RESCISSION RULES AND PROCEDURES***

A consumer (defined as any party who has title to the property or will be required to execute the security instrument) has the right to rescind a mortgage transaction in which the consumer's principal residence is being used as security for the loan. The rescission period is a full three-day period during which the consumer may change his mind and cancel the mortgage transaction. The right of rescission does not



apply to mortgage transactions where the purpose of the loan is to finance the acquisition of the consumer's principal dwelling (i.e., purchase transaction). The right of rescission applies to all refinance transactions except for (i) transactions in which the property securing the loan is a second, vacation or investment property, (ii) construction to permanent financing or (iii) business purpose loans.

## ***MISCELLANEOUS TILA RULES AND PROCEDURES***

### High Cost Mortgage Loans

Regulation Z imposes special requirements on lenders who originate or purchase high cost mortgage loans. These loans are also known as Section 32 loans. States have also enacted legislation with respect to high cost loans. In the majority of cases, a high cost loan is a refinance transaction where:

- 1) The APR at consummation will exceed by more than 10 percentage points the yield on Treasury securities having comparable periods of maturity to the loan maturity as of the 15<sup>th</sup> day of the month immediately preceding the month in which the application is received by the lender.
- 2) The total points and fees payable by the consumer at or prior to the loan closing will exceed the greater of eight percent of the total loan amount or a specific dollar amount that is subject to an annual adjustment. MoneyCorp employees must be cognizant of what constitutes a high cost loan.

## ***HOME MORTGAGE DISCLOSURE ACT – REGULATION C***

The Home Mortgage Disclosure Act (HMDA) serves three primary purposes. First, it requires the disclosure of information that helps demonstrate whether financial institutions serve the housing credit needs of their neighborhoods and communities. Second, it helps government officials make public sector investments and indicates to private investors the neighborhoods where their efforts are needed. Finally, HMDA data helps identify possible discriminatory lending patterns and assists regulatory agencies in enforcing compliance with federal anti-discrimination statutes. HMDA does not prohibit any activity, nor is it intended to encourage unsound lending practices or the allocation of credit.

