

### SECTION 1. NEW PENN FINANCIAL, LLC BULLETINS

### SECTION 2. NEW PENN FINANCIAL, LLC NEWS

## SECTION 3. INTRODUCTION

### 3.1 GENERAL

Welcome to New Penn Financial Correspondent Lending Division. To be eligible to sell loans to New Penn Financial, a prospective Lender must meet a set of minimum qualifying criteria. Once a Lender is granted approval and has executed all of the necessary agreements, the Lender must continuously maintain New Penn Financial's eligibility standards. For complete information, please refer to Lender Management.

### 3.2 TOLL FREE NUMBERS

1-855-368-6925

***Servicing Toll Free Number***

1-866-317-2347

### 3.3 MANAGEMENT CONTACT INFORMATION

Name	Title	Email	Phone
Dan Hastings	EVP, Division Manager	<a href="mailto:dhastings@NewPennFinancial.com">dhastings@NewPennFinancial.com</a>	318-321-0580
Todd Cheney	SVP, Chief Operating Officer	<a href="mailto:tcheney@NewPennFinancial.com">tcheney@NewPennFinancial.com</a>	318-321-0581
Jeffrey Haar	VP- Division Sales Manager	<a href="mailto:JHaar@NewPennFinancial.com">JHaar@NewPennFinancial.com</a>	949-337-5267
Thomas Coale	VP- Division Sales Manager	<a href="mailto:TCoale@NewPennFinancial.com">TCoale@NewPennFinancial.com</a>	516-532-7581
Kevin Dwyer	VP, Accounting / Lender Management	<a href="mailto:kdwyer@NewPennFinancial.com">kdwyer@NewPennFinancial.com</a>	318-321-0583
Sarah McDowell	VP, Lender Management and Post Closing	<a href="mailto:smcdowell@NewPennFinancial.com">smcdowell@NewPennFinancial.com</a>	318-321-0591
Stephen Hutchison	VP, Operations	<a href="mailto:shutchison@NewPennFinancial.com">shutchison@NewPennFinancial.com</a>	318-321-0586
Greg Richardson	VP, Underwriting	<a href="mailto:GRichardson@NewPennFinancial.com">GRichardson@NewPennFinancial.com</a>	318-321-0592

Cathy Knight	VP, Collateral Audit/Funding	<a href="mailto:cknight@NewPennFinancial.com">cknight@NewPennFinancial.com</a>	318-321-0587
Debi Shaw	VP, Quality Control	<a href="mailto:dshaw@NewPennFinancial.com">dshaw@NewPennFinancial.com</a>	318-321-0589
Beverly Smith	VP, Information Technology	<a href="mailto:bsmith@NewPennFinancial.com">bsmith@NewPennFinancial.com</a>	318-321-0594

### 3.4 DEPARTMENT E-MAIL ADDRESSES

Department	Subject	Email
Lender Support	Common Questions	<a href="mailto:lendersupport@NewPennFinancial.com">lendersupport@NewPennFinancial.com</a>
IT Support	Website Support	<a href="mailto:cldsupport@NewPennFinancial.com">cldsupport@NewPennFinancial.com</a>
Lender Management	Lender Approval Questions	<a href="mailto:lendermgt@NewPennFinancial.com">lendermgt@NewPennFinancial.com</a>
Registration and Pricing	Registration Questions	<a href="mailto:registrations@NewPennFinancial.com">registrations@NewPennFinancial.com</a>
Mandatory Trade Desk	Trading Questions	<a href="#">Reserved for future use</a>
File Delivery	Delivery Questions	<a href="mailto:delivery@NewPennFinancial.com">delivery@NewPennFinancial.com</a>
Underwriting	Underwriting Questions Exception Requests	<a href="mailto:UWhelpdesk@NewPennFinancial.com">UWhelpdesk@NewPennFinancial.com</a>
Closed Loan Review	Loan Suspense/ Purchase Questions	<a href="mailto:ClosedLoanReview@NewPennFinancial.com">ClosedLoanReview@NewPennFinancial.com</a>
Post Funding Documents	Post Funding Docs Questions	<a href="mailto:Postfunding@NewPennFinancial.com">Postfunding@NewPennFinancial.com</a>
Quality Control	QC Questions	<a href="mailto:QC@NewPennFinancial.com">QC@NewPennFinancial.com</a>
Investor Suspense	Investor Suspense Questions	<a href="mailto:investorSuspense@NewPennFinancial.com">investorSuspense@NewPennFinancial.com</a>
Servicing	Servicing Questions	<a href="mailto:ServicingEscalations@newpennfinancial.com">ServicingEscalations@newpennfinancial.com</a>

Compliance Audit	Compliance Suspense Questions	<a href="mailto:ComplianceAudit@NewPennfinancial.com">ComplianceAudit@NewPennfinancial.com</a>
Delegated Loan Suspense	Delegated Loan Suspense Condition Questions	<a href="mailto:DelegatedSuspense@NewPennFinancial.com">DelegatedSuspense@NewPennFinancial.com</a>
Non-Delegated Loan Suspense	Non-Delegated Loan Suspense Condition Questions	<a href="mailto:NonDelegatedSuspense@NewPennFinancial.com">NonDelegatedSuspense@NewPennFinancial.com</a>

### 3.5 NEW PENN FINANCIAL FEE SCHEDULE

[New Penn Financial Fee Schedule](#)

### 3.6 LENDER REFERENCE

Any reference in this Guide to “Lender” refers to the approved Correspondent lender.

### 3.7 NEW PENN FINANCIAL SHIPPING ADDRESS

New Penn Financial, LLC.

1000 Oliver Road

Monroe, LA 71201

### 3.8 HOLIDAYS

New Penn Financial will observe the following holidays:

- New Year’s Day
- Memorial Day
- Independence Day (July 4th)
- Labor Day
- Thanksgiving Day
- Christmas Day

## SECTION 4. PRODUCTS

### 4.1 [NEW PENN FINANCIAL'S PRODUCT PROFILES AND MATRICIES](#)

### 4.2 [CONVENTIONAL CONFORMING FIXED RATE](#)

### 4.3 [HIGH BALANCE CONFORMING FIXED RATE](#)

### 4.4 [CONVENTIONAL CONFORMING ARMS](#)

### 4.5 [FHA FIXED RATE](#)

### 4.6 [FHA HIGH BALANCE FIXED RATE](#)

### 4.7 [VA FIXED RATE](#)

### 4.8 [USDA-RURAL HOUSING](#)

### 4.9 [DU REFI PLUS \(CONFORMING AND HIGH BALANCE\)](#)

### 4.10 [VA HIGH BALANCE FIXED AND IRRRL](#)

### 4.11 [TEXAS CASH-OUT 50\(A\)\(6\) CONFORMING FIXED RATE](#)

### 4.12

### 4.13 [DREAM BIG JUMBO](#)

### 4.14 [FHLMC SUPER CONFORMING FIXED RATE PRODUCT](#)

### 4.15 [HOMEREDY PRODUCT](#)

### 4.16 [HOMEPOSSIBLE PRODUCT](#)

**4.17 [CONVENTIONAL CONFORMING MANUFACTURED HOME PRODUCT](#)**

**4.18 [FHA 203\(B\) FIXED RATE MANUFACTURED HOME PRODUCT](#)**

**4.19 [VA JUMBO FIXED RATE PRODUCT](#)**

**SECTION 5. FREQUENTLY ASKED QUESTIONS**

**Q) What is the minimum net worth requirement for becoming a New Penn Financial Lender?**

A) The minimum net worth requirement for New Penn Financial is \$1,000,000 for Non-Delegated and \$1,500,000 for Delegated Approval.

**Q) What is the application process for becoming a New Penn Financial Lender?**

A) The application process is managed through the Comerence web portal. Comerence is a repository of documents which eliminates some of the document duplicity for members as well as providing the ability to upload document images in lieu of providing paper copies.

**Q) Is there a cost associated with Comerence?**

A) There is a minimum fee of \$99 per Lender for the initial application and \$39 for annual recertification. These fees are currently being borne by New Penn Financial.

**Q) Do Lenders need to have an AllRegs subscription?**

A) No, New Penn Financial strongly encourages all Lenders to have an AllRegs subscription in order to keep abreast of industry guideline changes.

**Q) What is the HUD “Supplemental” Information?**

A) This includes: 1) HUD net worth calculation schedule; 2) Internal Control Certificate, and 3) Certification of Policies and Procedures.

**Q) What is the prescribed process when there is a change in ownership, sale of a material amount of assets and/or dissolution of an approved Lender?**

A) Written notice to New Penn Financial with a detailed explanation and pro-forma financial statements are required in all three above-mentioned events. Additionally, for a change in ownership, identification and resumes of new owners are required. For sale of material amount of assets and/or dissolution, Lenders must provide copy of filing with Secretary of State, different DBA (if applicable) and an executed copy of New Penn Financials’ assigned copy or Purchase and Sales Agreement. In the case of dissolution, New Penn Financial must be assured that Lender will fulfill all obligations and that all final documents will be delivered. New Penn Financial may hold any outstanding SRPs, premium pricing, etc. and take all other actions to assure compliance with Agreement.

**Q) What time of day are your rates posted?**

A) Rates for all Agency Products will be published between 9:00 am CT and 9:30 am CT for each New Penn Financial business day.

**Q) What is New Penn Financials' Extension Policy?**

A) An approved Lender may extend a lock up to four times as long as the request for an extension is exercised on or before 5:00 pm CT of the existing lock expiration date. We will offer three extension options for the number of days and cost shown below:

2 calendar days            -0.063

7 calendar days            -0.125

15 calendar days          -0.250

These fees are subject to change and are posted on our daily rate sheet.

**Q) Does New Penn Financial offer Overnight Rate Protection for locking Loans?**

A) An approved Lender may register and lock loans on any New Penn Financial business day from the time rate sheets are published until 7:00 pm CT. New Penn Financial will not provide the ability to lock any loans after this time nor on any non-business day.

**Q) How does New Penn Financial handle Escrow Waivers?**

A) Escrow Waivers are allowed on Conventional Conforming Products if the LTV is equal to or less than 80 percent. Waivers are acceptable for hazard insurance only, property taxes only, or both hazard insurance and property taxes. There will be a loan level SRP deduction if monthly escrows are not established for property taxes regardless of the reason. Refer to our published rate sheet for the percentage that will be deducted from your SRP. Note: Partial Escrow Waivers are not allowed on the Jumbo products.

**Q) When must the Lender deliver a closed loan package?**

A) New Penn Financials lock periods provide an expiration date. It is the Lender's responsibility to close and deliver a loan in fundable condition on or before 3:30 pm CT on the lock expiration date. Loans must be delivered within 60 days of the Note date.

**Q) Is it necessary for loan amounts to be whole dollar amounts?**

A) Yes.

Example: Loan Amount of \$145,625.00 is acceptable

Example: Loan Amount of \$145,625.75 is not acceptable

Please note that this FAQ is addressing the loan amount only for the Note purposes. TRID requires that the loan amount on the Closing Disclosures be rounded to the nearest whole dollar.

**Q) Does New Penn Financial accept loans closed with odd terms?**

A) All Loans sold to New Penn Financial must be closed with terms of 5 year increments (10, 15, 20, 25, 30 years). Refer to [Products](#) for details on the terms allowed for each specific product.

**Q) What is your underwriting and/or loan purchase turn times?**

A) Turn times are published daily for both underwriting and loan purchase on New Penn Financials home page.

**Q) What is the contact information for the Underwriting Help Desk? Collateral Audit/Funding Help Desk?**

A) For underwriting questions, please contact us at [uwhelpdesk@NewPennFinancial.com](mailto:uwhelpdesk@NewPennFinancial.com) or 1-855-368-6925.  
For collateral audit or funding questions, please contact us at  
[ClosedLoanReview@NewPennFinancial.com](mailto:ClosedLoanReview@NewPennFinancial.com) or 1-855-368-6925.

**Q) Are guideline overlays published?**

A) Please refer to [Overlay Matrices & Exclusionary Lists](#) within this guide.

**Q) Can a guideline exception be requested?**

A) Lenders may request a guideline exception by completing the [New Penn Financial Exception Request Form](#) and submitting the completed form to [uwhelpdesk@NewPennFinancial.com](mailto:uwhelpdesk@NewPennFinancial.com)

**Q) How should a file be submitted for underwriting or loan purchase?**

A) The preferred delivery is via LION Portal delivery; however, the overnight delivery of a paper file is acceptable.

Note: Files must be received by 3:30 pm CT to be considered received for that day. Any file delivered after 3:30 pm CT will be considered as received the next business day.

Image Delivery:

Files will be delivered through the LION Delivery system. Please refer to [File Delivery](#) for more information.

Paper File Mailing Address:

New Penn Financial, LLC  
1000 Oliver Road  
Monroe, LA 71201  
Attn: Underwriting or Closed Loan

**Q) How is a “rush” requested for underwriting or loan review for purchase?**

A) Lenders may request a “rush” review of a specific loan file at time of submission to underwriting or loan purchase. The fee for this request is \$125.00 and will guarantee a 24-hour response time. Please contact your Lender Support Specialist with your request.

**Q) Will you allow a transferred appraisal on a conventional loan?**

A) New Penn Financial will not allow the transfer of an appraisal on a conventional loan.

**Q) Do you have a department that will review conventional condominium projects for approval?**

A) Condominium projects, whether new or existing, that require a full review may be submitted to New Penn Financial to ensure compliance with New Penn Financial and Agency guidelines. The required documents must be gathered and forwarded for review and approval to [projectreview@NewPennFinancial.com](mailto:projectreview@NewPennFinancial.com). The project review team will review the documents and provide a response within 48-72 hours of receipt. Lenders must submit a completed Condominium Approval Request along with all of the required documents referenced on the Exhibit.

**Q) What are your policies regarding High Cost or Higher-Priced Mortgage Loans?**

A) Refer to [Compliance Topics](#) for complete guidelines.

**Q) Do you have a list of fees that New Penn Financial will count as prepaid finance charges in the APR?**

A) Please refer to the [New Penn Financial APR Finance Charge Matrix](#) for a list of prepaid finance charges.

**Q) Where should the original Note be delivered?**

A) The original Note should be sent overnight delivery to  
New Penn Financial, LLC  
1000 Oliver Road  
Monroe, LA 71201  
Attn: Note Department

**Q) How should the original Note be endorsed?**

A) We prefer the use of Allonges to the note but if a note is to be physically endorsed it should be as follows:

WITHOUT RECOURSE PAY TO THE ORDER OF:  
New Penn Financial, LLC  
(Seller Name)  
(Officer Name and Title)

**Q) What address is to be used for the Loan Sale Notification?**

A) New Penn Financial, LLC DBA Shellpoint Mortgage Servicing  
PO Box 10826  
Greenville, SC 29603-0826  
Customer Service 1-866-317-2347

**Q) What is the address for payments due New Penn Financial?**

A) New Penn Financial  
PO Box 740039  
Cincinnati, OH 45274-0039  
Loan #: \_\_\_\_\_

**Q) What is New Penn Financial's mortgagee clause for Hazard, Flood, Windstorm and Earthquake insurance?**

A) Shellpoint Mortgage Servicing  
ISAOA/ATIMA  
P.O. Box 7050  
Troy, MI 48007-7050

**Q) What is New Penn Financials mortgagee clause for PMI?**

A) Shellpoint Mortgage Servicing

ISAOA/ATIMA

P.O. Box 7050

Troy, MI 48007-7050

**Q) What address should tax bills be sent to?**

A) New Penn Financial

PO Box 10826

Greenville, SC 29603-0826

**Q) What is New Penn Financials MERS Org ID number?**

A) MERS ORG ID # 1007544 (for both Investor and Servicer)

**Q) Once a FHA loan has been purchased by New Penn Financial, what other notifications should a Lender make?**

A) Once a Lender has received the purchase advice, if the loan is a FHA insured loan, the Lender should complete the Mortgagee Record Change on FHA Connection.

**Q) What is New Penn Financials FHA ID number?**

A) New Penn Financials FHA ID number is 2557400002.

**Q) What is New Penn Financials VA ID number?**

A) New Penn Financials VA Lender Identification number is 600171-00-00.

**Q) What is New Penn Financials Lender ID number to be used on Rural Housing Documents?**

A) New Penn Financials Lender ID number is 37-1542226.

**Q) What escrow cushion is required by New Penn Financial?**

A) Two-month cushion is required for all loans except properties located in the following states. These states only require one month cushion:

- Montana
- Utah
- Vermont

Unless in violation of applicable state law, the maximum cushion that the Lender may maintain in the escrow/impound account is two months, except the cushion for PMI which is zero months if the mortgage insurance is a ZOMP policy.

**Q) What is the maximum number of days allowed for interest credit?**

A) Interest credit is allowed when the disbursement date on the HUD-1/Closing Disclosure is equal to or less than the 5<sup>th</sup> business day of the month. Note: Interest credits are not allowed on the Jumbo products.

**Q) How is interest calculated?**

A) 365 days

**Q) Are electronic signatures allowed on documents?**

A) Electronic signatures are allowed on all early disclosures

**Q) What are Post Funding documents?**

A) Post Funding documents include the “final” documents (i.e., recorded security instrument, recorded power of attorney, final title policy, and proof of default insurance) but it also includes any other documentation necessary to fully document a purchase loan.

**Q) How long do I have to deliver Post Funding documents?**

A) All Post Funding documents should be sent to New Penn Financial no later than 90 days after the Note date.

**Q) Where do I send my Post Funding documents?**

A) Post Funding documents including a document transmittal should be sent to: New Penn Financial  
1000 Oliver Road  
Monroe, LA 71201  
Attn: Post Funding Documents

**Q) How will I know which Post Funding Documents have not been delivered?**

A) After each month end, New Penn Financial will provide a report of all Post Funding documents that are outstanding. If documents were delivered seven or fewer calendar days prior to the report date, Lenders may find documents on the report that were shipped during that period. If the Lender sent documents on a transmittal and has not received a signed and dated receipt from New Penn Financial for that transmittal, then the Lender should contact the Post Funding Documents Department to confirm receipt.

**Q) What may happen if I don't timely deliver all of my Post Funding Documents?**

A) If a Post Funding document has not been received by New Penn Financial within 180 days of the Note date, New Penn Financial may seek to acquire the document through a third-party vendor at the Lender's expense. If the document cannot be obtained from a third-party vendor, New Penn Financial may make demand on the Lender to deliver the document(s) immediately. If the document cannot be provided immediately, New Penn Financial may withhold SRP on subsequently purchased loans or in the extreme may require the Lender to repurchase the loan.

**Q) Who reports HMDA if a loan is underwritten by New Penn Financial?**

A) New Penn Financial will report all loan dispositions on loans underwritten by New Penn Financial prior to loan closing. These loans will be reported as “originated” loans. All loans underwritten by the Lender under their Delegated authority will be reported as “purchased” loans by New Penn Financial.

**Q) What is the “type of purchaser” code for New Penn Financial when reporting HMDA?**

**A) New Penn Financial is coded as a “7”.**

**Q) Does New Penn Financial allow a recast of an existing loan if a principal reduction is made?**

**A) New Penn Financials recast policy is as follows:**

- ☐ Only available on conventional loans
- ☐ Not allowed on government loans
- ☐ A minimum 10% reduction must be applied to balance
- ☐ A fee of \$300 for modification will be charged on any conventional loan that is recast

### SECTION 6. OVERLAY MATRICES AND EXCLUSIONARY LISTS

#### 6.1 [GUIDELINE OVERLAYS](#)

6.2 EXCLUSIONARY APPRAISER LIST - please log in the LION Portal to view list.

## SECTION 7. EXHIBITS AND JOB AIDS

### 7.1 LENDER MANAGEMENT

[Fee Schedule](#)

[Wire Bank Set Up Form](#)

[TPO Questionnaire](#)

[Request for VA Recognition of an Agent](#)

### 7.2 REGISTRATIONS

[Loan Registration Lock Form](#)

### 7.3 FILE DELIVERY

**Image Delivery Procedures**

### 7.4 UNDERWRITING

[Borrower Authorization for Counseling](#)

[Condominium or PUD Project Eligibility](#)

[Conventional Underwriting Submission Form](#)

[New Penn Financial Exception Request Form](#)

[FHA Underwriting Submission Form](#)

[Gift Fund Checklist \(AC\)](#)

[Gift Fund Checklist \(PTC\)](#)

[Homebuyer Education Completion Certification](#)

[Limited Review Questionnaire](#)

[Notice to HomePath Program Buyers Regarding Appraisal Form](#)

[Rental Income Worksheet](#)

**Schedule C Income Worksheet - Excel** [Self-](#)

[Employed Income Worksheet - Excel](#) **Self-**

**Employed Income Worksheet - PDF** [SS](#)

[Administration Form](#)

[VISA Classification Matrix](#)

**Wage Earner Income Worksheet – Excel Sheet**

## **7.5 COLLATERAL AUDIT**

[Loan Purchase Submission Checklist](#)

## **7.6 COMPLIANCE**

[Appraisal Acknowledgement](#)

[APR Finance Charge Matrix](#)

[RESPA Change of Circumstance Form General](#)

[Tangible Benefit Worksheet](#)

State Specific:

[Colorado NTB Form](#)

[Massachusetts NTB Form](#)

[Maryland NTB form](#)

[Maine NTB Form](#)

[Rhode Island NTB Form](#)

[South Carolina NTB Form](#)

[Virginia NTB Form](#)

[West Virginia NTB Form](#)

## SECTION 8. LENDER MANAGEMENT

### 8.1 GENERAL POLICY STATEMENT

A primary goal of New Penn Financial is to ensure that each Correspondent Lender that it purchases loans from (referred to herein as “Lender” or “Lenders”) maintains sound practices in real estate loan originations while assuring investment loan quality, compliance with all applicable laws and regulations, and benefit to the borrower. All New Penn Financial Lenders must demonstrate the financial ability, the experience, and the commitment to originate mortgages consistent with this philosophy.

New Penn Financials monitoring procedures include a review of all the required documentation both at application and at time of recertification to insure compliance with all New Penn Financial, Agency, investor, and regulatory requirements. The required components include, but are not limited to, financial statements, licenses, insurance policies, a QC Policy, and two months of the most recent QC results reported to Lender’s management.

Additionally, New Penn Financials QC monitoring includes loan reviews which take place both prior to loan purchase and after loan purchase. Lenders with QC results that reveal significant exceptions are responsible for responding to issues in a timely manner. A loan that is determined not to meet New Penn Financial guidelines may require correction of the violation, indemnification, return of Service Release Premium (SRP), and/or reimbursement of losses or loan repurchase. Additionally, issues not resolved within the required time frames could result in suspension or termination of the relationship.

### 8.2 ETHICAL STANDARDS AND RESPONSIBLE LENDING

Both New Penn Financial and Lender must adhere to the highest level of ethical standards to ensure that as financial services organizations we maintain the trust of our customers, employees, and investors. New Penn Financial is committed to fair, responsible, and ethical lending and we expect our Lenders to manage their institutions with the same commitment and focus. To ensure these standards are met, the Lenders are expected to:

- ☐ Comply with all regulatory or legal obligations
- ☐ Adhere to New Penn Financials Fair Lending and Fairness Policies and not discriminate against any loan applicant
  - Fully understand the applicant’s lending needs and financial circumstances and ensure that the product and loan obligations are fully explained to all applicants
- ☐ Deliver appropriate levels of service and product quality to all customers
- ☐ Protect the privacy of all applicants and ensure that any applicant information is appropriately protected

**CORRESPONDENT**

- ☐ Perform in a manner that respects the lending industry, their relationship with New Penn Financial, and preserves the reputation of both New Penn Financial and their own organization

**8.3 LENDER ELIGIBILITY**

Eligible Lenders must meet the following minimum requirements for approval:

- ☐ Be financially and operationally sound
- ☐ Be duly organized and in compliance with all applicable federal, state and local regulations and duly licensed
- ☐ Exhibit an acceptable level of mortgage lending experience
- Have been actively engaged in residential mortgage lending for a minimum of two years preceding submission of Lender's application to New Penn Financial
- ☐ Provide resumes of all key personnel showing experience levels acceptable to New Penn Financial.
- ☐ Have a minimum audited HUD Adjusted Net Worth of \$1,000,000 for Non-Delegated and \$1,500,000 for Delegated approval.
- ☐ Maintain minimum Liquid Assets of the lesser of 20 percent of HUD Adjusted Net Worth or \$500,000
- ☐ Maintain a minimum audited HUD Adjusted Net Worth of \$1,500,000 if approved for Jumbo products
- For Manufactured Housing Loans, specific Lender approval is required for delivery of all FHA and Conventional Conforming Manufactured Housing Loans. Lenders must have: a) have a minimum audited HUD Adjusted Net Worth of \$1,500,000 b) be approved for Delegated Underwriting Authority with New Penn Financial; c) maintain a level of good standing with New Penn Financial; d) have experienced personnel in Underwriting, Processing and Closing; e) participate in a Manufactured Housing review call with New Penn Financial; f) Lender maintains compliance with state regulations along with all applications, FNMA, FHA and VA Manufactured Housing Guidelines; and g) Manufactured Housing Loans delivered is limited monthly to a maximum of 50% of total production delivered to New Penn Financial. New Penn Financial will not purchase TPO Manufactured Housing Loans.

**CORRESPONDENT**

- ☐ New Penn Financial Correspondent Lending Division (CLD) will purchase Third Party Originated (TPO) Conventional and Government loans on a very limited basis with Lenders who possess the following minimum requirements.
- **Conventional Loans:**
    - Only regulated financial institutions or mortgage companies wholly owned by a financial institution will be eligible to sell TPO loans to New Penn Financial (CLD).
    - Tangible net worth of \$5,000,000 and tangible liquidity of \$1,000,000 are required to sell conventional Conforming loans to New Penn Financial (CLD) that has been Third Party Originated. New Penn Financial (CLD) counterparty Lenders are required to perform all underwriting on TPO loans.
  - **Government Loans:**
    - Only regulated financial institutions or mortgage companies wholly owned by financial institutions will be eligible to sell government TPO loans to New Penn Financial (CLD).
    - Tangible net worth of \$5,000,000 and tangible liquidity of \$1,000,000 are required to sell FHA, VA and Guaranteed Rural Housing to New Penn Financial (CLD) that has been Third Party Originated (TPO). Lenders must also possess applicable Agency approvals (FHA Direct Endorsement, VA Automatic Approval and USDA Approval) to participate in New Penn Financial (CLD) TPO program. New Penn Financial (CLD) counterparty Lenders are required to perform all underwriting on TPO loans.

New Penn Financial (CLD) reserves the right to review Lender's: 1) experience (5 years' minimum) in executing a (TPO) business strategy; 2) maintaining its adequate capital levels; 3) access to lines of credit and additional sources of liquidity; 4) leverage; 5) profit or loss sustainability; 6) financial trends; 7) compliance and regulatory capital requirements; 8) volume of overall TPO deliveries and 9) overall financial condition. Exceptions to these standards will be reviewed on a case-by-case basis and are at New Penn Financials (CLD) sole discretion.

Each Lender requesting "TPO" must complete the "TPO Questionnaire" and be approved by New Penn Financial (CLD) for TPO.

- ☐ Maintain at least two warehouse lines of credit or funding source acceptable to New Penn Financial (Financial institutions are exempt from this requirement if the institution uses its own funds for financing)
- ☐ Have fiscal year-end financial statements prepared by an independent auditing firm
- ☐ Provide a copy of an acceptable Quality Control plan and at least 2 recent monthly Quality Control Results, evidencing compliance with New Penn Financial requirements and follow-up

**CORRESPONDENT**

- ❑ Carry Errors and Omissions Insurance and Fidelity Bond with minimum coverage of \$300,000 each
- ❑ Execute the New Penn Financial Correspondent Loan Purchase Agreement
- ❑ Be a Mortgage Electronic Registration Systems, Inc. (MERS) member
- ❑ Recommend Lenders be an AllRegs member for on-going industry changes
- ❑ Have acceptable HUD Compare Ratios of less than 150 percent
- ❑ Be properly licensed or registered in NMLS

**8.4 LENDER APPLICATION PROCESS**

New Penn Financials Lender Support Specialists, Regional Account Managers, and the National Sales Manager shall be the first line of communication with all potential Lenders. Upon completion of the initial interview, potential Lenders will be directed to Comerence to submit an application.

Once an application is deemed complete, New Penn Financials Lender Management group will review the submitted file and will either ask for additional information or will approve or deny the application with comments.

It is reasonably estimated that a completed file review will take approximately five to seven business days to communicate a decision.

**All inquiries related to the approval process or status should be directed to the Lender's regional account manager.**

**8.5 MAINTAINING ELIGIBILITY AND AUTHORITIES**

To maintain a Lender's eligibility to sell loans to New Penn Financial, the Lender assumes certain responsibilities and agrees to provide specified information to New Penn Financial annually and, if requested, on a quarterly basis. The Lender also agrees to immediately notify New Penn Financial of events that may impact their ability to maintain their eligibility.

New Penn Financials Lender Management will perform a comprehensive review of each Lender's performance periodically.

Lenders will be given notice approximately 60 days prior to recertification date, which typically will fall 90 days following lender's fiscal year end.

Lenders will upload all requisite documents and updates directly into the Comerence portal. The Lender will be notified once the recertification is completed.

*Note: New Penn Financial reserves the right to conduct this review on a quarterly basis if New Penn Financial determines that Lender's overall performance merits a more frequent in-depth review.*

Failure to submit the required documents within the allotted time frame may result in a Lender's suspension.

In addition to recertification requirements, Lenders are required to provide New Penn Financial with prior notification of events impacting the Lender's ownership, corporate structure, or financial capacity. Events or changes requiring prior notification to New Penn Financial are detailed below.

Prior notification (unless prohibited by law) of change in corporate structure or management team must be provided to New Penn Financial by notifying the Regional Account Manager. Notification must be given in writing and should include updated organization charts and resumes of key officers and owners. Upon receipt of the notification, New Penn Financial will review and determine if there is any impact upon the Lender's eligibility to sell loans to New Penn Financial.

Examples of such changes are listed below:

- ❑ Material change in ownership; merger, consolidation, or reorganization. Notice must be given to New Penn Financial no less than 10 business days in advance of a planned corporate restructuring that would materially change the Lender's financial condition, except when such notice is prohibited by law or regulation.
- ❑ Change in legal structure
- ❑ Change in the business name, primary address, or telephone number
- ❑ Change in principal management

The Lender is to notify New Penn Financial of any material changes to its financial condition as follows:

- ❑ A material change in financial condition; financial strength, or rating has been downgraded
- Any material change in the Lender's financial condition that is likely to impact its ability to perform its obligations under the Agreement and the Guide
- ❑ Information related to repurchase, indemnification, or make-whole demands or billings received by investors other than New Penn Financial
- ❑ Adverse Action as defined in section 8.8

Other examples of a required notice include, but are not limited to those related as follows:

- ❑ An action notification from a warehouse lender, FHA, VA, HUD, USDA, Freddie Mac, Fannie Mae, or any other regulatory agency
- ❑ Administrative sanction, investigation, audit, examination, or review that resulted in possible regulatory action or formal agreement
- ❑ Court judgment or regulatory order
- ❑ Disqualification or suspension by an Agency or investor
- ❑ Subsequent to the sale of a loan to New Penn Financial, a fact or circumstance rendering said loan to be ineligible for purchase by New Penn Financial is discovered
- Any material change in the Lender's operational conditions that may adversely impact the ability to perform any obligations as outlined in the Agreement

- ☐ An Agency, regulatory, or judicial finding or other determination of any noncompliance with applicable law (including, but not limited to, RESPA, SAFE Act, ECOA, etc.) by Lender, an affiliate of Lender, agent of Lender, or an employee of Lender
- ☐ Any breach of a Representation and Warranty with respect to the Lender or to a mortgage loan or of any covenant of Lender
- ☐ An Agency, regulatory or judicial finding, or other determination of any noncompliance with applicable appraiser independence requirements (including, but not limited to, the Appraiser Independence Requirements adopted by Fannie Mae or Freddie Mac and the Appraisal Independence Requirements set forth in Title XIV, Subtitle F, Section 1472 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 and any regulations promulgated pursuant thereto) by Lender or an affiliate, agent, or employee of Lender

In the event any internal audit or quality assurance reviews identify loan quality issues, New Penn Financial requires the Lender to provide a copy of the findings report within 60 days.

The Lender must notify New Penn Financial immediately of any delay in the Lender's Quality Control reporting requirements as described in the **Quality Control Plan Requirements** section of this guide.

Notifications and annual review documents may be sent to the following address:

**New Penn Financial Correspondent Division**

**Attn: Quality Control**

**1000 Oliver Road**

**Monroe, LA 71201**

New Penn Financial maintains a database of all Lenders' contact information including mailing address, e-mail address, and telephone numbers. These contacts are specific to various functions such as:

- ☐ Legal contact
- ☐ Secondary Marketing
- ☐ Rate sheet distribution
- ☐ Lender bulletin distribution
- ☐ Web site administration
- ☐ Underwriting
- ☐ Funding suspense
- ☐ Purchase advice
- ☐ Quality Control

It is the Lender's responsibility to notify New Penn Financial, in writing within five days of any contact information changes. Contact change information can be e-mailed to [lendermgt@NewPennFinancial.com](mailto:lendermgt@NewPennFinancial.com)

New Penn Financial may provide information about loan performance to the Lender. This information is provided for the sole purpose of assisting the Lender with internal Quality Control review of their processes, procedures, and loan quality as it relates to the loans purchased by New Penn Financial.

This information is confidential and should be maintained as such and used only in compliance with the law. In accepting this data, the Lender agrees that there shall be no contact made with the borrower(s) by the Lender or affiliates, agents, or employees of Lender in regard to delinquency information. To the extent that the Lender or its affiliates, agents or employees:

- ☐ Contact the borrower(s) notwithstanding this agreement not to do so
- or
- ☐ Use this information other than in compliance with law
- and
- ☐ In either event New Penn Financial suffers a loss therefrom, the Lender agrees to be fully liable for, and indemnify New Penn Financial for any and all losses to New Penn Financial

Information regarding lender specific loan activity and performance will be available on the LION portal.

## **8.6 UNDERWRITING OPTIONS**

### **Delegated**

New Penn Financial will purchase conventional loans within conforming loan balances that receive DU Approve/Eligible or LP Accept recommendations that have been underwritten and approved by Lenders with specific prior written Delegated Underwriting Authority and approved Delegated Underwriters, provided the following criteria are satisfied:

- ☐ Minimum HUD Adjusted Net Worth of \$2,000,000
- ☐ Have minimum Liquid Assets of \$500,000
- Resume' of individual staff underwriter with satisfactory conventional underwriting experience (unless requesting institutional delegated authority – refer to Underwriting Options in Section 11.2)
- ☐ History of satisfactory loan performance

If a Lender is sponsored by New Penn Financial and uses New Penn Financials FNMA Desktop Origination, the Lender must reimburse New Penn Financial per Loan submitted according to the New Penn Financial Fee Schedule exhibit to this Guide. Any Lender that fails to complete a submission

through New Penn Financials Desktop Origination or that fails to reimburse New Penn Financial for use of New Penn Financials Desktop Origination is subject to cancellation of the Lender's sponsorship by New Penn Financial, in addition to any other remedies that New Penn Financial may have.

Delegated loans are reviewed in accordance with New Penn Financials Quality Control Policy. Loans with deficiencies are tracked through monthly reports and made available to the delegated Lender by mail delivery. Delivering loans that do not meet the guidelines set forth in this Guide can result in an underwriter's delegated authority being limited, suspended, or rescinded.

A written response from Lender is required for all High or Medium risk findings. Responses are required to be returned to New Penn Financials QC within five business days by e-mail along with supporting documentation. Lenders not in compliance with response procedures will be subject to suspension of delegated lending authority.

### **Non-delegated**

Refer to Underwriting for complete guidelines.

New Penn Financial must underwrite all Jumbo loans.

### **Government – DE Underwriting**

FHA DE and VA Automatic underwriting authority must be issued through HUD or VA. Any Lender requesting approval for government loans must have a FHA Direct Endorsement (DE) or VA Staff Appraisal Reviewer (SAR) and/or Lender Appraisal Processing Program (LAPP) approved underwriter on staff. New Penn Financial does not issue government delegated authority.

### **Government – Authorized Agent and Sponsorship of a FHA Approved Lender**

HUD allows a Principal/Authorized Agent relationship or a Sponsorship relationship between two lenders to share in the underwriting of an FHA loan. New Penn Financial offers underwriting on FHA loans under an Authorized Agent or a Sponsorship relationship (FHA Approved Title II Non-Supervised or Supervised Lenders only) under the following terms:

- ☐ Both the Principal (Lender) & New Penn Financial must have unconditional DE approval for the type of loan being originated
- ☐ For Sponsorship, the Sponsored Lender must have FHA Approval (either Title II Non-Supervised or Supervised Lender)
  - The Principal (Lender) or Sponsored Lender must originate and close the loan in accordance with Authorized Agent's (New Penn Financial) and FHA guidelines
- ☐ New Penn Financial must underwrite the loan
- ☐ Loans will be closed in the name of the Principal (Lender) or Sponsored Lender

New Penn Financial will request the insurance from HUD. The Principal (Lender) or Sponsored Lender agrees to execute and deliver such instruments and take such actions as the other party requests in order for the loan to meet all FHA requirements necessary to issue the Mortgage Insurance Certificate (MIC). *Ultimately, it is the responsibility of the Principal (Lender) or Sponsored Lender to*

ensure that FHA issues the MIC within the prescribed time frame (refer to the Post Funding Documents Section).

### **Government – Sponsorship of a VA Approved Lender**

VA allows lenders, such as New Penn Financial, to request VA recognition of an ongoing relationship with its correspondent lender, called “agent”. If approved, New Penn Financial may designate any individual or entity as an agent to perform loan related functions on its behalf or in its name. The extent of the relationship between the lender (New Penn Financial) and its correspondent (agent) is at the sole discretion of New Penn Financial.

- Agent must have VA Lender ID number issued by the Agent’s local VA office.
- Agent must request approval for VA Sponsorship and complete VA Recognition of Agent with New Penn Financial. (Refer to Exhibit – Request for VA Recognition of an Agent Form).
- ❑ If New Penn Financial approves Agent for VA Sponsorship, New Penn Financial will submit VA Recognition of an Agent Form and \$100 check made payable to the Department of Veteran Affairs for VA approval. Once VA has approved Lender/Agent relationship, Agent will be notified to submit VA loans.
- ❑ Agent must originate and close the loan in accordance with VA and New Penn Financial guidelines.
- ❑ Agent is required to pay an initial \$100 VA Recognition Fee made payable to the Department of Veterans Affairs and a \$100 renewal fee every calendar year.

## **8.7 FICTITIOUS NAME REQUIREMENTS**

Strict adherence to the requirements outlined in this section is required for all loans made by a Lender using its fictitious name and sold to New Penn Financial.

In the event a Lender originates a loan or generates a loan document using a fictitious name (defined as a trade name, doing business as (DBA) name, or any name other than the actual legal name of the Lender, as stated in the Lender’s Articles of Incorporation or charter), New Penn Financial must be provided with the following documentation for each state where the Lender transacts business using a fictitious name.

- ❑ A copy of the Fictitious Name Certificate, Regulator Notice and/or Approval or Registration Statement issued by the applicable state or local regulatory agency authorizing the Lender to transact business under the fictitious name  
and
- ❑ If appropriate, a copy of the Lender's current state lending license bearing the Lender's fictitious name, if such state requires a license to bear the licensee's fictitious name in order for the licensee to lend in such fictitious name

All required fictitious name documents must be forwarded to:

**New Penn Financial Correspondent Division**

**Attn: Lender Management**

**1000 Oliver Road**

**Monroe, LA 71201**

Lenders must promptly advise New Penn Financial, in writing, of any changes in its use of a fictitious name, including, but not limited to, changes regarding registration or licensure of a fictitious name and any renewals to such fictitious names.

Any Lender operating under a Fictitious Name represents and warrants New Penn Financial:

- ☐ That any loan document bearing the Lender's fictitious name is a legal, valid, and binding obligation of the obligor(s) there under.
- ☐ The loan is not subject to any defense, claim, or right of rescission of the obligor(s), due to the use of such fictitious name.
- ☐ The validity, enforceability, effectiveness of recording or priority of any mortgage is in no way affected by the use of the Lender's fictitious name.
- ☐ The transfer or assignment of any loan or loan documents to New Penn Financial confers upon New Penn Financial the legal right of ownership and enforceability of any such loan or any such loan documents.

The Lender's obligations and liabilities regarding its use of a fictitious name should in no way imply the Lender is subject to any lesser degree of liability or obligations under the Agreement, including loans previously acquired by New Penn Financial, for which a fictitious name was used.

Each Lender using a fictitious name must indemnify, defend, and hold harmless New Penn Financial, its officers, directors, agents, employees, successors, and assigns, from and against:

- ☐ Any and all losses
  - ☐ Damages
  - ☐ Fines
- and/or
- ☐ Costs or expenses, including attorney's fees, incurred by New Penn Financial as a result of any allegation, claim, action, or complaint alleging the improper or unlawful use of a fictitious name

### **8.8 REPRESENTATIONS, WARRANTIES, AND COVENANTS**

**8.8.1 General Information**

The Lender makes the Representations, Warranties, and Covenants contained in this Guide for, and as to, the Lender, and each Loan sold by the Lender to New Penn Financial as of the respective dates of the Agreement and each Commitment Letter, and as of each Funding Date. Such Representations, Warranties, and Covenants are the Lender's sole responsibility. Each Representation, Warranty, and Covenant continues in full force and effect for so long as any Loan purchased from the Lender remains outstanding and for so long as New Penn Financial is subject to any risk of loss or liability as to any Loan purchased from the Lender. As is more fully set forth in this Guide, it is expressly understood and agreed that New Penn Financial's rights in connection with the Lender's Representations, Warranties, and Covenants survive any particular Loan's Funding Date and any termination of any of the Program Documents, and are not affected by any investigation or review made by, or on behalf of, New Penn Financial, except to the extent expressly waived in writing by New Penn Financial. The word "Lender" whenever used in this Guide section shall include all of the pronouns used herein and shall include when appropriate, either gender and both singular and plural, and the grammatical construction of sentences shall conform thereto.

The Lender acknowledges that New Penn Financial purchases the Loans in reliance upon: (i) the truth and accuracy of the Lender's Representations and Warranties set forth in the Program Documents and this Guide, all of which Representations and Warranties relate to a matter material to such purchase; and (ii) the Lender's compliance with each of the agreements, requirements, terms, Covenants, and conditions set forth in the Program Documents and this Guide. These Representations, Warranties, and Covenants shall inure to the benefit of New Penn Financial's successors, affiliates, and assigns unless New Penn Financial specifically waives a Representation, Warranty, or Covenant in writing.

Making the Representations, Warranties, and Covenants contained in this Section does not release the Lender from its obligations under any Representations, Warranties, or Covenants contained in other Guide sections, including the exhibits hereto, or in the Program Documents.

New Penn Financial reserves the right to require the Lender as a condition to New Penn Financial's purchase of a given Loan or groups of Loans to make additional Warranties in writing.

**8.8.2 "Knowledge" Standard**

Whenever any representation, warranty, or other statement contained in the Agreement or this Guide is qualified by reference to a party's "knowledge" or "to the best of" a party's "knowledge," such "knowledge" shall be deemed to include a party's knowledge of facts or conditions which the party, including (without limitation) any of such party's directors, officers, agents, or employees, either is actually aware or should have been aware under the circumstances with the exercise of reasonable care, due diligence, and competence in discharging its duties under this Guide and the Program Documents. All matters of public record shall be deemed to be known by the Lender. Any representation or warranty that is inaccurate or incomplete in any material respect is presumed to be made with the Lender's knowledge.

**8.8.3 Representations, Warranties, and Covenants Concerning the Lender**

The Lender is and shall continue to be duly organized, validly existing, and in good standing under the laws of the United States, and under the laws of each state in which the Lender is incorporated, chartered, organized, and conducting business and will maintain full corporate or partnership power and authority. The Lender hereby makes the following Representations, Warranties, and Covenants to New Penn Financial as follows:

The Lender, and as applicable each employee, officer, agent, and assignee of Lender:

- a) has and shall continue to maintain all federal, state and local licenses, registrations and certifications necessary to carry on business, including, but not limited to, applicable mortgage broker, mortgage loan officer, debt collector, and consumer loan;
- b) is and shall continue to be licensed, qualified, and in good standing under the laws of the United States and each state where a Loan and/or Borrower is located, as applicable;
- c) will remain in good standing with state and federal authorities to the extent necessary to ensure enforceability of all Loans;
- d) has written policies and procedures in place to ensure the compliance of Lender, and as applicable each employee, officer, agent, and assignee of Lender, with all applicable federal, state and local licensing, registration, and related disclosure and record retention requirements, at the entity level and the individual employee level;
- e) has not taken into account any “de minimus” licensing or registration exemptions to deliver any Loans to New Penn Financial;
- f) has disclosed in writing to New Penn Financial all final written reports, actions, and sanctions of all federal and state agency and instrumentality reviews, investigations, examinations, audits, actions, and sanctions undertaken or imposed within two years prior to the Agreement’s effective date;
- g) is not operating under any type of agreement or order (including, without limitation, a supervisory agreement, memorandum of understanding, cease and desist order, capital directive, supervisory directive, and consent decree) with or by any federal or state government agency, licensing, banking or regulatory authority, and the Lender is in compliance with any and all capital, leverage or other financial or regulatory standards imposed by any applicable regulatory authority;
- h) is duly and validly authorized to execute and deliver all documents, instruments, and agreements the Lender is required to execute and deliver under the terms of the Program Documents and to consummate the transactions contemplated by the Program Documents;
- i) has the ability to perform each and every obligation, and to satisfy each and every requirement imposed on the Lender, in the Program Documents and this Guide and no offset, counterclaim, or defense exists to the Lender’s full performance of the Program Documents’ and this Guide’s requirements;

- j) the execution and delivery of the Agreement, acquisition, making and sale of the Loans, consummation of Agreement contemplated transactions, fulfillment of and compliance with the terms and conditions of the Program Documents will not conflict with, or result in a breach of, any terms, conditions, or provisions of the Lender's articles of incorporation, charter, by-laws, partnership agreement, or other organizational document, or of any legal restriction or regulatory directive or any agreement or instrument to which the Lender is now a party or by which it is bound; nor will such actions by the Lender constitute a default or result in an acceleration under any of the foregoing, result in the violation of any law, rule, regulation, order, judgment, or decree to which the Lender or any of its property is subject, impair the ability of New Penn Financial to realize on a Loan, or impair its value;
- k) no action, suit, proceeding, inquiry, review, audit or investigation is pending or threatened by or against the Lender ("Adverse Action") that could result in any material adverse change in the Lender's business, operations, financial condition, properties or assets or in any material liability on the Lender's part or which would be likely to impair materially Lender's ability to perform under the Program Documents' or this Guide's terms. Lender shall advise New Penn Financial immediately, in writing, of any pending or threatened Adverse Action, or any pending or threatened action to revoke or limit any license, permit, authorization or approval issued or granted to the Lender by any federal, state, or local government or quasi-governmental body, or any agency or instrumentality thereof, which is necessary for the Lender to conduct its business, or to impose any penalty or other disciplinary sanction on the Lender, or any other sanction that would materially affect the Lender's business;
- l) the transactions contemplated by the Program Documents and the terms of this Guide are in the ordinary course of the Lender;
- m) the transfer, assignment, and conveyance of the Mortgage Notes and the Mortgages pursuant to the Program Documents and the terms of this Guide are not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction;
- n) no consent, approval, authority, or order of any court or governmental agency or body is required for execution and performance of, and compliance with, the Program Documents and this Guide; sale of any of the Loans; and consummation of any Program Documents transactions, or if required, the Lender has obtained such unconditional approval prior to the related Funding Date;
- o) the application, the Program Documents, the promises, agreements, Representations, Warranties, and Covenants contained in this Guide and all other statements, reports, and documents the Lender furnished or will furnish pursuant to the Program Documents and this Guide contain no untrue statement of material fact nor do they fail to contain a material fact necessary to make the statements contained therein not misleading;
- p) there are no accrued liabilities of the Lender with respect to any of the Loans, or circumstances under which New Penn Financial will be liable for any such accrued liabilities as the Lender's successor in interest in and to the Loans;

- q) the Loans have been legally, properly, prudently, and customarily originated and serviced in conformance with the highest standards of the residential mortgage origination and servicing business using Accepted Servicing Practices;
- r) complied with, and shall continue to comply with, and has not violated and shall not violate, any law, ordinance, requirement, regulation, rule, or order applicable to its business or properties, the violation of which might adversely affect the Lender's operations or financial conditions or the Lender's ability to consummate the transactions contemplated by the Program Documents and this Guide;
- s) has and will comply with all provisions of the Program Documents and this Guide, and will promptly notify New Penn Financial of any occurrence, act, or omission regarding the Lender, the Loan, the Loan or the Mortgagor, which occurrence, act, or omission may materially affect the Lender, the Loan, the Loan or the Mortgagor;
- t) shall allow New Penn Financial, or its agent or designee, upon 24 hours' telephonic, electronic, or written notice, to conduct onsite inspections, inspect or take possession of all books and records of the Lender pertaining to its mortgage operations and to any Loans purchased by New Penn Financial from the Lender; and
- u) if subject to the regulatory supervision of the Office of the Comptroller of the Currency (OCC) is in material compliance with the standards set forth in Part III of the OCC's Guidelines Establishing Standards for Residential Mortgage Lending Practices, OCC 2005-3 as became effective April 8, 2005.

#### **8.8.4 Representations, Warranties, and Covenants Regarding Loans**

The Lender Represents, Warrants, and Covenants the following to New Penn Financial as to each Loan offered for sale under the Program Documents:

##### **Mortgage Loans as Described**

- a) no document, report, data, or material furnished to New Penn Financial relating to any Loan (including, without limitation, the Mortgagor's Loan application executed by the Mortgagor) in any Loan File contains any untrue statement of fact or omits to state a fact necessary to make the statements contained in the Loan File not misleading; and

##### **Payments Current**

- a) the Mortgagor has made and the Lender has credited all payments required to be made under the terms of the Mortgage Note through the related Loan's Funding Date; and
- b) no payment required under the Loan is delinquent nor has any payment under the Loan been delinquent at any time since the origination of the Loan. For the purposes of this paragraph, a Loan will be deemed to be delinquent if the Mortgagor did not pay any payment within 15 days of such payment's due date; and

**No Outstanding Charges**

- a) the Mortgagor has not defaulted under the Loan terms, and has paid any and all taxes, including, without limitation, any and all transfer taxes due and payable to any state or municipality relating to the transfer of ownership and occupancy interest in the Property; and
- b) the Mortgagor has paid all governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments and ground rents and other charges that previously became due and owing or will become due and owing within the funding section of Lender's guide, or the Mortgagor has established an escrow account sufficient to pay such charges; and

**No Advances**

- a) the Lender has not advanced funds, or induced, solicited, or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required under the Loan unless pursuant to an Agency eligible program or, except for interest accruing from the date of the Mortgage Note or the Loan proceeds disbursement date, whichever is later, to the day that precedes by one month the due date of the first installment of principal and interest; and
- b) the Mortgagor has, in compliance with the applicable Underwriting Guidelines, made any down payment required in connection with the Loan, and has received no concession from the Lender, or any other third party, unless pursuant to an Agency eligible program; and

**Original Terms/No Release**

- a) no person or entity has impaired, waived, released, altered, or modified in any respect the original Mortgage Note and Mortgage terms except with the written approval of New Penn Financial. Any related Mortgage Issuer and title insurer also must have approved the waiver, alteration, or modification to the extent required by the respective policies; and

**No Defense**

- a) the Loan is not subject to any unexpired right of rescission, set-off, counterclaim, or defense, including, without limitation, the defense of usury; and
- b) neither the terms of, nor the exercise of any right under, the Mortgage Note or the Mortgage, will render either the Mortgage Note or the Mortgage unenforceable, in whole or in part, or subject to any right of cancellation, set-off, counterclaim, or defense, including, without limitation, the defense of usury, and no such right of cancellation, set-off, counterclaim, or defense has been asserted with respect to the Mortgage Note or the Mortgage; and

**Hazard and Flood Insurance**

- a) valid and binding hazard insurance policies that meet all New Penn Financial and Agency minimum requirements are in full force and effect and insure all buildings or other improvements upon the Mortgaged Property, and will continue to be in full force and effect for New Penn Financials benefit upon its acquisition of the Loan; and

- b) the Mortgage obligates the Mortgagor to maintain such hazard insurance policies at the Mortgagor's cost and expense, and upon the Mortgagor's failure to do so, or to provide evidence thereof, authorizes the Mortgagee to obtain and maintain such insurance at the Mortgagor's sole cost and expense, and to seek reimbursement from the Mortgagor; and
- c) Lender has not engaged in, and has no knowledge of the Mortgagor having engaged in, any act or omission that would impair the coverage of any hazard insurance policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either; and
- d) the Loan permits the maintenance of an escrow account to pay the premiums for hazard insurance, and the Mortgagor has not waived the requirement for such escrows, unless otherwise permitted by New Penn Financial or required by applicable law; and
- e) all Loans contain any required guaranteed initial Flood Zone Determination documentation; and
- f) if a Loan is in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy in a form meeting the requirements of the current guidelines of the Flood Insurance Administration was required at closing with respect to such Loan with a generally acceptable carrier in an amount representing coverage not less than the least of (a) original outstanding principal balance of the related Loan, (b) the minimum amount required to compensate for damage or loss on the maximum insurable value basis or (c) the maximum amount of insurance that is available under the Flood Disaster Protection Act of 1973, as amended; and

**Origination, Underwriting, and Servicing Compliance**

- a) the originating, closing and, prior to New Penn Financial becoming responsible for the loan servicing, the servicing of the Loan was, and will continue to be, in compliance with all applicable federal, state, and local laws, rules, regulations, decrees, pronouncements, directives, orders, and contractual requirements with respect to the origination, closing, underwriting, processing, and servicing of each Loan; and
- b) Lender is in compliance with all applicable anti-money laundering laws and regulations, including, but not limited to, the Bank Secrecy Act and its subsequent revisions and enhancements, the Customer Identification Program requirements of the USA Patriot Act, Office of Foreign Assets Control requirements (collectively the "Anti-Money Laundering Laws"), and has established an anti-money laundering compliance program as required by the applicable Anti-Money Laundering Laws, and maintains, and will maintain, sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws; and

**Loan Status**

- a) no person or entity has granted or received a request for any Mortgage satisfactions, assumptions, loss drafts, payoffs, cancellations, subordinations, or rescissions, and no person

or entity has released any portion of the Property from the Mortgage lien, nor executed any instrument that would affect any such release, cancellation, subordination, or rescission; and

**Location and Type of Property**

- a) the Property is located in the state identified in the Loan File and, unless otherwise provided for in the Program Documents, this Guide or any applicable Underwriting Guidelines, consists of a single parcel of real property with a single-family residence erected thereon, or a two- to four-family dwelling, or an individual unit in a planned unit development or condominium project; and
- b) no portion of the Property is used for commercial purposes in such a manner that would result in the Property being considered commercial, rather than residential property; and

**Valid First Liens Secured by Real Property**

- a) the Mortgage is a valid, existing, and enforceable first lien on (i) the Property; (ii) all buildings on the Property; (iii) all installations and mechanical, electrical, plumbing, heating, and air conditioning systems located in or affixed to such buildings; and (iv) all additions, alterations, and replacements made at any time with respect to the foregoing; and
- b) no Property has any existing or simultaneous lien that takes priority over the Mortgage, including but not limited to liens that utilize the municipal tax assessment process or a utility company to ensure payment; and
- c) all real property taxes and assessment liens on the Property are current with no taxes or assessments due and payable for at least 60 days after the Funding Date; and
- d) all covenants, conditions, restrictions, rights of way, easements, and other matters of public record which as of the date of the Mortgage lien's recording are or were acceptable to mortgage lending institutions generally, are specifically referred to in the title policy insuring the Loan or, as permitted by New Penn Financial and applicable state law, in an attorney's opinion of title, delivered to the Lender, and:
  - a. were referred to or otherwise considered in the appraisal made for the Lender or
  - b. do not adversely affect the Property's appraised value set forth in such appraisal; and
- e) The Mortgage lien is subject only to such other matters to which like properties are commonly subject, which other matters do not materially interfere with the benefits of the security intended to be provided by the Mortgage, or the use, enjoyment, value, or marketability of the related Property; and

**Loan Documents**

- a) all loan documents evidencing or securing a Loan are genuine and complete in all respects and each is the Mortgagor's legal, valid, and binding obligation enforceable in accordance with its terms. All parties to the Mortgage Note and the Mortgage had legal capacity to enter into the

Loan, to execute and deliver the Mortgage Note and the Mortgage, and did duly and properly execute the Mortgage Note and the Mortgage; and

- b) the person who or entity which originated the Loan used the then-current and valid Agency forms and documents, unless New Penn Financial expressly permitted or required in writing other documents; and

**The Full Disbursement of Proceeds**

- a) the full principal amount of the Loan proceeds has been advanced to Mortgagor, either by payment directly to such Mortgagor or by payment made on such Mortgagor's request or approval and there is no requirement for future advances in the Loan documents; and
- b) the unpaid balance of the Loan is as represented by the Lender; and
- c) any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds for such improvements have been complied with; and
- d) all costs, fees, and expenses incurred in making or closing the Loan and recording the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Mortgage Note or the Mortgage; and

**Ownership of Loans**

- a) that the Lender is the sole owner and holder of the Loan except for the security interest of Lender's warehouse lender, which security interest the Lender has disclosed in writing to New Penn Financial; and
- b) Lender has good and marketable title to the Loan, and has full right and authority to transfer and sell the Loan to New Penn Financial free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim, security interest, right, option, assignment, or servicing agreement with any third party whatsoever, except pursuant to the Program Documents and this Guide; and

**Third-Party Compliance**

- a) no person or entity has performed any act for the Lender which the Program Documents or this Guide require the Lender to perform; and
- b) no person or entity other than Lender has had any interest in the Loan, whether as mortgagee, assignee, pledgee, or otherwise; and
- c) no Loans were originated by any third-party originators; and

**LTV/MI Policy**

- a) each Loan's LTV does not exceed the maximum LTV permitted by the applicable Underwriting Guidelines; and
- b) each mortgage insurance policy is written with a private mortgage insurance company acceptable to New Penn Financial, is the binding obligation of such insurer, is in full force and

effect, has had all premiums due thereunder paid, and all policy provisions have been and are being complied with; and

- c) Lender has not engaged in any act or omission, and the Lender has no knowledge of any act or omission by or on the Mortgagor's behalf or any other person's or entity's behalf, which act or omission would impair any such mortgage insurance policy's coverage or validity, the benefit of the endorsement provided for in, or the validity or binding effect of either; and
- d) any Loan subject to a mortgage insurance policy obligates the Mortgagor under the mortgage insurance policy to maintain such mortgage insurance policy to the extent required by law and to pay all required premiums and charges; and
- e) the Loan interest rate is net of any such insurance premiums; and

**Title Insurance**

- a) for each Loan Lender holds a title policy insuring the Mortgage lien on the Property which is in full force and effect, the premium for which has been paid in full for so long as the Loan shall remain outstanding, which has an insurance limit at least as great as the outstanding principal balance of the Loan, which names the Lender, its successors and assigns as the sole insured party, and which will be in full force and effect upon the consummation of the transactions contemplated in the Agreement and in this Guide, and is in conformance with applicable Agency requirements; and
- b) such title policy shall (i) insure the Mortgage lien is a valid and enforceable first lien on the Property, (ii) insure the absence of any lien of taxes and other assessments other than taxes not yet due and payable, (iii) insure that there are no encroachments on the Property from adjoining property and that all improvements on the Property are located within the boundaries of the Property and are in conformity with any applicable setback requirements, or in the alternative, Lender shall deliver to New Penn Financial a current survey of the Property prepared by a duly licensed land surveyor and certified to Lender and its successors and assigns showing there are no encroachments onto the Property and the improvements are located on the Property within its boundaries and in conformity with any applicable setback requirements, in which case the title policy may except only that state of facts shown with respect to such survey, (iv) disclose whether all taxes and other assessments due as of the date of the policy have been paid in full, and (v) disclose all other matters to which like properties are commonly subject.
- c) no claims have been made under such title policy, the accuracy of any attorney's opinion of title has not been disputed, and no prior loan holder, including the Lender, has done, by act or omission, anything that would impair the coverage of such title policy or the accuracy of such attorney's opinion of title, and the attorney's opinion of title, if permitted by New Penn Financial or required by state law, is in a form and substance acceptable to investors purchasing Loans; and

**No Defaults**

- a) there is no default, breach, violation, or event of acceleration existing under the Mortgage or the Mortgage Note and, to the best of the Lender's knowledge, no event has occurred or condition exists that, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation, or event of acceleration, and the Lender has not waived any default, breach, violation, or event of acceleration; and

**No Mechanic's Lien**

- a) unless fully covered by a title policy acceptable to New Penn Financial, there is no mechanic's or similar lien or claim filed for work, labor, or material (and no rights are outstanding that under applicable law could give rise to such a lien or claim), affecting the related Property, which is or may be a lien prior to, or equal with, the related Mortgage's lien; and

**Improvement Locations; No Encroachments**

- a) all improvements the underwriter considered in determining the Property's appraised value at origination lie wholly within the Property's boundaries and building restriction lines and no improvements on adjoining properties encroach upon the Property (except those encroachments which the title insurer has affirmatively insured over); and
- b) all Property improvements, including new construction, have been completed in full compliance with any applicable laws, regulations, or building codes and standards, and the improvements comply with the laws, regulations, or building codes and standards as of the Funding Date; and

**Origination Terms**

- a) the person or entity originating the Loan, originated and processed the Loan in accordance with the terms of the Agreement and this Guide and the Loan was underwritten in accordance with the applicable Underwriting Guidelines in effect when the Loan was originated and processed; and

**Customary Provisions**

- a) the Loan contains enforceable provisions that give the Mortgage holder rights and remedies to realize against the Property as expeditiously as applicable law allows, including without limitation, (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale; (ii) otherwise, by non-judicial foreclosure, if applicable, and, if not, (iii) by judicial foreclosure. To the extent permissible under applicable law, the Mortgagor or any other necessary party has waived any homestead or other exemption available to a Mortgagor or other necessary party which would interfere with the right to sell the Property at a trustee's sale or with the right to foreclose the Mortgage; and

**Occupancy Certifications**

- a) the Lender has made or obtained from the appropriate authorities all inspections, licenses, and certificates required to be made or issued with respect to all occupied Property portions,

or with respect to the Property's use and occupancy (including, without limitation, certificates of occupancy and fire underwriting certificates) and may be lawfully occupied under applicable law; and

**No Additional Collateral**

- a) the Mortgage Note is not and has not been secured by any collateral except the corresponding Mortgage lien and the security interest of any applicable security agreement or chattel mortgage, the existence of which the Lender previously disclosed to New Penn Financial and New Penn Financial approved in writing; and

**Deed of Trust**

- a) with respect to any Mortgages that constitute a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by New Penn Financial to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor or reconveyance of the deed of trust; and

**Acceptable Investment**

- a) there is no circumstance or condition with respect to the Mortgage, the Property, the Mortgagor, or the Mortgagor's credit standing, that can reasonably be expected to cause investors to regard the Loan as an unacceptable investment, cause the Loan to become delinquent, or adversely affect the Loan's value or marketability; and

**Condominium Project Units and Planned Unit Developments ("PUD")**

- a) all Loans secured by units in condominiums or PUDs comply with the applicable condominium or PUD requirements set forth in this Guide and/or appropriate Agency guidelines; and
- b) if any lien held by a homeowners association, special district, or similar organization for assessments, maintenance fees, or similar charges against the Property is, or appears to be, equal to or prior to the Mortgage lien securing the Loan, the homeowners association, special district or similar organization has agreed to give at least 60 days written notice before foreclosing on the lien and the Lender will forward such notice to the holder of the Loan at least 45 days before foreclosure sale; and

**Loan Recording and Transfer**

- a) Lender has timely recorded the Mortgage, and all other documents necessary to protect New Penn Financial's interests. The Lender has either closed the Loan with MERS as the named nominee, or has validly assigned the Loan to MERS as the nominee free and clear of any pledge, lien, encumbrance, or security interest prior to New Penn Financial's purchase of the Loan, and the Lender will not assign or transfer any interest in the Loan to any person or entity other than New Penn Financial or MERS; and

**Due-on-Sale**

- a) when allowed by applicable law, the Mortgage contains an enforceable provision for acceleration of the Loan's unpaid principal balance in the event that the Mortgagor sells or transfers the Property without the Mortgagee's prior written consent; and

**No Graduated Payments or Contingent Interest**

- a) no Loan is a graduated payment Loan, and the Loan does not have a shared appreciation or other feature providing for contingent interest or contingent principal; and

**Property Undamaged; No Condemnation**

- a) the Property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado, or other casualty so as to affect adversely the Property's value as security for the Loan or the use for which the premises were intended; and
- b) there are no condemnation proceedings by any federal, state, or local authority pending or, to the best of the Lender's knowledge, threatened against the Property; and

**Collection Practices; Escrow Deposits**

- a) the collection practices used with respect to the Loan have been in accordance with Accepted Servicing Practices, applicable law, and have been in all respects legal and proper; and
- b) all escrow deposits and escrow payments are in Lender's possession and no deficiency in connection with the escrow deposits and escrow payments exists for which customary arrangements for repayment have not been made; and
- c) no escrow deposits or escrow payments, or other charges or payments due the Lender, have been capitalized under the Mortgage or Mortgage Note; and
- d) all Loans delivered for Funding shall contain the HUD required Initial Escrow Account Disclosure Statement; and
- e) as of the Purchase Date, Lender has credited to the account of borrowers under the Loans all interest required to be paid by applicable law or by the terms of the related Mortgage Note on any escrow account and will continue to do so through the Purchase Date. Evidence of such credit shall be provided to New Penn Financial upon request; and

**Misapplied Payments**

Misapplied payments shall be processed as follows:

- a) the parties shall cooperate in correcting misapplication errors;
- b) the party receiving notice of a misapplied payment occurring prior to the Purchase Date and discovered after the Purchase Date shall immediately notify the other party;
- c) if a misapplied payment which occurred prior to the Purchase Date cannot be identified and such misapplied payment has resulted in a shortage in an escrow (or other) account, the balances of which are being transferred to New Penn Financial, the Lender shall be liable for the amount of such shortage. The Lender shall reimburse New Penn Financial for the amount

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of such shortage within 30 business days after receipt of written demand and evidence supporting the misapplied payment from New Penn Financial;

- d) if a misapplied payment which occurred prior to the Purchase Date has created an improper Purchase Price as the result of an inaccurate outstanding principal balance, the party discovering the misapplied payment shall promptly notify the other party and a check shall be issued to the party adversely affected by the improper payment application within 10 business days after notice thereof by the other party;
- e) any check issued under the provisions of this Section 8.8 shall be accompanied by a statement indicating the Lender's and/or New Penn Financials Loan identification number and an explanation of the allocation of any such payments; and

**No Other Hazards**

- a) the Property is not exposed to Environmental Hazards which are not covered by fire and extended coverage insurance or other available insurance. Environmental Hazards refer to any natural or man-made characteristics that are present in, or affect, the Property or neighborhood, including, but not limited to, hazardous wastes, toxic substances, radon gas, asbestos-containing materials, urea-formaldehyde insulation, sulfur-containing drywall (also known as Chinese drywall), except as the Lender has specifically and fully remediated and such remediation has been inspected by a professional qualified to verify that the Environmental Hazard has been satisfactorily corrected, prior to New Penn Financial purchasing the Loan; and

**Supervision of Loan Originator**

- a) the person or entity originating the Loan was a savings and loan association, savings bank, commercial bank, credit union, insurance company, mortgage company, or similar institution regulated, supervised, or examined by a federal or state authority, or by a Mortgagee approved by the Secretary of Housing and Urban Development pursuant to National Housing Act Sections 203 and 211; and

**Real Estate Appraisals**

- a) each appraisal conducted in connection with a Loan complies with applicable federal and state law, and applicable Agency requirements; and with respect to any appraisal requirements imposed by or pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), as amended from time to time, the related Loan is eligible for purchase by a financial institution subject to FIRREA, and, in the case of Conforming Loans, by the Agencies; and
- b) each appraisal is made by an appraiser who meets all of the following requirements:
  - i. is either a licensed or certified residential appraiser or a certified general appraiser, by the state, as required for the particular appraisal;
  - ii. is in good standing with the applicable state appraisal licensing agency;

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- iii. is independent of the Lender, and the Lender's affiliates and subsidiaries, and is not involved in the Loan transaction in any way except as the appraiser;
- iv. does not have any present or prospective direct or indirect interest, financial or otherwise, in the property or transaction that is the subject of the appraisal report;
- v. has no personal bias, or interest with respect to any of the parties involved in the transaction relating to the appraisal, including, but not limited to, the Lender or the Lender's directors, officers, employees or agents;
- vi. made a personal inspection of the property that is the subject of the appraisal report;
- vii. was not assigned the appraisal based on any required or expected minimum or specific valuation of the appraised property, and whose compensation was not based upon reporting a predetermined value of the appraised property or any other information contingent upon some event which, at the time of the appraisal, had not occurred;
- viii. was not assigned the appraisal by the same person responsible for the sole approval authority for granting the loan request, and
- ix. demonstrates sufficient experience and education in the appraisal of properties similar to the subject property; and

**Qualified Mortgages**

- a) each Loan is a "qualified mortgage" within the meaning of Section 860G of the Internal Revenue Code of 1986, as amended (but without regard to Treasury Regulation § 1.860G-2(f)(2) or any similar rule that treats a defective obligation as a qualified mortgage); and
- b) at the time of consummation, based on verifiable documentation, each Loan is a Qualified Mortgage as defined under the ability to repay provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which amended the Truth-in-Lending Act (TILA), and Regulation Z, its implementing regulation. If the Loan is a Qualified Mortgage that is subject to a rebuttable presumption of compliance as defined under TILA and Regulation Z or as defined by the applicable federal agencies (FHA, VA, USDA), the Lender will perform a residual income evaluation prior to consummation which documents that the consumer has sufficient residual income to meet their monthly recurring expenses; and

**Bankruptcy or Insolvency**

- a) to the best of the Lender's knowledge, the Mortgagor is not a debtor in any state or federal bankruptcy or insolvency proceeding; and
- b) in the event the Mortgagor was a debtor in any state or federal bankruptcy or insolvency proceeding and the Loan offered for sale under the Program Documents is a refinance of a loan debt included in the bankruptcy or insolvency proceeding, the loan debt was reaffirmed, to the extent required under the applicable state law and United States Bankruptcy Code, during said proceedings; and

**Additional Fannie Mae or Freddie Mac Warranties**

- a) for all Loans originated under either the Fannie Mae or Freddie Mac conventional mortgage programs, all warranties, representations and obligations required under the Agencies' respective selling programs including, but not limited to, rules imposed by Federal Housing Finance Agency (FHFA), are hereby referenced, made a part of, and incorporated in their entirety into this Guide; and

**Government Agency Compliance**

- a) each FHA Loan, VA Loan, or USDA Loan sold to New Penn Financial meets all requirements and guidelines in effect for such Loan as prescribed by FHA, VA, or USDA, as applicable, and New Penn Financial, at the time of New Penn Financial's purchase; and
- b) the Lender further warrants that each such insurable or guaranteeable Loan is eligible for inclusion in a Ginnie Mae pool; and
- c) Should the Lender desire to commit government Loans for sale to New Penn Financial, the Lender represents and warrants that it was at the time of Loan origination, is presently, and will continue to be a FHA, VA, or USDA approved lender in good standing, possessing full Direct Endorsement (DE), VA Staff Appraisal Reviewer (SAR) / VA Lender Appraisal Processing Program (LAPP), or USDA approval and authority as required by the appropriate Agency; and
- d) Lender further represents and warrants that Lender's Agency authority is not subject to any test case requirements, and that no Loans committed for sale to New Penn Financial are subject to any test case requirements; and
- e) Should the Lender enter into an Authorized Agent or Sponsorship relationship with New Penn Financial, the Lender represents and warrants that it was at the time of Loan Origination, is presently, and will continue to be a FHA approved Lender (either Title II Non-Supervised or Supervised Lender) in good standing.

**No Planned Refinance**

- a) with respect to each Loan sold by the Lender to New Penn Financial, the Lender hereby certifies that:
  - i. neither the Lender, nor any affiliate will solicit the borrower(s) to refinance the Loan;
  - ii. the Lender and any affiliates have not agreed to and will not agree to a planned refinance. A planned refinance is a refinance of the Loan at an interest rate which is less than the immediately preceding interest rate by less than the basis point decline in the market rate since the origination or last refinance transaction;
  - iii. the Lender will not subsequently solicit the borrower to execute a refinance transaction unless mortgage market rates decline and the borrower(s) are offered an interest rate which is less than the contract rate on the borrower(s) current loan by at least the basis point decline in the market rate since the origination or last refinance transaction; and

**Error or Fraud**

- a) neither the Mortgagor nor any other person or entity involved in the Loan transaction or in its underwriting or documentation (including without limitation, any appraiser, broker, third-party originator, credit reporting agency, or other provider of underwriting information) made any false representation and/or failed to provide information that is true, complete and accurate in connection with such transaction whether or not the Lender was a party to or had knowledge of such misrepresentation or incorrect information, and no error, omission, misrepresentation, negligence, fraud, or similar occurrence with respect to the Loan has taken place on the part of the Lender or any other party involved in the Loan's origination or in the application of any insurance in relation to such Loan; and

**No Options**

- a) no other party has any option or right of first refusal or other arrangement to acquire directly or indirectly any of the Loans offered to New Penn Financial for purchase; and

**Loan Payments**

- a) the Lender has not made, directly or indirectly, any payment on the Loan or on any other Loan of the Mortgagor from any other person or entity; the Lender has also not made any agreement with any Mortgagor providing for any variation of the Mortgage Note interest rate, the schedule of payment, or other Loan terms and conditions; and

**Adverse Selection**

- a) the Lender used no adverse selection process or procedures in selecting the Loans to be sold to New Penn Financial; and

**Securities Law**

- a) New Penn Financial has made no representation whatsoever to the Lender concerning the applicability or inapplicability of the Security Act of 1933, as amended (the "1933 Act") or of any state securities laws (each, a "State Act") to the transactions that are the subject of this Guide. The Lender hereby represents and warrants to New Penn Financial as follows:
  - i. the offer, issuance, sale, and delivery of the Loans under the circumstances contemplated hereunder constitute exempted transactions under the registration provisions of the 1933 Act, and the registration of the Loans under the 1933 Act is not required in connection with any such offer, issuance, sale, or delivery of the Loans; and
  - ii. the offer, issuance, sale, and delivery of the Loans under the circumstances contemplated under the Program Documents and this Guide constitute exempted transactions under applicable State Acts, and neither the Loans' registration or qualification is required under such State Acts nor is the authorization, approval, or consent of any governmental authority or agency required or necessary in connection with any such offer, issuance, sale, or delivery of the Loans; and

**Predatory Lending/Home Ownership and Equity Protection Act/High Cost Loans**

- a) no Loan is subject to the Provisions of the Home Ownership and Equity Protection Act of 1994 as amended or is considered a "high cost," "covered," or "predatory" loan under any applicable state, federal, or local laws or ordinances; and

**Fair Lending/Equal Credit Opportunity Act**

- a) to the best of Lender's knowledge, Lender has treated all borrowers in a fair and consistent manner; and
- b) all borrowers have received the same level of assistance, on whether to apply for credit, how to best qualify for credit, how to resolve any issues relating to creditworthiness, and other aspects in the credit extension process; and
- c) Lender has complied with all provisions of the Equal Credit Opportunity Act and the Fair Housing Act; and

**Fair Pricing Policy**

- a) none of the Loans is a "High Cost" loan; and
- b) all Loans have passed a High Cost Mortgage Test, whether or not they are covered by high cost mortgage regulation, HOEPA (section 226.32 of Regulation Z), or any state or local high cost, covered or predatory lending law or ordinance; and
- c) interest rates and other pricing terms reasonably reflect the costs and risks of originating the Loan; and
- d) all Loans comport to Lender's established policies with respect to maximum points and charges, overages, yield spread premiums or other compensation vehicles, and established limits on total broker and lender compensation; and

**No Arbitration Clause**

- a) none of the documents evidencing or securing the Loan provide for or contain an arbitration clause or any other non-judicial procedure of any kind; and

**Prohibited Practices**

- a) Lender has not engaged in any of the following practices with respect to Loans purchased or to be purchased by New Penn Financial:
  - i. encouraging a borrower to default on an existing loan in connection with the refinance of all or part of the existing loan;
  - ii. financing, directly or indirectly, premium or fees for single premium credit life, disability or unemployment insurance products, or any other accident, loss of income, life, or health insurance, with the proceeds of the Loan;

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- iii. refinancing of a Special Subsidized Mortgage. A "Special Subsidized Mortgage" means a residential mortgage loan that is originated or subsidized by or through a state, local, or tribal government or nonprofit organization and that in some circumstances: does not have to be completely repaid; or requires only partial payments be made. Examples include, but are not limited to, a mortgage granted by organizations such as Habitat for Humanity or a local housing authority.
- iv. contracting for a prepayment penalty on any product or loan unless specifically allowed within New Penn Financial product guidelines as described in the Guide.
- v. executing documents to evidence or secure the Loan which contain an arbitration clause;
- vi. payment to a home improvement contractor from the proceeds of the Loan other than by a check made payable either to the consumer, or jointly to the consumer and the home improvement contractor, or through an independent third-party escrow agent;
- vii. payment of Loan payments in advance from the Loan proceeds; and
- viii. contracting for an increase in the interest rate upon default of the Loan at a level not commensurate with risk mitigation; and

**Responsible Lending; Benefit to Borrower; Ability to Repay**

- a) Lender agrees to use best efforts to ensure that each Loan offered to a borrower is consistent with his or her needs, objectives, and financial situation; and
- b) each Loan, the proceeds of which have been used to refinance a previous mortgage loan, offers a documented, demonstrable, tangible net economic benefit to the borrower; and
- c) appropriate assessment and documentation has been performed of the borrowers' ability to repay each Loan in accordance with its terms; and
- d) timely, sufficient, and accurate information has been provided to borrowers concerning each Loan's terms, costs, risks, and benefits including, but not limited to, disclosure of:
  - i. the existence of a prepayment penalty, if applicable, prior to closing
  - ii. disclosure on products containing a prepayment penalty of the availability of similar products with no prepayment penalty, and
  - iii. on limited documentation products, disclosure of the availability of a lower interest rate in exchange for higher levels of documentation; and
- e) total loan compensation for each Mortgage Loan has been structured to avoid providing any incentive to originate a loan with predatory or abusive characteristics; and

**Prepayment Penalties**

- a) all information provided to New Penn Financial in any loan file, loan registration, underwriting guidelines, or summary, or mortgage loan schedule, regarding the existence, amount, term or calculation of any prepayment penalty or prepayment premium is complete and accurate; and
- b) each prepayment penalty is permissible and enforceable in accordance with applicable law and is permitted by New Penn Financials guidelines; and
- c) prepayment penalties on Loans are applicable to prepayment resulting from both refinancing and sales of the related Property and the terms of such prepayment penalties do not provide for waiver or release during the term of the prepayment penalty; and
- d) no mortgage loan provides for the payment of a prepayment penalty beyond the three-year term following the origination of the Loan; and
- e) Lender has timely provided all prepayment penalty disclosures required by applicable law; and

**Loan Originator Compensation**

- a) Lender is in compliance with all applicable law including, but not limited to, Regulation Z and as issued on August 16, 2010, the federal Truth-in-Lending Act, and Lender represents and warrants that, with respect to every Loan:
  - i. neither Lender nor any other party has paid compensation to any loan originator in an amount that is based on a term or condition of the Loan, and
  - ii. if Lender acts as a loan originator, Lender has not received compensation in an amount that is based on a term or condition of the Loan; and
- b) compensation policies and practices of Lender do not allow loan originator compensation to vary based on loan type or product type; and

**Private Transfer Fees**

- a) no Conforming Loan is secured by property that is encumbered by or subject to a “private transfer fee” or “private transfer fee covenant,” as those terms are defined by and prohibited by 12 CFR Part 1228, as amended; and

**Servicing File**

- a) each Loan for which the first payment is collected by Lender has a complete servicing file in the format designated by New Penn Financial; and

**Servicemembers**

- a) no Loan is eligible for relief under Servicemember’s Civil Relief Act as of the Funding Date; and

**Reconciliation**

- a) as of the Purchase Date, Lender has reconciled principal balances and made any monetary adjustments to the Loans reasonably required by New Penn Financial with any such monetary adjustments transferred between the Lender and New Penn Financial as appropriate; and
- b) Lender shall forward to New Penn Financial, via overnight mail and in accordance with the Guide procedures for change of loan servicer/loan transfer, such additional reports as required by New Penn Financial to reconcile data conversion from Lender's computer system to New Penn Financials computer system; and

**IRS Forms**

- a) Lender shall mail, on or before the date required by law, all IRS required forms, including form numbers 1099, 1098, 1041 and K-1 (as appropriate), to all parties entitled to receive same for the period from January 1 of the applicable transaction year; and
- b) Lender shall provide copies of such forms to New Penn Financial upon request and shall reimburse New Penn Financial for any costs or penalties incurred by New Penn Financial due to Lender's failure to comply with this Section

**Prior Servicers**

- a) there have been no prior servicers of any Loans other than the Lender; and
- b) there has been no occurrence as of the Purchase Date of any event that could obligate New Penn Financial to repurchase any Loans from the relevant Agency or cause the cancellation of the Servicing Rights or any material changes in procedures with respect to the Loans; and

**S.A.F.E. Act**

- a) all Loans are in compliance with all state or federal licensing or registration requirements enacted pursuant to the S.A.F.E. Act including, but not limited to, adoption of policies and procedures necessary; and
- b) any agency or judicial finding or other determination of SAFE Act noncompliance by Lender or any employee of Lender has been disclosed to New Penn Financial; and

**No Optional Insurance**

- a) none of the Loans has a single payment credit life insurance or other optional insurance product that has been considered "predatory" by an Agency; and
- b) none of the Loans has an optional insurance product that, as of the Purchase Date, is being provided free of charge to a borrower; and
- c) none of the Loans has any optional insurance product or ancillary product; and

**Mortgage Credit Certificate (MCC)**

- a) for each Mortgage Loan involving a Mortgage Credit Certificate (MCC), Lender is in compliance with all requirements of the MCC's issuing authority including all required reporting to the IRS.

**TILA-RESPA Integrated Disclosure (Regulation Z)**

As to each Loan with a mortgage application date of October 3, 2015 or later, the Loan complies with the requirements of the TILA-RESPA Integrated Disclosure rule promulgated under Regulation Z, and the Official Commentary thereto including, but not limited to, compliance with all disclosure, completion, delivery, timing and process requirements. The Lender maintains, and will continue to maintain sufficient data and documentation, in accordance with record retention requirements under the TILA-RESPA Integrated Disclosure rule, evidencing and attesting to compliance with all aspects of the TILA-RESPA Integrated Disclosure rule, and any amendments thereto and agrees to provide such evidence in a timely manner at the request of New Penn Financial.

**8.8.5 Miscellaneous Representations, Warranties, and Covenants****8.8.5.1 New Penn Financial Funding Website Access and Usage**

If the Lender is granted access into the New Penn Financial private website, the Lender represents and warrants that it will not disclose the Lender's designated password to anyone nor use it to perform unauthorized functions. New Penn Financial grants Lender access to the website provided the Lender covenants and agrees to the following conditions:

- 1) The Lender will indemnify and hold New Penn Financial harmless for any liability due to improper use of the website when accessed using Lender's password.
- 2) Should Lender's only security administrator be out of the office for any reason, New Penn Financial will not act as a security administrator on the behalf of the Lender. This includes, but is not limited to: password resets, adding/deleting employees, and changes to security access.
- 3) Lender is responsible for notifying New Penn Financial if the only security administrator should leave his/her employment. At that time, New Penn Financial will delete all user accounts and establish a new security administrator.

The Lender must complete the Web Access Contact Information Form upon accessing the website for the first time.

**8.9 GENERAL**

New Penn Financial and Lender acknowledge and agree that the purpose of [Representations, Warranties and Covenants](#) is to facilitate compliance by New Penn Financial with the provisions of Regulation AB and related rules and regulations of the Securities and Exchange Commission ("Commission"). New Penn Financial shall not exercise its right to request delivery of information or other performance under these provisions other than in good faith, or for purposes other than compliance with the Securities Act, the Exchange Act and the rules and regulations of the Commission

thereunder. The Lender acknowledges that interpretations of the requirements of Regulation AB may change over time, whether due to interpretive guidance provided by the Commission or its staff, consensus among participants in the asset-backed securities markets, advice of counsel, or otherwise, and agrees to comply with requests made by New Penn Financial in good faith for delivery of information under these provisions on the basis of evolving interpretations of Regulation AB. In connection with any Securitization Transaction, Lender shall cooperate fully with New Penn Financial to deliver to New Penn Financial (including any of its assignees or designees) any and all statements, reports, certifications, records, and any other information necessary in the good faith determination of New Penn Financial to permit New Penn Financial to comply with the provisions of Regulation AB, together with such disclosures relating to Lender and the Loans, reasonably believed by New Penn Financial to be necessary in order to effect such compliance.

The Lender shall cooperate with New Penn Financial in connection with each Securitization Transaction in accordance with this Section. In connection therewith, Lender shall provide as applicable:

In connection with any Securitization Transaction occurring on or after January 1, 2006, the Lender shall (1) within five business days following request by New Penn Financial, provide to New Penn Financial, in writing and in form and substance reasonably satisfactory to New Penn Financial, the information and materials specified in paragraphs (i), (ii), (iii) and (v) of this subsection, and (2) as promptly as practicable following notice to or discovery by the Lender, provide to New Penn Financial (in writing and in form and substance reasonably satisfactory to New Penn Financial) the information specified in paragraph (iv) of this subsection.

(i) If so requested by New Penn Financial, the Lender shall provide such information regarding the Lender, as originator of the Loans, as is requested for the purpose of compliance with Items 1103(a)(1), 1105, 1110, 1117, and 1119 of Regulation AB. Such information shall include, at a minimum:

(A) the originator's form of organization;

(B) a description of the originator's origination program and how long the originator has been engaged in originating residential mortgage loans, which description shall include a discussion of the originator's experience in originating mortgage loans of a similar type as the Loans; information regarding the size and composition of the originator's origination portfolio; and information that may be material, in the good faith judgment of New Penn Financial, to an analysis of the performance of the Loans, including the originators' credit-granting or underwriting criteria for mortgage loans of similar type(s) as the Loans and such other information as New Penn Financial may reasonably request for the purpose of compliance with Item 1110(b)(2) of Regulation AB;

(C) a description of any material legal or governmental proceedings pending (or known to be contemplated) against the Lender; and

(D) a description of any affiliation or relationship (of a type described in Item 1119 of Regulation AB) between the Lender, and any of the following parties to a Securitization Transaction, as such parties

are identified to the Lender by New Penn Financial in writing in advance of a Securitization Transaction:

- (1) the sponsor;
- (2) the depositor;
- (3) the issuing entity;
- (4) any servicer;
- (5) any trustee;
- (6) any originator;
- (7) any significant obligor;
- (8) any enhancement or support provider; and
- (9) any other material transaction party.

(ii) If so requested by New Penn Financial, the Lender shall provide Static Pool Information with respect to the mortgage loans (of a similar type as the Loans, as reasonably identified by New Penn Financial as provided below) originated by the Lender. Such Static Pool Information shall be prepared by the Lender on the basis of its reasonable, good faith interpretation of the requirements of Item 1105(a)(1)-(3) of Regulation AB. To the extent that there is reasonably available to the Lender Static Pool Information with respect to more than one mortgage loan type, New Penn Financial or any Depositor shall be entitled to specify whether some or all of such information shall be provided pursuant to this paragraph. The content of such Static Pool Information may be in the form customarily provided by the Lender, and need not be customized for New Penn Financial or any Depositor. Such Static Pool Information for each vintage origination year or prior securitized pool, as applicable, shall be presented in increments no less frequently than quarterly over the life of the mortgage loans included in the vintage origination year or prior securitized pool. The most recent periodic increment must be as of a date no later than 135 days prior to the date of the prospectus or other offering document in which the Static Pool Information is to be included or incorporated by reference. The Static Pool Information shall be provided in an electronic format that provides a permanent record of the information provided, such as a portable document format (pdf) file, or other such electronic format reasonably required by New Penn Financial or the Depositor, as applicable.

(iii) If so requested by New Penn Financial or any Depositor, the Lender shall provide, at the expense of the requesting party (to the extent of any additional incremental expense associated with delivery pursuant to this Agreement), such statements and agreed-upon procedures letters of certified public accountants reasonably acceptable to New Penn Financial or Depositor, as applicable, pertaining to Static Pool Information relating to prior securitized pools for securitizations closed on or after January 1, 2006, or, in the case of Static Pool Information with respect to the Lender's originations or purchases, to calendar months commencing January 1, 2006, as New Penn Financial or such Depositor shall reasonably request. Such statements and letters shall be addressed to and be for the benefit of such parties as New Penn Financial or such Depositor shall designate, which may include, by way of

example, any sponsor, any Depositor, and any broker dealer acting as underwriter, placement agent, or initial purchaser with respect to a Securitization Transaction. Any such statement or letter may take the form of a standard, generally applicable document accompanied by a reliance letter authorizing reliance by the addressees designated by New Penn Financial or such Depositor.

(iv) If so requested by New Penn Financial or any Depositor for the purpose of satisfying its reporting obligation under the Exchange Act with respect to any class of asset-backed securities, the Lender shall (1) notify New Penn Financial and any Depositor in writing of (A) any material litigation or governmental proceedings pending against the Lender and (B) any affiliations or relationships that develop following the closing date of a Securitization Transaction between the Lender and any of the parties specified in Section 304.01(i)(D) (and any other parties identified in writing by the requesting party) with respect to such Securitization Transaction, and (2) provide to New Penn Financial and any Depositor a description of such proceedings, affiliations, or relationships.

(v) If so requested by New Penn Financial on any date following the date on which information is first provided to New Penn Financial under this Section, the Lender shall, within five business days following such request, confirm in writing the accuracy of the representations and warranties set forth in Representations, Warranties and Covenants or, if any such representation and warranty is not accurate as of the date of such request, provide reasonably adequate disclosure of the pertinent facts, in writing, to the requesting party.

(vi) The Lender shall represent to New Penn Financial, as of the date on which information is first provided to New Penn Financial under this Section that, except as disclosed in writing to New Penn Financial prior to such date: (1) the Lender is not aware and has not received notice that any default, early amortization, or other performance triggering event has occurred as to any other securitization due to any act or failure to act of the Lender; (2) there are no material legal or governmental proceedings pending (or known to be contemplated) against the Lender; and (3) there are no affiliations, relationships, or transactions relating to the Lender with respect to any Securitization Transaction and any party thereto identified by the related Depositor of a type described in Item 1119 of Regulation AB.

## **8.10 REGULATION AB EVENTS OF DEFAULT; REMEDIES**

Lender's failure to comply with any of the requirements, representations, warranties or covenants set forth in 8.9 and the foregoing sections, will constitute an Event of Default under the terms and conditions of the Program Documents. Set forth in this subsection are the remedies available to New Penn Financial upon the occurrence of an Event of Default under this section or General/Events of Default. The Lender is responsible for notifying New Penn Financial immediately upon the Lender's knowledge of any Event of Default.

The Lender shall indemnify New Penn Financial, each affiliate of New Penn Financial, and each of the following parties participating in a Securitization Transaction: each sponsor and issuing entity; each Person responsible for the preparation, execution or filing of any report required to be filed with the Commission with respect to such Securitization Transaction, or for execution of a certification pursuant to Rule 13a-14(d) or Rule 15d-14(d) under the Exchange Act with respect to such

Securitization Transaction; each broker dealer acting as underwriter, placement agent or initial purchaser, each Person who controls any of such parties or the Depositor (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act); and the respective present and former directors, officers, employees and agents of each of the foregoing and of the Depositor, and shall hold each of them harmless from and against any losses, damages, penalties, fines, forfeitures, legal fees and expenses and related costs, judgments, and any other costs, fees and expenses that any of them may sustain arising out of or based upon:

(i)

(A) any untrue statement of a material fact contained or alleged to be contained in any information, report, certification, accountants' letter or other material provided under Section 8.9 and/or Section 8.10 by or on behalf of the Lender (the "Lender Information"), or

(B) the omission or alleged omission to state in the Lender Information a material fact required to be stated in the Lender Information or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, by way of clarification, that clause (B) of this paragraph shall be construed solely by reference to the Lender Information and not to any other information communicated in connection with a sale or purchase of securities, without regard to whether the Lender Information or any portion thereof is presented together with or separately from such other information;

(ii) any failure by the Lender to deliver any information, report, certification, accountants' letter or other material when and as required under this section or General/Events of Default; or

(iii) any breach by the Lender of a representation or warranty set forth in this section or General/Events of Default or in a writing furnished pursuant to this section or General/Events of Default and made as of a date prior to the closing date of the related Securitization Transaction, to the extent that such breach is not cured by such closing date, or any breach by the Lender of a representation or warranty in a writing furnished pursuant to this section or General/Events of Default to the extent made as of a date subsequent to such closing date.

In the case of any failure of performance described in this section, the Lender shall promptly reimburse New Penn Financial, any Depositor, as applicable, and each Person responsible for the preparation, execution, or filing of any report required to be filed with the Commission with respect to such Securitization Transaction, or for execution of a certification pursuant to Rule 13a-14(d) or Rule 15d-14(d) under the Exchange Act with respect to such Securitization Transaction, for all costs reasonably incurred by each such party in order to obtain the information, report, certification, accountants' letter or other material not delivered as required by the Lender.

### **8.11 GENERAL/EVENTS OF DEFAULT**

This section sets forth events constituting defaults under the terms and conditions of the Program Documents ("Events of Default") and sets forth remedies available to New Penn Financial upon the occurrence of an Event of Default. The Lender is responsible for notifying New Penn Financial in writing immediately upon the Lender's knowledge of any Event of Default.

The remedies available to New Penn Financial upon an Event of Default vary based on the Loan type, manner of underwriting (if applicable), and the applicable Representation, Warranty, or Covenant and are in addition to any other remedies New Penn Financial may have at law or in equity. (See also General Remedies of this Guide.) These remedies include, but are not limited to:

- Repurchase
- Indemnification
- EPD Fee Payment Amount
- Reasonable Assurances
- Suspension and Termination
- Set-off (Net Fund)
- Withholding of Funding

The Events of Default for which New Penn Financial is entitled to remedies include, but are not limited to:

- Breach of Representation or Warranty or Covenant
- Uninsurable Loan
- Fraud and/or Misrepresentation
- Unmarketable Loan
- Early Payment Default (delinquency or foreclosure)
- Early Payoff

The provisions below outline Events of Default for which New Penn Financial is entitled to select a remedy. If more than one Event of Default shall occur in connection with a Loan, New Penn Financial is entitled to select a remedy for each such Event of Default, without regard to whether New Penn Financial exercised any remedy for a prior Event of Default in connection with such Loan. Generally, in the event that the Lender underwrites the Loan, the Lender is liable where noted. If the Event of Default occurs, and if New Penn Financial or its agent underwrites the Loan, the Lender is liable only in those cases where the default involves breach of a representation or warranty, misrepresentation, fraud, or Loan documentation.

## **8.12 REPURCHASE EVENTS OF DEFAULT**

If any of the Events of Default listed below occur, New Penn Financial shall have the right to require the Lender to Repurchase New Penn Financial's interest in the relevant Loan at the Repurchase Price as set forth in Repurchase Price below.

### **8.12.1 Breach of Representation or Warranty**

Lender defaults under or breaches, or New Penn Financial or any of its assigns discovers the inaccuracy of any of the Representations, Warranties, or Covenants set forth in the Program Documents.

#### **8.12.2 Uninsurable Mortgage**

- (i) Certificate of Insurance. The certificate of insurance has not been duly issued by a Mortgage Insurer or Mortgage Guarantor acceptable to New Penn Financial within the required time frame;
- (ii) Insurance Premium. The mortgage insurance premium has not been paid to the Mortgage Insurer or Mortgage Guarantor;
- (iii) Insurance Cancellation or Denial. The Mortgage Insurer or Mortgage Guarantor fails to issue coverage or cancels coverage and/or denies a claim under such coverage due to fraud, misrepresentation, or omission of a material fact or for any other reason related to the eligibility of the Loan for mortgage insurance or guaranty or loan note guaranty.

#### **8.12.3 Fraud and/or Misrepresentation**

The Borrower or any other party to the Mortgage transaction has made any false representation in conjunction with such transaction, whether or not the Lender was a party to or had knowledge of such false representation.

#### **8.12.4 Unmarketable Loan**

The Loan the Lender delivers to New Penn Financial is unmarketable, or unmarketable on the secondary market without loss to New Penn Financial, including, but not limited to, a Loan as to which:

- (i) Program Documents - The Lender has not complied with a requirement, term or condition of the Program Documents.
- (ii) Evidence of Compliance - The Lender is unable to supply satisfactory evidence of compliance with the Program Documents.
- (iii) False or Misleading Representation - The Lender has made one or more false or misleading representations, warranties, or covenants to New Penn Financial in the Program Documents or has failed to provide New Penn Financial with information that is true, complete, and accurate as to the Loan or the Lender.
- (iv) Underwriting or Documentation - The Lender did not underwrite and/or document the Loan in accordance with Program Document requirements.
- (v) Protection of Occupants - The Lender violated or failed to comply with any applicable law designed to protect the health and safety of the Property's occupants (including failure to take any action available to the Lender that would relieve the Mortgage holder from liability under such law or regulation).

**8.13 REPURCHASE PRICE**

The amount the Lender must pay to New Penn Financial upon New Penn Financials Repurchase request to the Lender ("Repurchase Price") shall be calculated as follows:

- (i) The Purchase Price: If the Loan has not been pooled, the Purchase Price, including any Premium Pricing plus the Service Release Premium ("SRP") paid to the Lender, or if the Loan has been pooled, the Purchase Price plus the SRP paid to the Lender at the time of purchase based on the outstanding principal balance due and owing on the Loan as of the date of Repurchase, plus
- (ii) Modified Loan Amount: New Penn Financial may, as part of its loss mitigation efforts, enter into an agreement modifying the terms of the Loan ("Modification Agreement") with a Borrower suffering an involuntary inability to pay their Mortgage under the original terms of the Mortgage Note. Such Modification Agreement may increase the amount of the unpaid principal balance due to capitalization of interest, Escrow Payments owing and/or other advances. The Repurchase Price will include the outstanding principal balance based on the modified Loan amount, plus
- (iii) Expenses: Any and all documentary stamp taxes, recording fees, transfer taxes, and all other expenses payable in connection with any such Repurchase including, without limitation, any loss relating to the Loan, all costs or expenses incurred by New Penn Financial in the course of repurchasing such Loan from a third party, and New Penn Financials reasonable attorneys' fees; plus,
- (iv) Interest, Penalties, and Fees: Accrued but unpaid interest up to the first day of the month following the date of Repurchase and any penalties or fees charged to New Penn Financial by the Servicer, such as, but not limited to, late fees or restoration fees.

**8.14 PROCEDURE FOR COMPLETING REPURCHASE**

- (i) Repurchase. The Lender must Repurchase New Penn Financials interest in the identified Loan by the Repurchase invoice due date. In the event the Repurchase is not completed by the invoice due date, New Penn Financial may net fund (set-off) the amount from subsequent amounts due to the Lender. Alternatively, New Penn Financial may, in its sole discretion, obtain a market price from Secondary Marketing and require Lender to reimburse New Penn Financial for the marketing loss incurred plus the SRP.
- (ii) Wire Transfer of Funds. The Lender shall effect Repurchases by wire transfer from the Lender to New Penn Financial of immediately available funds.
- (iii) Release of Loan File. Upon receipt by New Penn Financial of the Lender's funds for Repurchase, New Penn Financial shall release to the Lender the related Loan File(s) and shall execute and deliver to the Lender such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in the Lender, or its designee, title to such Repurchased Loans.
- (iv) Recordation and Transfer Costs / Repurchase Date. The Lender shall assume the cost of recordation of assignments and other costs of transfer of any Repurchased Loans. The date of Repurchase is the date when New Penn Financial receives the Repurchase Price funds by wire transfer.

**Please Note:** New Penn Financials decision to require the Lender to Repurchase a Loan shall be conclusive. The Lender's failure to comply with New Penn Financials Repurchase request may result in suspension or termination of selling privileges. Suspension or termination upon the occurrence of one or more of the Repurchase events shall not limit New Penn Financials right to take other action to enforce its rights or protect its interests including, but not limited to, those remedies set forth in General Remedies.

### **8.15 EARLY PAYMENT EVENT OF DEFAULT AND REMEDIES**

If any of the Events of Default listed below occurs, Lender shall pay to New Penn Financial an EPD Fee Payment as set forth in this Section.

#### **8.15.1 Early Payment Defaults**

The failure by the Mortgagor to make any of the four payments next due after the Purchase Date and such payments remain unpaid for 90 days will be classified as an "Early Payment Default." Lenders will be required to reimburse New Penn Financial the EPD Fee Payment on any Loan with an Early Payment Default.

#### **8.15.2 EPD Fee Payment Amount**

The EPD Fee Payment shall be as follows:

(i) Insured Government Loans Underwritten by the Lender:

For Insured FHA, VA, and USDA Loans: Any SRP paid to the Lender and a non-refundable \$3,000 fee and any above par Premium Pricing for the Loan.

(ii) For Delegated Conforming Loans and Delegated Non-conforming Conventional Loans:

Conventional Loans: Any SRP paid to the Lender and a non-refundable \$1,500 fee and any above par Premium Pricing for the Loan.

In the event the Loan was purchased without an identified SRP (all in price), compensation for loss of the servicing income stream will be determined by New Penn Financials Secondary Marketing Department.

The EPD Fee Payment is due from the Lender within 30 days of New Penn Financials request. In the event the EPD Fee Payment is not received by the due date, New Penn Financial will net fund the amount.

### **8.16 EARLY PAYOFF EVENT OF DEFAULT AND REMEDIES**

It is New Penn Financials policy to monitor Loans that pay off early. If a Loan purchased by New Penn Financial is paid in full within 180 days of the Purchase Date ("Early Payoff"), the Lender will be responsible for reimbursing any SRP and above par Premium Pricing for the Loan within 30 days of New Penn Financials written request. In the event that such payment is not received by the due date, New Penn Financial will net fund the amount.

In the event the Loan was purchased without an identified SRP (all in price), compensation for the loss of servicing income stream will be determined by New Penn Financials Secondary Marketing Department.

### **8.17 QUESTIONABLE REFINANCING PRACTICES EVENT OF DEFAULT AND REMEDIES**

Questionable refinancing practices (such as those discussed below), constitute an Event of Default. The Lender must include in its policies and procedures for originating new Mortgages, refinancing existing Mortgages and reviewing Mortgages originated by third parties appropriate safeguards to preclude the possibility of violating New Penn Financials prohibitions against questionable refinancing practices.

#### **8.17.1 Prohibited Activities**

(i) Selling Loan in Process of Refinancing. New Penn Financial considers the delivery of any Mortgage that is in the process of being refinanced (or acquiring from, or funding for, a third-party originator) as unacceptable (even if no agreement for future refinancing was entered into at the time of origination). Therefore, the Lender must not deliver for New Penn Financials purchase or securitization any Mortgage that the Lender (or its affiliates) has agreed to refinance or is currently in the process of refinancing. New Penn Financial considers an originator to be in the process of refinancing a Mortgage if, at the time the Mortgage is delivered to New Penn Financial, the Lender has taken another application from the same Borrower for the same property or has entered into an agreement with one of its third-party originators to acquire or fund another Mortgage that has the same Borrower and property as the Mortgage that is being delivered to New Penn Financial.

(ii) Targeting. New Penn Financial considers specifically targeting or allowing other loan originators at any time to specifically target Borrowers whose Mortgages are owned, securitized, or serviced by New Penn Financial as unacceptable.

#### **8.17.2 Permitted Activities**

New Penn Financial does not consider the Lender to be engaged in a questionable refinancing practice if the Lender:

(i) General Advertising. Advertises its availability for handling refinancing of Mortgages it has sold to New Penn Financial as long as the Lender does not specifically target, or allow other loan originators to specifically target, Borrowers whose Mortgages are owned or securitized by New Penn Financial.

(ii) General Terms. Promotes the terms it has available for refinancing by sending letters or promotional material to Borrowers or to all Borrowers who have specific types of Mortgages (such as FHA, VA, Conventional fixed-rate, or Conventional adjustable-rate) or to those Borrowers whose Mortgages fall within specific interest rate ranges. The Lender may not, however, treat or allow other loan originators to treat Mortgages it has sold to New Penn Financial as separate classes of Mortgages for purposes of advertising the availability of refinancing terms.

(iii) Payoff Information. The Lender may cooperate with individual Borrowers who contact the Lender about prepaying their Mortgages by advising them of refinancing terms and streamlined origination arrangements that are available, including New Penn Financials own alternatives.

### **8.17.3 Review of Activities/Remedies**

New Penn Financial will review Lenders that have high levels of prepayments. If such a review raises serious concerns about the Lender's practices, New Penn Financial will conduct a review of the Lender's origination and refinancing activities to ensure that they are in compliance with New Penn Financials requirements. New Penn Financial will be entitled to one or more appropriate General Remedies if New Penn Financial finds that the Lender has violated New Penn Financials policies and requirements set forth in this Section, including, but not limited to, requiring the Lender to make New Penn Financial whole for any losses resulting from claims made by Agencies or investors.

## **8.18 ADVERSE FINANCIAL CONDITION OF THE LENDER EVENT OF DEFAULT**

In the event the Lender undergoes any adverse financial condition New Penn Financial may require one or more applicable remedies set forth in General Remedies. Adverse Financial Condition shall include but not be limited to:

- Occurrence of an act of insolvency or bankruptcy concerning the Lender.
- The Lender fails to obtain a vacation or stay of involuntary proceedings brought for its reorganization, dissolution, or liquidation.
- The Lender fails to meet any capital, leverage, or other financial standard imposed by any laws or applicable regulatory authority.
- New Penn Financial determines in its sole discretion that any material adverse change has occurred in the Lender's financial condition.
- The Lender fails to meet a minimum net worth, liquidity, or other ownership requirements as may be set forth in the Program Documents.
- New Penn Financial determines in its sole discretion that the Lender's sales and warranty obligations are disproportionate to its capital and/or assets.

## **8.19 GENERAL EVENTS OF DEFAULT**

If any of the events listed below in this Section occur, New Penn Financial has the right to demand Repurchase of the related Loan as set forth in Repurchase Events of Default, or New Penn Financial may require one or more applicable remedies set forth in General Remedies.

### **8.19.1 Breach of Representation or Warranty**

As set forth in General Events of Default, Lender defaults under or breaches, or New Penn Financial or any of its assigns discovers the inaccuracy of, any of the Representations, Warranties, or Covenants concerning the Lender set forth in the Program Documents.

#### **8.19.2 Guaranty and Support Agreement Default**

Any Guarantor of the Lender's obligations defaults under the terms of a Guaranty and Support Agreement (including, without limitation, any default by Guarantor in maintaining any minimum Tangible Net Worth required under such Guaranty and Support Agreement) given to New Penn Financial on the Lender's behalf; any such Guarantor becomes insolvent or bankrupt; New Penn Financial determines in its sole discretion that a material adverse change has occurred in such Guarantor's financial condition; or any Guarantor fails to meet any capital, leverage or other financial standard imposed by any applicable regulatory authority.

#### **8.19.3 Other Agreement Default**

The Lender defaults under the terms of any other agreement to which the Lender and New Penn Financial are parties.

#### **8.19.4 Failure to Meet Repurchase Obligation**

The Lender fails to Repurchase from New Penn Financial any Loan required to be Repurchased under the terms of the Program Documents.

#### **8.19.5 Legal or Regulatory Action**

The Lender is placed on probation or a federal or state government agency restricts the Lender's activities in any manner; a court finds that the Lender or any of the Lender's principal officers have committed an act constituting civil fraud; or the Lender or an officer thereof is convicted of any criminal act that relates to lending or Loan servicing activities.

#### **8.19.6 Failure to Meet Insurer's Approval Standards**

The Lender is unable to meet the approval standards of any Mortgage Insurer or other entity that provides insurance or other credit enhancements in connection with New Penn Financials efforts to sell the Loans or to borrow based on the collateral value of the Loans.

#### **8.19.7 Failure to Deliver Required Documents**

The Lender fails to deliver to New Penn Financial any required documents.

#### **8.19.8 Invalid Assignment**

The Lender assigns or attempts to assign its interests, rights, or obligations under the Agreement without New Penn Financials prior written consent.

#### **8.19.9 Failure to Meet Salability Requirements**

New Penn Financial is required to repurchase any Loan previously conveyed, transferred, or assigned by New Penn Financial to any third party due to defects which existed prior to, or arose as a result of an occurrence on or before the Purchase Date.

## **8.20 GENERAL REMEDIES**

New Penn Financial shall have available to it the following General Remedies in the event New Penn Financial has reason to believe that the Lender breached the terms and conditions of the Agreement, this Guide or that an Event of Default has occurred.

Please Note: Nothing in this section shall be deemed or construed to limit, waive or impair any of New Penn Financial's rights or remedies under any Program Documents or other section of this Guide.

### **8.20.1 Real Estate Owned ("REO") Indemnification**

With respect to each Loan that is the subject of any breach of one or more representations, warranties or covenants specified in the Program Documents, if New Penn Financial (or New Penn Financial's agent or affiliate, or any subsequent owner of the Loan or such owner's agent or affiliate) has acquired title to the related Property through foreclosure, deed-in-lieu of foreclosure, abandonment or reclamation from bankruptcy of the defaulted Loan, then, upon New Penn Financial's demand, the Lender shall, at New Penn Financial's option:

- (i) purchase the Property from New Penn Financial at a purchase price equal to the Repurchase Price; or
- (ii) if New Penn Financial has sold or otherwise disposed of the Property, indemnify and hold New Penn Financial harmless from any loss resulting therefrom.

### **8.20.2 General Indemnification**

The Lender shall indemnify and hold New Penn Financial harmless from and against, and shall pay on behalf of New Penn Financial in the first instance, any and all losses, liabilities (including liabilities for penalties), claims, demands, damages, judgments, costs and expenses including attorneys' fees (both trial and appellate) of every kind and nature resulting from any claim, demand, defense or assertion ("Liability") based or grounded upon, or resulting from a breach of any representation, warranty or obligation contained in or made pursuant to the Program Documents, or from Liability based on or grounded upon, or resulting from such breach or a breach of any representation, warranty or obligation made by New Penn Financial in reliance upon any representation, warranty or obligation made by Lender in or pursuant to the Program Documents. The Lender also shall indemnify New Penn Financial and hold it harmless against all Liabilities incurred by New Penn Financial in enforcing the Program Documents. If a Loan is unacceptable to a New Penn Financial investor as a result of defective documentation or other Loan quality defects but New Penn Financial is unable to remove such Loan from the pool in which New Penn Financial placed the Loan, the Lender shall, upon demand, indemnify and hold New Penn Financial or its assigns harmless from any cost, expense, or loss relating to the Loan.

**8.20.3 Reasonable Assurances**

If, at any time during the term of the Agreement, New Penn Financial has reason to believe that an Event of Default has occurred, New Penn Financial shall have the right to demand, pursuant to electronic or written notice from New Penn Financial to the Lender, reasonable assurances that such a belief is in fact unfounded. Any failure by the Lender to provide the reasonable assurances set forth in the electronic or written notice and within a time frame specified in the electronic or written notice shall constitute an additional Event of Default; provided, however, that, notwithstanding anything set forth in the Program Documents to the contrary, and so long as no other Event of Default has occurred and is continuing, New Penn Financial shall only be entitled to exercise such reasonable assurance remedy as may be necessary or appropriate for New Penn Financial to insulate itself from any potential harm or loss relating to or caused by the facts or circumstances giving rise to such Event of Default.

**8.20.4 Possession of Files and Documents**

New Penn Financial may proceed immediately by its own acts, order of seizure, or such other remedy as may be available at law or equity to take possession of all Loan Files and documents relating to a Loan belonging to the Lender which could qualify for sale to New Penn Financial pursuant to the Lender's commitments.

**8.20.5 Suspension of Selling Privileges**

Without affecting any other of New Penn Financials remedies, New Penn Financial, by giving telephonic, electronic or written notice to the Lender, may immediately suspend all the Lender's Registrations and Rate-Locks and the Lender will cease to be eligible to obtain new Commitments during the term of such suspension. Upon any such suspension, New Penn Financial may determine in its sole discretion whether it will continue to purchase Loans under outstanding Commitments previously obtained by the Lender or refuse to Fund any or all Loans, pending the cure, to New Penn Financials satisfaction, of the Event of Default.

**8.20.6 Right to Withhold Fundings**

Upon any termination or suspension, New Penn Financial shall have the right to suspend the Lender's Fundings until such time as New Penn Financial has determined in the exercise of its reasonable judgment that New Penn Financial has insulated itself from any potential harm or loss relating to the Lender's sale of Loans to New Penn Financial.

**8.20.7 Right of Set-Off (Net Fund)**

New Penn Financial may set-off and deduct any fees, penalties or other sums owed to New Penn Financial by the Lender under the terms of the Program Documents, which may include indemnification and repurchase invoices.

**8.20.8 Notification of Agencies or Regulators**

New Penn Financial may notify any relevant Agency or regulator of the occurrence of an Event of Default involving fraud or misrepresentation.

**8.20.9 Indemnification for Letter of Credit**

If a Loan is unacceptable to an New Penn Financial investor as a result of defective documentation or other Loan quality defects which the Lender does not cure by the date established for a final pool certification for the pool in which New Penn Financial places the Loan, the Lender shall, upon demand, Repurchase the Loan at the Repurchase Price or, at New Penn Financials sole discretion, indemnify and hold New Penn Financial or its assigns harmless from any cost, expense, or loss relating to the Loan, including without limitation, the costs incurred by New Penn Financial for the issuance of a letter of credit.

**Please Note:** Nothing in this section shall be deemed or construed to limit, waive or impair any of New Penn Financials rights or remedies under any Program Documents or other section of this Guide.

**8.21 NOTIFICATION OF BREACH**

New Penn Financial shall be under no obligation to notify the Lender of the occurrence of any breach of the Lender's representations, warranties, or covenants hereunder, or of the occurrence or existence of any other Event of Default. All of New Penn Financials remedies hereunder including, without limitation, the Repurchase Remedy with respect to the Loan, any purchase obligation with respect to the Property, and the indemnification with respect to any breach of a Representation, Warranty, or Covenant (or any other Event of Default), shall exist regardless of the dates of New Penn Financials discovery and notice to the Lender of the breach and New Penn Financials demand for any remedy. Notwithstanding any other provision of the Program Documents to the contrary, the Lender shall remain liable for all remedies hereunder even if New Penn Financial discovers a breach after the Loan no longer exists.

**8.22 WAIVER OF DEFAULTS/REMEDIES**

New Penn Financial may waive any default by the Lender and its consequences, only in a written waiver specifying the nature and terms of such waiver. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto, nor shall any delay by New Penn Financial in exercising, or failure to exercise, any right arising from such default affect or impair New Penn Financials rights as to such default or any subsequent default. All of New Penn Financials remedies are non-exclusive and cumulative. New Penn Financials failure to exercise any of its remedies does not constitute a waiver of that remedy in the future as to the same or any other Lender default.

## **8.23 TERMINATION**

### **8.23.1 Termination Without Cause**

In addition to the provisions set forth elsewhere in the Program Documents for termination of the Agreement or any of the other Program Documents, either the Lender or New Penn Financial may terminate the Agreement or any of the Program Documents without cause (which termination shall have the effect outlined below) at any time upon prior telephonic, electronic, or written notice of termination to the other party. The party giving the notice of termination must specify the effective date of termination in such notice and such date of termination must be at least 30 days after the date such party sends such notice.

### **8.23.2 Termination With Cause**

Without affecting any other of New Penn Financials remedies, New Penn Financial, by giving telephonic, electronic or written notice to the Lender, may immediately terminate the Lender's selling privileges upon an Event of Default and the Lender will cease to be eligible to obtain new Commitments. Upon any such termination, New Penn Financial may determine in its sole discretion whether it will continue to purchase Loans under outstanding Commitments previously obtained by the Lender or refuse to Fund any or all Loans, pending the cure, to New Penn Financials satisfaction, of the Event of Default.

#### **Effect of Termination**

- a. Without Cause — Provided that termination is without cause, as provided in the immediately preceding section, and provided that no Event of Default on the part of the Lender has occurred, termination of the Agreement by New Penn Financial shall not apply to any Loans that have been Registered with New Penn Financial by the Lender before the effective date of the termination.
- b. Due To Breach or an Event of Default — If New Penn Financial terminates the Agreement or any Program Document due to an Event of Default, New Penn Financial may refuse to Register or Fund any or all Loans from the date of the telephonic, electronic, or written notice of termination. The Lender will not be entitled to a termination fee or any other compensation from New Penn Financial for any reason or cause relating to any consequential, incidental, or indirect damages arising out of, or in connection with, the Lender's suspension or termination.
- c. Survival of Remedies — It is understood and agreed that New Penn Financials remedies set forth in this Section, in the Agreement, this Guide and/or other Program Documents shall survive the sale and delivery of the related Loan to New Penn Financial and New Penn Financials funding of the related Purchase Price, and will continue in full force and effect, notwithstanding any termination of the related Agreement and this Guide, or any restrictive or qualified endorsement on any Mortgage Note or Assignment of Mortgage or Loan approval or other examination of or New Penn Financials failure to examine any related Loan File.

#### **8.24 USE OF NAME**

The Lender is not authorized to use the corporate name "New Penn Financial" or any derivation thereof, or any of the service marks of New Penn Financial in any promotional or other materials without the prior, written consent of New Penn Financial. As consideration for granting such consent, the Lender agrees to indemnify New Penn Financial from, and hold it harmless against any loss, damage or expense, including those incurred in defending any action or proceeding, which results from Lender's use of New Penn Financials corporate name, trade name, or service marks.

The Lender will not advertise or represent in print, in verbal communications or otherwise, that it is acting on behalf of, under the direction of, as the agent or as the representative of, or otherwise through or for, New Penn Financial.

#### **8.25 GOVERNING LAW**

The Agreement and this Guide shall be construed in accordance with the substantive law of the state of Delaware and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such law without regard for the principles of conflict of law and any suit shall be brought in Delaware County, DE.

#### **8.26 SEVERABILITY OF PROVISIONS**

If any one or more of the covenants, agreements, provisions, or terms of the Agreement or this Guide shall be held invalid for any reason whatsoever, then any such covenants, agreements, provisions, or terms shall be deemed severable from the remaining covenants, agreements, provisions, and terms of the Agreement or this Guide and shall in no way affect the validity or enforceability of the other provisions of the Agreement or this Guide.

#### **8.27 ASSIGNMENT**

New Penn Financial shall have the right to assign its rights and duties under the Agreement and this Guide to any party without the consent of the Lender. New Penn Financial shall notify the Lender in writing of any such assignment. The Lender shall have no right to assign its rights or duties under the Agreement or this Guide without New Penn Financials prior written consent. New Penn Financial also may assign separately to any other party any or all representations, warranties, or covenants made by the Lender to New Penn Financial in the Agreement or this Guide, along with any or all of New Penn Financials remedies available against the Lender for the Lender's breach of any representation, warranty or covenant hereunder, including, without limitation, the repurchase, fee payment, and indemnification remedies. Any such party shall be an intended third-party beneficiary of those representations, warranties, covenants, and remedies.

**8.28 GOVERNING AGREEMENT**

In the case of any inconsistency between the Agreement and this Guide, the terms of the Guide shall control. In the event of any conflict between provisions of New Penn Financials Underwriting Guidelines contained in this Guide and other contractual provisions of this Guide, such contractual provisions shall control.

**8.29 ENTIRE AGREEMENT; NO WAIVER**

The Agreement, this Guide, and/or the exhibits thereto and hereto contain the final and entire agreement between New Penn Financial and the Lender with respect to the purchase and sale of the Loans, and are intended to be an integration of all prior negotiations and understandings. No waiver of any of the provisions of the Agreement or this Guide shall be valid unless the same is in writing and is signed by the party against which such waiver is sought to be enforced. Delay by New Penn Financial in exercising any right or remedy under the Agreement, this Guide, or otherwise provided by law shall not operate as a waiver or preclude the later exercise of that right or remedy.

**8.30 NO PARTNERSHIP**

Nothing herein contained shall be deemed or construed to create a partnership or joint venture between the parties hereto. At no time shall the Lender represent that it is acting as an agent for or on behalf of New Penn Financial. At all times the Lender shall act as an independent contractor.

**8.31 CONFIDENTIALITY**

As a result of its relationship with New Penn Financial and access to the Agreement and this Guide, the Lender will learn or have access to various trade secrets, confidential and proprietary methods, techniques, processes, applications, approaches, and other information in various forms, which such information is used or useful in the conduct of New Penn Financials business, including its origination, purchase, sale, and servicing of Mortgage products, collectively referred to as "Confidential Information." The Lender acknowledges that such Confidential Information is the exclusive property of New Penn Financial. The Lender shall not, at any time, regardless of if, when, and how its relationship with New Penn Financial may terminate, directly or indirectly use, disclose, publish, reveal, copy, disseminate, or otherwise make available such Confidential Information, other than as expressly set forth in the Agreement or this Guide.

**8.32 CONSUMER PRIVACY**

Notwithstanding anything to the contrary, Lender agrees that it will not use or disclose any "nonpublic personal information" on a "customer" or "consumer" of New Penn Financial that is made available to, provided to, or obtained by the Lender for any purpose other than as required for the performance of the Lender's obligations under this Guide. In addition, Lender will not disclose such "nonpublic personal information" to any third party, including (without limitation) to an affiliate of

the Lender or to any individual contractor, to carry out the performance of the Lender's obligations under this Guide unless: (i) the Lender obtains the prior written consent of New Penn Financial; and (ii) such third party agrees in writing to be bound by the terms of this section and will use such "nonpublic personal information" only to perform some or all of the Lender's obligations under this Guide in accordance with applicable law. For purposes of this section, the terms "nonpublic personal information," "consumer" and "customer" shall have the meanings set forth in Title V of the Gramm-Leach-Bliley Act and its implementing regulations, and this section shall survive termination of Lender's Agreement and/or this Guide.

### **8.33 NON-EXCLUSIVE RELATIONSHIP**

Notwithstanding anything set forth herein or elsewhere to the contrary, the Lender acknowledges, understands, and agrees that its relationship with New Penn Financial is on a non-exclusive basis and that New Penn Financial may, in its discretion, at any time or from time to time, and without any liability or obligation to the Lender:

- (i) contract with, designate, authorize, constitute, or appoint one or more entities other than the Lender to originate, solicit, process, underwrite, close, fund, bill, sell and/or invest in Loans of any type for Funding by or sale to, or as agent for and on behalf of, New Penn Financial, all of which activity may occur in all or any portion of the geographic territory in which the Lender originates Loans; and/or
- (ii) either directly or indirectly compete with the Lender, either for New Penn Financial's own account or as agent for and on behalf of another, in the solicitation, processing, underwriting, closing, Funding, billing, selling of and/or investing in Loans in such geographic territory.

### **8.34 NOTICES**

All notices, demands and other communications required or permitted to be given or made in the Agreement or this Guide shall be, except where telephonic or electronic notice is specifically provided for under the Agreement of this Guide, in writing and shall be deemed duly given, made or sent, and received,

- (i) when personally delivered, or
- (ii) when delivered by overnight courier, or
- (iii) on the fourth business day next succeeding the day on which the same is sent by first class U.S. mail, postage prepaid, to the party intended as the recipient of the notice at its address specified in the Agreement, or at such other address as such party may have provided to the other for such purpose in a notice complying with the terms of this Section.

**8.35 TRANSFER OF MORTGAGE LOAN/POWER OF ATTORNEY**

The Lender agrees to convey and assign to New Penn Financial all of its right, title and interest in and to each Loan purchased by New Penn Financial, including all supporting documentation. The Lender authorizes and gives to New Penn Financial full power to endorse the Mortgage Note to New Penn Financial, execute an assignment of the security instrument to New Penn Financial, to do and perform all and every act and thing whatsoever requisite and necessary to be done with full power of substitution and revocation in connection with New Penn Financials purchase of the Loan. The Lender agrees to sign any documents required to fully execute and finalize the assignment and transfer to New Penn Financial of any Loan transaction closed and funded in the Lender's name and committed to New Penn Financial under the Agreement. The Lender hereby ratifies and confirms all that New Penn Financial as the Lender's attorney-in-fact shall lawfully do or cause to be done by virtue of this limited power of attorney.

**8.36 INTERPRETATION**

All words used in this Guide shall be construed to be of such gender or number as the circumstances require. All accounting terms used without definition shall be interpreted in accordance with generally accepted accounting principles and determinations required to be made pursuant to this Guide shall be made in accordance with generally accepted accounting principles.

**8.37 RELATION TO OTHER PROGRAM DOCUMENTS**

Nothing in this Guide shall be deemed to amend, or relieve the Lender of its obligations under any Program Document.

**8.38 NEW PENN FINANCIALS DISCRETION**

Whenever any provision of this Guide requires New Penn Financial to make a determination of fact or a decision to act, or to permit, approve, or deny another party's act, such determination or decision shall be made in New Penn Financials sole and absolute discretion. New Penn Financials purchase decision is at all times at New Penn Financials sole and absolute discretion and nothing in this Guide shall be construed as an obligation on New Penn Financials behalf to purchase any Loan.

## SECTION 9. REGISTRATION AND PRICING

### 9.1 COMMITMENT OPTIONS

#### **NEW PENN FINANCIAL OFFERS A COMPETITIVE SUITE OF COMMITMENT OPTIONS FOR LENDERS TO SELL MORTGAGE LOANS, INCLUDING BEST EFFORTS, MANDATORY FORWARD AND BULK OPTIONS**

Best Efforts Commitments are commitments in which the Lender locks a loan and uses its best effort to close the loan. All Best Efforts Commitments become Mandatory Delivery to New Penn Financial once the Lender closes the loan, even if the loan closes after the lock expiration date.

- Best Efforts Commitments do not in any way represent, obligate, or guarantee a loan's purchase by New Penn Financial
- Best Efforts Commitments are borrower and property specific
- Lenders may cancel a best efforts lock without any penalties if the loan never closes
- New Penn Financial reserves the right to charge a pair off fee should the Lender fail to deliver a locked loan that they closed

### 9.3 RATE DISTRIBUTION

New Penn Financials Correspondent Lending Division will target distributing a rate sheet which should cover all New Penn Financial Products that are classified as Group 1 Products sometime between 9:00 am CT and 9:30 am CT on each New Penn Financial business day. Pricing for products that are classified as Group 2 Products may appear on this initial rate sheet or it may be necessary to publish pricing for these products later in the day. These rates will be available on New Penn Financials Correspondent Lending Division web site: [www.NewPennFinancialcld.com](http://www.NewPennFinancialcld.com)

- Published rates are subject to change during the day should market conditions dictate.
- Each rate sheet published will contain a rate sheet code or ID Number and an effective time. This number and time will assist the Lender in determining if there has been any rate/price changes published during a business day.
- Rate sheets will include base pricing and all loan level pricing adjustments for all products that New Penn Financial is offering at that time.
- Separate Rate Sheets will be published for Best Efforts Commitment Programs versus Mandatory Commitment Programs.

### 9.4 SERVICE RELEASE SCHEDULE

All loans sold to New Penn Financial must be sold as "whole loans" servicing released which includes all investor rights and servicing rights. New Penn Financial will purchase the servicing rights from the originating Lender in return for a Service Release Premium (SRP) as compensation. In addition to the

rate sheets mentioned above, New Penn Financial will publish a separate Service Release Schedule that will be broken down by product, state, and loan amount.

- The SRP Schedule will be available on New Penn Financials Correspondent Lending Division web site: [www.NewPennFinancialld.com](http://www.NewPennFinancialld.com)
- New Penn Financial may price certain Products with the SRP built into the price (an all in price). Please refer to the rate sheet for information necessary to determine the products that are net priced.
- Escrow waivers are allowed on Conventional Conforming Products if the loan-to-value (LTV) is equal to or less than 80 percent (California less than 90 percent). Escrow waivers are not allowed on Government Products. Escrow waivers may or may not be available on other products so always refer to the specific product description to determine availability.
- Escrow waivers are acceptable for hazard insurance, or property taxes, or both hazard insurance and property taxes. There will be a loan level SRP deduction if escrows are not established for property taxes, regardless of the reason. Refer to the published rate sheet for the loan level deduction.

## 9.5 HOURS OF OPERATION

The Registration Department will be available for Best Efforts Commitments from 8:00 am CT to 5:00 pm CT each business day for New Penn Financial. Once rate sheets are published for that specific day, Lenders may lock loans during this time frame via phone 1-855-368-6925 or e-mail/fax ([registrations@NewPennFinancial.com](mailto:registrations@NewPennFinancial.com)) using the [Loan Registration/Lock Form](#). Each business day for New Penn Financial, Lenders may also lock loans via our web site: [www.NewPennFinancialld.com](http://www.NewPennFinancialld.com) from the time rates are published until 7:00 pm CT.

Please refer to Section 9.20.21 Commitment Communication for hours of operation for the Mandatory Trade Desk.

## 9.6 LOAN AMOUNT AND TERM RESTRICTIONS

New Penn Financial will only allow loan amounts to be in whole dollars:

- Loan Amount of \$145,625.00 is acceptable
- Loan Amount of \$145,625.75 is not acceptable

All Loans sold to New Penn Financial must be closed with terms on 5 year increments (10, 15, 20, 25, 30 years):

- Please refer to each specific product description for the details on the available terms

## 9.7 LOCKED LOANS

A locked loan means a loan that has been registered for a guaranteed rate and price if delivered within a stipulated price term. New Penn Financial will make available a lock confirmation by e-mail if the loan was locked via phone or e-mail/fax, or the Lender can print the confirmation if the loan was locked via our web site. It is the Lender's responsibility to verify the accuracy of the lock and to notify New Penn Financial's Registration Department of any issues within 24 hours of the initial lock.

If a Lock Confirmation for a loan locked via e-mail/fax is not received by the Lender, this must be reported to the Registration Department within 24 hours of the initial lock. If New Penn Financial is not contacted regarding the missing confirmation and has no record of an e-mail/fax being received, the price will not be honored.

### **9.8 LOCK EXPIRATION DATE**

Various lock periods are published on our rate sheet each New Penn Financial business day. The lock expiration date associated with each lock period is calculated by using the day after the lock date as day one. When the initial calculated lock expiration date falls on a weekend or New Penn Financial holiday, the lock expiration date will automatically roll forward to the next New Penn Financial business day.

### **9.9 FILE DELIVERY DEADLINE**

The lock expiration date that is associated with the various lock periods quoted for each product displayed on New Penn Financial's daily rate sheet is the date by which all closed and disbursed loans committed by the Lender to New Penn Financial are due for delivery. It is the Lender's responsibility to close, disburse, and deliver a closed loan file that is in fundable condition on or before 3:30 pm CT on the lock expiration date.

### **9.10 DUPLICATE LOCKS**

In the case where a Lender locks a loan for the same borrower and the same property under two separate loan numbers, the following procedures apply:

- If both loan numbers are active locks, then the original lock will remain active and the second lock will be cancelled.
- If the first lock has either been cancelled for less than 30 days or the initial lock has been expired for less than 30 days, then the original lock will be relocked at worse case pricing and the applicable relock fee will be applied. The second lock will be cancelled.
- Loans locked but then cancelled within the same business day will result in the lock being classified as null and void and New Penn Financial will change the lock to a floating registration.
- If one loan has a lock status of "floating" and the other loan has a lock status of "locked," then New Penn Financial will honor the "locked" loan and cancel the "floating" loan.

### 9.11 LOCK LIMITS

Maximum dollar volume of locked loans is limited to \$5,000,000 per Lender per rate code. This limit begins once our rate sheet is distributed each business day and ends with the earlier of 7:00 pm CT or should a rate change be distributed during the day. The lock limit resets if New Penn Financial issues an intra-day price change with a new price code during the day.

For Mandatory Commitments, please refer to Section 8.3 Lender Eligibility of our Lender Guide.

### 9.12 OVERNIGHT RATE PROTECTION

New Penn Financial will allow Best Effort locks each business day from the time rate sheets are published until 7:00 pm CT. Should a Lender attempt to lock a loan from the time we have cut off locks for the day until rate sheets are published the next business day, they will encounter an error message informing them that rates are not available at this time.

### 9.13 PRODUCT SWITCHES

Product switching is allowed on Best Effort locked loans based upon the following criteria:

- All New Penn Financial products are classified into two (2) major Product Groups
  - Group 1 (includes all Agency fixed rate products: FNMA/FHLMC, FHA, VA, RD)
  - Group 2 (The specific product description will include this identification if applicable)
- Switching Products from a product in Group 1 to another product in Group 1 will result in the original lock date and price code being kept with the original lock expiration date. Pricing for the new product will be derived from the original price code.
- Switching Products from a product in Group 2 to another product in Group 2 will result in worse case pricing.
- Switching Products from a product in one of the Groups to a product in another Group will result in worse case pricing.

### 9.14 POLICY ON OTHER CHANGES TO A LOCKED LOAN

- Changing the term on a Best Effort locked loan is allowed without affecting the lock should the change not result in changing the product.
  - If changing the term necessitates changing the product, then New Penn Financials rules concerning a product change must be enforced.
- Interest rate changes on Best Effort locked loans will result in the price associated with the new rate being derived from the existing locked price code.
- Borrower name changes are only allowed for typographical corrections or adding or deleting co-borrowers because a lock is borrower specific.

- Property address changes are **only** allowed for typographical corrections because a lock is property specific.

### 9.15 EXTENSIONS

All rate lock extensions for Best Effort commitments must be exercised on or before the lock expiration date. Extensions are not available on loans where the lock has expired. New Penn Financial reserves the right to not allow extensions based upon product guideline changes. The number of days selected for an extension will be added to the expiration date, and will not roll forward to the next business day should the new calculated date fall on a non-business day. New Penn Financial will extend the date out to the next business day and assess the Lender a per day charge.

- New Penn Financial will adjust the price of a locked loan based upon the extension schedule associated with a Product Group that will be published on our rate sheet. These published extension schedules are subject to change without notice.
- On loans locked under a product included in Group 1, the Lender is allowed to exercise up to 4 extensions, but in no case may the original locked expiration date be extended a total of more than 60 days.
- Loans locked under a product included in Group 2 may have separate extension policies and, if applicable, will be indicated on the rate sheet.

### 9.16 RELOCKS

Relocks for Best Effort commitments are only permitted on expired locks. New Penn Financial reserves the right to disallow a relock based upon a rate or product guideline availability.

- It is the responsibility of the Lender to relock an expired lock prior to delivering the closed loan package. Delivering a package that has an expired lock may delay the processing of that loan package, and New Penn Financial will not be responsible for adverse market movement between the time of delivery and the time the Lender request a relock.
- Loans that have been expired **less than or equal to 30 days** may be relocked for the following number of days at worse case pricing plus the associated relock fee:
  - 7 days      -0.070
  - 15 days     -0.150
  - 30 days     -0.300
- The relock fees apply to each relock regardless of current market conditions.
- Relock requests for loans expired more **than 30 days** will be priced to the current market at the time of relock.
- Any previous extension or relock fees will be retained and deducted from the new price.

- The new expiration date is calculated from the date the loan is relocked.
- A loan locked under a product included in Group 2 may have separate re-lock policies and, if applicable, will be indicated on our rate sheet.

### **9.17 RENEGOTIATION POLICY**

In a significantly improving rate environment, renegotiation on a Best Effort locked loan may be requested. The request must be submitted for consideration after the initial rate sheet of the day is published and before 5:00 pm CT. The following policy is only applicable to loans locked under products included in Group 1.

- The renegotiated rate must result in a reduction of the rate quoted to the borrower of at least 0.125%.
- A renegotiation may be exercised only once per loan, and the request must be submitted prior to the loan closing.
- The price that will be associated with the new rate will be calculated by selecting the current market price for the lock period that equals the original lock period (original 60-day lock means you compare to the current 60-day price). There will then be a 0.500 deduction applied to that price, but this new calculated price can never exceed the original price.
- The closed loan package must be delivered to New Penn Financial in fundable condition within 15 days of the renegotiation or the current expiration date, whichever is earlier. The expiration date will never be extended, but may be shortened to match the maximum 15 days allowed to close and deliver the loan.
- Any previous extension or relock fees will apply to the renegotiated price.
- Once a renegotiation has been processed, there cannot be any product changes or relocks exercised.
- If the loan has not had the maximum of four extensions applied, then a one time 15-day extension may be permitted on a negotiated basis.

### **9.18 NON-DELIVERY PAIR OFF FEES (BEST EFFORTS COMMITMENTS)**

Once a Lender closes a loan committed to New Penn Financial under a best efforts lock, then that best efforts commitment becomes a mandatory delivery to New Penn Financial. Failure to deliver a closed loan package will result in the Lender being assessed a Pair Off fee.

- The fee will be calculated by determining the difference between the seven-day price on the day after the commitment expiration date (use current day if the lock has not expired) and the price on the commitment.
- This fee will only be charged when the market has improved between the commitment price and the seven-day price used in the Pair Off calculation.

- In addition to the Pair Off fee calculated, a non-delivery penalty may be assessed.
- New Penn Financial reserves the right to impose a minimum Pair Off fee or use the Pair Off calculation, whichever is greater.
- A minimum Pair Off fee may also be imposed when the market has remained flat or declined from the commitment price to the seven-day price used in the Pair Off calculation.

### **9.19 CURE PERIOD FOR SUSPENDED LOANS**

If New Penn Financial detects a deficiency in the closed loan package during the funding review process, a Lender Suspense notification will be sent to the Lender. The Lender Suspense Notice will identify all of the missing and/or incorrect documentation and the date by which all required items must be received by New Penn Financial in order to clear the loan for purchase.

- The period provided to cure the deficiencies is determined by **the greater of** seven calendar days from the Lender Suspense Notice date or the expiration date of the lock commitment.
- If the deficiencies are not received by New Penn Financial by the cure period expiration date provided in the Lender Suspense Notice, then the Lender will begin accruing an extension fee of 2.5 basis points per calendar day beginning on the day after the cure period expiration date.
- The cure period expiration date may only be extended for a maximum of 30 calendar days.
- If the loan is not in fundable condition by the end of the 30 calendar days provided under the allowable cure period extension policy, then the lock will be subject to a 15 day relock and the applicable relock fee plus all extension fee charges that have accumulated.
- New Penn Financial reserves the right to return the closed loan package to the Lender and the Note (if applicable) to the appropriate party per the bailee agreement should the Lender fail to clear all of the suspense items by the end of the 30 calendar days provided in the cure period extension policy.
- New Penn Financial will not be obligated to purchase a loan should the Lender fail to deliver all of the required suspense items within our allowed cure period extension policy.

### **9.20 Mandatory Commitment Program – (Program currently suspended as of 4/7/18)**

The Mandatory commitment program offers Lenders a variety of methods to optimize price and delivery of one or more Mortgage Loans. New Penn Financial offers, with prior approval, the following mandatory commitment types: Mandatory Forward, and Bulk. For approval criteria, please refer to Section 8.3 Lender Eligibility of the Lender Guide.

Lenders may not simultaneously utilize Mandatory Forward/Bulk versus Best Efforts commitments for the same Mortgage Loan product.

Mortgage Loans previously locked in a Best Efforts commitment may not be allocated or delivered into a Mandatory Forward or Bulk commitment unless such commitment was locked greater than sixty (60) calendar days after the earlier of the Best Efforts cancellation date or most recent commitment expiration date.

Failure to deliver into a mandatory-delivery commitment may result in a pair-off fee. Please refer to Section 9.20.6 Commitment Cancellation and Section 9.20.7 Commitment Pair-Off.

### **9.20.1 Mandatory Forward Commitment**

Lenders may execute Mandatory Forward commitments for a defined product, Mortgage Loan amount balance, interest rate range, and commitment period for an unspecified set of Mortgage Loans that fit both the commitment terms and New Penn Financials broader Mortgage Loan guidelines as noted in the Lender Guide.

A Mandatory Forward is typically for a single product; however New Penn Financial may allow a Lender to commingle products into one commitment, as outlined in Section 9.20.22 Product Commingling of the Lender Guide, subject to the following conditions:

- Lender discloses all products intended to be commingled into the commitment at commitment lock date, and
- Lender provides an estimate of the proportion of the total commitment amount that will be delivered for each product.

If multiple products are commingled into one commitment, and if the final delivery percentage of each product for which a delivery estimate is required differs from the estimated percentage by more than 10%, (in absolute terms and in either direction), New Penn Financial may reprice the portion outside of the 10% tolerance.

For example, if a Lender estimated that 30% of a Conforming Fixed 30 Year commitment would be delivered as Conforming Fixed 30 Year High Balance at the time of lock, and ultimately delivered 55% as Conforming Fixed 30 Year High Balance, the difference from the actual percentage to the estimated percentage would be 25% (55% minus 30%). Since 25% exceeds the 10% tolerance, New Penn Financial may reprice the portion of the Conforming Fixed 30 Year High Balance product that is outside of the 10% tolerance, or 15% (25% minus 10%) of the commitment amount in this example.

A Lender may request to add additional products to commingle in a commitment or modify a previously supplied delivery proportion for a product after the lock date by request. New Penn Financial, at its sole discretion, may approve or decline such requests based upon market conditions and other factors. If such a request is approved, the Lender must specify a delivery estimate for new products as outlined above and New Penn Financial may adjust the commitment price based upon changes to market conditions or other factors since the lock date/time.

The total price for each Mortgage Loan is comprised of the base price (as noted by New Penn Financial at commitment lock), loan-level price adjustments (as noted on the applicable rate sheet) and servicing release premium (as noted on the applicable rate sheet/SRP Schedule). Each Mortgage Loan is subject to applicable fees in effect as of commitment lock date/time, or as otherwise noted in the Lender Guide.

### **9.20.2 Bulk Commitment**

Lender may execute Bulk commitments providing customization of product, interest rate range, and commitment period, as deemed suitable by New Penn Financial at commitment lock, for a specified set of Mortgage Loans that fit both the commitment terms and New Penn Financials broader Mortgage Loan guidelines as noted in the Lender Guide.

After a bulk commitment is consummated, Lenders **are required** to input loan information in New Penn Financials LOS as soon as possible and at the worst case the same day. This will help ensure the loan meets New Penn Financials documented product eligibility requirements as soon as possible benefiting both the Lender and New Penn Financials ability to fulfill the aforementioned commitment.

New Penn Financial requires Lender to submit a spreadsheet of loan-level attributes, as required by New Penn Financial, in order to model and offer strategic pricing for the pool of Mortgage Loans. New Penn Financial commingles the final set of Mortgage Loans into a single commitment.

The total price for each Mortgage Loan is an all-in value, comprised of base price, loan-level price adjustment(s), and service release premium (as noted by New Penn Financial and agreed upon by Lender at commitment lock). Each Mortgage Loan is subject to applicable fees in effect as of the commitment lock date/time, or as otherwise noted in the Lender Guide.

### **9.20.3 Commitment Confirmation Overview**

Commitment confirmation letters for all Mandatory Forward and Bulk commitments are distributed via email to specific Lender email address previously setup to receive commitment notification.

New Penn Financial will execute commitments only with individuals designated as an Authorized Trader and will identify such person at commitment lock. Upon publication, New Penn Financial will email a Mandatory commitment confirmation, requiring a response (acknowledge or dispute) to the commitment terms. The Authorized Trader must respond by the later of 4:00 p.m. Central Time on the commitment date, or thirty (30) minutes after the commitment lock date/time. If the Authorized Trader does not respond, New Penn Financial will interpret the non-response as positive acknowledgement for the commitment.

Lenders must promptly contact New Penn Financial if commitment confirmation terms appear inaccurate or if an event occurs rendering the Lenders satisfaction of its obligation under a commitment unlikely. New Penn Financial will consider reasonable requests, but reserves the right to hold Lenders to accepted commitment terms.

If New Penn Financial issues multiple commitment confirmations, the latest confirmation governs, provided that such commitment confirmation is correct in all material respects.

### **9.20.4 Commitment Management**

Lenders are responsible for commitment management and are encouraged to review pipeline reports for adherence to both commitment and Mortgage Loan delivery policy.

Lenders are responsible for notifying New Penn Financial of Mortgage Loan changes that may impact commitment terms and/or price as soon as a change is discovered, irrespective of Mortgage Loan delivery

status. Mortgage Loan changes that materially differ from the respective commitment terms may subject the commitment and associated Mortgage Loan(s) to reprice, relock, cancellation, or rejection.

### 9.20.5 Mandatory Forward and Bulk Commitment Roll

Lenders may roll the commitment delivery due date of the undelivered portion of a Mandatory Forward or Bulk commitment *once* for a maximum cumulative term of the lesser of thirty (30) calendar days or the original commitment term, except as noted below. New Penn Financial may grant additional rolls by exception.

New Penn Financial will reduce the commitment price by the roll fee in effect at the roll date/time.

- ☐ Commitment stipulations may adversely impact the roll fee, requiring charges in addition to those in effect at the roll date/time. In such cases, New Penn Financial will notify Lenders of such additional restrictions or the potential for a higher roll fee at the commitment lock date/time.

### 9.20.6 Commitment Cancellation

A Mandatory Forward or Bulk commitment may not be cancelled. Failure to deliver into a mandatory-delivery commitment may result in a pair-off fee.

### 9.20.7 Commitment Pair-Off

New Penn Financial may collect a pair-off fee for failure to deliver into a Mandatory Forward or Bulk commitment should the final delivery fall outside of allowable tolerances.

New Penn Financial calculates a pair-off fee in accordance with the following terms:

- Price Differential = Current Price – (Price At Lock + Extension/Roll Fees)
- ☐ Pair-off Fee = (Positive Price Differential + Pair-off Penalty Fee)

### 9.20.8 Commitment Pair-Off Penalty Fee Table:

Type of Commitment	Product	Pair-off Penalty Fee (basis points)
Mandatory Forward & Bulk	All Products	12.5

### 9.20.9 Mandatory Forward Commitment Current Price Calculation

Current Price is the base price on the Mandatory rate sheet that was in effect as of the Pair-Off Date/Time for the lowest interest rate in the commitment for the maximum commitment term that is less than or equal to the number of calendar days remaining in the commitment being paired-off. A live price adjustment may be added to the rate sheet price to adjust for market movement since the last rate sheet posting.

A Mandatory rate sheet price may not exist for all products in commitments with certain delivery stipulations. In such case, Current Price for such product is the price New Penn Financial would bid on the Pair-Off Date/Time on a new commitment with the same stipulations and a delivery due date equal to the delivery due date of the commitment being paired-off.

- ☐ If a commitment contains products for which a Mandatory rate sheet price is not available, Lenders will be notified of such at the time the commitment is locked and reminded that a pair-off of such commitment will be impacted by the policy in the preceding paragraph.

Price at Lock is the base price on the Mandatory rate sheet that was in effect as of the commitment lock date/time for the lowest interest rate in the commitment for the original commitment term. A live price adjustment may be added to the rate sheet price to adjust for market movement between the rate sheet publication date/time and the lock date/time.

- ☐ A Mandatory rate sheet price may not exist for all products in commitments with certain delivery stipulations. In such case, Price at Lock for such product is the original commitment base price for the lowest interest rate in the commitment.

For Mandatory commitments in which multiple products can be commingled, Price At Lock and Current Price are computed in accordance with the respective procedures described above and weighted based upon the product delivery estimates previously supplied by the Lender, adjusted for Mortgage Loans already delivered against such commitments. To the extent that the product delivery estimates previously supplied by the Lender are deemed inappropriate by New Penn Financial, New Penn Financial will determine the weighting at its sole discretion.

#### **9.20.10 Bulk Commitment Current Price Calculation**

Current Price is the price New Penn Financial would bid on the Pair-Off Date/Time for Mortgage Loans with the same characteristics as those that were expected to be delivered and purchased by New Penn Financial in accordance with the Bulk commitment, but were not purchased by New Penn Financial regardless of reasons such loans were not purchased, with a delivery due date equivalent to the delivery due date of the commitment being paired-off.

Price At Lock is the original commitment price for the Mortgage Loans that were expected to be delivered and purchased by New Penn Financial in accordance with the Bulk commitment, but were not purchased by New Penn Financial regardless of the reasons such loans were not purchased.

#### **9.20.11 Pair-Off Date/Time**

- a. The Pair-Off Date/Time is the earlier of:

First date/time New Penn Financials Mandatory Trade Desk is open after the Lender requests (and New Penn Financial acknowledges) a commitment pair-off, or

First date/time New Penn Financials Mandatory Trade Desk is open on the business day immediately following the commitment delivery due date.

## b. Delivery Variances

Mandatory Forward and Bulk commitments offer a delivery variance of the lesser of plus or minus ( $\pm$ ) two percent (2%) of the original commitment amount (prior to over-delivery), or one hundred thousand dollars (\$100,000).

Aggregate Mortgage Loan amount changes to Mortgage Loan(s) in a Mandatory Forward or Bulk commitment that result in a net Mortgage Loan amount that violate the allowed delivery variance will subject the commitment to reprice based on the following conditions and calculations:

### i. Under-Delivery

An under-delivery results when the principal balance of Mortgage Loans delivered into a commitment is less than the commitment amount minus the applicable delivery variance amount, noted by the following expression when the result is a positive number:

- Under-Delivery Amount = [Commitment Amount + Previously Agreed Upon Over-Delivery Amount – Delivery Variance Amount – Delivered Amount – Previous Pair-off Amount]

Failure to deliver within tolerance may result in a pair-off fee or require substitution. Please refer to Section 9.20.6 Commitment Cancellation, Section 9.20.7 Commitment Pair-Off, Section 9.20.16 Mortgage Loan Rejection/Post Delivery Cancellation and Section 9.20.17 Mortgage Loan Substitution.

### ii. Over-Delivery

An over-delivery results when the principal balance of the Mortgage Loan(s) delivered into a commitment exceeds the commitment amount plus the applicable delivery variance amount, noted by the following expression when the result is a positive number:

- Over-Delivery Amount = [Delivered Amount + Previous Pair-off Amount – Commitment Amount – Previous Over-Delivery Amount – Delivery Variance Amount]

The delivery variance amount does not change when an over-delivery occurs.

Type of Over-Delivery	Description
Over-Delivery Date/Time	First date/time New Penn Financials Mandatory Trade Desk is open after the date/time on which the Lender requests allowance for an over-delivery.
Over-Delivery, Improving Market	If the Current Price is greater than or equal to the original commitment base price prior to any accumulated roll fees, the over-delivered amount will receive the original commitment price excluding accumulated roll fees.

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Over-Delivery, Declining Market	If the Current Price is less than the original commitment base price prior to any accumulated roll fees, the over-delivered amount will be priced to the Current Price.
---------------------------------------	---

### Determining Current Price

• Type of Commitment	Current Price
Mandatory Commitment	<p>Current Price is the base price for the original commitment term on the Mandatory rate sheet that was in effect as of the over-delivery date/time for the note rate in which the over-delivery occurred. A live price adjustment may be added to the rate sheet price to adjust for market movement since the last rate sheet posting.</p> <p>A Mandatory rate sheet price may not exist for all products in commitments with certain delivery stipulations. In such case, Current Price for such product is the price New Penn Financial would bid on the over-delivery date/time on a new commitment with the same stipulations.</p>
Bulk Commitment	Current Price is the price New Penn Financial would bid on the over-delivery date/time for Mortgage Loans with attributes equivalent to those of the over-delivered amount and with the original commitment term.

### 9.20.12 Mortgage Loan Interest Rate Change

An interest rate change to a Mortgage Loan in a Mandatory Forward commitment to an interest rate within the commitment terms will be accepted and priced accordingly. A change to an interest rate outside the commitment terms must be evaluated by New Penn Financial for acceptability and price.

An interest rate change to a Mortgage Loan in a Bulk commitment must be evaluated by New Penn Financial for acceptability and price.

### 9.20.13 Mortgage Loan Program Change

A program change to a Mortgage Loan in a Mandatory Forward or a Bulk commitment must be evaluated by New Penn Financial for acceptability and price.

A change to a program outside commitment terms must be evaluated by New Penn Financial for acceptability and price.

A commitment program change on any mandatory commitment type may require a new commitment and a pair-off fee attributed to the original commitment.

#### **9.20.14 Mortgage Loan Property Change**

A property address change to a Mortgage Loan in a Mandatory Forward commitment will be accepted and priced accordingly.

A property address change to a Mortgage Loan in a Bulk commitment must be evaluated by New Penn Financial for acceptability and price.

#### **9.20.15 Mortgage Loan Feature Change**

An attribute, or loan feature, change to a Mortgage Loan in a Mandatory Forward or Bulk commitment may subject the Mortgage Loan to reprice or rejection.

#### **9.20.16 Mortgage Loan Rejection/Post Delivery Cancellation**

If New Penn Financial rejects or the Lender cancels a delivered Mortgage Loan allocated to a Mandatory Forward or Bulk commitment, the Mortgage Loan will be automatically de-allocated from the associated commitment.

If

- ☐ the commitment was previously filled to within the applicable delivery variance at the time of rejection/cancellation, and
- ☐ the de-allocation will cause the commitment to be under-delivered. Please refer to Section 9.20.11 (b) Delivery Variance of the Lender Guide, and
- the commitment's current delivery due date has been rolled past the delivery due date that was in effect as of the date of delivery of the rejected/cancelled loan, or the delivery due date as of the date of delivery of the rejected/cancelled loan has lapsed

New Penn Financial will automatically roll the principal balance of the rejected/cancelled loan from the commitment's delivery due date as of the delivery date of the rejected loan to the later of:

- ☐ The date of rejection/cancellation, or
- The commitment's current delivery due date.

If

- ☐ The commitment was not previously filled to within the applicable delivery variance at the time of rejection/cancellation, and

- The commitment's current delivery due date has been rolled past the delivery due date that was in effect as of the date of delivery of the rejected/cancelled loan.

New Penn Financial will automatically roll the principal balance of the rejected/cancelled loan from the commitment's delivery due date as of the delivery date of the rejected/cancelled loan to the commitment's current delivery due date.

In the event a loan is rejected or cancelled, the Lender must request a pair-off of that portion of the commitment or the ability to substitute a suitable loan. If the Lender chooses to substitute a loan, the commitment may be rolled again as needed to provide time to deliver a suitable substitute. The automatic roll that occurs in certain circumstances described above will not be counted in the Lender's roll count limit.

#### **9.20.17 Mortgage Loan Substitution**

Lenders may substitute a Mortgage Loan delivered into a Mandatory Forward or Bulk commitment subject to commitment terms and New Penn Financials broader Mortgage Loan guidelines as noted in the Lender Guide.

Mortgage Loan substitutions that fit within the original commitment terms may be priced in accordance with terms agreed upon at the commitment lock date/time, plus accumulated roll fees, for a Mandatory Forward commitment.

New Penn Financial may choose to deny a Mortgage Loan substitution in a Bulk commitment for any reason. If New Penn Financial accepts substitution in a Bulk commitment, the Mortgage Loan will be priced at the same market conditions (date and time) as the original Bulk commitment plus or minus applicable loan level attributes of the same.

#### **9.20.18 General Loan File Delivery**

Please refer to Section 10 File Delivery of the Lender Guide.

#### **9.20.19 Late Delivery**

A Mortgage Loan delivered to New Penn Financial after the expiration date is considered late.

Mandatory Forward and Bulk commitments that expire are subject to pair-off if an under-delivery occurs. A Mortgage Loan delivered into an expired mandatory-delivery commitment must be re-allocated to an appropriate commitment.

#### **9.20.20 Defective On-Time Delivery**

A Mortgage Loan delivered to New Penn Financial on or before the commitment expiration date with defective or missing documentation, incorrect commitment parameters, a Lender's warehouse lender restrictions, or any other reason outside of New Penn Financials control will be suspended. Please refer to Section 9.18 Cure Period for Suspended Loans of the Lender Guide.

#### **9.20.21 Commitment Communication**

Market Open in the chart below is noted by New Penn Financial on any given business day based on the date/time New Penn Financials Mandatory Trade Desk opens for business, typically noted by New Penn Financials first posting of the Mandatory rate sheet indication.

Commitment Communication (Monday through Friday, excluding Holidays)				
Commitment	Option	Email	Phone	Hours
Mandatory Forward, Bulk	Live Pricing/ Commitment Requests			

### 9.20.22 Product Commingling

Commitment Base Product	Products Permitted To Be Commingled
Conforming Fixed 30 Yr	Conforming Fixed 25 Yr
	Conforming Fixed 30 Yr High Balance
	FNMA DU Refi Plus 30 Yr LTV > 0 and LTV <= 105
	FNMA DU Refi Plus 30 Yr LTV > 0 and LTV <= 105 High Balance
FNMA DU Refi Plus 30 Yr LTV > 105 and LTV <= 125	FNMA DU Refi Plus 30 Yr LTV > 105 and LTV <= 125 High Balance
FNMA DU Refi Plus 30 Yr LTV > 125	FNMA DU Refi Plus 30 Yr LTV > 125 High Balance
Conforming Fixed 20 Yr	FNMA DU Refi Plus 20 Yr LTV > 0 and LTV <= 105
Conforming Fixed 15 Yr	Conforming Fixed 15 Yr High Balance
	FNMA DU Refi Plus 15 Yr LTV > 0 and LTV <= 105
	FNMA DU Refi Plus 15 Yr LTV > 0 and LTV <= 105 High Balance
FNMA DU Refi Plus 15 Yr LTV > 105 and LTV <= 125	FNMA DU Refi Plus 15 Yr LTV > 105 and LTV <= 125 High Balance

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FNMA DU Refi Plus 15 Yr LTV > 125	FNMA DU Refi Plus 15 Yr LTV > 125 High Balance
Government Fixed 30 Yr	FHA Fixed 30 Yr
	VA Fixed 30 Yr
	FHA Fixed 30 Yr High Balance
	VA Fixed 30 Yr High Balance
	FHA Fixed 20 Yr
	VA Fixed 20 Yr
	Rural Housing Fixed 30 Yr
	Rural Housing Fixed 30 Yr High Balance
Government Fixed 15 Yr	FHA Fixed 15 Yr
	VA Fixed 15 Yr

## SECTION 10. FILE DELIVERY

### 10.1 INTRODUCTION

The New Penn Financial Image Delivery Program allows Lenders to deliver loan documents through secured electronic delivery on our website. **The original Collateral Documents remain required for funding.**

Lenders have the ability to deliver documents to New Penn Financial through our website. This document details the delivery policy requirements.

Image Delivery is structured to accept document images using New Penn Financial's system. All images must conform to New Penn Financial document standards as outlined within this Lender Guide.

### 10.2 LENDER RESPONSIBILITY

New Penn Financial relies on the accuracy and completeness of imaged loan documents and data contained in imaged document submissions. It is the responsibility of the Lender to upload the correct documents for each loan. If incorrect documents are submitted, the loan will not be moved into the loan flow for purchase.

**All final documents should be mailed to our address 1000 Oliver Road, Monroe, LA 71201.**

### 10.3 IMAGE DOCUMENT STANDARDS

New Penn Financial accepts documents saved in Adobe Acrobat (.PDF) format.

All other file formats will be rejected by New Penn Financial and may result in a late file delivery. **It is the Lender's responsibility to ensure all documents and appraisal photographs received by New Penn Financial are clear with high quality.** New Penn Financial strives to preserve the original formatting of all imaged files received. To facilitate this process, Lenders should follow the guidelines below when creating the file.

If New Penn Financial receives a file that does not meet the document format requirements outlined below, depending on the issue, the loan will be suspended until such documents or photographs are received.

#### **10.3.1 Imaged Document Scanning Requirements Excluding Appraisals**

Uploaded documents should be scanned in 200 DPI. These documents should be black and white, no grayscale or color.

All security and overlays should be removed from any document uploaded to New Penn Financial.

### 10.4 IMAGED APPRAISAL

Appraisals should be first generation files from the appraiser with the photographs pages scanned in color.

Appraisal photographs must be original electronic images. They must be clear, identified and clearly show any completed improvements or conditions that have a material effect on the value of the subject property.

### **10.5 DOCUMENT ORIENTATION**

Portrait orientation on all documents is required. Documents should not mix formats when sent as a single file. For example, different page sizes or varying scan settings.

### **10.6 DOCUMENT SECURITY**

There can be no security features or password protection associated with the file, including the appraisal.

### **10.7 NEW LENDER ORIENTATION**

A new Lender orientation is required for companies that are not yet set up to deliver imaged documents to New Penn Financial. Lenders should contact New Penn Financial Lender Support at 1- 855 368-6925.

An individual New Penn Financial Username and Password is required to access the New Penn Financial System.

If you do not currently have an New Penn Financial Username and Password, or access to the Image Delivery functionality, contact New Penn Financial Lender Support.

### **10.8 FILE RECEIPT DEADLINE POLICY**

Imaged files must be successfully received by New Penn Financials system, and in fundable condition, by 3:30 pm CT on or before the lock expiration date.

The original Note and other collateral documents must also be received by New Penn Financial on or before the lock expiration date.

Failure to successfully deliver the loan in fundable condition or within the prescribed time frames outlined above may result in a re-pricing of the loan.

Receipt of all files must be by 3:30 pm CT in order to be shown as received on that day. All files received after 3:30 pm CT will be logged in the following day.

## SECTION 11. UNDERWRITING OPTIONS

### 11.1 OVERVIEW

New Penn Financial offers both Delegated and Prior Approval underwriting on conventional loan products. At this time, all Jumbo products must be underwritten by New Penn Financial.

New Penn Financial will provide Prior Approval underwriting on FHA loan products if the Lender has been approved under an Authorized Agent relationship or a Sponsorship relationship. Please refer to [Lender Management](#) for requirements.

New Penn Financial does not provide Prior Approval underwriting on VA or USDA-Rural Housing loans at this time. Lenders must have VA Automatic underwriting authority issued through VA or have USDA approval.

Lenders are responsible for ensuring that all loans submitted to New Penn Financial for prior approval underwriting or loan purchase meet both New Penn Financial overlays and Agency guidelines.

Effective for all loan applications dated on or after January 10, 2014, all loans sold to New Penn Financial must be Qualified Mortgages (QMs) and meet the Ability to Repay (ATR) requirements below. Lenders are responsible for providing evidence of compliance with ATR-QM requirements. An income and debt worksheet detailing the information used to fully qualify the borrower(s) must be included in each loan file delivered for loan purchase to evidence compliance with the Ability to Repay Rule. Lenders are allowed to use their own internal forms at this time as long as the form allows the underwriter to provide a complete comprehensive analysis of how all income and debts were calculated.

- Applies to Primary Residences and Second Homes
- Applies to Investment if not used for business purposes (e.g. borrower intends to occupy for greater than 14 days in the year).
- The underwriter must determine a borrower's repayment ability using verified documented information with the following 8 underwriting considerations:
  - Current or reasonably expected income and assets
  - Current employment status
  - Credit history
  - Monthly payment for subject property
  - Monthly payment for simultaneous mortgages
  - Monthly payments for related expenses (taxes, MIP, insurance, HOA)
  - Current debt obligations including alimony and child support
  - Monthly debt-to-income ratio

- Note: The QM Temporary Provision allows a higher DTI for loans eligible for sale to the GSEs and government insured transactions – Loans must meet Agency, FHA, VA and USDA guidelines as well as New Penn Financial guidelines and overlays.

## **11.2 UNDERWRITING OPTIONS**

### **11.2.1 Delegated Underwriting**

New Penn Financial will purchase conventional loans within conforming loan balances that receive DU Approve/Eligible or LP Accept/Eligible recommendations that have been underwritten and approved by specific prior approved Delegated Underwriters.

Any Lender that is a regulated financial institution or a wholly owned subsidiary of a regulated financial institution may request Institutional Delegated Authority whereby individual underwriters do not have to be approved. Lenders requesting this authority must have at least one qualified, full-time underwriter on staff and should submit their resume at time of the request.

New Penn Financial must underwrite all Jumbo loans. At this time, Delegated Underwriting is not allowed.

Refer to [Lender Management](#) for requirements.

### **11.2.2 Prior-Approval Underwriting**

All loans submitted to New Penn Financials underwriting team must contain sufficient documentation to make a loan decision. Underwriting will not review loans that do not have, at a minimum:

- A complete loan application (1003) for all borrowers
- A DU or LP Findings report reflecting correct loan terms and information
- A credit report
- Income & asset documentation (as required by the AUS)
- An appraisal (as required by the AUS) with XML

Please refer to the [Conventional Underwriting Submission Checklist](#) or the [FHA Underwriting Submission Checklist](#) of the Lender Guide for required documents.

Loans must be in a registered status prior to the submission to New Penn Financial for prior-approval underwriting.

Underwriting will provide a loan decision to the Lender via the website.

If a loan is denied, the underwriter will contact the Lender directly by telephone to provide the reason for denial. A Notification of Loan Denial will be provided to the Lender via fax and a copy of the Notice will be available on-line.

All “Final Approval” underwriting conditions must be provided in the closed loan file delivered for loan purchase. In the event a condition has not been provided or the documentation provided is deemed unacceptable, the loan file will be suspended for purchase until the deficiency is resolved. If the deficiency cannot be resolved, the loan file will be denied for purchase.

### **11.3 FANNIE MAE EARLYCHECK™**

Fannie Mae’s EarlyCheck™ service assists Lenders in identifying and correcting potential eligibility and/or data issues as early in a Lender’s business process as possible. The goal is to help Lenders identify potential problems prior to loan delivery to Fannie Mae.

In order to ensure loan data quality, New Penn Financial will perform an EarlyCheck™ review on all conventional loans delivered for purchase. Any discrepancies noted by the EarlyCheck™ report must be remedied before loan purchase.

To avoid loan purchase suspension, Lenders should ensure that all of the data on the “Final” DU Findings Report match the loan documents. Lenders are strongly encouraged to perform a review of all documents prior to loan closing to ensure data integrity.

#### **Common Discrepancies Found:**

- First Time Homebuyer is reflected in DU; however, not reflected on Final 1003
- Social Security Number reflected in DU does not match information delivered
- DTI reflected in DU does not match final DTI on loan based on information delivered
- Property type in DU does not reflect PUD or Condo property type on appraisal
- Project classification does not match appraisal or project warranty form
- Loan purpose reflected in DU does not match information delivered (cash-out versus limited cash-out)

### **11.4 DATAVERIFY QUALITY REPORT**

Refer to [Compliance Topics - Fraud](#) for information regarding the Data Verify DRIVE report.

**SECTION 12. CONVENTIONAL CONFORMING UNDERWRITING GUIDELINES****12.1 GUIDELINE OVERLAYS AND NEW PENN FINANCIAL POLICY MATRIX****12.2 Fannie Mae Guidelines**

Refer to the following Fannie Mae sites for all other underwriting guidelines and requirements.

- AllRegs Fannie Mae Single Family
- [www.efanniemae.com](http://www.efanniemae.com)

**12.3 Freddie Mac Guidelines**

Refer to the following Freddie Mac sites for all other underwriting guidelines and requirements.

- AllRegs Freddie Mac Single Family
- [www.freddiemac.com](http://www.freddiemac.com)

**SECTION 13. GOVERNMENT UNDERWRITING GUIDELINES****13.1 [GUIDELINE OVERLAYS AND NEW PENN FINANCIAL POLICY MATRIX](#)****13.2 FHA HANDBOOKS**

Refer to the following FHA Handbooks for all other FHA guidelines and requirements:

- [Handbook 4155.1](#)
- [Handbook 4155.2](#)
- [TOTAL Scorecard User Guide](#)
- [Handbook 4150.2](#)

**13.3 VA LENDERS HANDBOOK**

Refer to the [VA Handbook](#) for all other VA guidelines and requirements.

**13.4 USDA-RURAL HOUSING**

Refer to the [Rural Housing Guide](#) and [Administrative Notices](#) for guidelines and requirements.

## SECTION 14. COLLATERAL AUDIT AND FUNDING

### 14.1 OVERVIEW

New Penn Financial requires the closed loan file to be delivered on or before the lock expiration date by 3:30 pm CT to be shown as received on that day. Any loan received after 3:30 pm CT will be logged in as received the following day. There are two ways of delivery method for the closed loan file. While we encourage the use of Image Delivery, New Penn Financial will accept a hard copy. Refer to [File Delivery](#) for requirements for delivery of the closed loan file. Failure to deliver the loan within the prescribed time frames as shown may result in a repricing of the loan.

The original Note must also be delivered on or before the lock expiration date to: New

Penn Financial, LLC

1000 Oliver Road

Monroe, LA 71201

Attn: Note Department

Documents shown in this section must be included when delivering the closed loan file to New Penn Financial. Refer to [Loan Purchase Submission Checklist](#) for a complete list of documents. New Penn Financial reviews the documents prior to funding the loan. Please review the closed loan file for accuracy prior to deliver to avoid delays in funding.

### 14.2 ORIGINAL NOTE

New Penn Financial requires the delivery of the complete and correct original Note before purchase. The original Note must be received on or before the lock expiration date.

- The borrower(s) signature(s) and printed name(s) on the original Note must match the closing documents **exactly**. If over signed or under signed, a notarized Name Affidavit is required and must include all of the various signatures exactly.
- Property address (including Unit # if applicable)
- The Note must include all borrower(s) listed on the 1003.
- Any strikethroughs to the original Note must be initialed by all borrowers prior to submitting the closed loan file to New Penn Financial for purchase. White-outs and/or lift-offs are not acceptable.
- Borrower(s) initials must be present if space is provided at bottom of page(s).
- There cannot be more than 62 days between the date of closing (Note date) and the first payment date.
- The Lender's name must read **exactly** the same on the front of the Note and on the endorsement.

The following data must be listed on the original Note for primary and second home loans when the loan is delivered to New Penn Financial. All data must appear **EXACTLY** as it appears in NMLS. Failure to include will result in non-purchase.

- Loan Originator Organization (LOO) company name
- Loan Originator Organization (LOO) company's NMLS identifier
- Name and NMLS ID (if any) of the individual Loan Originator, who under the LOO's policy, is primarily responsible for the transaction
- The names of the LOO and LO must appear **EXACTLY** as they appear in NMLS
- The LOO and LOO ID must be on the original Note when the closed loan is delivered for purchase
- The LO name and LO ID (if any) must be on the original Note when the closed loan is delivered for purchase

Original Note (including any applicable addenda and riders) must be endorsed as follows:

**WITHOUT RECOURSE PAY TO THE  
ORDER OF  
New Penn Financial, LLC.  
(Name of Seller)  
(Signature of Officer)  
(Officer's Name and Title)**

- The endorsement cannot be abbreviated. Please ensure that systems are updated with the correct legal entity and notify your warehouse banks accordingly. If the Note is endorsed by the warehouse bank, a copy of the POA from the Lender to the warehouse bank giving the warehouse bank authority to endorse the Note must be included with the closed loan file.
- New Penn Financial requires the use of original signatures for endorsements on original Notes and Allonge. Facsimile signatures are not acceptable.

An Allonge to the Note is preferable to endorsement on the original Note. The Allonge must be original and must be referenced on the original Note as an attachment. The information below is required when using an Allonge:

- Borrower name(s)
- Property address
- Loan amount
- Note date
- Must be properly endorsed (refer to requirements above)

### 14.3 MORTGAGE/DEED OF TRUST

A certified, true copy of the Mortgage/Deed of Trust including any applicable Riders must be included in the closed loan package delivered to New Penn Financial. The certification must be stamped on the document and read “Certified to be a true and exact copy of the original which is being recorded.” It must be a “MOM” (MERS as Mortgagee) Security Instrument, including the Min # with complete MERS information signed by the borrower(s).

- Any strikethroughs to the Mortgage/Deed of Trust must be initialed by all borrowers prior to submitting the closed loan file to New Penn Financial for purchase. White-outs and/or lift-offs are not acceptable.
- Borrower(s) initials must be present if space is provided at bottom of page(s).

The following data must be listed on the security instrument for primary and second home loans when the loan is delivered to New Penn Financial. All data must appear **EXACTLY** as it appears in NMLS. Failure to include will result in non-purchase.

- Loan Originator Organization (LOO) company name
- Loan Originator Organization (LOO) company’s NMLS identifier
- Name and NMLS ID (if any) of the individual Loan Originator, who under the LOO’s policy, is primarily responsible for the transaction
- The names of the LOO and LO must appear **EXACTLY** as they appear in NMLS
- The LOO and LOO ID must be on the security instrument when the closed loan is delivered for purchase
- The LO name and LO ID (if any) must be on the security instrument when the closed loan is delivered for purchase

The following information must match the closed loan documents exactly:

- Borrower(s) names
- Complete property address including the unit number, if applicable
- Legal description
- Dates of documents (closing, first payment date, maturity date, notary acknowledgement, etc.)
- Lender name and address
- Signatures must match typed names exactly
- MERS Identification Number (MIN#) must be included
- Notary acknowledgement information must be present and complete and correct

If applicable the following Riders must be executed and attached to the Mortgage or Deed of Trust:

- MERS Rider (Form 3158) if property in Montana, Oregon and Washington
- PUD Rider
- Condo Rider
- One- to Four-Family Rider
- ARM Rider
- Second Home Rider
- VA Rider
- Manufactured Home Rider

Texas Home Equity Affidavit and Agreement is required to be attached and recorded with the Texas Home Equity Security Instrument.

Refer to [Post Funding Documents](#) for delivery requirements for the recorded Mortgage/Deed of Trust.

#### **14.4 NAME AFFIDAVIT**

A notarized Name Affidavit is acceptable when applicable. The borrower(s) typed name on all documents in the closed loan package should match the signature. If applicable, the Name Affidavit must be included in the closed loan file.

- A certified true copy of the Name Affidavit is acceptable if the original is not available. The certification must read, "Certified to be a true and exact copy of the original."
- It must be notarized.
- The name of the borrower, as it appears typed on the face of the security instrument and under the signature line, must be consistent with the closing docs.
- The signature of the borrower must match exactly the name typed below the signature line. It is acceptable for the borrower to over sign or undersign the document (example: borrower's typed name under the signature line does not include a middle initial and the borrower's signature does include a middle initial OR borrower's typed name under the signature line does include a middle initial and the borrower's signature does not include a middle initial).
- Name Affidavits are not acceptable for errors. They must be corrected and the document re-recorded if necessary.

#### **14.5 POWER OF ATTORNEY**

If applicable, a certified true copy of the POA must be included in the closed loan file. The certification must be stamped on the document and read “Certified to be a true and exact copy of the original which is being recorded.”

- Borrowers name(s) must match exactly to the names on the 1003, Note, Mortgage, and closed loan package. If a refinance, the names must also match name currently vested in title.
- The document must be specific to our property by referencing either the property address or legal description.
- General POAs are not acceptable. The POA must be specific to the loan.
- The POA must be recently executed, that is executed no more than 30 days prior to the date of the initial disclosures or the sales contract.
- If the initial disclosures were completed by POA, then the closing package cannot be executed by POA.
- The Attorney-in-Fact may not be the lender, any affiliate of the lender, any employee of the lender or affiliate of the lender, loan originator, employer of the loan originator, any employee of the employer of the loan originator, title company or affiliate, real estate agent, seller, appraiser, broker, etc. or anyone with direct or indirect financial interest in the transaction.
- The Grantor’s signature must be notarized. (If executed outside of the U.S., it must be notarized by an American notary.)
- POA must be executed and notarized with all blanks completed and be effective through the date of closing.
- A separate POA must be executed for each borrower not present at closing.
- The Attorney-in-Fact must execute all closing documents and must be signed exactly as typed and the name on the POA must match the closing docs exactly.
- The Final Title policy or commitment/binder must not contain any exceptions due to the use of the Power of Attorney.
- The POA must be executed prior to the closing documents and recorded prior to the recording of the Mortgage/Deed of Trust.
- A POA is not allowed on cash-out refinance transactions including Texas 50(a)(6), Jumbo and loans closed in the name of a Trust.
- Note: At least one borrower must be present at closing unless Face-to-Face interview on 1003 for Jumbo loans

Refer to [Post Funding Documents](#) for delivery requirements for the recorded Power of Attorney.

## **14.6 TITLE COMMITMENT/BINDER/TITLE POLICY**

At a minimum, the title commitment/binder is required with the closed loan file. It must be the most current version of an ALTA loan policy or Iowa Title Guaranty Certificate (for Iowa properties only).

Mortgage Policy of Title Insurance (Form T-2) is required for Texas 50(a)(6) loans.

- A Closing Protection Letter is required on Jumbo and Manufactured Home loans.
- Effective date of the title commitment/binder must be dated before the Note date and cannot be dated more than 90 days from the Note date.
- The amount of insurance coverage must be at least the loan amount.
- Name of insured should be the closing lender, “it’s successors and or assigns, as their interest may appear” if the policy’s definition does not cover successors and assignees.
- Proposed borrower(s) names must match closing docs.
- Vested names must be in the sellers’ names for purchase loans.
- Vested names must be the borrower(s) names as they appear on the Mortgage/Deed of Trust on refinance loans.
- All parties to be vested in title must have executed the Mortgage/Deed of Trust.
- Anyone with an ownership interest in the property either due to vesting or due to rights afforded under state law is required to sign the Mortgage/Deed of Trust.
- Legal description must be included and match all legal docs (i.e., Mortgage/Deed of Trust, etc.)
- Any assessment(s) for a Homeowner Association on the Title Policy must state “paid current.”
- All taxes referenced must state “not yet due and payable,” “Paid,” or “paid current.”
- Any liens and/or judgments that appear on Schedule B must be paid off at closing and deleted on the final policy. Proof these have been paid in full must be included in the closed loan file.
- Survey exceptions must be deleted.
- Title to the property has not been conveyed within the most recent 12 months. If title has been conveyed within most recent 12 months, New Penn Financial may request additional documentation to be reviewed to ensure acceptability of transaction (not a flip sale).
  - Loans closed during the right of redemption period are eligible for purchase by New Penn Financial. If an exception is shown on the title commitment, the following will be required: Notice to Borrower
  - Redemption Bond
- All loans require ALTA 8.1 (Form T-36) Environmental Protection Agency (EPA) Endorsement.
- The appropriate endorsements to the Title Policy must be included (Condo, PUD, ARM, Manufactured Home etc.).

**CORRESPONDENT**

- Any other appropriate endorsements to the Title Policy must be included to ensure New Penn Financial is in a first lien position.
- Texas 50(a)(6) loans must include Equity Loan Endorsement (Form T-42) and Supplemental Coverage Equity Loan Mortgage Endorsement (Form T-42.1).
- It must be countersigned by an authorized agent.

In addition, for Condominium and PUD Unit Mortgages, the policy must include the following:

- Describe all components of the unit estate.
- Reflect ownership of common areas if unit owners own the common areas of the project as tenants in common.
- Ensure ownership of common elements, areas, or facilities of the project if they are owned by the homeowners' association.
- Show that title to common elements, areas, or facilities is free and clear of any objectionable encumbrances, including any mechanics' liens for labor or materials.
- Ensure that the Mortgage is superior to any lien for unpaid common expense assessments (HOA dues). There must be no uninsured exceptions to title lien position, including but not limited to, state specific HOA Super Lien exceptions that supersede the mortgage lien being delivered to New Penn Financial.
- Ensure that there will be no impairment or loss of title for past, present, or future violations of the covenants, conditions, or restrictions (CCRs).
- Ensure that the unit does not encroach on another or on any common areas.
- Ensure that the condo project was created in compliance with applicable laws and statutes.
- Ensure that taxes are levied only against the individual unit and its undivided interest in the common elements rather than the entire project.
- Ensure that the owner of a PUD unit is a member of the HOA and that membership is transferrable if the unit is sold.

**14.6.1 Waived Title Exceptions**

New Penn Financial requires affirmative coverage over all defects unless the defect is subject to one of the following:

- Customary public utility subsurface easements in place and completely covered within the mortgaged property as long as they do not extend under any buildings or other improvements.
- Above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself.

**CORRESPONDENT**

- Mutual easement agreements that establish joint driveways or party walls constructed on the security property and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them.
- Restrictive covenants and conditions, and cost, minimum dwelling size, or set back restrictions, as long as the violation will not result in a forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the property.
- Encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a 10-foot clearance between the buildings of the security property and the property line affected by the encroachment.
- Encroachments on adjoining properties, as long as those encroachments consist only of hedges or removable fences.
- Outstanding oil, water, or mineral rights as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purpose.
- Variations between the appraisal report and the records of possession regarding the length of the property lines, as long as the variations do not interfere with the current use of the improvements and are within an acceptable range. (For front property lines, a 2 percent variation is acceptable; for all others, 5 percent is acceptable).
- Rights of lawful parties in possession, as long as such rights do not include the right of first refusal to purchase the property. (No rights of parties in possession, including the term of a tenant's lease, may have duration of more than two years.)
- Minor discrepancies in the description of the area, as long as the Lender provides a survey and affirmative title insurance against all loss or damage resulting from the discrepancies.

Note: Properties with Agricultural Exemptions (Ag Exemptions) are not acceptable. This information may be found on either the tax certificate or title commitment.

Escrow holdback for Inheritance Taxes are not eligible for purchase.

Refer to [Post Funding Documents](#) for delivery requirements for the final Title Policy.

**14.6.2 Short Form Title Policy**

In addition to the Title Commitment or Binder, New Penn Financial will also accept Short Form Title Policies issued by ALTA Title Companies wherever state law allows. The policy must contain all applicable ALTA endorsements.

The policy must insure against loss or damage caused by the following:

- Violations of restrictions
- Encroachments or anything that may be disclosed by an accurate survey  
and
- Surface damage due to mineral extractions

Refer to [Post Funding Documents](#) for delivery requirements for the Short Form Title Policy.

#### **14.7 SURVEY**

A current survey is required if the title policy contains any survey exceptions that will not be deleted from the final title policy. If the title company does delete any survey exception from the final title policy, a survey is not required. If required, the survey must be in the borrower(s) names.

#### **14.8 FLOOD CERTIFICATION**

A Life-of-Loan Flood Zone Determination Certification is required on all loans. The flood certificate must reflect the information required on FEMA's Special Flood Hazard Determination form to determine if the property lies in a Special Flood Hazard Area (SFHA). The Flood Certificate must include the following:

- Borrower(s) name (must match closing docs)
- Property Address (must match closing docs)
- Flood Zone
- NFIP Map, Panel, Suffix Number
- NFIP Map Date
- NFIP Community Name
- Community Status
- Name of the Flood Certification Vendor
- Vendor's Certificate Number
- Date of certification

The Flood Certification cannot be more than 90 days old on the date of the Note.

A flood zone determination can be obtained from any FEMA approved vendor as long as it is a Life-of-Loan determination.

For FHA Manufactured Home loans located in a SFHA (zone A or V), in addition to flood insurance under the NFIP being required, a FEMA National Flood Insurance program (NFIP) Elevation Certificate, prepared by a licensed engineer or surveyor, stating that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation is also required.

##### **14.8.1 Nonparticipating Communities (Including Coastal Barrier Resource Systems Areas)**

New Penn Financial does not purchase loans secured by properties located in Nonparticipating Communities or Coastal Barrier Resource Systems Areas (CBRS) if the property lies within a Special Flood Hazard Area (SFHA) OR if the property is not mapped and not participating in the NFIP.

#### **14.8.2 Special Flood Hazard Notice**

A Special Flood Hazard Notice is required for properties located in a special flood hazard area (all zones in “A or “V”) which require flood insurance. It must be signed and dated by all borrower(s) at least one day prior to closing (defined for these purposes to be the Note date).

In addition, the Lender must comply with all flood requirements including, but not limited to, the content of and the timing of when the Notice is provided to the borrower.

### **14.9 HAZARD INSURANCE**

A current hazard insurance policy (Declarations Page, Certificate of Coverage, Evidence of Property Insurance, or Insurance Binder) is required on all loans and must include the following information and meet the following requirements:

- Borrower(s) names (exactly as closing docs)
- Property address (exactly as closing docs)
- Effective date and expiration date of policy
- Policy must be for one year only
- Policy number (does not apply to binders)
- Dwelling coverage amount
- Premium amount
- Agent name, address and phone number
- Paid receipt for premium amount reflected on the hazard policy or binder or Final Closing Disclosure indicating payment of the premium amount shown on the policy
- For refinance transactions, a “POC” on the Final Closing Disclosure is not an acceptable form of proof paid
- Mailing address is the same as property address except on second homes and investment properties; then, it should agree with home address shown

If the policy does not include windstorm and hail coverage, an additional policy is required.

Windstorm coverage is generally included under the standard extended coverage policy through an endorsement. If the policy excludes or limits the windstorm coverage, it is not acceptable. The borrower must obtain a separate policy or endorsement from another commercial insurer that, with the existing policy, provides adequate total coverage. The maximum deductible for windstorm coverage may not exceed 5 percent of the limit maintained for dwelling coverage, or the maximum

allowed under state law. The dwelling coverage for the windstorm policy must follow the same coverage requirements as the hazard policy.

If binder coverage is provided, it must be at least a 30-day binder and include the dates for the full year of coverage. It must have at least 20 days left on the binder at the time New Penn Financial purchases the loan.

#### **14.9.1 Coverage**

New Penn Financial requires that properties be covered by a standard extended coverage endorsement, which includes wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion in addition to common hazards such as fire. If these items are excluded, the borrower must obtain separate coverage from another acceptable commercial insurer,

The homeowner's insurance dwelling coverage must meet at least one of the following requirements:

- 100% of the insurable value of the improvements as established by the insurer
- The Dwelling Coverage on the policy (or Binder if a purchase transaction) must be greater than or equal to the total loan amount.
- The Dwelling Coverage on the policy (or Binder if a purchase transaction) must indicate that the policy/binder has "Guaranteed Dwelling Replacement Cost Coverage".

Dwelling Coverage does not include values listed for other structures or personal property.

- The Estimated Cost New shown in the Cost Approach section of the appraisal.

If the Estimated Cost New is not provided on the appraisal or an appraisal is not required for the transaction, then A Cost Estimator from the insurance company is acceptable.

If the hazard insurance is not equal to at least one of the above minimum coverage amounts, then additional hazard coverage that meets the minimum coverage amounts must be obtained before the loan can be purchased.

#### **14.9.2 Deductible**

The maximum allowable deductible is 5 percent of the face value of the policy for all hazards including fire, extended coverage, and windstorm insurance. When a policy provides for a separate wind loss deductible, or if a second policy for wind loss is obtained, the maximum deductible is also 5 percent.

Hazard insurance policies must be written with a 12 month term, except where mandated by state law.

Policies insuring personal property such as cars, boats, etc., are **not** acceptable. However, riders for coverage of personal items within the dwelling, e.g., furs, jewels, etc., will be accepted.

Insurance policies cannot be transferred from the seller to the borrower.

Elective insurance cannot be escrowed.

Sufficient impounds should be collected by the Lender to renew coverage at the due date.

Payment plans or installments are not acceptable.

Refinance Loans: Existing policy will be accepted provided correct number of month's escrow is collected on the Final Closing Disclosure.

Policy must provide for a 30 day written notice of cancellation, reduction in coverage, or other material change to the policy.

The policy for both hazard and windstorm must be underwritten by an insurer who is currently rated as one of the following:

- B/III, A/II, or better in Best's Insurance Reports
- A or better by DEMOTECH, Inc
- BBB or better by Standard & Poor's

The insurer must also be authorized by law to conduct business in the jurisdiction where the mortgaged premise is located.

An insurance quote or completed application for hazard insurance is not acceptable. Only the actual documentation from the insurance provider is considered proof of insurance.

Note: New Penn Financial does not allow hand-written information on any insurance policy.

If any insurance premiums are due in 30 days or less at the time of New Penn Financial purchasing the loan, the Lender is responsible for the payment prior to the purchasing of the loan. The Lender is responsible for any penalties and/or interest due to late payment. The Lender is also responsible for any losses or damages that result from providing New Penn Financial with incorrect premium and/or due date information.

A current pay history is required showing disbursement.

Evidence of change of mortgagee must be provided, if applicable.

#### **Mortgagee Clause**

Shellpoint Mortgage Servicing  
ISAOA/ATIMA  
P.O. Box 7050  
Troy, MI 48007-7050

### **14.10 CONDOMINIUM INSURANCE**

A multi-peril type of master/blanket policy covering the entire condominium project is required. The policy must provide fire and extended coverage and all other coverage that is normally included. The master/blanket policy covering the common elements of a condominium project must cover all of the general and limited common elements that are normally included in coverage such as fixtures,

building service equipment, and common personal property and supplies belonging to the homeowners association.

Policies must provide coverage for either an individual project or multiple affiliated projects. The policy must require the insurer to notify in writing the homeowner's association and each first mortgage holder in the mortgagee clause at least 10 days before it cancels or substantially changes a condo project's coverage.

The policy must also insure fixtures, equipment, and other personal property inside individual units. The condominium owners association must maintain blanket "all risk" coverage for the following:

- General and limited common elements within the condominium project
- Fixtures, machinery, equipment, and supplies maintained for the service for the condominium project
- Fixtures, improvements, alterations, (betterment) and equipment within the individual condominium units

The master/blanket policy must show the HOA as the name of insured and reference our borrower(s) names and our specific property address including the unit number.

A current master/blanket policy must be in effect on or before the Note date and in effect for at least 45 days (30 days for Jumbo loans) at the time that New Penn Financial purchases the loan.

If the current policy expires within 45 days (30 days for Jumbo loans) of New Penn Financial purchasing the loan, a renewal policy will be required before purchase.

#### **14.10.1 Coverage**

Coverage must be on a replacement cost basis for at least 100 percent of the insurable value based on replacement cost for the complete project (interior and exterior units).

#### **14.10.2 Deductible**

The deductible may be no greater than 5 percent of the replacement cost of the unit; however, if the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5 percent of the face amount of the policy.

#### **14.10.3 Name of Insured**

The name of the insured stated under each required policy must be similar in form and substance to the following:

"Association of Owners of the {name of condominium}

for use and benefit of the individual owners"

{designated by name}.

#### **14.10.4 Liability Insurance**

The HOA must have a comprehensive policy of public liability insurance, covering all the common elements, commercial spaces, and public ways in the condominium project. The insurance policy must contain a “severability of interest” endorsement, precluding the insurer from denying the claim of a condominium unit owner because of negligent acts of the HOA or other unit owners. Coverage must also include all other coverage in the kinds and amounts required by private institutional mortgage investors for projects similar in construction, location, and use. Liability coverage must be for at least \$1 million per occurrence for personal injury and/or property damage. For small condominium projects with only two to four units, liability coverage must be at least \$1 million per occurrence for personal injury and/or property damage.

#### **14.10.5 HO-6/Walls-In/All-In**

All attached projects, including two to four units, must also contain a “walls-in/all-in” hazard insurance coverage policy (commonly known as HO-6/Walls-In/All-In) unless there is proof that the master/blanket insurance policy of the HOA covers the interior of the unit including any additions, improvements and betterments to its original condition in the event of a loss. The HO-6/Walls-In/All-In policy must be sufficient to repair the interior of the unit, including any additions, improvements, and betterments to its original condition in the event of a loss.

#### **14.10.6 Coverage**

The policy must provide coverage to equal 100 percent of the insurable value between this policy and the master/blanket policy.

#### **14.10.7 Deductible**

The deductible can be no greater than 5 percent of the face amount of the policy.

If the borrower must obtain his/her own HO-6/Walls-In/All-In policy, the policy must be escrowed on any loan where impounds are required. If Master/Blanket condo policy includes “Walls-In/All In” coverage including betterment and improvements, additional H06 policy cannot be escrowed.

If any insurance premiums are due in 45 days (30 days for Jumbo loans) or less at the time that New Penn Financial purchases the loan, the Lender is responsible for the payment prior to the purchasing of the loan. The Lender is responsible for any penalties and/or interest due to late payment. The Lender is also responsible for any losses or damages that result from providing New Penn Financial with incorrect premium and/or due date information.

### **14.11 ATTACHED PUD INSURANCE**

In addition, the master (or blanket) insurance policy must cover all general and limited common areas and the project’s budget must confirm that the premiums are paid as a common expense. The policy must show the HOA to be the named insured. The master/blanket policy must reference our borrower(s) and our specific property address including unit number. It must cover all of the general and limited common elements that are normally included in coverage such as fixtures, building service equipment, and common personal property and supplies belonging to the homeowners

association. The policy must require the insurer to notify in writing the homeowner's association and each first mortgage holder in the mortgagee clause at least 10 days before it cancels or substantially changes a condo project's coverage. The policy must also insure fixtures, betterment coverage, equipment, and other personal property inside individual the unit.

The current master/blanket policy must be in effect on or before the Note date and in effect for at least forty 45 days (30 days for Jumbo loans) at the time that New Penn Financial purchases the loan.

If the current policy expires within 45 days (30 days for Jumbo loans) of New Penn Financial purchasing the loan, a renewal policy will be required before purchase.

A current pay history is required showing disbursement.

A detached PUD is considered to be its own separate building requiring its own separate insurance policy unless covered by a blanket/master policy. If not covered by a blanket/master policy, refer to the Hazard Insurance requirement above.

#### **14.11.1 Coverage**

The policy must cover 100 percent of the replacement cost of the project improvements, including the individual units, by including either a Guaranteed Replacement Cost Endorsement or a Replacement Cost Endorsement.

#### **14.11.2 Deductible**

The deductible can be no greater than 5 percent of the replacement cost of the unit; however, if the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5 percent of the face amount of the policy.

#### **14.11.3 Reserved for Future Use**

#### **14.11.4 HO-6/Walls-In/All-In**

All attached projects, including two to four units, must also contain a "walls-in/all-in" hazard insurance coverage policy (commonly known as HO-6/Walls-In/All-In) unless there is proof that the master/blanket insurance policy of the HOA covers the interior of the unit including any additions, improvements, and betterments to its original condition in the event of a loss. The HO-6/Walls-In/All-In policy must be sufficient to repair the interior of the unit, including any additions, improvements, and betterments to its original condition in the event of a loss.

#### **14.11.5 Coverage**

The policy must provide coverage to equal 100 percent of the insurable value between this policy and the master/blanket policy.

#### **14.11.6 Deductible**

The deductible can be no greater than 5 percent of the face amount of the policy.

If the borrower must obtain their own HO-6/"Walls-In/All-In" policy, it must be escrowed on any loan where impounds are required. If Master/Blanket condo policy includes "Walls-In/All In" coverage including betterment and improvements, additional H06 policy cannot be escrowed.

If any insurance premiums are due in 45 days (30 days for Jumbo loans) or less at the time that New Penn Financial purchasing the loan, the Lender is responsible for the payment prior to the purchasing of the loan. The Lender is responsible for any penalties and/or interest due to late payment. The Lender is also responsible for any losses or damages that result from providing New Penn Financial with incorrect premium and/or due date information.

An individual hazard insurance policy is required for detached PUD properties. Refer to Hazard Insurance requirements above.

#### **14.12 FLOOD INSURANCE**

Any property that has any part of a building, dwelling, structure, improvement, or land situated in a Special Flood Hazard Area (SFHA) requires flood insurance. These are all areas in "A" or "V" flood zones. Single family residences in a Special Flood Hazard Area that have additional buildings given more than \$5,000 value as determined by the flood insurance agent, must have adequate flood coverage for each additional building. An additional flood policy is not required if the file contains documentation clearly stating why the building is not insurable. (e.g., structure is not affixed to a permanent foundation, does not have two or more rigid walls, etc.)

Flood zone on the flood determination (a.k.a. "Flood Cert") in the loan file and the flood zone on the flood insurance policy must match. If there is a discrepancy, the borrower must obtain flood insurance for the flood zone listed on the flood determination.

For FHA Manufactured Home loans located in a SFHA (zone A or V), in addition to flood insurance under the NFIP being required, a FEMA National Flood Insurance Program (NFIP) Elevation Certificate, prepared by a licensed engineer or surveyor, stating that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation is also required.

Flood insurance may be waived only if FEMA has issued either a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR). Complete documentation including revised Flood Certification with matching flood zone information must be included in the closed loan file.

Under the National Flood Insurance Reform Act of 1994, flood insurance escrows may not be waived when an escrow account is established for the payment of taxes, hazard insurance, mortgage insurance, assessments, or other similar items. There is no exception to this policy.

If flood insurance is required, a flood insurance policy or the application for such insurance, along with a paid receipt evidencing the first full year's premium has been paid in full must be included in the closed loan file. Insurance must be placed on a property located in an area where flood insurance is required by the National Flood Insurance Act of 1968, as amended. The policy/application must include the following information:

- Borrower(s) names (exactly as closing docs)

**CORRESPONDENT**

- Property address (exactly as closing docs)
- Effective date and expiration date of policy
- Policy must be for one year only
- Policy number (does not apply to binders)
- Dwelling coverage amount
- Premium amount
- Flood Zone (must match Flood Certification)
- Agent name, address and phone number
- Paid receipt for premium amount reflected on the hazard policy or binder or Final Closing Disclosure indicating payment of the premium amount shown on the policy
- For refinance transactions, a “POC” on the Final Closing Disclosure is not an acceptable form of proof paid
- Mailing address is the same as property address except on second homes and investment properties; then, it should agree with home address shown

Flood insurance escrows will be required on all loans purchased by New Penn Financial regardless of the loan-to-value for the following:

- Properties located in a Special Flood Hazard Area (Zone A or V)
- Notes dated on or after January 1<sup>st</sup>, 2016
- Required for the Life of Loan

Note: New Penn Financial does not allow hand-written information on any insurance policy.

Flood Insurance cannot be transferred from the seller to the borrower unless the policy is in our borrower’s name and states “Grandfathered”-Yes. If it states “Grandfathered” – No, we will also need letter from borrower stating they are aware of possible premium increase due to not “Grandfathered” policy.

Elective insurance cannot be escrowed.

New Penn Financial does not accept a binder or declaration page from Acord.

If any insurance premiums are due in 30 days or less of New Penn Financial purchasing the loan, the Lender is responsible for the payment prior to the purchasing of the loan. The Lender is responsible for any penalties and/or interest due to late payment. The Lender is also responsible for any losses or damages that result from providing New Penn Financial with incorrect premium and/or due date information.

A current pay history is required showing disbursements.

**14.12.1 Coverage**

The minimum amount of coverage is required if the lower of any of the following:

- Loan amount
- 100% of the replacement cost of the dwelling based on the Hazard insurance policy (Dwelling Coverage A).
- The maximum insurance available from the NFIP (National Flood Insurance Program), which is set currently at \$250,000 per dwelling.

A detached garage covered through the Flood Policy is always covered at 10% of the Flood Dwelling coverage. As such, the Flood Dwelling coverage is lowered by this amount. The reduced coverage must still meet one of the requirements listed above; otherwise a separate flood policy will need to be obtained for the detached garage.

Example:

Hazard Insurance Dwelling Coverage is	\$190,000
Flood Insurance Dwelling Coverage is	\$190,000
Detached Garage is included in the Flood	
Insurance Dwelling Coverage or 10%	\$ 19,000
Reduced Flood Insurance Dwelling Coverage	\$171,000

In this example, the borrower would need additional coverage for the detached garage. Amount of coverage required for the detached garage must be obtained from Hazard Insurance agent as 10% coverage allotted on the Flood Policy for Dwelling may not be sufficient. Once obtained, the Flood Policy must be increased by the coverage amount determined to cover the detached garage. If the Flood Insurance Policy is at maximum allowed by NFIP (\$250,000), then the borrower would need to obtain a separate Flood Policy to cover the detached garage.

### **14.12.2 Deductible**

The maximum deductible is \$5,000.

The policy must be underwritten by an insurer who is currently rated as one of the following:

- B or better financial strength rating in Best's Insurance Reports
- A or better financial strength rating and a financial size category of VIII or better in Best's Insurance Reports International Edition
- A or better by DEMOTECH, Inc.
- BBB or better by Standard & Poor's

The insurer must also be authorized by law to conduct business in the jurisdiction where the mortgaged premises are located.

### **Mortgagee Clause**

New Penn Financial, LLC  
ISAOA/ATIMA  
P.O. Box 7050  
Troy, MI 48007-7050

### **14.12.3 Nonparticipating Communities (Including Coastal Barrier Resource Systems Areas)**

New Penn Financial does **not** purchase loans secured by properties located in Nonparticipating Communities or Coastal Barrier Resource Systems Areas (CBRS) if the property lies within a Special Flood Hazard Area (SFHA) OR if the property is not mapped and is not participating.

### **14.13 CONDOMINIUM FLOOD INSURANCE**

Any project that has any part of a building, dwelling, structure, or improvement situated in a Special Flood Hazard Area (SFHA) requires flood insurance. These are all areas in “A” or “V” flood zones.

Note: New Penn Financial does not allow hand-written information on any insurance policy.

Flood insurance may be waived only if FEMA has issued either a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR). Complete documentation including a revised Flood Certification with matching flood zone information must be included in the closed loan package.

#### **14.13.1 Coverage**

##### **OPTION 1:**

Flood coverage is included in the condo master policy. The required flood insurance coverage has the following three components:

- 1) Building coverage that equals 100 percent or more of the insurable value of the common elements and property (including repair or replacement of the foundation and its supporting structures, and machinery and equipment that are not part of the building). If there are multiple buildings in the complex, coverage for each building must be reflected individually.
- 2) Content coverage that equals 100% or more of the insurable value of all contents (including repair or replacement of the foundation and its supporting structures, and machinery and equipment that are not part of the building) and are owned in common by association members.
- 3) Unit coverage, which should be the lesser of one of the following:
  - a. \$250,000 per unit in the project.
  - b. 100 percent of the insurable value (replacement cost) of each insured building in the project including amounts to repair or replace the foundation and its supporting structures (including all common elements and property).

Insurable Value is calculated as follows: Building Coverage listed on Hazard Insurance Declaration page divided by the number of units in the Condominium Complex. The lesser of this calculation or \$250,000 would be the required Flood Insurance coverage per unit.

**OPTION 2:**

Condo master policy does not include flood coverage. Borrower's individual flood coverage must be one of the following:

- 1) Loan amount
- 2) 100 percent of the replacement cost of the dwelling, based on the hazard insurance policy (Dwelling Coverage A).

Example: Dwelling Coverage replacement cost per unit = \$190,000

Flood Coverage Requirement must = \$190,000

- 3) The maximum insurance available from the NFIP (National Flood Insurance Program), which is currently set at \$250,000 per dwelling.

Note: A Master Association Flood Policy is required that provides 100 percent coverage for the common elements and amenities.

**14.13.2 Deductible**

The maximum deductible permitted for a Master Policy is \$25,000.

The maximum deductible available from the NFIP is \$5,000 for an individual flood policy.

**14.14 FIDELITY INSURANCE**

Fidelity insurance is required for any project consisting of more than 20 units. Blanket fidelity coverage must be maintained for anyone who either handles or is responsible for funds that the HOA holds and administers. The HOA must be the named insured and the project's budget must indicate that premiums are paid as a common expense. The policy must cover the amount of funds that in the custody of the HOA at any time, but in no event may be less than the sum of three months' assessments on the entire project. The policy must also provide for a minimum of 10 day notice to the HOA before it can be cancelled or substantially modified.

Fidelity coverage must be verified on all condominium projects, regardless of whether they are approved under the Limited Project Review or Expedited CPM Review process.

**14.14.1 Carrier Requirements**

The policy must be underwritten by an insurer who is currently rated as one of the following:

- B or better financial strength rating in Best's Insurance Reports.
- A or better financial strength rating and a financial size category of VIII or better in Best's Insurance Reports International Edition.

- ☐ A or better by DEMOTECH, Inc.
- BBB or better by Standard & Poor's.

The insurer must also be authorized by law to conduct business in the jurisdiction where the mortgaged premises is located.

#### **14.15 ATTACHED PUD FLOOD INSURANCE**

A PUD unit is considered to be its own separate building requiring its own separate flood policy unless covered by a blanket/master policy.

An individual flood insurance policy is required for detached PUD properties. Refer to Flood Insurance requirements above.

Any project that has common areas situated in a Special Flood Hazard Area (SFHA) requires flood insurance. These are all areas in "A or "V" flood zones.

Single family residences in a Special Flood Hazard Area that have additional buildings given more than \$5,000 value as determined by the flood insurance agent, must have adequate flood coverage for each additional building. An additional flood policy is not required if the file contains documentation clearly stating why the building is not insurable (e.g., structure is not affixed to a permanent foundation, does not have two or more rigid walls, etc.)

Flood insurance may be waived only if FEMA has issued either a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR). Complete documentation including a revised Flood Certification with matching flood zone information must be included in the closed loan package.

If any insurance premiums are due in 30 days or less at the time of New Penn Financial purchasing the loan, the Lender is responsible for the payment prior to the purchasing of the loan. The Lender is responsible for any penalties and/or interest due to late payment. The Lender is also responsible for any losses or damages that result from providing New Penn Financial with incorrect premium and/or due date information.

##### **14.15.1 Coverage**

The minimum amount of coverage required is the lower of any of the following:

- ☐ Loan amount
- ☐ 100 percent of the replacement cost of the dwelling based on the Hazard Insurance policy (Dwelling Coverage A).
- ☐ The maximum insurance available from the NFIP (National Flood Insurance Program) currently set at \$250,000 per dwelling.

Coverage must be provided on a replacement cost basis.

##### **14.15.2 Deductible**

The maximum deductible permitted for a Master Policy is \$25,000.

The maximum deductible available from the NFIP is \$5,000 for an individual flood policy.

#### **14.16 TAX INFORMATION SHEET**

New Penn Financial requires a complete and accurate Tax Information Sheet in each loan file purchased whether an escrow account is setup or not. The following information must be included:

- ❑ Borrower(s) name and property address (must match closing docs)
- ❑ All Parcel ID number(s)
- ❑ All taxing authorities and complete addresses
- ❑ Last date paid
- ❑ Last amount paid
- ❑ Next installment due date (Economic Due Date) - If the taxing authority offers a due date with a discounted amount New Penn Financial requires this date to be used as the due date and escrows collected accordingly
- ❑ Next amount due
- ❑ Frequency due
- ❑ Escrows for ground rents, water, sewer and assessments not allowed

Sufficient escrow to pay all taxes when due is required on all escrowed loans and must be reflected on the Closing Disclosure.

All taxes due and payable at the time of closing must be paid and have proof of payment included in the closed loan file whether the taxes are being escrowed or not. Acceptable forms for proof of payment include:

- ❑ Payment shown on Closing Disclosure (POC not acceptable)
- ❑ Paid receipt from Taxing Authority

If any taxes are due in 30 days or less at the time that New Penn Financial is purchasing the loan, the Lender is responsible for the payment of the taxes and proof of the payment prior to the purchase of the loan. The Lender is responsible for any penalties and/or interest due to late payment. The Lender is also responsible for any losses or damages that result from providing New Penn Financial with incorrect tax information and/or due date information. Acceptable forms for proof of payment include:

- ❑ Paid receipt from taxing authority
- ❑ Copy of check payable to the taxing authority
- ❑ Current pay history showing disbursement(s)

If the tax bills are not available, New Penn Financial requires information from the taxing authority stating that the tax bills are not available before loan purchase.

A corrected Tax Information Sheet is also required.

#### **14.16.1 Unimproved Taxes for New Construction**

Initial taxes on new construction homes rarely reflect an accurate tax assessment. Typically, the initial taxes are based upon unimproved or partially improved land. The discrepancy between the initial tax year assessment and the following tax year assessment (based upon the fully improved land) is often substantial. This discrepancy causes “payment shock” to the borrower when he or she is required to pay the larger tax amount.

For new construction loans, the borrower can elect to use the unimproved tax amount. The estimated unimproved amount must comply with RESPA guidelines. Consult your legal counsel concerning this issue. If the unimproved amount is used, the borrower is required to sign a statement “Notice of Payment Increase” acknowledging they are aware the next tax bills will be based off “Improved” tax rate at a much higher amount.

#### **14.17 TAX OPTION LETTER**

New Penn Financial requires a Tax Option Letter in the following state, when applicable:

- ❑ Wisconsin (only when a tax escrow account is established)

#### **14.18 FINAL CLOSING DISCLOSURE**

The Lender should ensure that the Final Closing Disclosure, including all Certifications, complies with RESPA requirements. A Closing Disclosure, including all Certifications, must be signed and dated by all parties. If seller is signed by Power of Attorney, a copy of the Power of Attorney is required.

Interest Credit is allowed when the disbursement date on the Final Closing Disclosure is equal to or less than the fifth business day of the month. Note: Interest credit on Jumbo loans is not allowed.

A certified true copy of the Closing Instructions is required on all Jumbo and Manufactured Home loans..

A copy of the Closing Protection Letter is required on Manufactured Homes.

New Penn Financial does not purchase loans if the Final Closing Disclosure shows:

- Cumulative fees, including real estate commission plus any non-lien related disbursements for marketing expenses, finder’s fees, referral fees, auction fees, consulting fees, or assignment of sale fees totaling more than 8 percent of the purchase price (Note: Broker/Finder fees are not allowed on Jumbo loans)

Refer to [Overlay Matrices and Exclusionary Lists](#) for an exclusionary list of settlement agents and title companies. Loans with title insurance and/or closed by a settlement agent appearing on the

[Exclusionary Settlement Agent and Title Company list](#) are not eligible for purchase by New Penn Financial.

Effective with loan applications dated on or after January 10, 2014, New Penn Financial will require a complete itemization of all points and fees paid on the loan. The fee detail should include who each fee was paid to and who it was paid by. Lenders may use their own generic fee detail form or provide alternative forms generated by an LOS or compliance vendor that details this information.

#### **14.19 INITIAL ESCROW ACCOUNT DISCLOSURE (IEAD)**

The Lender must use aggregate accounting in the calculation of the escrow/impound account. Escrow/impound accounts for the payment of taxes, special assessments (only if taxing authority requires to be paid with the taxes), ground rents, hazard insurance, flood insurance, private mortgage insurance, Guaranteed Rural Housing Annual fee, etc. must be established. Adequate funds must be calculated and collected at closing by the Lender to ensure that a sufficient amount will be available to pay the next installment of taxes and insurance. If the taxing authority offers a discounted annual amount for paying on a particular payment schedule or a particular payment date, the escrow reserve account must be established accordingly. The account balance cannot go into the negative. The IEAD must be included in the closed loan file.

Unless in violation of applicable state law, the maximum cushion that the Lender may maintain in the escrow/impound account is two months, except the cushion for ZOMP PMI which is zero months. A two-month cushion should be collected for all states except the following:

- ☐ Montana (1)
- ☐ Utah (1)
- ☐ Vermont (1)

A two-month cushion is required on Rural Housing loans, regardless of state. An

Initial Escrow Account Disclosure is not required on non-escrow loans.

#### **14.20 ESCROW WAIVER**

Escrow waivers are allowed on Conventional Conforming Products if the LTV is equal to or less than 80 percent (California less than 90 percent). Escrow waivers are not allowed on Government Products. Escrow waivers may or may not be available on other products so always refer to the specific product description to determine availability. Waivers are acceptable for hazard Insurance only, property taxes only, or both hazard insurance and property taxes. Escrows for flood insurance cannot be waived regardless of the loan-to-value or loan type. There will be a loan level price deduction if monthly escrows are not established for property taxes, regardless of the reason. Refer to our published rate sheet for the percentage that will be deducted from your price. Partial Escrow Waivers are not allowed on Jumbo loans.

**14.21 CHANGE OF SERVICER/LOAN TRANSFER**

New Penn Financial requires a copy of the Change of Servicer / Loan Transfer disclosure (Goodbye Letter) given by the Lender to the borrower(s) giving notice of the loan transfer and change of servicer. The Lender is required to notify the borrower in writing at least 15 days prior to the first payment due New Penn Financial. The Notice must include all applicable information including the effective date of the transfer, the present Lender/servicer name address, and toll-free phone number, the date the present Lender/servicer will stop accepting payments, and the date New Penn Financial will begin accepting payments.

New Penn Financial Servicing Department Information:

New Penn Financial, LLC DBA Shellpoint Mortgage Servicing

PO Box 10826

Greenville, SC 29603-0826

Customer Service 1-866-317-2347

**14.22 FIRST PAYMENT LETTER**

A copy of the first payment letter from the Lender to the borrower must be provided with the closed loan file. Please include the borrower(s) mailing address if different than the property address (second home or investment property). All information below must be included:

- ☐ The breakdown of the monthly payment
- ☐ The date the first payment is due
- ☐ The address where to make the first payment

**14.23 PAY HISTORY**

New Penn Financial requires a current pay history when applicable. The history must include the following if one or more payments are due at the time of loan purchase:

- ☐ Must be on Lender letterhead
- ☐ Borrower(s) name
- ☐ Date payment(s) made
- ☐ Any curtailments (not allowed on Texas 50(a)(6) loans)
- ☐ Amount of payment
- ☐ Breakdown of payment
- ☐ Current principal balance, escrow balance including any escrow disbursements

**14.24 W-9 FORM**

A W-9 is required for each borrower on all loans:

- ☐ Must include form for each borrower
- ☐ Must be signed and dated by borrower
- ☐ The form should reflect the borrower(s) SSN

#### **14.25 NOTICE OF RIGHT TO CANCEL (1/17/2014)**

New Penn Financial requires a properly executed Notice of Right to Cancel on all primary resident refinance loans. Closed loan files should not be delivered to New Penn Financial until the rescission period has expired.

- ☐ The notice must be given to all borrowers with an interest in the property even if the person does not sign the original Note
- ☐ All dates must be correct
- ☐ The notice must be signed and dated by all borrowers
- ☐ Notice of Right to Cancel is not required on the refinance of an investment property or second home
- ☐ Sundays and federal legal holidays cannot be included in the three-business day rescission period
  - The holidays include: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving, and Christmas
- ☐ Note: Texas Home Equity Election Not to Rescind Form and Certificate of Non- Cancellation of Loan Form is required on Texas 50(a)(6) loans.

#### **14.26 HIGH PRICE MORTGAGE LOAN**

##### **Definition of a HPML:**

An HPML loan means a closed-end 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 1.5 or more percentage points, for a loan secured by a first lien with a principal obligation at consummation that does not exceed the limit in effect as of the date the transaction's interest rate is set for the maximum principal obligation eligible for purchase by Freddie Mac
- By 2.5 or more percentage points, for a loan secured by a first lien with a principal obligation at consummation that exceeds the limit in effect as of the date the transaction's interest rate is set for the maximum principal obligation eligible for purchase by Freddie Mac (jumbo loans)

New Penn Financial will not purchase HPML loans on the following products:

- ❑ DU Refi Plus
- ❑ ARMs
- ❑ Jumbo

Lenders represent and warrant that the mortgage complies in all respects with Regulation Z requirements for HPML loans, including the underwriting and consumer protection requirements.

Lenders must verify the borrower's ability to repay the mortgage in accordance with the requirements of Regulation Z. Borrower's income, assets and obligations must be verified.

Please refer to Section 16.15 for ATR-QM requirements.

Note: Higher priced mortgage loan appraisal requirements are not applicable as New Penn Financial only purchases QM loans. Loans originated on second homes or for investment or business purposes are exempt from the HPML rule.

Lenders must include evidence documenting the borrower's Interest Rate Set Date on all loans delivered for purchase. Acceptable documents, in effect at time of closing, include:

- ❑ An unexpired lock agreement between the originating lender and the borrower

or

- ❑ A lender generated unexpired lock confirmation form

#### **14.27 UPFRONT MIP**

The upfront Mortgage Insurance Premium (MIP) must be collected on the HUD-1 Settlement Statement/Closing Disclosure and must be paid by the Lender. Also, when the MIP is paid on a monthly basis, an escrow account must be established at closing. New Penn Financial requires the printout from FHA Connection showing the correct upfront payment has been made. All information on FHA Connection must be correct and match the closing documents including, but not limited to, the borrower(s) names and property address.

##### **14.27.1 Proof of Submission**

If there is 30 days or more from the Note date and the purchase date, New Penn Financial requires the loan to state "Submitted" on the FHA Connection Case Query screen prior to the purchasing of the loan.

##### **14.27.2 Proof of Insuring**

New Penn Financial requires the Mortgage Insurance Certificate (MIC) before purchase if there are 60 days or more from the Note date and the purchase date.

Refer to [Post Funding Documents](#) for additional requirements.

NOTE: New Penn Financial does not purchase loans that have a status of “NOR,” “Firm Commitment,” or “Cancelled.”

#### **14.28 VA FUNDING FEE**

The VA Funding Fee must be collected on the HUD-1 Settlement Statement/Closing Disclosure and must be paid by the Lender. A copy of the Funding Fee Receipt from the Funding Fee Payment System (FFPS) reflecting the correct amount paid is required.

New Penn Financial requires the Loan Guaranty Certificate (LGC) before purchase if there are 60 days or more from the Note date and the purchase date.

Refer to [Post Funding Documents](#) for additional requirements.

#### **14.29 USDA GUARANTY FEE**

The annual Guarantee Fee must be collected on the HUD-1 Settlement Statement/Closing Disclosure. A copy of the check or print out reflecting the correct amount paid is required. New Penn Financial requires the Lender to collect two months of annual fee on the HUD-1 Settlement Statement/Closing Disclosure to be placed in the escrow account.

New Penn Financial requires the Loan Note Guarantee (LNG) before purchase if there are 60 days or more from the Note date and the purchase date.

Refer to [Post Funding Documents](#) for additional requirements.

#### **14.30 Rural Housing (USDA) Form 1980-21 and 1980-18**

Request for Single Family Housing Loan Guarantee (RD 1980-21) and Conditional Commitment (RD 1980-18) are required for all Rural Housing Loans (USDA). The forms must be complete and correct.

#### **14.31 PRIVATE MORTGAGE INSURANCE**

Mortgage insurance is required for all loans with an LTV in excess of 80 percent, based on the lower of the appraised value or sales price (see exception below for loans in the state of New York). New Penn Financial requires that monthly mortgage insurance be constant renewal (declining MI is not allowed). Please refer to the DU Refi Plus product description for MI requirements on DU Refi Plus transactions.

New Penn Financial accepts policies from the following private mortgage insurers:

- ☐ UGIC
- ☐ Genworth
- ☐ Essent Guaranty, Inc.
- ☐ MGIC

## CORRESPONDENT

- ❑ NMI
- ❑ Radian
- ❑ Arch

### Coverage Requirements

MORTGAGE TYPE	LTV RANGE			
	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%
Fully amortizing, fixed rate, term ≤ 20 years	6%	12%	25%	35%
Fully amortizing, fixed rate, term ≥ 20 years and ARMs	12%	25%	30%	35%

#### **14.31.1 State of New York**

The mortgage insurance requirement for property located in New York is determined by calculating the LTV from the appraised value only.

#### **14.31.2 Borrower Paid Mortgage Insurance**

The borrower may pay for mortgage insurance in one lump sum at closing. The following applies:

- ❑ One unit primary residence or second home only
- ❑ Fixed rate only
- ❑ Purchase or limited cash-out only

#### **14.31.3 Financed Mortgage Insurance**

The borrower may finance the single premium mortgage insurance back into the loan amount up to the maximum LTV shown in the specific product description. The following applies:

- ❑ One-unit primary residence or second home only
- ❑ Fixed rate conforming loans amounts only
- ❑ Purchase or limited cash-out only
- ❑ Note: For the purpose of pricing the loan, the LTV is based on the loan amount plus the financed MI

#### **14.31.4 Lender Paid Mortgage Insurance**

Lender Paid Mortgage Insurance (LPMI) is paid up front by the Lender on the borrower's behalf so that the borrower has no mortgage insurance premium. The cost is recovered by increasing the interest rate and using the difference in the spread to pay for the premium. The

following restrictions apply to loans with LPMI:

- ☐ One unit primary residence or second home only
- ☐ Fixed rate only
- ☐ Purchase or limited cash-out only

#### **14.31.5 Split Premium Mortgage Insurance**

Split Premium (Split MI) is for borrowers who elect to pay a lump sum amount up front in exchange for a lower amount of monthly mortgage insurance.

The following restrictions apply to loans with Split Premium MI:

- ☐ One-unit primary residence or second home only
- ☐ Fixed rate only
- ☐ Purchase or limited cash-out only

#### **14.31.6 Mortgagee Clause**

New Penn Financial

Shellpoint Mortgage Servicing

ISAOA/ATIMA

P.O. Box 7050

Troy, MI 48007-7050

#### **PMI Disclosure**

A PMI Disclosure is required on all owner-occupied loans with PMI. Lender Paid MI, Investment and Second Home loans do not require.

### **14.32 DISASTER POLICY**

[For DU Refi Plus transactions ONLY: Lenders are not required to determine if an inspection or new appraisal is necessary after a disaster on a DU Refi Plus transaction. Fannie Mae does not require properties damaged by disaster to be repaired prior to delivery as long as the loan meets the standard property insurance requirements.](#) The following requirements must be met for any property located in a declared FEMA disaster area:

#### **Properties Appraised Prior to Date of Disaster**

If the file contains an appraisal with an interior and exterior inspection, the original appraiser should perform a new exterior inspection of the property and provide a certification stating the following:

- ☐ The property is free from damage and is in the same condition as previously appraised
- ☐ Marketability and value of the property are unchanged

If the original appraiser is unavailable, the inspection may be completed by any of the following:

- ☐ A property or building inspection company
- ☐ A licensed general contractor
- ☐ A building or safety inspector from local municipality
- ☐ A licensed engineer

The inspector must be given a copy of the original appraisal report and provide a certification, on the inspector's letterhead, stating the following:

- ☐ The original report has been reviewed
- ☐ An exterior inspection has been completed
- ☐ The subject is free from significant damage
- ☐ All needed repairs have been completed

If the property was appraised with an exterior-only appraisal or received a Property Inspection Waiver (PIW), an interior inspection or full appraisal is also required.

If the loan type is FHA, the lender must follow FHA guidelines for re-inspection of the property.

#### Properties Appraised After Date of Disaster

- ☐ The appraiser must note any damage and its effect on marketability and value
- ☐ The appraiser must make the appropriate repair requirements

Note: In an area with a declared disaster, an interior and exterior inspection is required. Despite AUS Findings, an exterior-only appraisal, drive-by appraisal, or property inspection waiver is not permitted.

### **14.33 ESCROW HOLDBACK/COMPLETION ESCROW**

- ☐ Maximum LTV/CLTV/HCLTV for conventional loans is 95.00%
- ☐ 15 and 30 year terms only
- ☐ Owner-occupied only
- ☐ Single-family detached properties only
- ☐ New construction and existing construction allowed
- ☐ Purchase and limited cash-out refinance transactions only (cash-out transactions are not allowed)
- ☐ Not allowed on Jumbo, Texas Cash-Out 50(a)(6) Conforming Fixed Rate, or Manufactured Home loans
- ☐ Allowed for minor repairs that cannot be completed due to inclement weather  
 Examples: landscaping, driveways, walkways, flooring and painting
- ☐ Repairs affecting livability, soundness or structural integrity are not allowed

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Examples: foundation, roof, wells/septic systems, plumbing, electrical and mold

- ❑ Swimming pool escrows are not allowed
- ❑ A fully executed Escrow Holdback Agreement must be included in the closed loan file and the dollar amount must match the escrow amount reflected on the HUD-1/Closing Disclosure
  - The escrow amount should equal 150% of the appraiser's cost to complete or the actual estimate, whichever is higher
- ❑ The escrow amount cannot exceed 10% of the sales price or appraised value
  - HUD REO – HUD contract must state “eligible for escrow repair” and repair amount cannot exceed \$5,000
- ❑ VA requires the escrow funds to come from the seller and not the borrower except in the instance of a foreclosed property (Refer to Circular 26-14-5)
- ❑ Escrow funds must be monitored and disbursed by the title or escrow company
  - A post purchase “to follow” condition for a satisfactory 1004D or HUD Form 92051 Compliance Inspection Report confirming completion will be placed on any loan with an escrow holdback
- ❑ The satisfactory 1004D or HUD Form 92051 confirming completion must be delivered to New Penn Financial within 60 days of the Note date
- ❑ The Final Title Policy must ensure the priority of the first lien

**14.34 WIRE AND BAILEE LETTER**

All closed loan files must include the correct wiring instructions unless the original Note and Bailee letter are received from a warehouse bank. The following information must be included:

- ❑ Lender name and address
- ❑ Warehouse bank name, address, and phone number
- ❑ ABA Routing number (9 digits)
- ❑ Account name
- ❑ Account number
- ❑ For further credit to account name (if applicable)
- ❑ For further credit to account number (if applicable)

**14.34.1 Wiring Instructions**

Wiring instructions included in a loan file must match with the instructions approved for the Lender at time of Lender approval.

When there is an addition or change of wiring instructions or warehouse banks, the following information must be sent to the Lender Management Department for prior approval before remitting the closed loan files. Refer to [Wire Bank Setup Form](#).

**14.34.2 Ineligible Bailee Agreements**

New Penn Financial will not accept Master or Blanket Bailee Agreements and reserves the right to reject any Bailee Agreement that contains provisions that are objectionable to New Penn Financial unless previously approved by the Lender Management Department.

### **14.35 MERS**

New Penn Financial requires the Lender to use MERS (Mortgage Electronic Registration Systems, Inc.). The Lender will close loan with MERS as the nominee for the Lender. The Lender will be responsible to generate a MIN, register the loan with MERS, and transfer the beneficiary and/or servicing rights to New Penn Financial.

The following information must be included in the Mortgage/Deed of Trust (i.e., MERS as original Mortgage or MOM loans):

- Place the Mortgage Identification Number (MIN) in a visible location on the first page of the security instrument, but not in any space reserved for the jurisdiction's recorder per jurisdictional requirements. The MIN number is a unique 18-digit number that can only be assigned to one loan.
- Additional verbiage must be included on the Mortgage/Deed of Trust. The appropriate verbiage has been approved by Fannie Mae and Freddie Mac. To obtain a copy of the applicable state's requirements, the Lender must contact the MERS corporate office.

#### **14.35.1 Registering with MERS**

New Penn Financial requires all loans delivered for purchase to be registered by the Lender with MERS within seven calendar days of the Note date for non-escrow states or the funding date for escrow states.

Note: The failure to register within the seven calendar day time frame mentioned above will result in a penalty fee of \$25.00. This fee will be billed on a monthly basis to the Lender.

#### **14.35.2 Transfer of Servicing and Beneficial Rights**

Lenders are reminded of their responsibility to initiate and complete a MERS transfer of the beneficial rights (TOB) and the servicing rights (TOS) within five days of purchase by New Penn Financial. The New Penn Financial MERS ORG. ID number is **1007544**.

New Penn Financial may charge a fee to the Lender for any loan not transferred correctly within the time frame mentioned above. This fee will be billed on a monthly basis to the Lender.

### **14.36 AGE OF LOANS**

New Penn Financial will perform a prefund QC Audit on all loans that have a Note date over 30 days old at the time the closed loan is received.

If the Note date is over 60 days old (30 days for Jumbo loans) at the time the closed loan is received, the loan is not eligible for purchase.

New Penn Financial does not purchase loans if the note date is over 75 days (45 days for Jumbo loans) old at time of loan purchase.

#### **14.37 LENDER SUSPENSE NOTICE**

Once the loan has been audited and it is discovered there are missing and/or incorrect documents, a Lender Suspense Notice will be created and available on the website. The Notice will include the documents needed to clear the loan for funding and the due date all documents must be received to avoid repricing. Please upload all missing and/or incorrect documents through the LION Portal Delivery System. If the closed loan file was not delivered through LION delivery, please email all missing and/or incorrect documents to [ClosedLoanReview@New Penn Financial.com](mailto:ClosedLoanReview@NewPennFinancial.com).

For additional information for LION delivery, please refer to [File Delivery](#). To avoid repricing of the loan, please make sure all missing and/or incorrect documents are received timely. Please allow adequate time for review once the documents are received. Turn times for Lender Suspense loan conditions are posted daily on the website. Once all documents are received, reviewed, and conditions cleared, the loan will be moved to the Funding Queue and approved for purchase. If all documents are not cleared or additional information is required, a revised Lender Notice will be created and available on the website.

##### **14.37.1 Repricing of Suspended Loans**

If all missing and/or incorrect documents are not received by the due date shown on the **initial** Lender Suspense Notice, the loan may incur extension fees or be subject to repricing.

Refer to [Registration and Pricing - "Cure Period for Suspended Loan"](#) for additional information for repricing of the Lender Suspense loans.

##### **14.37.2 Non-purchase of Suspended Loans**

Once a loan has been in Lender Suspense for 30 calendar days it may not be eligible for purchase by New Penn Financial. Refer to [Registration and Pricing - "Cure Period for Suspended Loan"](#) for additional information.

#### **14.38 FUNDING (5/11/2017)**

Once the loan had been approved for funding, New Penn Financial will net fund the loan, which includes collecting the escrow funds and any fees due New Penn Financial. It will also include the payment of the Service Release Premium.

If a loan payment is due in 15 days or less, New Penn Financial will purchase the loan at an amortized balance including the escrows,

OR

If a loan payment is already due (loans purchased on or before the 7<sup>th</sup> day of the month the payment is due), New Penn Financial will purchase the loan at the amortized balance including the escrows without a payment history,

OR

If a payment is already due and we will be purchasing the loan after the 7<sup>th</sup> day of the month the payment is due, a current pay history is required. If FHA loan, we must have a copy of the print-out from FHA Connection showing that month or months of MIP have been remitted to HUD. The pay history should include the disbursement of the monthly MIP to HUD. The escrows collected by New Penn Financial will not include the monthly MIP(s) or if monthly MIP has not been remitted to HUD, New Penn Financial will deduct at time of funding to be placed in the escrow account for disbursement to HUD.

A Purchase Advice will be available on the website once the funding process is complete. Lenders are advised to review the Purchase Advice as soon as possible. If any discrepancies are found please contact Funding @ 1-855368-6925 or email to [ClosedLoanReview@NewPennFinancial.com](mailto:ClosedLoanReview@NewPennFinancial.com) within 48 hours of loan purchase.

#### **14.39 TEXAS CASH-OUT 50(A)(6) CONFORMING FIXED RATE**

**This product is only eligible for Texas Lenders that have prior approval to deliver these products to New Penn Financial.**

An approved Lender has the option to close the loan with any Texas attorney; however, if the loan is not closed with a New Penn Financial approved attorney firm, an Attorney Review and Attorney's Opinion Letter will be required prior to loan purchase. Please refer to the list below.

- The Attorney Review and Attorney's Opinion Letter (from Black, Mann & Graham, LLP or Roberson Anschutz Vettors) must be included in the closed loan purchase.
- A fee of \$125 for the Attorney's Opinion Letter will be deducted from the Purchase Advice at the time of loan purchase. This fee is not applicable if the loan is closed with an attorney firm approved by New Penn Financial. Please refer to the list below.
- ☐ Lenders should contact their Regional Account Manager or Lender Support Specialist to obtain critical instructions on the file submission to both the Attorneys and New Penn Financial.

**The following is a list of New Penn Financial approved attorney firms: Black,**

**Mann and Graham, 2905 Corporate Circle, Flower Mound, TX 75028**

**Dawn Lin & Associates, PC, 9999 Bellaire Boulevard, Ste 988, Houston, TX 77036**

**Gregg & Valby, LLP, 1700 West Loop South, Ste 200, Houston, TX 77027**

**Matt Haddock, P.L.L.C.**, 4500 Mercantile Plaza, Ste 300, Fort Worth, TX 76137 **Don**

**W. Ledbetter, P.L.L.C.**, 17130 Dallas Parkway, Ste 115, Dallas, TX 75248

**McGlinchey, Stafford, Youngblood and Associates, LLP**,

2711 N. Haskell Ave, Ste, 2700, Dallas, TX 75204

**Middleberg Riddle Group**, 717 N. Harwood Drive, Ste 1600, Dallas, TX 75201

**PiersonPatterson, LLP**, 4400 Alpha Rd., Dallas, TX 75244

**Polunsky Beitel Green, LP**, The Ellan, Promenade I, Ste 450, 17806 IH-10 West Freeway, San Antonio, TX 78257

**Robertson Anschutz Vettters**, 1500 City West Blvd, Ste 700, Houston, TX 77042

**Schwartz & Associates**, 1446 Heritage Drive, McKinney, TX 75069

**Shanks and Associates, P.C.**, 16300 Katy Freeway, Ste 200, Houston, TX 77094

The closed loan package must be complete and include all Texas 50(a)(6) specific documents signed by all borrowers and spouses including documents signed prior to closing, at closing or after closing.

The three day Right of Rescission, Notice of Non Rescission and Election Not to Rescind forms are all required. These documents cannot be waived.

The Title Policy must be a Mortgage Policy of Title Insurance (Form T-2) and must include Equity Loan Endorsement (Form T-42) and Supplemental Coverage Loan Mortgage Endorsement (Form T-42.1).

The following are not allowed:

- ❑ Power of Attorney
- ❑ Principal reductions
- ❑ Escrow holdback/completion escrows
- ❑ Closing in Trust

Please refer to Section 4 for complete product guidelines.

#### **14.40NEW YORK CEMAS (CONSOLIDATION, EXTENSION, MODIFICATION, AGREEMENT)**

CEMA loans are eligible for purchase by New Penn Financial under the following requirements:

**All loans must close with Abrams, Garfinkel, Margolis, Bergson, LLP (AGMB) as the attorney and closing agent. Refer to Section 7.5 for a sample CEMA Request Form that must be sent to the attorney's office for request prior to closing.**

- ❑ Refinance loans only
- ❑ Eligible in the state of New York only (originating and closing)
- ❑ Eligible on conventional and government loans
- ❑ Eligible for primary, second home, and investment property types
- ❑ Loan amounts must be in whole dollar amounts
- ❑ Lost Note/Document Affidavits are not acceptable

In addition to the regular closed loan documents, the following documents are also required at the time the closed loan package is delivered:

- ❑ Original Consolidated Note and (if applicable)- original Gap/Advanced Money Note - if any new money associated with the loan
- ❑ Certified true copy of the GAP mortgage (MOM doc) and riders (if applicable), if any new money associated with the loan
- ❑ Certified true copy of the (CEMA) Consolidated, Extension, Modification Agreement (Fannie Mae/Freddie Mac Form #3172) (MOM doc) complete with all exhibits (including certified true copy of the Consolidated note and mortgage)
- ❑ From ALL previous loans (as listed on exhibit A of the CEMA) **ORIGINALS** of all notes, all original recorded mortgages, all original recorded Consolidated, Extension, Modification, Agreements (complete with all exhibits), all original recorded assignments.

#### **14.41 FANNIE MAE SINGLE-CLOSING TRANSACTIONS**

Please refer to Agency guidelines for all underwriting requirements.

##### Documentation Requirements

- ❑ Loan Modification Agreement must be FNMA Form 3179
  - The original Construction Note including the original Construction Addendum/Allonge. Original Note must be endorsed to New Penn Financial, LLC – (Must be FNMA/FHLMC Note)
  - A copy of the Original Mortgage, including a copy of the Construction Loan Rider/Addendum – (Must be a regular FNMA/FHLMC Mortgage) – Also need original recorded Mortgage if Mortgage date more than 90 days old at time of modification
- ❑ Original Title Policy if Note date more than 90 days old at time of modification

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- Updated Title information from Title Company showing all construction liens and judgements paid in full or “none”
- ☐ Updated Flood Hazard Determination Form (if Note date more than 90 days old at time of modification)
- Updated Tax and Hazard/Flood Insurance – Need copy of current Tax Information Sheet and all current insurance policy(s) and paid receipts/copy of check (if applicable)
- ☐ Current Initial Escrow Account Disclosure (if applicable) or Escrow Waiver Form (if applicable)
- Current Pay Letter – with current monthly escrow information (if applicable)
- ☐ Current Pay History (if applicable)
- A Final Inspection and photos of the subject once completed – the Final Inspection must provide the final value of the property

### 14.42 TRUST REQUIREMENTS

#### Illinois Land Trust

**Illinois Land Trusts are acceptable if the following is met:**

- ☐ All beneficiaries are individuals
- ☐ The trust must be revocable.
- ☐ The mortgage applicant (s) must be one of the beneficiaries of the trust.
- ☐ The trustee must be a corporation or financial institution customarily engaged in the business of acting as trustee under Illinois land trust.
- ☐ The beneficiaries have sole power of direction over the land trust and trustee.
- ☐ All beneficiaries are obligated as individuals under the terms of the note.
- ☐ The mortgage applicants have been underwritten and are qualified borrowers under the requirements of the product.
- ☐ All such land trust mortgages are secured by owner occupied, 1-4 family properties.
- ☐ The term of the Trust Agreement is at least as long as the term of the Security Instrument.
- ☐ Legal title to the property must be held in the name of the trustee on behalf of the land trust and may not be other owners.
- ☐ The title commitment/binder may not contain any exceptions to coverage based on the mortgage being held by the trust.

#### Document Requirements:

- ☐ Complete copy of the executed trust agreement
- ☐ Land Trust Rider to the Note
- ☐ Land Trust Rider to the Mortgage/Deed of Trust
- ☐ Security Assignment to Beneficial Interest in Land Trust

- The beneficiary must execute the Note and Land Trust Rider to the Note.
- The trustee must execute the Note, Mortgage, and both Land Trust Riders.
- The Note and Mortgage must include the number of the trust and the date the trust was created. This information should follow the name of the trustee on these documents.
- The Riders must be executed and dated the same day as the Note and Mortgage.
- The beneficiary must assign his/her beneficial interest on the Note and Trust Agreement to the Seller.

A Power of Attorney is not acceptable on trust loans.

### **Living “Inter Vivos” Trust**

**Living “Inter Vivos” Trusts are acceptable if the following is met:**

1. Complete copy of the trust agreement/documents certified by the borrower to be accurate.
2. An Attorney’s Opinion letter from the closing attorney is required verifying the following:
  - The trust was validly created and is duly existing under applicable law
  - The trust is revocable
  - The borrower is the settlor of the trust and the beneficiary of the trust
  - The trust assets may be used as collateral for a loan
  - The trustee is duly qualified under applicable laws to serve as trustee, is the borrower, is the settlor, and is fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets

In lieu of the Attorney’s Opinion letter and copies of the trust documents, a Trust Certification is acceptable if provided for under state law where the property is located in accordance with state and Agency requirements specific to Trust.

The borrower must be the settlor or the person who created the trust, and the beneficiary, or the person who is designated to benefit from the trust, and the trustee or the person who will administer the trust for the benefit of the beneficiary, the borrower.

An eligible borrower is:

- ☐ One or more borrowers with one living trust
- OR
- ☐ Two or more borrowers with separate living trust
- OR
- ☐ Multiple borrowers with one or more holding title as an individual and one or more holding title as a living trust

### **Document Requirements:**

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- ❑ The note must be executed individually by the settlor and by the trustee on behalf of the trust
- The date of the trust must be reflected on the note as part of the description below the trustee's signature, e.g. John Doe, Trustee of the John Doe Trust dated June 10, 2005
- ❑ The mortgage or deed of trust is executed by the trustee on behalf of the trust. The Revocable Trust rider must be used with the mortgage or deed of trust
- ❑ The title must be vested in the trustee on behalf of the trust
- ❑ The title commitment/binder may not contain any exceptions to coverage based on the mortgage being held by the living trust

A Power of Attorney is not acceptable on trust loans.

**14.43 MANUFACTURED HOME LOANS****Closed Loan Documentation Requirements**

- "Manufactured Home Rider and Manufactured Home Affidavit of Affixation to Mortgage, Deed of Trust or Other Security Instrument" attached to and recorded with the Mortgage/Deed of Trust
- Manufactured Home endorsement to Title Policy
- Copy of Closing Instructions (Instructions should mention Manufactured Home endorsement to title policy)
- Copy of Closing Protection Letter
- UCC Financing Statement (must be filed with Secretary of State where debtor is located) (New York only)
- Escrow Holdbacks are not allowed
- For FHA Manufactured Home loans located in a SFHA (zone A or V), in addition to flood insurance under the NFIP being required, a FEMA National Flood Insurance Program (NFIP) Elevation Certificate, prepared by a licensed engineer or surveyor, stating that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation is also required

## SECTION 15. POST FUNDING DOCUMENTS

### 15.1 OVERVIEW (6/15/2016)

Because some of the documents must be recorded or for some other reason the documents cannot be delivered at the time the loan is purchased, New Penn Financial permits delivery of certain documents following the purchase of a loan. The time permitted varies according to document and each is addressed later in this section. It is important to understand that assuring timely delivery of documents to New Penn Financial is very important. This will minimize unnecessary interruptions prompted by documents that are not delivered to New Penn Financial within established time frames and to avoid the additional cost associated with collecting these documents.

While there are some other documents that may be delivered to the Post Funding Documents Department, typically Post Funding documents include the recorded security instrument, recorded POA, recorded modifications, recorded Acts of Correction, recorded CEMAs (Consolidation Extension Modification agreements) and the final title policy to include any applicable endorsements to coverage. Please remember that the final title policy must include the policy jacket with the authorized agent's signature. Typically, legible copies of the VA LGC and USDA LNG are provided after the closed loan package is uploaded. In some instances, Lenders include the LNG or LGC with the closed loan documents upload. However, it is important that these documents are delivered SEPARATELY to avoid delays in posting to our system and thus removal from tracking reports. It is suggested that Lenders create a PDF of the LGC or LNG and attach that/those to an email addressed to: [postfunding@NewPennFinancial.com](mailto:postfunding@NewPennFinancial.com).

### 15.2 TIMING OF DOCUMENT DELIVERY

Lenders are reminded of their responsibility to REGISTER all closed loans on MERS (Mortgage Electronic Registration System) BEFORE submitting the closed loan to New Penn Financial for purchase. Additionally, Lenders must create and submit a batch file to MERS transferring BOTH the beneficial rights (TOB) and the servicing rights (TOS) no later than 5 days after purchase by New Penn Financial. New Penn Financial's MERS Org. ID Number is 1007544. Proof of Government Loan Default Insurance or Guaranty must be provided to New Penn Financial within 60 days of the Note date. Acceptable proof of FHA Mortgage Insurance Certificate is an INSURED status on the FHA Connection Case Query screen. Lender must submit a legible copy of either the VA Loan Guaranty Certificate (LGC) or the USDA Rural Development Loan Note Guarantee (LNG) to New Penn Financial as appropriate within 60 days of the Note date. New Penn Financial requires that the VA LGC must be at least 25 percent of the lesser of purchase price or appraised value on purchase loans and 25 percent of the loan amount for refinance loans. VA loans purchased with less than the 25 percent guaranty will be subject to repurchase. FHA MIC / VA LGC / USDA LNG must be issued in the same

name as appears on the note, must have the same property address, and must be signed by the appropriate signor for the agency.

The original or a clerk-certified copy of the recorded security instrument and appropriate riders together with the final title insurance policy must be submitted to New Penn Financial within 90 days of the Note date. All security instruments and recorded power of attorney (if applicable) must be the most current forms required by the agencies. Any applicable riders to the security instrument must be attached and recorded prior to delivery to New Penn Financial (i.e., Manufactured Home Rider, Condo Rider, PUD Rider, etc.)

The final ALTA title policy must be delivered within 90 days of the Note date with all **appropriate endorsements**. **Title policy endorsements include, but are not limited to:**

- ☐ **ALTA 4 (Condo)**
- ☐ **ALTA 5 (PUD)**
- ☐ **ALTA 6 (ARM)**
- ☐ **ALTA 8.1 (Environmental Protection)**
- ☐ **Manufactured Home Endorsement reflecting permanent attachment to real property**

Should a security instrument require correction, a CLTA 110.5 (Mod. Endorsement) may be required. Any change in items material to the enforcement of the lien (i.e., loan amount, term, maturity) would require a correction, re-recording and endorsement to the title policy bringing coverage forward through the date of re-recording.

### **15.3 PROCEDURE FOR DELIVERY OF DOCUMENTS**

Post Funding documents, including a document transmittal, should be sent to:

New Penn Financial Correspondent Division

1000 Oliver Road

Monroe, LA 71201

Attn: Post Funding Documents

As soon after delivery as workload will permit, the Post Funding Documents Department will review documents and change the status of documents on its system to indicate receipt of the document. Please note that receipt of a document is not confirmation that the document was acceptable to either New Penn Financial or to its custodian or a subsequent investor. Lenders are urged to check the Outstanding Documents Report to confirm that previously delivered documents have been removed. Lenders should allow at least 15 calendar days from delivery date until removal from the report. For documents remaining on the report longer than the 15 days after delivery, Lenders should check with the Post Funding Documents to confirm delivery.

When reviewing the CLD Outstanding Documents Report, Lender may click on the loan number link that will open details of all documents relating to each loan. This form is very useful as a transmittal

for submitting documents to New Penn Financial. In those instances, where documents must be corrected, the requirements (what is needed) will be found under the “Condition” column as a continuation of the document name.

## **15.4 DOCUMENT REPORTING**

### **15.4.1 Government Default Insurance**

FHA Loans – New Penn Financial will track the insuring of FHA loans for elapsed days in three situations:

- 1) The number of days elapsed from the Note date until the Upfront Mortgage Insurance Premium (UFMIP) has been paid; NOTE: New Penn Financial will NOT purchase any FHA loan until the UFMIP payment has been confirmed via the FHA Connection.
- 2) The number of days elapsed from the Note date until the FHA loan has been submitted for insuring. NOTE: All FHA loans should be submitted to the HOC within 30 days of the Note date and
- 1) The number of days elapsed from note date until insured. NOTE: New Penn Financial begins tracking all FHA loans to be insured within 45 days of the Note date. If a loan is not insured within 60 days of the Note date, New Penn Financial may elect to withhold the Servicing Release Premium (SRP) on one or more subsequent loans submitted for purchase until such time that the FHA Connection confirms loan is insured.

VA and USDA Loans – New Penn Financial will track for the receipt of the LGC or LNG and expects to receive a copy of the LGC or LNG within 45 days of the Note date. Should the LGC or LNG not be received within 60 days of the Note date, New Penn Financial may elect to withhold SRP on one or more subsequent loans submitted for purchase until such time that the LGC / LNG copy has been received.

### **15.4.2 Outstanding Documents**

Upon purchase of a Lenders loan, New Penn Financial will report to our Lenders those documents or items that continue to be outstanding but are necessary to complete documentation of the loan. A report of these Post Funding items will include the name of the borrower, the name of the document, the status of the document, and the age of the loan (elapsed days from the note date until the date of the report). All Post Funding Documents should be received by New Penn Financial within 90 days of the Note date.

### **15.4.3 Penalties for Failure to Timely Deliver**

Should recorded documents and/or the final title policy remain outstanding for more than 150 days after the Note date, the Lender may be provided a notice that the document must be delivered within 30 days. If the document is not delivered by the indicated deadline, New Penn Financial may engage the services of a third party to procure the documents. Any cost associated with procurement will be

passed through to the Lender plus a \$50 fee per respective loan. Lenders should know that documents not delivered within guidelines are reported to the Division's Senior Management and could result in action including third-party vendor procurement charges, demand for delivery of any outstanding documents, withholding of SRP or, in extreme cases, demand for repurchase of the loan(s). If delivery within established guidelines will not occur for reasons beyond the control of the Lender, the Lender should contact either the Regional Account Manager, the LSS or the Post Funding Documents Department with an explanation of the reason for delay and the date of expected delivery. This information will help avoid unnecessary contact from New Penn Financial and additional costs resulting from efforts to procure the documents.

**SECTION 16. COMPLIANCE TOPICS****16.1 EXPECTATIONS**

New Penn Financial requires Lenders to comply with all applicable regulatory requirements related to the origination and closing of mortgage loans. Lenders should consult with their own legal or compliance counsel to ensure that all loans sold to New Penn Financial are fully compliant with all applicable federal, state, and local laws and regulations.

In an effort to reduce the number of loan purchase suspensions, New Penn Financial is providing the recommendations below. This information is being provided as a tool to assist Lenders in providing documentation required for loan purchase and is not intended to provide legal or compliance counsel relating to local, state, or federal requirements.

The inclusion of these documents does not release the Lender of its representations and warranties that all loans meet all regulatory and compliance requirements as they relate to mortgage lending.

The Lender Represents, Warrants, and Covenants that all loans sold to New Penn Financial are in compliance with:

- ☐ All applicable laws, rules, regulations, decrees, pronouncements, directives, orders, and contractual requirements with respect to the origination, closing, underwriting, processing, and servicing of each loan.
- ☐ Any and all other applicable federal, state, county, municipal, or other laws, including, without limitation, those laws relating to truth-in-lending, real estate settlement procedures, consumer credit protection, usury limitations, fair housing, equal credit opportunity, collection practices, and real estate appraisals.
- All applicable anti-money laundering laws and regulations including, but not limited to, the Bank Secrecy Act and its subsequent revisions and enhancements, the Customer Identification Program requirements of the USA Patriot Act, Office of Foreign Assets Control requirements (collectively the “Anti-Money Laundering Laws”)

The Lender further represents it has established an anti-money laundering compliance program as required by the applicable Anti-Money Laundering Laws, and maintains, and will maintain, sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws.

**16.2 FAIR LENDING POLICY**

New Penn Financials commitment to fairness and equal opportunity lending is clear and unequivocal. New Penn Financial requires the application of fair and consistent origination and underwriting practices by the Lender as well. Discrimination based on race, color, sex, sexual orientation, disability, national or ethnic origin, marital or familial status, religion, or age is contrary to New Penn Financials fundamental principle and commitment and is unlawful.

Lender covenants to treat all borrowers and prospective borrowers in a fair and consistent manner. All borrowers and prospective borrowers should receive the same level of service. Lender covenants to observe this commitment, in particular, in providing assistance to borrowers and prospective borrowers on whether to apply for credit, how best to qualify for credit, how to resolve any issues relating to creditworthiness and other aspects of the mortgage loan extension process. Lender covenants to underwrite all the properties offered to secure the borrowers' mortgage loans based on property type, occupancy status, and the appraised value, and not based on the fact that a property is located in an area with a predominant racial or ethnic population.

### **16.3 APPRAISER INDEPENDENCE REQUIREMENTS (AIR)**

All loans sold to New Penn Financial must be AIR compliant.

Lenders must provide their internal policies and procedures regarding the ordering of the appraisals and management when applying for Lender approval.

#### **16.3.1 Transfer of Appraisals**

New Penn Financial will not allow the transfer of an appraisal on conventional loans, regardless of Fannie Mae or Freddie Mac's acceptance based on certain documentation.

#### **16.3.2 Borrower Appraisal/Valuation Acknowledgement**

New Penn Financial requires an Appraisal/Valuation Acknowledgement Form on all loans with an appraisal, regardless of product type.

The Appraisal Acknowledgement Form must contain the following:

- ☐ Borrower(s) name
- ☐ Property address
- Lender's name
- ☐ Acknowledgement that the borrower either received all appraisal reports or valuation reports at least three business days prior to loan closing
- OR
- ☐ Acknowledgement that the borrower elected to waive their right to receive all appraisal reports or valuation reports at least three business days prior to loan closing
- ☐ The form must be signed and dated by all borrowers on or before the date of the Note

### **16.4 ANTI-MONEY LAUNDERING (AML) PROGRAM INFORMATION**

An AML program must be in writing and include, at a minimum:

- ☐ Policies, procedures, and internal controls reasonably designed to prevent, detect, and report potential money laundering and other suspicious activity

- ☐ The designation of an AML compliance officer (AML Officer)
- ☐ Ongoing AML employee training
- Independent testing of the Lender's AML program

For additional guidance on AML program requirements, refer to the FFIEC BSA Examination Manual at [http://www.ffiec.gov/bsa\\_aml\\_infobase/pages\\_manual/manual\\_online.htm](http://www.ffiec.gov/bsa_aml_infobase/pages_manual/manual_online.htm).

#### **16.4.1 Suspicious Activity Report (SAR)**

Lenders are required to comply with the Bank Secrecy Act and are required to file SARs with FinCEN in accordance with this regulation.

### **16.5 DISCLOSURES (8/5/2014)**

Federal and state laws and regulations require applicable disclosures to be provided to the borrower(s) within prescribed time frames defined by these regulations and/or laws. It is the Lender's full responsibility to accurately prepare and deliver all applicable disclosures to the borrower(s) within the required time frames.

The failure to provide timely required disclosures could result in severe penalties for Lenders by federal and state regulatory agencies. The approval status of Lenders determined to be in violation will be terminated by New Penn Financial.

Copies of all applicable disclosures must be included in the closed loan file delivered for purchase.

#### **16.5.1 Homeownership Counseling Disclosure**

Effective with applications taken on or after September 1, 2014, a Homeownership Counseling Disclosure that includes a list of counseling agencies must be included in all loan files delivered for purchase.

- ☐ The disclosure/list must comply with all CFPB requirements which include, but are not limited to:
  - Data sources
  - Number of housing agencies
  - Data elements and contact information required for each housing counseling agency
  - Accompanying information must be included in the disclosure

Note: A borrower's acknowledgement of receipt of the list of agencies may be provided along with the CFPB compliant list; however, this acknowledgement of receipt will not be acceptable in lieu of a CFPB compliant list of counseling agencies.

This disclosure must be provided to the borrower within three business days of receiving the application and must include the date the list of ten HUD-approved housing counseling agencies was obtained based on the borrower's location by zip code.

## **16.6 FRAUD**

A general definition of “fraud” is:

- ❑ Intentional abuse of truth in order to induce another to part with something of value or to surrender a legal right
- ❑ An act of deceiving or misrepresenting

Anytime that fraud or misrepresentation is suspected relating to a loan transaction, New Penn Financial Quality Control will be notified. A review of the loan will be conducted to determine the extent of the fraud or misrepresentation and the source.

Loan files with confirmed fraud or misrepresentation are not eligible for purchase by New Penn Financial.

New Penn Financial has a zero tolerance for any type of fraud or misrepresentation. In the event sufficient information is established to confirm a Lender’s participation in the misrepresentation, the business relationship with the Lender will be terminated.

### **16.6.1 Data Verify Quality Report**

A Data Verify DRIVE (Data Risk Intelligent Verification Engine) report will be generated by New Penn Financial on all loans at time of prior approval underwriting or loan purchase in an attempt to identify any additional risk elements that should be addressed. Information analyzed in the DRIVE report includes, but is not limited to, the following:

- Identity – Invalid SS# and SS# fraud alerts
- Application – Income, employment, occupancy, undisclosed debts
- Property – property characteristics, market trends, and foreclosure activity

Additional review or additional information may be required depending on the results of the DRIVE report.

## **16.7 HIGH COST LOANS**

New Penn Financial will not purchase any loan defined as a high cost or predatory mortgage loan.

A high cost test will be performed on all loans on a pre-purchase basis for compliance with the following:

- ❑ Federal law
- ❑ Investor/Agency requirements

- ☐ State law
- ☐ City/Village/Municipality Code
- ☐ County Ordinance

Note: New Penn Financial will not purchase any loan, regardless of occupancy type, that exceeds the threshold for the points and fees test.

Any loan determined to be a “high cost” loan will be denied for purchase. New Penn Financial will not allow a refund to the borrower for excessive fees in order to cure a loan for purchase.

Lenders are responsible for ensuring that all loans delivered to New Penn Financial are in compliance with all applicable laws and regulations noted above. In the event a loan is inadvertently purchased by New Penn Financial that is later determined to be a “high cost” loan, that loan will be subject to immediate repurchase.

It is the responsibility of the Lender to consult with their own legal or compliance counsel to develop internal policies and procedures necessary to prevent the closing of a high cost loan.

## **16.8 HIGHER PRICED MORTGAGE LOANS (HPML)**

### **Definition of a HPML:**

An HPML loan means a closed-end 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 1.5 or more percentage points, for a loan secured by a first lien with a principal obligation at consummation that does not exceed the limit in effect as of the date the transaction’s interest rate is set for the maximum principal obligation eligible for purchase by Freddie Mac
- By 2.5 or more percentage points, for a loan secured by a first lien with a principal obligation at consummation that exceeds the limit in effect as of the date the transaction’s interest rate is set for the maximum principal obligation eligible for purchase by Freddie Mac (jumbo loans)

New Penn Financial will not purchase HPML loans on the following products:

- ☐ DU Refi Plus
- ☐ ARMs
- ☐ Jumbo

Lenders represent and warrant that the mortgage complies in all respects with Regulation Z requirements for HPML loans, including the underwriting and consumer protection requirements.

Lenders must verify the borrower’s ability to repay the mortgage in accordance with the requirements of Regulation Z. Borrower’s income, assets and obligations must be verified.

Please refer to Section 16.15 for ATR-QM requirements.

Note: Higher priced mortgage loan appraisal requirements are not applicable as New Penn Financial only purchases QM loans. Loans originated on second homes or for investment or business purposes are exempt from the HPML rule.

Lenders must include evidence documenting the borrower's Interest Rate Set Date on all loans delivered for purchase. Acceptable documents, in effect at time of closing, include:

- ☐ An unexpired lock agreement between the originating lender and the borrower
- or
- ☐ A lender generated unexpired lock confirmation form

### **16.9 HMDA REQUIREMENTS**

Lenders are required to include a completed Initial Uniform Residential Loan Application (1003/65) as well as a completed Final Uniform Residential Loan Application (1003/65) in all loan files delivered for purchase. All borrowers, as well as the Mortgage Loan Originator (MLO), must sign and date both the Initial and Final Applications (1003/65).

All information required by the Home Mortgage Disclosure Act (HMDA) must be completed including, but not limited to, the government monitoring information on page 4 of the Uniform Residential Loan Application (1003/65).

### **16.10 ITEMIZATION OF AMOUNT FINANCED**

New Penn Financial requires that each loan file contain an Itemization of Amount Financed. If a signature and date line is present on the form, the borrower(s) signature and date will be required.

Note: For applications taken on or after October 3, 2015, a separate form will no longer be required.

### **16.11 RESPA**

New Penn Financial will not purchase loans that are not in compliance with the requirements of RESPA.

Lenders must include the following in all loan files delivered for purchase:

- ☐ A complete and legible initial GFE dated within three business days of the initial application date
- ☐ Any subsequent GFEs issued to the borrower throughout the loan process
- ☐ Documentation indicating a valid change of circumstance, for each subsequent GFE, if multiple GFEs issued
  - Example of a [RESPA Changed Circumstances Form](#)

## CORRESPONDENT

- RESPA requires that the final GFE be issued prior to loan closing – New Penn Financial requires that the final GFE be dated at least one day prior to closing (defined for these purposes to be the Note date)
- ❑ RESPA requires that if the borrower(s) is allowed to shop for services required by the Lender, then a Settlement Service Providers (SSP) List must be provided with the initial GFE
- ❑ The SSP must provide a minimum of one service provider for each service
  - If the service provider is listed on the SSP, the company must still be in business
- ❑ If the service provider is an affiliate of the Lender, a non-affiliated service provider must also be listed

### **16.11.1 Common GFE Suspense Issues**

- Missing the “Final” GFE, dated at least one day prior to closing (defined for these purposes to be the Note date)
- ❑ Not legible (due to print, fax or image issues)
- ❑ Not fully completed per RESPA requirements
  - Date of GFE, Important Dates section, Escrow check boxes
- ❑ Block 2 is used for standard lender credits instead of discount or points (rate changes)
- ❑ Incorrect fees on page 2 of GFE
- ❑ All GFEs provided to the borrower are not included or all pages of the GFEs are not included
- ❑ Incorrect transfer taxes
- ❑ Credits listed on the GFE for items other than loan pricing
  - Example: FHA MIP Refunds
- ❑ Not provided within three business days of application
- ❑ Transfer Taxes increased at closing and the fee on the GFE was less or not disclosed
- Owner’s Title Insurance was not included on a purchase loan
- ❑ All charges typically paid for by the borrower were not listed on the GFE
- ❑ Under disclosed Lender Paid Broker Compensation
- ❑ Service Providers List was not included in the loan file
- ❑ Service Providers List contains companies no longer in business

### **16.11.2 Common Changed Circumstance Suspense Issues**

- ❑ Changed circumstance documentation is not included
- ❑ Changed circumstance documentation is included

## CORRESPONDENT

- Only provides information on what changed
- Does not provide the reason for the change
- ❑ Reason for changed circumstance was due to an omission on prior GFE
  - Borrower was charged the/an additional fee (or the credit was decreased), which is not acceptable
- ❑ Reason for changed circumstance does not agree with fee changes
- ❑ A fee increased or a credit decreased in a tolerance category but a changed circumstance was not documented to support the increased fee or decreased credit
- ❑ A GFE was reissued after the changed circumstance, but not within three days of the changed circumstance
- ❑ Multiple GFEs with the same print date
  - The information changed within the GFEs – Change of Circumstance should be included in the loan file with each GFE in order to determine the order in which the GFEs were issued

### **16.11.3 Comparison Page of the HUD-1**

- ❑ Must accurately reflect the information in the correct section of the comparison columns:
  - Charges that cannot increase
  - Charges that cannot increase more than 10 percent
  - Charges that can change
- ❑ The HUD-1 column must match the items in the settlement charges section
- ❑ The GFE column must match the Final GFE

### **16.11.4 RESPA Tolerance Violations**

In the event a RESPA tolerance violation is discovered during the pre-purchase audit of the closed loan file, New Penn Financial will require evidence of a refund to the borrower in order to cure the violation.

- If the tolerance violation was cured at closing, the Final HUD-1 must reflect the “cure for tolerance violation” refund to the borrower.
- ❑ If the tolerance violation was not identified at closing but was discovered during the pre-purchase loan review, the Lender must provide the following documentation to support that the violation was cured within 30 calendar days from the Note date.
  - A copy of the refund check to the borrower
  - A copy of the letter sent to the borrower explaining the refund

- A True and Certified corrected HUD-1 from the title agent reflecting the “cure for tolerance violation”

NOTE: If a tolerance violation is not cured within 30 calendar days of the Note date or documentation regarding the cure is not available, the loan is not eligible for purchase by New Penn Financial.

For applications taken on or after October 3, 2015, please refer to Section 16.19.

## **16.12 RIGHT OF REDEMPTION**

Loans closed during the right of redemption period are eligible for purchase by New Penn Financial. Please refer to Section 14 Collateral Audit and Funding for requirements.

## **16.13 SAFE ACT**

All loans delivered to New Penn Financial will be audited pre-purchase for licensing and registration compliance of the Mortgage Loan Originator (“MLO(s)”) as defined by applicable federal and state law.

Lenders must provide the following information on all loans:

- ❑ A completed initial 1003/65 signed and dated by the Mortgage Loan Originator (MLO)
- ❑ Provide the correct NMLS ID for both the Company and the Mortgage Loan Originator (MLO) who completed the application
  - Note: New Penn Financial requires the Main Company ID and not the Branch ID
- ❑ In the event there are multiple applications in the loan file signed by different Mortgage Loan Originators (MLO), a review will be conducted for each MLO

## **16.14 TRUTH-IN-LENDING ACT (TILA)**

New Penn Financial will not purchase loans that are not in compliance with the Truth in Lending Act.

A complete and executed Final TIL dated the date of the Note is required on all loans, regardless of occupancy. The Initial TIL and any subsequent TILs must be delivered to the borrower within the time frame mandated by the Mortgage Disclosure Improvement Act (MDIA).

### **16.14.1 Common Final TIL Suspense Issues**

- ❑ A complete and legible Final TIL is not included in the loan file
- ❑ All appropriate boxes are not checked
- ❑ Disclosure not executed by all borrower(s) required to execute based on ownership rights or state requirements
- ❑ Does not bear the same date as the Note

## CORRESPONDENT

- ❑ APR not within the range of tolerances set by the federal regulatory agencies
- ❑ All prepaid finance charges charged to the borrower are not accurately reflected
- ❑ Escrow information does not match closing documents (HUD, IEAD, Payment Letter, etc.)
- The following statement was not included “There is no guarantee that you will be able to refinance to lower your rate and payments”
- ❑ An Itemization of Amount Financed was not included in the loan file
- ❑ A breakdown from the Title Company or closing agent of seller/lender credits shown on HUD-1 was not included in the loan file
- ❑ Breakdown of items lumped in with other fees, which are not considered finance charges under Regulation Z were not included in the loan file
  - For example: If line 1101 of the HUD-1 includes a Notary or Doc Prep Fee, it would be included as a prepaid finance charge unless a breakdown was provided from the title company showing this was included in the lump sum

### **16.14.2 Common Prepaid Finance Charges**

Note: This is not an all-inclusive list of prepaid finance charges; however, this is a list of charges that should be included that are frequently omitted.

- ❑ Courier/wire/delivery/messenger fee
- ❑ Attorney/settlement/closing/escrow fee
- ❑ Copy fee
- ❑ Subordination/subordination agreement fee
- ❑ Attendance fee
- ❑ Service fee
- ❑ Assignment fee
- ❑ Condo Questionnaire fee
- ❑ Closing Protection Letter fee
- ❑ Document Preparation/Document Review fee in Texas to the Attorney

New Penn Financial reviews loans both pre and post-purchase to ensure compliance with applicable federal and state laws and regulations. A list of the pre-paid finance charges that New Penn Financial requires to be included in the APR calculation can be found in on the [APR Finance Charge Matrix](#).

Note: This list is provided for information purposes only and may not be all-inclusive. Lenders are urged to consult with their own compliance or legal counsel for guidance.

New Penn Financial considers the disclosure of the Finance Charge amount accurate if it is understated by no more than \$100 on a purchase loan or a loan that does not require rescission. On

a loan with a rescission, the tolerance is \$35, based on the foreclosure provision in Regulation Z (Section 1026.23 (h)(2)(i)).

In instances where the APR becomes overstated because a finance charge has been reduced, New Penn Financials re-disclosure of the TIL requirements are:

- ☐ If the APR decreases more than 1/8% due to a reduction in a finance charge (Rate, PMI, Origination Charges, Discount Points, etc.), then re-disclosure of the TIL to the borrower is not required
- ☐ If the APR decreases more than 1/8% due to a change in terms (loan amount, term, etc.), then re-disclosure of the TIL to the borrower is required

Re-disclosure is required in instances where the APR increases by more than 1/8% as compared to the previously disclosed TIL.

If a review of the loan file determines that certain fees were not disclosed as finance charges and the disclosure varies from the actual finance charges by more than the tolerances stated above, New Penn Financial will require that the loan be remedied.

Purchase Transaction:

- The under-disclosed amount must be refunded to the borrower – a copy of the check to the borrower will be required
- A new copy of the TIL disclosing a new preparation date – no changes to the actual figures just the preparation date
- ☐ A copy of the letter to the borrower explaining the reason for the refund
- Proof of delivery of all above to the borrower – overnight carriers tracking information that confirms delivery or a USPS confirmation of receipt slip

Refinance Transaction:

- The under-disclosed amount must be refunded to the borrower – a copy of the check to the borrower will be required
- A new copy of the TIL disclosing a new preparation date – no changes to the actual figures just the preparation date
- Rescission must be reopened – provide a new Right to Cancel to each borrower
- ☐ Wait three days or more after the borrower(s) receive the RTC, TIL, and refund for the rescission period to end
- ☐ A copy of the letter to the borrower explaining the reason for the refund
- Proof of delivery of all above to the borrower – overnight carriers tracking information that confirms delivery or a USPS confirmation of receipt slip

Note: For applications taken on or after October 3, 2015, please also refer to Section 16.19 for additional information.

**16.15 ABILITY TO REPAY – QUALIFIED MORTGAGES**

New Penn Financial will only purchase loans that meet the definition of a Qualified Mortgage with the exception of certain loans that are exempt from this rule (closed-end loans for investment or business purposes).

The ATR-QM Rule applies to:

- Primary Residences
- Second Homes
- Investment Properties – (Business purpose exclusion by exception consideration only)

It is the responsibility of the Lender to review and comply with the final rules issued by the Consumer Financial Protection Bureau (CFPB) to implement the Dodd-Frank Act, including but not limited to ATR-QM, Truth-in-Lending Act (TILA), Equal Credit Opportunities Act (ECOA), HPML and HOEPA.

Lenders should consult with their own legal or compliance counsel to ensure that all loans comply with the CFPB rules and regulations.

The underwriter must determine a borrower's repayment ability using verified documented information with the following 8 underwriting considerations:

- Current or reasonably expected income and assets
- Current employment status
- Credit history
- Monthly payment for subject property
- Monthly payment for simultaneous mortgages
- Monthly payments for related expenses (taxes, MIP, insurance, HOA)
- Current debt obligations including alimony and child support
- Monthly debt-to-income ratio not to exceed 43%
  - Note: The QM Temporary Provision allows a higher DTI for loans eligible for sale to the GSEs and government insured transactions – Loans must meet Agency, FHA, VA and USDA guidelines as well as New Penn Financial guidelines and overlays.

The Lender must:

- Ensure that loans are originated, underwritten and closed in accordance with the ATR-QM regulations as well as New Penn Financials requirements
- Evidence compliance with ATR-QM rules by ensuring that the underwriting documentation clearly identifies how income, liabilities and DTI were calculated (An example Ability to Repay Worksheet can be found in the Exhibit Section of the Lender Guide)

## CORRESPONDENT

- Ensure that the loan is underwritten and documented according to the AUS findings, New Penn Financial and Agency, FHA, VA and USDA guidelines (according to product type)
- A clear itemization of all fees and of all credits that indicate paid to and paid by are required on all loans (A specific form is not required; however, an example Fee Detail Worksheet can be found in the Exhibit Section of the Lender Guide)
- Information to support any discount points deemed to be bona fide and subsequently excluded from the test – Calculations used to determine which points were bona fide and supporting documentation to show they were bona fide are required (example: rate sheet and rate lock agreement)

Note: Bona fide discount points may be excluded as follows:

- Up to two bona fide discount points if the interest rate before the discount points does not exceed the Average Prime Offer Rate (APOR) by more than 1%
- Up to one bona fide discount point if the interest rate before the discount points does not exceed the Average Prime Offer Rate (APOR) by more than 2%
- New Penn Financial determines the reduction per point requirement to be considered bona fide discount point at .25 percent

All loans must pass the QM Points and Fees Test as outlined below:

Effective for loans closed after January 1, 2018, the following QM Points and Fees Test applies:

Total Loan Amount	Points and Fees Threshold
Greater than or equal to \$105,158	3%
Greater than or equal to \$63,095 but less than \$105,158	\$3,155
Greater than or equal to \$21,032 but less than \$63,095	5%

Note: No cures to the above limitations will be allowed.

### **16.15.1 Safe Harbor and Rebuttable Presumption of Compliance**

New Penn Financial will purchase both Safe Harbor and Rebuttal Presumption QM loans.

Qualified Mortgages can have two levels of liability protection. The level of protection is determined by comparing the loan's APR with the Average Prime Offer Rate (APOR) at the time that the interest rate was set with the borrower.

- Safe Harbor for General and Temporary QM loans – threshold aligns with the established HPML threshold of APOR plus 1.50 percent
- Safe Harbor for HUD QM loans – threshold is APOR plus the sum of the annual mortgage insurance premium and 1.15 percentage points

- Safe Harbor for VA loans must meet all of the following criteria – 1) the loan being refinanced was originated at least 6 months before the new loan’s closing date, and the veteran has not been more than 30 days past due during the 6 months preceding the new loans closing date, 2) the recoupment period for all allowable fees and charges financed as part of the loan or paid at closing does not exceed 36 months; and 3) all other VA requirements for guaranteeing an IRRRL are met
- Rebuttable Presumption QM loans – loans exceeding the Safe Harbor thresholds above

**Note: At any point in time, a Lender must have less than 5 percent of total locked pipeline in the category of Rebuttable Presumption.**

New Penn Financial will not purchase Rebuttable Presumption QM loans on the following products:

- DU Refi Plus
- ARMs
- Jumbo
- HomeReady

#### **16.16 EQUAL CREDIT OPPORTUNITY ACT (ECOA)**

The Equal Credit Opportunity Act, Regulation B and similar federal and state laws, rules and regulations requires Lenders to promote the availability of credit to all creditworthy applicants without regard to race, color, religion, national origin, sex or sexual orientation, marital or familial status, or age (provided the applicant has the capacity to contract), source of income, disability, military status, to the fact that all or part of the applicant’s income derives from a public assistance program; or to the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act or any state law upon which an exemption has been granted by the CFPB. Lenders are prohibited from engaging in practices that discriminate on the basis of any of these factors or any other prohibited basis.

Lenders are also required to collect information about the applicant’s race and other personal characteristics and provide applicants with copies of appraisal reports and other valuations used in connections with credit transactions.

#### **16.17 Fair Credit Report Act (FCRA) (8/26/2015)**

FCRA imposes on Lenders certain duties as a user of consumer reports and furnisher of credit information to consumer reporting agencies (CRA). FCRA also regulates the collection, dissemination and use of consumer information, including consumer credit information. FCRA requires consumer reporting agencies to adopt reasonable procedures for handling consumer information in a manner which is fair and equitable to the consumer with regard to the confidentiality, accuracy, relevancy, and proper utilization of consumer reports.

The Fair and Accurate Credit Transactions Act (FACTA) of 2003 amended FCRA and was established to serve the following purposes: 1) enhance the ability of consumers to combat identity theft, 2) increase the accuracy

of consumer reports and 3) allow consumers to exercise greater control regarding the type and amount of marketing solicitations they receive.

Lenders must comply with the Fair Credit Report Act regarding all provisions related to users of credit reports and furnishers of credit information to consumer reporting agencies, as applicable to its loan origination and servicing activities. In addition, Lenders must comply with all applicable state laws and regulations regarding various disclosures and other requirements relating to obtaining credit reports and using credit reports.

### **16.18 Privacy Policy (8/26/2015)**

Lenders are required to comply with federal and state laws and regulations pertaining to the protection of customers' nonpublic personal information. In addition, Lenders are required to comply with applicable disclosure requirements related to the protection of customers' nonpublic personal information and information sharing with third parties on all financial products. Customer nonpublic personal information means any information that is not publicly available about the person and that provides personally identifiable financial information about the customer such as social security numbers, bank statements, payroll information, tax returns, etc. Failure to properly maintain the confidentiality of this information could subject Lenders to regulatory enforcement and private litigation. As a result, Lender's employees have a responsibility to ensure the confidentiality and security of all customers' nonpublic personal information in electronic and hardcopy form at the office, at home, and in public places.

### **16.19 TILA-RESPA Integrated Disclosure (TRID) (8/26/2015)**

#### **Rule**

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Consumer Financial Protection Bureau (CFPB) issued the Integrated Mortgage Disclosures under the Real Estate Procedures Act (Regulation X) and the Truth-in-Lending Act (Regulation Z) (TILA-RESPA Final Rule), combining certain disclosures that consumers receive in connection with applying for and closing on a mortgage loan. The Rule also provides for new or different timing and delivery requirements for certain disclosures.

All applicable disclosures must comply with the Rule in form and content.

#### **Disclosures**

The TILA-RESPA Integrated Disclosure Rule mandates the use of two (2) new disclosures:

- Loan Estimate – a 3-page disclosure which replaces the Good Faith Estimate and the initial Truth-in-Lending Disclosure Statement
- Closing Disclosure – a 5-page disclosure which replaces the HUD-1 Settlement Statement and the final Truth-in-Lending Disclosure Statement

TRID consolidates all of the following disclosures:

- Good Faith Estimate (GFE)
- Initial Truth-in-Lending Disclosure Statement (TIL)

**CORRESPONDENT**

- Right to Receive a Copy of the Appraisal
- Servicing Disclosure Statement
- HUD-1 Settlement Statement
- Final Truth-in-Lending Disclosure Statement (TIL)
- Partial Payment Policy
- New and detailed escrow account section
- Information regarding the borrower's liability after foreclosure (refinance transactions)
- Information regarding tax deductions
- Settlement Cost Booklet has been replaced by Your Home Loan Toolkit

**Facts about the New Disclosures**

- The new disclosures are standardized
- Fees for services such as origination fees are separately itemized ("unbundled")
- Fees and charges are listed alphabetically within specific categories
- The new disclosures are "dynamic", not "template" based – Items that do not apply are left blank or do not appear
- The use of N/A is not permitted
- HUD Uniform sections and line items are eliminated from the Closing Disclosure
- There is no cure for not meeting delivery requirements
- If signature lines are present, disclosures must be signed/dated by all borrower(s)
- Proof of delivery is required for both the Loan Estimate(s) and the Closing Disclosure(s)

Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance.

**Effective Dates**

The new disclosures are required to be provided with all applications received on or after October 3, 2015.

Applications received prior to October 3, 2015 are required to use the current forms: GFE, TIL and HUD-1.

**Note: The presence of duplicate disclosures (both sets of disclosures) at time of loan delivery will cause the loan to be ineligible for purchase.**

**16.19.1 Timing Requirements**

The "specific" definition of business days includes all calendar days except Sunday and the legal national holidays (same as rescission).

"Specific" business days' definition applies to all of the various timing requirements under the Rule including the following:

- Counting the seven (7) business day waiting period before consummation following provision of a Loan Estimate

- To determine the four (4) business days prior to consummation by which the consumer must receive a revised Loan Estimate
- To determine the three (3) business day waiting period before consummation of the Closing Disclosure

The “general” definition of a business day is defined as a day on which the creditor’s offices are open to the public for carrying out substantially all of its business functions.

“General” business days’ definition applies to all of the various timing requirements under the Rule including the following:

- Counting the three (3) business days from application to providing the original Loan Estimate
- Counting the three (3) business days from an event to provide a revised Loan Estimate
- Counting the three (3) business day period for receipt of a Loan Estimate not delivered in person

Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance.

#### **16.19.2 Waiver of Waiting Period**

Although the Rule allows a waiver or modification of the three (3) business day waiting period after receipt of the Closing Disclosure, **New Penn Financial will not allow this practice.**

#### **16.19.3 Applicability**

Generally, the Rule applies to most closed-end consumer credit transactions secured by real property. In addition, certain types of loans that were subject to TILA but not RESPA are subject to the new TILA-RESPA rule’s integrated disclosure requirements, including:

- Construction-only loans
- Loans secured by vacant land or by 25 or more acres

Specific categories excluded from the rule are:

- Home Equity Lines of Credit (HELOC)
- Reverse Mortgages
- Mortgages secured by a mobile home or by a dwelling that is not attached to real property
- Certain no-interest second mortgage loans made for the purpose of down payment assistance, property rehabilitation, energy efficiency, or foreclosure avoidance.

Transactions that are not subject to the disclosure requirements of the new Rule remain subject to the current requirements. Likewise, timing requirements and tolerances related to the current TILA and RESPA rules remain in place for these type transactions.

#### **16.19.4 Definition of Application**

An application consists of submission of the following six (6) pieces of information:

- 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 amount

The new definition of application removes the seventh "catch-all" element of "any other information deemed necessary by the loan originator".

#### **16.19.5 Pre-Disclosure Restrictions**

No fees may be imposed on a consumer in connection with the application before the consumer has received the Loan Estimate AND indicated to the Lender intent to proceed with the transaction.

The only exception is the bona fide and reasonable fee required for obtaining the consumer's credit report. This fee may be collected.

Collecting a check or credit card number for the appraisal or any other fee from the consumer prior to providing the Loan Estimate AND the consumer indicating an intent to proceed with the transaction is not allowed by the Rule.

No other information and/or documentation may be collected or verified as a condition to provide the Loan Estimate. This includes, but is not limited to:

- Income documentation
- Asset documentation

#### **16.19.6 Settlement Services Provider List**

The Rule provides a Model Form for the purposes of providing consumers with a list of settlement service providers. Below are six (6) facts regarding the use of this Model Form.

- Lenders must provide its consumers with a written settlement services provider list
- At least one (1) provider is to be identified for each service for which the consumer may shop
- Multiple providers are permitted
- The settlement services provider list must be provided on a separate sheet of paper (separate from the Loan Estimate)
- The form may expressly state that the list is not an endorsement of providers
- The form is required to be provided with the Loan Estimate

## CORRESPONDENT

- The list must correspond to the settlement services for which the consumer can shop as disclosed on the Loan Estimate
- The settlement services provider list must be provided to the consumer no later than three (3) business days after the creditor received the consumer's application

### 16.19.7 Notice of Intent to Proceed

After the initial Loan Estimate has been provided to the borrower, the consumer's intent to proceed with the transaction must be documented in the loan file. The intent can be documented by one of the following methods:

- A Notice of Intent to Proceed form, signed and dated by the borrower, can be included in the loan file with the initial disclosures, *OR*
- A verbal intent to proceed may be obtained from the consumer – this verbal authorization must be documented with a written certification from either the loan officer or the loan processor

**Note: The applicant's signature on the Loan Estimate or other disclosures is not sufficient to provide notice of intent to proceed with the transaction.**

### 16.19.8 Loan Estimate

- Loan Estimate integrates the Good Faith Estimate and initial Truth in Lending Disclosure Statement
- Certain information has been added or the way it is disclosed has changed for example -
  - Rounding – Generally dollar amounts are rounded to the nearest whole dollar except –
    1. Principal & Interest
    2. Per day amount of prepaid interest (page #2 F) is not rounded, total amount is rounded.
    3. Monthly amount of homeowners insurance, mortgage insurance and property taxes (Page #2 G) are not rounded, total amount of these fees is rounded.
- The Loan Estimate is a "dynamic" form so the disclosures relate only to your specific loan, loan program and other features of the loan transaction. For Example –
  - Special Tables are included on Page #2 of the LE for Adjustable Rate and similar Loans:
    1. Adjustable Rate (AP) Table – provides statements regarding interest only payments, payment changes, first change amount and maximum payment.
    2. Adjustable Interest Rate (AIR) Table – provides index and margin, initial interest rate, minimum and maximum interest rate, change frequency and limits on Interest Rate Changes.
- Origination charges are no longer bundled into one charge rather they are individually disclosed

- Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance.

#### **16.19.8.1 Loan Estimate Details**

Refer to FAQ #58.

#### **16.19.8.2 Business Day Definition**

For purposes of providing the Loan Estimate, a business day is defined as a day on which the creditor's offices are open to the public for carrying out substantially all of its business functions.

Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance

#### **16.19.8.3 Revisions and Corrections**

A Lender is bound by the Loan Estimate, and may not issue revisions because it is later discovered that there are technical errors, miscalculations or underestimation of charges.

To revise the Loan Estimate and impose increased charges consistent with the "good faith standard", a Lender must provide a revised version of the Loan Estimate within three (3) business days of receiving information sufficient to establish that one of the permitted basis for a change applies. If the revised Loan Estimate is not disclosed within three (3) business days of the change, the increased cost cannot be passed on to the borrower.

Changed circumstances include:

- Changed Circumstances Affecting Settlement Charges
  - An "extraordinary" event outside the control of any interested party or an "unexpected" event specific to the applicant or transaction (e.g., acts of war, disaster, or other emergency)
  - Information the Lender relied on is inaccurate or changes
  - New information the Lender discovers after disclosure that was not relied on
- Changed Circumstances Affecting Eligibility
  - Changes to the transaction that cause fees to increase related to eligibility (for example: income decreases, employment changes or appraisal issues)
- Consumer Requested Changes
- Interest Rate Dependent Charges – Float to lock and extension
- Expiration – Consumer's intent to proceed not given within 10 days after disclosures are delivered or placed in the mail
- Delayed Settlement on Construction Loan – When settlement will occur more than sixty (60) days after initial disclosure, stated on the Loan Estimate, and re-disclosing occurs at least sixty (60) days before settlement.

In addition to a revised Loan Estimate, the Lender must provide a Change of Circumstance form or other acceptable supporting documentation detailing the reason for the valid change of circumstance.

**Note: A revised Loan Estimate MAY NOT be provided in instances where the Closing Disclosure has been issued.** In these instances, a revised Closing Disclosure is provided. The Lender must ensure that the consumer receives any revised Loan Estimate no later than four (4) business days prior to consummation. (A revised Loan Estimate and the Closing Disclosure cannot be delivered together.)

## 16.19.8.4 Tolerance Limitations

The Lender is responsible for ensuring that the figures stated in the Loan Estimate are made in good faith and consistent with the best information reasonably available to the Lender at time of disclosure.

Whether or not a Loan Estimate was made in good faith is determined by calculating the difference between the estimated charges originally provided in the Loan Estimate and the actual charges paid by or imposed on the applicant on the Closing Disclosure. If a service is not performed, the estimate for that charge should be removed from the total amount of estimated charges.

A Lender may charge the applicant more than the amount disclosed in the Loan Estimate in certain circumstances; likewise, other fees may be subject to a zero tolerance and cannot be increased.

Certain circumstances where a Lender may charge the applicant more than the amount disclosed include:

- Fees that the Rule expressly allowed to be higher
- Instances where the amount charged falls within explicit tolerance thresholds
- A valid special circumstance shown in the “Changed Circumstances” section above

Charges that CANNOT Increase	Charges that CAN increase 10%*	Charges that CAN increase
<ul style="list-style-type: none"> <li>• Lender’s own charges for its own services</li> <li>• Fees paid to unaffiliated 3<sup>rd</sup> party provider for Lender required services that the consumer cannot shop for</li> <li>• Transfer Taxes</li> <li>• Charges required by Lender’s affiliates (if any)</li> </ul>	<ul style="list-style-type: none"> <li>• Recording Fees</li> <li>• Fees paid to unaffiliated 3<sup>rd</sup> party provider for Lender required services if the Lender did allow the consumer to shop for and the consumer selects a service provider from the Settlement Services Provider List</li> </ul>	<ul style="list-style-type: none"> <li>• Prepaid interest</li> <li>• Property insurance premiums</li> <li>• Escrow amounts, impound reserves</li> <li>• Fees paid to an unaffiliated 3<sup>rd</sup> party for Lender required services if the Lender did allow the consumer to shop for and the consumer selects a service provider that is not on the Settlement Services Provider List</li> <li>• Fees paid to an unaffiliated 3<sup>rd</sup> party for non-required services</li> </ul>

**\*Ten Percent Cumulative Tolerance**

Charges for 3<sup>rd</sup> party services and recording fees paid by or imposed on the consumer are grouped together and subject to a 10% cumulative tolerance. The Lender may charge the consumer more than the amount disclosed on the Loan Estimate for any of these charges provided the total sum of the charges added together do not exceed the sum of all such charges disclosed on the Loan Estimate by more than 10%.

In instances where a fee that is subject to the 10% cumulative tolerance increases, but the increase does not exceed the 10% cumulative tolerance, a revised Loan Estimate may be provided but the baseline cannot be re-set. A baseline can only be reset when the aggregate of the fees subject to the 10% tolerance exceed that tolerance.

#### 16.19.8.5 Proof of Receipt/Delivery

Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance

Proof of delivery is required for all parties that receive the Loan Estimate.

#### 16.19.9 Closing Disclosure

- Closing Disclosure integrates the Final Truth-in-Lending Disclosure Statement and HUD-1 Settlement Statement
- Origin of the majority of the information is the Loan Estimate
- There are no HUD lines represented
- The Itemization of Amount Financed is no longer required
- Some of the information disclosed on the Closing Disclosure is the same or similar to the HUD-1 and TIL, however, it may be disclosed in a different place
- The Closing Disclosure is a “dynamic” form so the disclosures relate only to your specific loan, loan program and other features of the loan transaction – For Example:

Special Tables are included on Page #4 of the Closing Disclosure for Adjustable Rate and similar loans:

1. Adjustable Rate (AP) Table – provides statements regarding interest only payments  
Payment changes, first change amount and maximum payment.
2. Adjustable Interest Rate (AIR) Table – provides index and margin, initial interest rate, minimum and maximum interest rate, change frequency and limits on interest rate changes.

- The Closing Disclosure provides contact information for the Consumer Financial Protection Bureau if borrowers have questions or want to make a complaint.
- An alternate Closing Disclosure is available specifically for use in refinance transactions. The alternate disclosure remove’s the seller column and provides a table to list payoffs and payments to others.
- Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance

#### 16.19.9.1 Closing Disclosure Details

Refer to FAQ #132.

#### **16.19.9.2 Consummation Date Definition**

New Penn Financial will consider the consummation date as the later of the Note date, or Security Instrument Notary Date in all states.

#### **16.19.9.3 Specific Business Day Reminder**

Lenders must ensure that the applicant receives the Closing Disclosure no later than three (3) specific business days before consummation.

Specific business days for the purpose of delivering the Closing Disclosure are all calendar days except Sunday and legal holidays (same as rescission).

The settlement agent is required to provide the Seller and the Lender the Closing Disclosure no later than the day of consummation.

Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance

#### **16.19.9.4 Who Must Receive**

If the loan transaction is rescindable, the Closing Disclosure must be given separately to each consumer who has the right to rescind the transaction. In transactions that are not rescindable, the Closing Disclosure may be provided to any applicant with primary liability on the obligation.

#### **16.19.9.5 Proof of Receipt/Delivery**

Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance

Proof of delivery is required for all parties that receive the Closing Disclosure.

**Reminder: Although the Rule allows a waiver or modification of the three (3) business day waiting period after receipt of the Closing Disclosure, New Penn Financial will not allow this practice.**

#### **16.19.9.6 Closing Disclosure Settlement Agent Responsibility**

The Lender is responsible for ensuring that the Closing Disclosure is received by the consumer no later than three (3) business days before consummation. Lenders may contract with settlement agents to have the Closing Disclosure provided to consumers on the Lender's behalf. Lenders and settlement agents also may agree to divide the responsibility with regard to completing the Closing Disclosure with the settlement agent assuming responsibility to complete some or all of the disclosure.

The settlement agent is required to provide the seller with the Closing Disclosure reflecting the actual terms of the seller's transaction. The disclosure must be provided to the seller no later than the day of consummation.

## 16.19.9.7 Revisions and Corrections

The general rule regarding re-disclosure of terms or costs on the Closing Disclosure is if certain changes occur to the transaction that causes the disclosure to become inaccurate.

Three (3) categories of changes require a corrected Closing Disclosure containing all changed terms:

- ☐ Changes before consummation that require a new three (3) business day waiting period
- ☐ Changes before consummation that do not require a new three (3) business day waiting period
- ☐ Changes that occur after consummation

The three (3) specific business day waiting period requirement applies to a corrected Closing Disclosure in any of the following instances:

- ☐ Changes on the loan which increase the new APR more than 1/8% above the current APR (or a decrease in APR by more than 1/8% caused by something other than finance charges (term change)
- ☐ Changes to the loan product; *or*
- ☐ The addition of a prepayment penalty

If other types of changes occur, the Lender must ensure that the applicant receives a corrected Closing Disclosure at or before consummation. Lender must permit the borrower to inspect the disclosure during the business day prior to consummation.

## 16.19.9.8 Changes after Consummation

Reason for Change	Delivery Requirements
<ul style="list-style-type: none"> <li>APR varies by 1/8 above the current APR</li> <li>Changes to loan product</li> <li>Addition of prepayment penalty</li> </ul>	A corrected CD must be provided no later than third business day before consummation
<ul style="list-style-type: none"> <li>Any numeric correction that occurs during the 30-calendar day period after consummation (fee, changes to seller paid amounts, etc.)</li> </ul>	A corrected CD must be provided no later than 30 calendar days after receiving notification of a fee change or error. Any refunds for excess fees charged must be provided to the consumer no later than 60 days after consummation. A copy of the refund check, a corrected CD reflecting the refund and a letter of explanation to the borrower will be required.
<ul style="list-style-type: none"> <li>Any clerical correction (non-numeric) that occurs during the 60-calendar day period after consummation</li> </ul>	A corrected CD must be provided no later than 60 days after consummation

**16.19.10 Record Retention**

Lenders are required to maintain copies of the Closing Disclosure and all supporting documentation to this disclosure for a period of five (5) years after loan consummation. All other documents must be maintained for a period of three (3) years after consummation of the transaction.

**16.19.11 Partial Payment Notice**

A statement must be disclosed on page 4 of the Closing Disclosure of whether the Lender:

- Accepts partial payments and applies the payments to the borrower's loan
- ☐ Holds partial payments in separate account until the borrower sends the rest of the payment, and then applies the full payment to the loan, *or*
- ☐ Does not accept any partial payments

This section should be completed based on each Lender's internal policies and procedures.

**16.20 TRID FAQs (9/24/2015)**

Listed below are frequently asked questions regarding the TILA/RESPA Integrated Disclosure Rule (TRID). These FAQs will be updated periodically as information changes or new information becomes available.

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## AA. RECORDS/DOCUMENTATION OF COMPLIANCE

### A. GENERAL INFORMATION AND BACKGROUND

What changes are being made by this rule?

- ❑ The Rule amends Regulation Z (Truth in Lending Act) and Regulation X (Real Estate Procedures Act) to integrate certain mortgage loan disclosures.

What disclosures are affected by this change?

- ❑ The Good Faith Estimate (GFE) and initial Truth-in-Lending will be replaced with the Loan Estimate.
- ❑ The Final Truth-in-Lending and HUD-1 Settlement Statement will be replaced with the Closing Disclosure.

Are the LE and CD the only new disclosures or are there other disclosure changes?

- Yes- there are other disclosures that are included in the Loan Estimate and Closing Disclosure. See the Section on “Other Disclosures”.

What other changes are made by this new rule?

- ❑ The definition of application which triggers the Loan Estimate has changed
- ❑ Changes are made to the timing requirements on both the Loan Estimate and the Closing Disclosure
- ❑ Tolerance levels for disclosed estimates have changed
- ❑ New Requirements for brokered loans
- ❑ New Post Closing and Servicing Requirements

### B. EFFECTIVE DATES

When is this Rule effective?

- ☐ The Rule is effective for all applications taken on or after October 3, 2015.

Can I use the new disclosure forms on applications taken before October 3, 2015?

- ☐ No, the existing GFE, TIL and HUD-1 will be required on applications dated prior to October 3, 2015.

Are pre-disclosure activities affected by the effective dates?

- ☐ Yes, provisions regarding pre-disclosure activities go into effect on October 3, 2015 whether an application has been taken or not. Additional information is in the Pre-Disclosure Restrictions of this document.

### **C. APPLICABILITY OF THE RULE**

#### **Covered Transactions**

What transactions are covered by the Rule?

- ☐ The Rule applies to most closed-end consumer credit transactions secured by real property, including construction only loans and loans secured by vacant land or by 25 acres or more.

#### **Exempt Transactions**

What transactions are exempt from the Rule?

- ☐ Home Equity Lines of Credit (HELOCs)
- ☐ Reverse Mortgages
- ☐ Mortgages secured by mobile homes or by a dwelling that is not attached to real property
- ☐ There is a partial exemption for certain transactions associated with housing assistance loan programs for low- and moderate income consumers

What disclosures are used for loan transactions that are exempt from the Rule?

- ☐ The same disclosures that are used prior to October 3, 2015 will continue to be used after October 3, 2015.

#### **Investment Purpose Loans**

What does the Rule say about investment purpose loans?

- ☐ Investment purpose loans are exempt from the Rule, BUT New Penn Financials investors do not recognize this exemption so these types of loans are subject to the Rule.

## Assumptions

Do the new disclosure requirements apply to assumptions?

- Yes, provided that “assumption” means a post-consummation event that is deemed a new closed-end credit transaction secured by real estate.

## D. FACTS ABOUT THE NEW DISCLOSURES

What are some of the ways the new Loan Estimate and Closing Disclosure are different?

- The Loan Estimate and Closing Disclosure are standardized – no changes EXCEPT the forms may provide for the borrower’s signature
- Fees for services (such as origination fees) are separately itemized (“Unbundled”)
- ❑ Fees and charges are listed alphabetically within specific categories
- New disclosures are “dynamic”, not “template” based - Inapplicable disclosures do not appear
- ❑ HUD uniform sections and line items do not appear on the Closing Disclosure
- The HUD Special Information Booklet previously required for purchase money loans has been replaced by the much shorter “Your Home Loan Tool Kit”
- Other existing disclosures and new disclosures are also incorporated into the Loan Estimate and Closing Disclosure forms - See the section on “Other Disclosures”

## E. PRE-DISCLOSURE RESTRICTIONS/INFORMATION

### Collecting Fees

When can I charge the borrower a fee?

- ❑ A fee, other than the bona fide and reasonable credit report fee, can only be charged to a borrower **after** the Loan Estimate has been provided to the borrower, and the borrower has indicated their intention to proceed with the application.

Can I collect a check or a credit card number for the appraisal (or other fee, except for the credit report fee) prior to providing the borrower with the Loan Estimate and getting their intention to proceed?

- ❑ No, the Rule expressly prohibits this practice.

### Requiring Verifying Information

Can I require that the borrower provide documents verifying information in their application before providing the Loan Estimate?

- ❑ No. This is specifically prohibited by the Rule.
- ❑ However, you can request and accept documents and verifying information that is provided by the borrower.

Can I review detailed written documentation of income and assets prior to delivering the Loan Estimate?

- Yes – as long as the written documentation was provided voluntarily by the consumer.

### [Using Fee Worksheets](#)

Am I required to provide the borrower with a worksheet of costs and fees before I issue the Loan Estimate?

- No – but if you do provide a worksheet, it must be included in the loan file.

If I provide a worksheet to the borrower, do I have to provide a Loan Estimate also?

- Yes – once you have received all 6 pieces of information that constitutes an application from the borrower you must provide the Loan Estimate. There is no exemption from this requirement.

Can I collect fees from the borrower once I have provided the worksheet?

- No – fees can only be collected from the borrower (except for the credit report fee) when the Loan Estimate is provided AND the borrower has indicated an intent to proceed with the transaction.

Do I need to keep a copy of the Fee Worksheet?

- ❑ The Fee Worksheet is not required to be retained; however, retaining it is encouraged as a best practice.

I have heard that there is a disclaimer that is required on the Fee Worksheet. What is the disclaimer about?

- The following disclaimer is required by the Rule to be at the top of all Fee Worksheets in 12 point type or larger: **“Your actual rate, payment and costs could be higher. Get an official Loan Estimate before choosing a loan.”**

Do the disclaimer requirements for pre-disclosure estimates (Fee Worksheet) of loan costs and terms apply to general advertisements?

- No, as the disclaimer does not apply to written cost estimates that are not specific to the consumer.

### [Pre-Approvals](#)

Currently pre-approvals are not disclosed until the borrower has selected a property. Will this policy change?

**CORRESPONDENT**

- No. If the Loan Estimate is provided prior to receiving a property address (one of the six pieces of information required for an application) you are bound by the Loan Estimate. There is no valid changed circumstance in this instance.
- **Caution: If all 6 items are present for an application, you cannot require a borrower to submit verifying information and documents before providing the Loan Estimate.**

If I cannot provide a Loan Estimate, is there a disclosure I can provide that will provide my borrowers with information idea of the costs and fees on their loan?

- Yes – A Fee Worksheet is now required to be provided to the borrower when a Loan Estimate cannot be provided.

Can a pre-qualification or pre-approval be done on a refinance?

- No. A refinance transaction can never be treated as a prequalification or preapproval as there is already an identified subject property.

Can a credit report be requested for a pre-approval or a prequalification request?

- Yes, as a credit report is allowed to be obtained prior to issuing the Loan Estimate.

How do I handle verifying information that is required in order to issue a pre-approval?

- This information can be provided by the applicants voluntarily but cannot be required.

## **F. INFORMATION ABOUT LOAN APPLICATIONS**

### **New Definition of Application**

How do I determine when an application is received?

- The Rule revises the previous definition of “application” under RESPA. An application for triggering providing the Loan Estimate is defined as the submission of the following six pieces of information:
  - 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 requested

**Caution: The Loan Estimate is to be delivered or placed in the mail no later than 3 business days from the date the application is received.**

Does a Lender have to collect all six pieces of information at once or can they strategically collect it to better control when they have to generate the Loan Estimate?

- ❓ The definition of application does not prevent a creditor from collecting whatever additional information it deems necessary in connection with the request for the extension of credit.
- The CFPB has stated that “sequencing” application information is permissible. In other words, the regulation does not prescribe any order to the application information received. Therefore, you may request additional information such as the product and other loan terms the applicant would be interested in, before soliciting all information that would trigger the definition of an application.

What if I receive the 6 pieces of information, but need to collect additional information to proceed with the loan?

- ❓ The new definition of application does not prevent a Lender from collecting whatever additional information is deemed necessary in connection with a request for a loan.
- ❓ HOWEVER, once you receive the 6 pieces of information, you have an application for purposes of delivering the Loan Estimate to the consumer and the 3-business day clock begins.

The definition of application does not include loan term or product type. What if a borrower submits the six elements listed in the Rule, but does not specify the type of product or term?

- ❓ The obligation to provide borrowers with a Loan Estimate is silent regarding any assumptions a creditor may make about loan features such as the product type or term.
- ❓ Provided the disclosures in the Loan Estimate are made in good faith and consistent with the best information reasonably available to the creditor at the time the Loan Estimate is issued, a creditor has discretion with respect to what product, term, or other features it uses to issue a Loan Estimate.

With regards to the 6 pieces of information, if the borrower provides this information verbally, does that qualify as having received the information or does it have to be written evidence?

- ❓ If the borrower provides all of the application information verbally, it is considered received. No documents can be required of the borrower until after the Loan Estimate has been provided.

Should a Loan Estimate be provided if the application’s property address is TBD?

- ❓ If you do not have a property address you do not have an application as defined by the Rule, therefore a Loan Estimate is not required.
- ❓ Once the property address and any other pieces of information that make up an application is received, you have 3 business days to deliver the Loan Estimate.
- ❓ **Caution: If you provide a Loan Estimate prior to having the property address, you are bound by the fees disclosed in the LE. There is no valid changed circumstance in this instance.**

Am I required to provide multiple Loan Estimates when the consumer does not indicate a loan term or product prior to the Loan Estimate being issued?

- No. A creditor is not required to provide multiple Loan Estimates for every product it offers, but can do so it chooses.

The property address is part of the 6 required items in the definition of an application. When is it considered the borrower has a property address?

- When the borrower provides you the property address whether verbally or in writing.

What if the loan is a refinance and the information is available from a previous loan. Would this information be considered an application?

- No, information provided on a prior loan would not be considered an application on the borrower's current request for credit.

### On-Line Applications

What if the borrower starts filling out an online application and saves it with the six pieces of information entered, but has not yet submitted it to the creditor?

- If a borrower has filled out and saved (but not submitted) a mortgage application form online to complete at a later time, even if the borrower included in the saved form the six pieces of information that constitute an application, the borrower is not considered to have submitted an application that requires issuing of a Loan Estimate.

May an online application system reject applications submitted by a borrower that contain the six elements of an application because other preferred information is not included?

- No. Although the Rule provides a creditor with a degree of flexibility to how it may collect the six pieces of information required for an application, a creditor may not refuse any of the pieces of information because it wants further information. A creditor's obligation to provide a Loan Estimate is triggered if a consumer provides all six elements of an application.

What if you gather name, contact information, property address on a website as any inquiry and you ask if they are an existing customer. If they answer "yes" you would have all the other pieces of information. Would this be considered an application?

- No- the borrower must submit all 6 pieces of information to you in regard to the current application in order for you to have an application.

### Denied/Withdrawn Applications

Do I have to provide the Loan Estimate if the application is denied or if the applicant withdraws the application before the 3 business days are up?

- No. Issuing a Loan Estimate is not required if the application is denied or withdrawn before the 3 business days are up.
- **Caution: In these instances a Notice of Credit Denial must be provided to the borrowers.**

The appraisal notice is included in the new Loan Estimate disclosure. Currently Reg. B requires that we give the borrower the notice even if we deny the loan within 3 days of application. Will this change or will we still need to give the appraisal notice as a separate disclosure on loans that cancel within 3 days of application and the Loan Estimate is not provided?

- Yes, you will need to provide a separate Appraisal Notice if you do not provide a Loan Estimate.

What needs to happen, when an application is denied or withdrawn after the 3 business days has expired?

- The Loan Estimate is required to be provided to the borrower within 3 business days of receipt of the application. If all the application elements are received – you must provide the Loan Estimate.
- If the application is denied or withdrawn prior to the 3 business days, then a Loan Estimate need not be provided.
- In any event, a Notice of Credit Denial must be provided.

### G. BUSINESS DAYS

What does New Penn Financial consider “business days”?

- ❓ New Penn Financial considers business days to be all days except Sundays and the legal public holidays (same as rescission).

What are the legal public holidays?

- New Year’s Day
- Birthday of Martin Luther King, Jr.
- Washington’s birthday
- Memorial Day
- Independence Day
- Labor Day
- Columbus Day
- Thanksgiving Day, and

- Christmas Day

Is this definition of business days correct for all of the various timing requirements under the Rule?

- ☐ Yes, with the exception of counting days when making corrections on a post-closing basis. Calendar days are counted in these instances.

What are the timing requirements related to counting business days?

Below provides ALL timing requirements related to issuing the Loan Estimate and the Closing Disclosure:

- ☐ The initial Loan Estimate must be provided within 3 business days of the application date
- ☐ The initial Loan Estimate must be provided no less than 7 business days prior to consummation
- ☐ The revised Loan Estimate must be provided within 3 business days of the Lock Date
- ☐ A revised Loan Estimate must be provided within 3 business days of a valid changed circumstance
- ☐ Closing Disclosure must be provided no later than 3 business days before consummation
- ☐ **Caution: Loan Estimate cannot be provided after the Closing Disclosure has been issued**

Why is it important to count the business days correctly?

- ☐ Business days trigger certain events or actions required by the Rule that must adhere to a specific time line. A violation of the Rule occurs if the business days are not counted correctly and the event or action does not take place.

What can I do if I miss a disclosure or re-disclosure date?

- ☐ There is no cure for failing to issue disclosures in a timely manner.
- ☐ When disclosures are not issued within the required time frame, the loan application must be cancelled or withdrawn and the borrower sent to another lender.

#### **H. GOOD FAITH STANDARD**

What is meant by the term “good faith”?

- ☐ Good faith means that the fees disclosed are based on the best information reasonably available to the Lender at the time of disclosure.

Is there a standard for determining whether a Loan Estimate was provided in “good faith”?

- Yes – whether or not a Loan Estimate was made in good faith is determined by calculating the difference between the estimated charges originally provided in the Loan Estimate and the actual charges paid by or imposed on the applicant in the Closing Disclosure.

What if I do not know the amount of a fee at the time that a Loan Estimate is provided to the borrower?

- ❓ An estimated figure must be disclosed, and must be marked as an estimate on the Loan Estimate form.
- The fees, including estimated fees, disclosed on the Loan Estimate must be disclosed in “good faith”.

Can we over disclose on the items that the borrower can shop for?

- ❓ Yes. The Loan Estimate is considered to be in good faith if the creditor charges the borrower less than the amount disclosed on the Loan Estimate, without regard to tolerance limitations. Keep in mind, there is still an expectation that your estimates be consistent with the best information you have available at the time of disclosure.

Can fees increase in the Not Shop category?

- Fees that are in the category of “not shop” cannot be higher on the Closing Disclosure than they are on the Loan Estimate.
- ❓ **Caution: A revised Loan Estimate may only be issued when there is a valid changed circumstance or some other triggering event allowed by the Rule.**

Is it still okay to over- estimate unknown fees?

- ❓ The rule is that the fee cannot increase. It is okay if the fee decreases.
- ❓ The Rule says that if a NO CHANGE fee is higher on the Closing Disclosure, than on the Loan Estimate, then the Loan Estimate is not in good faith.
- The CFPB clarified that a “Loan Estimate is considered to be in good faith if the creditor charges the consumer less than the amount disclosed on the Loan Estimate, without regard to tolerance limitations.”

## **I. TOLERANCE/LIMITATIONS**

Are there limitations on what fees can change or any tolerances on how much fees can change?

- ❓ Yes. There are fees that can change (no tolerance applies), fees that can change cumulatively by 10% (10% tolerance), and fees that cannot change (zero tolerance).

Are the tolerances different under the new Rule?

- ☐ Yes. Below are examples of fees that fit in each tolerance category. Fees that are assigned a different tolerance than in RESPA are indicated as **NEW**.

- **Category 1 -No Tolerance**
  - Lender's own charges for own services
  - Lender's – Affiliates charges (**NEW**)
  - Fees paid to unaffiliated provider that consumer cannot shop for (**NEW**)
  - Transfer Taxes
  - **Caution: failing to provide a settlement service provider for each service for which the borrower may shop, means that the fee becomes a Category 1 fee**
- **Category 2 (10% Aggregate Tolerance)**
  - Charges paid to providers selected from the Lender's Settlement Service Provider List
  - Recording Fees
- **Category 3 (Tolerance Does not Apply) – Disclosed amount must be based on the "best information reasonably available at the time" but can increase**
  - Service providers shopped for by the consumer
  - Prepaid interest
  - Property Insurance Premiums
  - Escrow amounts, impound reserves
  - Charges paid for third party services not required by the Lender (**NEW**)

What are the cures for tolerance violations based on?

- ☐ For 0 Tolerance items, the full amount in excess of the tolerance must be refunded to the borrower.
- ☐ For items in the 10% cumulative tolerance, the difference in excess of the 10% tolerance must be refunded to the borrower.

What if a charge is disclosed on the Loan Estimate, but is not charged to the borrower at closing? Does that amount still count in the zero or 10% cumulative tolerance total?

**CORRESPONDENT**

- ❑ No. The amount of that charge should be removed from the tolerance calculation on both the Loan Estimate and the final tolerance total.
- ❑ Only charges actually paid by or imposed on the borrower are compared to the estimated charges on the Loan Estimate that are actually performed in the tolerance calculations.

Typically, the sales contract is received with the title company/closing office already identified. Where would this fee be disclosed? We are not requiring this provider, but the buyer/borrower is also not being allowed to shop. In addition, we can't control all costs, such as that title company's "escrow" or "closing" fee.

- If the creditor does not allow the borrower to shop, it would go in the charges where the borrower was not allowed to shop section; regardless of who selected the title company. Even if you do not control the costs, you must disclose it based on the best information available and meet tolerances.

Is owner's title insurance that is not required by the creditor subject to the 10% cumulative tolerance?

- No. Owner's title insurance that is not required by the creditor is not subject to the 10% cumulative tolerance.
- ❑ **Caution: The applicable tolerance category can change depending on other factors such as whether the creditor requires the insurance and, if so, whether the consumer may shop for the provider of the insurance.**
- To the extent owner's title insurance is not required by the creditor and is disclosed as an optional service- under the rule the insurance is not subject to any tolerance limitation.

Has the APR tolerance changed based on the new Rule? What is the APR tolerance?

- ❑ The APR tolerance remains 1/8%. Keep in mind, the annual percentage rate shall be considered accurate if it is not more than 1/8 of 1 percent above or below the annual percentage rate.

**J. INFORMATION ABOUT THE FORM AND CONTENT OF THE LOAN ESTIMATE**

What is the Loan Estimate?

- The Loan Estimate is a new 3-page disclosure form that integrates and replaces the Good Faith Estimate and the Truth in Lending Disclosure Statement.

Is there a required font size for the Loan Estimate?

- ❑ The Loan Estimate is a Model Form H-24 in Appendix H of the Rule.

Can the disclosure be completed by hand printing?

- ❑ The Rule allows the completion of the disclosure by hand printing; however, New Penn Financial strictly prohibits this practice and requires data for the Loan Estimate to be completed by a vendor or LOS system in all instances.

Can the designation “N/A” be used where no value is to be disclosed on the Loan Estimate?

- No. The use of “N/A” is prohibited by the Rule. In these instances, the space can be left blank or zeros may be used.

Is there a required naming convention used for charges on the Loan Estimate?

- ❑ No, the Rule does not prescribe a uniform naming convention nor does the Rule create a standard or prescribed list of fee names; however, there are some specific types of charges that must be identified in a prescribed manner on the form.
  - EXAMPLE: Points charged by the creditor are required to be itemized and labeled “Points”. Only those points that operate to lower the interest rate may be labeled “Points”. Points must be disclosed as a percentage of the loan amount and as a dollar amount. The title of this fee is required by the Rule to be labeled “Points”.
  - EXAMPLE: Title insurance services – The Rule requires the description title and a dash precede any title related services (“Title – Lender’s Title Policy”).
- ❑ Fees listed in alphabetical order within specific fee categories on the Loan Estimate with one exception. Points are disclosed first in the Loan Costs section on page #2.

Can a Lender change the number of lines on the Loan Estimate for each category of costs if there are more or fewer charges in each category?

- In instances where there are more charges than lines allotted in a particular category – any remaining charges are to be disclosed as an aggregate amount in the last line permitted in a particular section using the label “Additional Charges”.
- ❑ An addendum is allowed to provide the names and mailing addresses of multiple borrowers when there are too many borrowers to disclose on Page #1 of the Loan Estimate.

What information is on the Loan Estimate form?

#### [Page #1 - General Information and Loan Terms](#)

##### [General Information](#)

- Property – Disclosure of a complete property address for purposes of the US Postal Service is used. In instances where the address is unavailable, the location of the property such as a lot # may be used. In either situation, the zip code is required to be disclosed.
- Sales Price is required (Appraised Value or Estimated Value is shown for refinances).
- Product – 2 pieces of information must be provided: 1) any payment feature that may change the periodic payments and 2) disclose whether the loan uses an Adjustable Rate, Step Rate, or Fixed Rate.

## CORRESPONDENT

### Examples

1. Standard fixed rate loan = **Fixed Rate**
2. ARM loan with an introductory rate fixed for the first 5 years and adjusts every 3 years starting in year 6 = **5/3 Adjustable Rate**
3. ARM loan with no introductory period – **0/3 Adjustable Rate**
4. Fixed rate loan with a 5-year interest only period = **5 Year Interest Only, Fixed Rate**

? Loan Type = Conventional, FHA, VA or Other (brief description if the loan is insured or guaranteed by another Federal or State Agency).

? The statement regarding Rate Lock is a specific No or Yes statement with the date and time (including time zone) the rate will expire. The date all other closing costs expire is also disclosed in this section.

Loan Estimate	
DATE ISSUED	JANUARY 22, 2015
APPLICANTS	MAXIMUS P. SAMPLE & MARGARET R. SAMPLE 123 CURRENT HOME ADDRESS AUSTIN, TEXAS 78750
PROPERTY	123 NEW HOME ADDRESS HOUSTON, TEXAS 77056
SALE PRICE	\$200,000
LOAN TERM	30 YEARS
PURPOSE	PURCHASE
PRODUCT	FIXED RATE
LOAN TYPE	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/>
LOAN ID #	XXXXXX02952
RATE LOCK	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, until 2/10/2015 5:00 PM CST
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 2/24/2015	

[Loan Terms](#) – Information is similar to what is disclosed on the Good Faith Estimate.

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$180,000	NO
Interest Rate	4.25%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$885.49	NO
Does the loan have these features?		
Prepayment Penalty		NO
Balloon Payment		NO

## [Projected Payments \(Payment Table\)](#)

- o Reflected in a table which includes:
  1. Principal & Interest
  2. Mortgage Insurance
  3. Estimated Escrow
  4. Estimated Total Monthly Payment; and
  5. Estimated Taxes, Insurance, & Assessments (even if not paid with escrow funds)
- o The table must reflect a range of payments depending on the features of the loan, for example interest-only and ARM loans.
- o The maximum number of columns in the table is 4 – if there are more than 4 ranges of payments, the 4<sup>th</sup> column is to reflect all remaining periodic payments as a single range of payments.
- o Cancellation of mortgage insurance is a triggering event which requires a new column in the table. Even if the borrower may cancel the insurance earlier, use the date on which the lender must automatically terminate mortgage insurance coverage under applicable loan. Note that termination of mortgage insurance is a triggering event, while a decline in mortgage insurance premiums is not.

Projected Payments			
Payment Calculation	YEARS 1-7	YEARS 8-30	
Principal & Interest	\$885.49	\$885.49	
Mortgage Insurance	\$120.00	---	
Estimated Escrow <i>Amount can increase over time</i>	\$601	\$601	
<b>Estimated Total Monthly Payment</b>	<b>\$1,607</b>	<b>\$1,485</b>	
<b>Estimated Taxes, Insurance &amp; Assessments</b> <i>Amount can increase over time</i>	<b>\$601</b>	<b>This estimate includes</b> <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: <b>FLOOD INSURANCE</b> <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>	<b>In escrow?</b> <b>YES</b> <b>YES</b> <b>YES</b>

### Costs at Closing (Table)

- o In addition to Estimated Closing Costs – the LE provides the Estimated Cash to Close
- o Estimated Cash to Close detail is reflected on page #2 of the LE

Refinances: Alternative Costs at Closing table is allowed. The alternate table can be used in place of the Costs at Closing table. The Alternative Costs at Closing table contains a variation that places checkboxes with Estimated Cash to close in order to indicate whether the cash is due from or to the consumer.

The bottom of page #1 of the LE provides this link: [www.consumerfinance.gov/mortgage-estimate](http://www.consumerfinance.gov/mortgage-estimate) for those borrowers that want more information and tools.

### [Page #2 –Closing Cost Details](#)

#### [Loan Costs](#)

##### A. Origination Charges

- o Discount points that reduces the interest rate are required to be disclosed first – both as a % of the loan amount and in dollars
- o All other loan fees (application, commitment, origination, processing and underwriting fees, etc.) are disclosed individually in alphabetical order
- o Maximum number of fees that may be disclosed in this section is 13

## Loan Costs

<b>A. Origination Charges</b>	<b>\$3,050</b>
1.00 % of Loan Amount (Points)	\$1,800
PROCESSING FEE	\$ 450
UNDERWRITING FEE	\$ 800

### B. Services You Cannot Shop For – Items provided by persons other than the Lender

- o Examples: Appraisal fee, credit report fee, document preparation fee, flood certification fee, government funding fee
- o The maximum number of fees that may be disclosed in this section is 13

<b>B. Services You Cannot Shop For</b>	<b>\$574</b>
APPRAISAL FEE	\$400
CREDIT REPORT FEE	\$ 11
DOC PREP FEE	\$150
FLOOD CERT FEE	\$ 13

### C. Services You Can Shop For

- o Includes all fees required by the Lender, but providers are selected by the borrower. Examples of these fees include: Survey, Termite Inspection(if required), Title – Lender Title Policy, Title– Settlement Fee
- o All fees related to title must be disclosed with a prefix of “Title”
- o The maximum number of fees that may be disclosed in this section is 14

<b>C. Services You Can Shop For</b>	<b>\$1,545</b>
SURVEY	\$380
TITLE - LENDERS TITLE POLICY	\$865
TITLE - SETTLEMENT FEE	\$300

### D. Total Loan Costs – This is the total of A, B and C listed above

## Other Costs

### E. Taxes and Other Government Fees

- o Recording Fees and other taxes
- o Transfer Taxes –
  - Disclose only transfer taxes paid by the consumer
  - Transfer taxes to be paid by the seller are not disclosed on the LE
  - The amount of transfer taxes disclosed could be modified to the extent the Lender has knowledge of the apportionment of the transfer taxes in the contract
  - When the Lender does not have the contract, the Lender must use the apportionment of transfer taxes provided for by state or local law, or common practice when state or local law is unclear
- o No additional fee lines may be added to this section

#### Other Costs

<b>E. Taxes and Other Government Fees</b>	<b>\$1,525</b>
Recording Fees and Other Taxes	\$ 120
Transfer Taxes	\$1,405

### F. Pre paids

- o Homeowner's Insurance
- o Flood Insurance
- o Prepaid Interest
- o Property Taxes due within 60 days after consummation
- o Past due property taxes
- o Three additional lines may be added to this section

<b>F. Prepaids</b>	<b>\$3,896</b>
Homeowner's Insurance Premium ( 12 months)	\$2,500
Mortgage Insurance Premium ( months)	
Prepaid Interest (\$20.959 per day for 15 days @4.25%)	\$314
Property Taxes ( months)	
<b>FLOOD INSURANCE</b>	<b>\$1,082</b>

## G. Initial Escrow Payment at Closing

- o Homeowner's Insurance
- o Mortgage Insurance
- o Property Taxes
- o Maximum of 5 items may be disclosed in this section

G. Initial Escrow Payment at Closing			\$3,313
Homeowner's Insurance	\$208.33 per month for 3 mo.		\$ 625
Mortgage Insurance	\$120.00 per month for 0 mo.		
Property Taxes	\$302.08 per month for 8 mo.		\$2,417
<b>FLOOD INSURANCE</b>	<b>\$ 90.17 per month for 3 mo.</b>		<b>\$ 271</b>

- H. Other – includes items in connection with the transaction that the borrower is likely to pay or has contracted with a person other than the Lender to pay at closing and which the Lender is aware at the time of issuing the LE

- o Title – Owners Policy (optional)
- o Fees required by the contract that are not required by the Lender or paid to the Lender, for example: Realtor commission, HOA/Condo ownership transfer fees, property inspection not required by the Lender, homeowner's warranty

H. Other		\$315
<b>HOA TRANSFER FEE</b>		<b>\$140</b>
<b>TITLE - OWNERS POLICY - optional</b>		<b>\$175</b>

## I. Total Other Costs (E+F+G+H above)

## J. Total Closing Costs

- o Total Loan Costs (in D above)
- o Any Lender Credit (shown as a negative)

### Calculating Cash to Close (Total of all of the following if charged)

- o Closing costs financed (Paid from your loan amount)
- o Down Payment/Funds from Borrower
- o Deposit – Disclosed as a negative number that is paid to the seller or held in trust or escrow by an attorney or other party under the terms of the contract

## CORRESPONDENT

- o Funds for Borrower – Typically \$0 in a purchase transaction
- o Seller Credits – Disclosed as a negative number – the total amount that the seller will pay for items included in the Loan Costs and Other Costs tables to the extent known
- o Adjustments and other Credits –
  - Total amount of all items in the Loan Costs and Other Costs tables that are paid by persons other than the loan originator, creditor, consumer or seller. Examples include –
    - ❑ Gifts from family members, and
    - ❑ Credits from a developer or home builder to be applied to items in the Loan Costs and Other Costs table

Includes funds provided to the borrower from the proceeds of subordinate financing, local or state housing assistance grants, or other similar sources. Examples include –

- ❑ Charges for personal property to be acquired by the borrower
- ❑ Pro-rations for property taxes, and
  - Pro-rations for homeowner's association dues

<b>J. TOTAL CLOSING COSTS</b>	<b>\$13,918</b>
D + I	\$14,218
Lender Credits	\$ -300

### Calculating Cash to Close

Total Closing Costs (J)	\$13,918
Closing Costs Financed (Paid from your Loan Amount)	\$ 0
Down Payment/Funds from Borrower	\$20,000
Deposit (assumption of \$2,000 earnest \$ deposit)	\$ -2,000
Funds for Borrower	\$ 0
Seller Credits (assumption of \$3,000 seller credit)	\$ -3,000
Adjustments and Other Credits	\$ 0
<b>Estimated Cash to Close</b>	<b>\$28,918</b>

### [Page #3 – Additional Information about This Loan-](#)

- o Lender Name
- o Lender NMLS/License ID
- o Loan Officer name
- o NMLS/License ID
- o Email address
- o Phone #

This section also requires broker information – in these instances the lender information is left blank unless known to the Lender at the time of disclosure.

**Comparisons** – the intent is for the borrower to compare the following information with other loan or lender information:

- Total paid in principal, interest, mortgage insurance, and loan costs in 5 years
- Annual Percentage Rate (APR)
- The total amount of interest the borrower will pay over the loan term as a percentage of the loan amount (TIP)

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$65,499	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$16,546	Principal you will have paid off.
Annual Percentage Rate (APR)	4.858%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	77.10%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

## Other Considerations –

- Includes some of the information previously disclosed on the initial Truth in Lending Disclosure Statement (TIL) such as: whether the loan is assumable, late payment information and a statement regarding refinancing
- Includes the following new disclosures –
  - ECOA appraisal disclosure
  - Homeowner's insurance
  - Servicing disclosure

## Other Considerations

<b>Appraisal</b>	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 cost.
<b>Assumption</b>	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
<b>Homeowner's Insurance</b>	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
<b>Late Payment</b>	If your payment is more than <u>15</u> days late, we will charge a late fee of <u>5.00% of the payment.</u>
<b>Refinance</b>	Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.
<b>Servicing</b>	We intend <input checked="" type="checkbox"/> to service your loan. If so, you will make your payments to us. <input type="checkbox"/> to transfer servicing of your loan.

Confirm Receipt – Borrower's signatures and date with statement that they do not have to accept the loan because they signed or received the form

### [Adjustable Interest Rate and Adjustable Payment Tables](#)

I have looked at some of these forms and they are not the same on every loan. Why?

- The Loan Estimate form is a dynamic form, and tables may be added based upon the loan program and other terms of the loan particular to the transaction.

FOR EXAMPLE – A fixed rate loan will not include an Adjustable Interest Rate (AIR table) or an Adjusted Payment (AP table).

What do the Adjustable Interest Rate and Adjusted Payment tables tell me?

- The Adjustable Payment (AP) table is disclosed when the periodic principal and interest payment may change after consummation, but not because of a change to the interest rate. Examples would be Interest Only Payments and Step Payments (buy-downs).
- The Adjustable Interest Rate (AIR) table is disclosed when the loan's interest rate may increase after consummation. If the interest rate will not increase after consummation, the AIR Table is not disclosed.
- EXAMPLES OF THE AP AND AIR TABLES:

Adjustable Payment (AP) Table		Adjustable Interest Rate (AIR) Table	
Interest Only Payments?	YES for your first 60 payments	Index + Margin	MTA + 4%
Optional Payments?	NO	Initial Interest Rate	4%
Step Payments?	NO	Minimum/Maximum Interest Rate	3.25%/12%
Seasonal Payments?	NO	<b>Change Frequency</b>	
<b>Monthly Principal and Interest Payments</b>		First Change	Beginning of 61st month
First Change/Amount	\$1,028 – \$1,359 at 61st payment	Subsequent Changes	Every 36th month after first change
Subsequent Changes	Every three years	<b>Limits on Interest Rate Changes</b>	
Maximum Payment	\$2,068 starting at 169th payment	First Change	2%
		Subsequent Changes	2%

### [Alternate Loan Estimate](#)

When is an Alternative Loan Estimate used?

- An alternative Loan Estimate and Closing Disclosure may be used for refinance transactions or other types of transactions without a seller.
- If the alternative versions are used, they must be used for both the Loan Estimate and the Closing Disclosure.

### [Appraisal Notice](#)

Does the appraisal notice on the LE satisfy the requirements of Regulation B, or does the Lender need to provide a separate disclosure for that requirement?

- The appraisal notice on the LE satisfies the notice requirements of Regulation B and Regulation Z, therefore no additional disclosure is required.

### [Calculating Cash to Close](#)

What is the Calculating Cash to Close table required by the Rule?

- The Calculating Cash to Close table provides a breakdown of the Cash to Close that is disclosed on Page #1 of the Loan Estimate.
- It is the sum total of the cash that the consumer would need to close on the transaction, along with an itemization of specific component amounts.

How is the Alternative Loan Estimate different?

- The alternative Calculating Cash to Close table includes a very different method of calculating the Cash to Close. The calculation starts with the loan amount, subtracting out the closing costs and other disbursements from the loan proceeds. The table also deletes the rows that apply to purchase transactions, including the Deposit and Seller Credit lines.

## SAMPLE CALCULATING CASH TO CLOSE TABLE

### Standard Table

(Used for Purchase Money Loans)

Calculating Cash to Close	
Total Closing Costs (J)	\$8,791
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$29,000
Deposit	– \$10,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
<b>Estimated Cash to Close</b>	<b>\$27,791</b>

### Alternative Table

(Used for Refinance Transactions)

Calculating Cash to Close	
Loan Amount	\$150,000
Total Closing Costs (J)	– \$5,099
Estimated Total Payoffs and Payments	– \$120,000
<b>Estimated Cash to Close</b> <input type="checkbox"/> From <input checked="" type="checkbox"/> To Borrower	<b>\$24,901</b>
Estimated Closing Costs Financed (Paid from your Loan Amount)	\$5,099

How do I determine the “third party” payments to be deducted from the loan amount to calculate the Closing Costs Financed?

- Purchase Transaction:
  - Closing Costs Financed (Paid from Your Loan Amount) is calculated by subtracting the estimated total amount of payments to third parties when those payments are not otherwise disclosed in the Loan Costs and Other Costs tables from the Loan Amount disclosed on Page #1 of the Loan Estimate.
  - If the result of the calculation is a positive number, Closing Costs Financed is that amount, disclosed as a negative number, but only to the extent that it does not exceed the amount of Lender Credits.
  - If the result of the calculation is zero or negative then Closing Costs Financed (Paid from Your Loan Amount) is \$0.

- Refinance Transaction:
  - This amount is not included in the Cash to Close calculation; however, it is required to be disclosed in the bottom right of the table.
  - This calculation subtracts the total Payoffs and Payments from the Loan Amount and attributes the loan funds remaining to closing costs financed.
  - The disclosed amount cannot exceed the total amount of closing costs.

Is the deposit or down payment subtracted as part of the calculation of Closing Costs Financed?

- For all transactions, under the master heading “Closing Cost Details,” under the heading “Calculating Cash to Close,” the total amount of cash or other funds that must be provided by the consumer at consummation, with an itemization of that amount must be in the following component amounts:
  - Total Closing Costs – disclosed as a positive number.
  - Closing Costs Financed – the amount of any closing costs to be paid out of loan proceeds, disclosed as a negative number, labeled “Closing Costs Financed (Paid from you Loan Amount)”.

Is the calculation of the Closing Costs Financed line item affected by a seller credit?

- No – as this is disclosed as a separate line item.
- ☐ Seller credits is the total amount that the seller will pay for items included in the Loan Costs and Other Costs tables to the extent known.
- ☐ Seller credits are disclosed as a negative number.

For the “Down payment/Funds for Borrower” line item, does the “existing debt” being satisfied include any type of debt, other than debts disclosed in Closing Cost Details and Other Costs, whether or not the creditor required it to be repaid?

- ☐ Yes, this includes any type of debt.

In a refinance transaction, on the alternative Calculating Cash to Close table, what debt is disclosed under Closing Cost Details and Other Costs instead as part of Payoffs and Payments?

- Under the subheading “Other”, an itemization of any other amounts in connection with the transaction that the consumer is likely to pay or has contracted with a person other than the creditor or loan originator to pay at closing and which the creditor is aware at the time of issuing the Loan Estimate.
- ☐ A descriptive label of each such amount, and the subtotal of all such amounts.

In a refinance transaction, is the payoff of any outstanding debt of the consumer included as part of Payoffs and Payments or only those debts of the consumer that are required to be paid as a condition of the extension of credit?

- ☐ Estimated Payoffs and Payments is the total amount to be paid to third parties not otherwise disclosed as items in the Loan Costs or Other Costs tables, disclosed as a negative number.

**CORRESPONDENT**

- ☐ Examples of the Payoffs and Payments to be made to third parties not otherwise disclosed in the Loan Costs or Other Costs tables can include the following:
- Payoffs of existing liens secured by the property such as mortgages, deeds of trust, judgements that have attached to the property;
  - Mechanics' and materialmans' liens;
  - Local, state and federal tax liens;
  - Payments of unsecured outstanding debts of the consumer; and
  - Payments to other third parties for outstanding debts of the consumer as required to be paid as a condition for the extension of credit.

Can the standard Calculating Cash to Close table used for purchase transactions disclose the Estimated Cash to Close amount as a negative number?

- Yes – The Estimated Cash to Close amount is disclosed as either a positive number, a negative number or zero.
- ☐ A positive number indicates the amount the consumer will pay at consummation.
- ☐ A negative number indicates the amount the consumer will receive at consummation.

A result of zero indicates that the consumer will neither pay nor receive any amount at consummation.

### Cost Categories

What are the basic categories of costs disclosed on the LE?

- There are two basic categories of costs – Loan Costs and Other Costs, these are all reflected on page #2 of the LE.

Where do the Costs at Closing on Page #1 come from?

- ☐ These dollar amounts come from page #2 of the Loan Estimate.

Can the category of where charges are disclosed on the Loan Estimate ever be different on the Closing Disclosure?

- ☐ Yes. For example, if title charges were disclosed in the Services You Can Shop For category of the Loan Costs section of the Loan Estimate and the borrower selected the title company identified by the creditor on the written list of providers, the title charges would have to be disclosed in the Services Borrower Did No Shop For category of the Loan Costs section of the Closing Disclosure.

### **Escrows for Taxes, Insurance and Assessments**

Can the amount disclosed for Estimated Taxes, Insurance and Assessments be for a time period other than monthly?

- Yes. Whenever the Loan Estimate uses “monthly” to describe the frequency of any payments or uses “month” to describe the applicable unit period, the creditor can substitute the appropriate

term to reflect the fact that the transaction's terms provide for other than monthly periodic payments, such as bi-weekly or quarterly payments.

Must the escrow row be shown if no escrow account is established?

- ☐ Yes. These amounts are required to be disclosed even if an escrow account will not be established under the terms of the legal obligation.

Are flood insurance premiums included in Homeowner's Insurance for purposes of the Escrow disclosure and the Taxes Insurance & Assessments disclosure on the Projected Payments table?

- ☐ Yes. For purposes of disclosure in the Projected Payments Table, flood and hazard insurance are combined as one amount.

### Mortgage Insurance

My borrower may be able to cancel his mortgage insurance earlier than the automatic cancellation date. Can I use this date to determine additional columns in the Projected Payments Table?

- ☐ No. The date must be used which automatically terminates the mortgage insurance pursuant to current regulation.

Monthly mortgage insurance payments periodically decline. Does this mean that a new column will be required in the Projected Payments section each time the monthly payment declines?

- ☐ No. These adjustments are not required to be reflected as additional columns in the Projected Payments section.

### NMLS Identification

Should we use the same person's NMLS identification number that will be identified on the Note and other documents?

- ☐ Yes, as this individual is the primary contact for the borrower.

### Rate Locks

If a rate lock occurs after the Loan Estimate was provided can changes be made to the estimate that was provided to the borrower?

- ☐ If a rate lock occurs after the Loan Estimate was provided, then within 3 business days of the rate lock, a revised Loan Estimate must be given to the borrower. The revised Loan Estimate will reflect the revised interest rate, the points disclosed, lender credits, and any other interest rate dependent charges and terms.

Are we required to give the borrower a revised Loan Estimate once the interest rate is locked or there is a lock extension but nothing else changes?

- Yes – you are still required to provide a revised disclosure.

What happens if we have to extend a rate lock or make a change to the loan and we have already delivered the Closing Disclosure? Do we have to deliver both the Loan Estimate and Closing Disclosure and wait 3 more days?

- ❓ A revised Loan Estimate is not allowed to be given if the Closing Disclosure has already been provided. A revised Closing Disclosure is required to be provided and a new 3 day waiting period applies.
- ❓ Any Loan Estimate is required to be provided no later than 4 business days prior to consummation.

### Servicing Transfer

Does a Lender need to disclose on the Loan Estimate that it will transfer servicing if the transfer is not immediate, but will happen at some later point in time during the life of the loan?

- Yes – this information is disclosed in accordance with a Lender's agreements with its investors, FNMA, FHLMC and GNMA.
- ❓ Disclosure is required to be provided and a new 3 day waiting period applies.

### Subordinate Financing

For a second mortgage issued simultaneously with the first mortgage as part of the purchase transaction, is the creditor allowed to use the alternative Loan Estimate for transactions without a seller?

- ❓ Yes, provided the following 2 conditions are met:
  - The seller is not contributing to the cost of the second lien loan, and
  - The entirety of the seller's transaction and any other costs relating to the seller and consumer are reflected on the Closing Disclosure for the consumer and the seller in connection with the first lien loan.

If a subordinate loan for down payment and/or closing costs is closed simultaneous to the purchase mortgage, would that subordinate loan have a "purpose" of Purchase or Home Equity?

- ❓ The funds will be used to purchase the property; therefore, this would be a purchase.

In the case of a simultaneous close where there is a first and a second lien for a purchase transaction, how are the fees to be disclosed on the second?

- ❓ Only fees related to the second lien would be disclosed on the forms for the second lien. Similar to the way the GFE is disclosed.

#### Temporary Buy- Downs

Would a loan with a temporary buy down be disclosed as a Step Rate?

- Yes – provided the product meets the definition of a step rate loan which is as follows:

If the interest rate will change after consummation, and the rates that will apply and the periods for which they will apply are known at consummation, the creditor shall disclose the loan product as a “Step Rate”.

#### Total Interest Paid

How is total interest paid (TIP) calculated?

- ❓ TIP is the total amount of interest that the consumer will pay over the loan term, expressed as a percentage of the loan amount.
- ❓ For example, if the loan amount is \$100,000 and the total amount of interest that the consumer will pay over the loan term is \$50,000, then the TIP is 50%.

### **K. INFORMATION ON COSTS AND FEES**

#### Additional Real Estate Fees/Sales Contracts

How do you know if you should include fees on the Loan Estimate such as realtor fees, inspection fees and other fees related to the purchase of a home that you may not know about within the first 3 days of application?

- Only include those items known based on the best information available to you at the time the Loan Estimate is delivered. For example, if you have the sales contract at that time and would know about such fees or if they are customary in your area, you would disclose them. If you do not know about them at the time the Loan Estimate is provided or are not customary, you would not disclose them.

Since we cannot ask for a purchase money contract when delivering the Loan Estimate, if we don't disclose correctly because we lack the purchase money contract, will we have to re-disclose?

- If a later receipt of the purchase money contract results in charges to increase outside of tolerance, this would be considered a valid change of circumstance that would allow you to re-disclose the fees related to the receipt of the sales contract.

### [Attorney Fees](#)

Are the attorney fees included in the fees that can change?

- That depends on where they are placed on the form. What are the attorney fees for? Are they lender's attorney's fees for document preparation? Are they borrower's attorney's fees?
- Are they a required settlement service that the borrower could shop for? If so, and you provided a shopping list and if the borrower did not select someone on the list, charges can change by any amount.
  - If they are required settlement charges and you allowed them to shop and they selected someone on the provider, they are subject to the 10% tolerance.
  - If they are required settlement charges and you did not allow them to shop, zero tolerance.
  - If they are not required, they can change by any amount.

### [Discount Points](#)

How are discount points disclosed on the Loan Estimate?

- Points paid to the lender to reduce the interest rate must be disclosed as a separate line item on Page two "Origination Charges"
- In addition they must be listed as both a dollar amount and as a percentage of the amount of credit extended, labeled: "\_\_\_% of Loan Amount (Points)"
- Discount Points are always listed first

How are points disclosed that do not reduce the interest rate?

- Points are disclosed as origination fees in instances where the fee or a portion of the fee does not reduce the interest rate.

### [Escrow Waiver Fees](#)

How are Escrow Waiver fees disclosed?

- If the Escrow Waiver fee is to be passed along to the borrower at consummation, then the fee must be disclosed on the Loan Estimate and/or Closing Disclosure.
- If the Escrow Waiver fee is treated as an LLPA and the cost is passed along to the consumer through the interest rate, the fee is not disclosed on the Loan Estimate and/or Closing Disclosure.

### [Final Inspection Fees](#)

How will I know to include a final inspection fee on the Loan Estimate?

- If you are unaware that a final inspection is needed at the time the Loan Estimate is initially disclosed, it would be a valid changed circumstance. At the time we become aware of the final inspection fee, a revised Loan Estimate would be provided within 3 days to include the fee.

### [Lender Paid Fees/Lender Credits](#)

Are lender credits disclosed on the Loan Estimate shown the same way that lender credits are shown on the Good Faith Estimate?

- No. Unlike the GFE, on the Loan Estimate, the lender credits are not subtracted from the origination charges, they are subtracted from the subtotal of the closing costs.
- The section which calculates the Total Closing Costs in the transaction includes a line item for the Lender Credits which are disclosed as a negative number.
- This line is hard-coded on the Loan Estimate and if there are not lender credits, the line is left blank.
- The calculation is made up of the total of the Loan Costs and Other Costs on the line designated D+1, minus the Lender Credits, with the total labeled Total Closing Costs and disclosed above the line items in the grey shaded row with bold font.

How should premium rate or “negative points” be disclosed? May the creditor add a separate addendum to detail the offset?

- Where a portion or all of the closing costs are offset by a credit or rebate provided by the creditor (as with no-cost loans), whether all or a defined portion of the closing costs disclosed will be paid by a credit or rebate from the creditor, the credit or rebate is disclosed as a lender credit.
- The lender credit must be disclosed as an aggregate sum which offsets the total of all fees. No addendum may be used to itemize the fees offset by the lender credit.
- Caution: The creditor should ensure that the lender credit disclosed is sufficient to cover the estimated costs the creditor represented to the consumer as not being required to be paid by the consumer at consummation, regardless of whether such representations pertained to specific terms.

How should we handle Lender Paid Fees? Since we don’t have a full picture of the file. For example – a fee for the appraisal is included as a “lender paid” item but during the processing of the loan it is determined that there is an appraisal from the file to be used or from another institution. We would not want to include this amount as a credit to the borrower.

- Based on the best information available at the time of the Estimate, enter the applicable fees on page 2 of the Loan Estimate in the appropriate area and enter a credit in lender credits for the fees the lender will absorb.

### CORRESPONDENT

- If a fee changes due to something you would not have known at the time of the disclosure was delivered and this results in a fee increasing to a point that it would be outside of tolerance, you can issue a revised Loan Estimate.

Do lender credits go on the Loan Estimate, or just on the Closing Disclosure similar to how we put them now on the HUD in the 200 series? (I.e. credits for closing costs)

- Lender credits are disclosed on both disclosures.

I understand that lender credits need to be disclosed on the Loan Estimate. If the initial Loan Estimate discloses a closing cost credit of \$2,000 and the closing costs end up being only \$1,800, what happens to the \$200 over disclosure of our closing costs credit? My understanding is that we may revise all fees to the borrower downwards, except for the lender closing cost credit.

- You are correct that the final lender credit disclosed on the Closing Disclosure cannot be less than what was originally disclosed on the Loan Estimate.
- 
- As long as the principal reduction is in compliance with all investor requirements and is documented appropriately, this would be a viable option.
- A Lender may reduce the interest rate and charge an appropriate discount to offset the excess Lender Credit.

If the lender pays for the Credit report, would the fee be listed in the lender's credit field and still show the fee under the section "cannot shop for"?

- Yes – This is the correct way to disclose this fee.

### [Loan Level Price Adjustments \(LLPAs\)](#)

What about Loan Level Price Adjustments (LLPA)?

- A charge imposed to pay for a LLPA assessed on the lender, which is passed on to the consumer as a charge at consummation (rather than an adjustment to the interest rate) must be separately itemized.

### Lock Extension Fees

Are we required to issue a revised Loan Estimate when a lock extension fee is charged?

- Yes, provided the Closing Disclosure has not been issued.

May a rate lock extension fee be disclosed through a corrected Closing Disclosure prior to consummation?

- If the rate lock extension fee impacts the APR, then a revised Closing Disclosure would be required to be provided to the consumer prior to consummation and an additional three-day waiting period would be required before the loan could be consummated.
- If the rate lock extension fee does not impact the APR, then the Lender must provide a corrected Closing Disclosure reflecting the fee at or before consummation.
- NOTE: The CFPB's Office of Regulations acknowledge that "in circumstances where there are fees less than four business days between the time the revised (Loan Estimate) disclosures would be required to be provided, the Closing Disclosure may be used to re-disclose any estimates that increase due to a changed circumstance or other triggering event under the Rule.
- Caution: There is currently much discussion and controversy regarding charging lock extension fees when they can only be disclosed by issuing a revised Closing Disclosure. Lock extension fees should be avoided when at all possible.

### Recording Fees

How does the disclosure of recording fees differ between the Loan Estimate and the Closing Disclosure?

- Similar to the Loan Estimate, the Closing Disclosure requires the sum of all recording fees to be disclosed as one item.
- However, the Closing Disclosure also requires the amount paid to record the deed and the mortgage be itemized separately.
- Accordingly, the itemized recording fees for the deed and the mortgage should only include the amounts needed to record each of those documents.
- Note that recording fees associated with any other documents, except for the deed and the mortgage, are only included as part of the total recording fees and are not separately itemized.

Recording fees and other taxes appear to encompass all government taxes which are not transfer taxes.

Does this include taxes on separate services such as title insurance?

- No. Other taxes are limited to those associated with the recording of documents.

### Seller Paid Fees

How should seller paid closing costs be disclosed?

- Seller credits known at application are disclosed on page #2 of the Loan Estimate, in the Calculating Cash to Close table.
- On the Closing Disclosure, Seller-paid closing costs will be disclosed in the middle two columns on page #2.
- General Seller Credits will be disclosed on page 3 of the Closing Disclosure, in the Calculating Cash to close table.

Assume we don't have the sales contract (which is not required to issue a loan estimate) and then later receive it and determine there are seller credits or other costs that the borrower is responsible for, would we then need to re-issue the loan estimate?

- Yes, if the changes would result in an increase in charges that would exceed tolerance.

Are we required to include fees paid by the seller on the Loan Estimate? Because of tolerance categories under the old rule we have to disclose charges such as transfer fees even if they are paid by the seller.

- For purposes of the Loan Estimate, all loan costs associated with the transaction should be disclosed regardless of what party to the transaction might pay for the service.
- Even though another party may ultimately pay for a particular fee, the goal is to "show" the consumer the costs of the transaction for shopping/comparison purposes and to illustrate the value of any credit.
- A specific credit for a particular fee that you are aware the seller may be paying should be included in the total amount of general seller credits that is disclosed as part of the cash to close table.

### Third Party Administrative/Processing Fees

How should Lenders disclose charges for third-party administrative and processing fees that are currently rolled up into Block 1 of the GFE?

- These fees should be itemized as "Services You Cannot Shop For" on Page #2 of the Loan Estimate.
- "Services You Cannot Shop For" are those services that a Lender requires in connection with the transaction that would be provided by persons other than the Lender and for which the Lender does not permit the borrower to shop.

### Title Charges

What title charges appear on the Loan Estimate?

- All title charges applicable to the transaction that is being charged by the title company.

How is the lender's title insurance disclosed on the Loan Estimate?

- Lender's title insurance must be disclosed based on the amount of the premium without any adjustment that might be made for simultaneous purchase of an owner's title insurance policy.

How is the title insurance disclosed when there is a simultaneous issuance of lender and owner's policies?

- Where a simultaneous issuance rate is available when the lender's and owner's title insurance policies are purchased, the owner's title policy premium is calculated by taking the full owner's title insurance premium, adding the simultaneous issuance premium for the lender's coverage and then deducting the full premium for the lender's coverage.

- Note: The full premium for the lender's title insurance coverage is disclosed in the Loan Costs table.

If the borrower isn't paying for the Owner's Title Policy, does it even have to be disclosed at all?

- Yes, it would appear either as a Lender Credit under the total closing costs or as a Seller Credit under the "Calculating Cash to Close" section.

If the contract states the Seller is to pay for the Owner's Title Policy, would that mean it would not need to be disclosed on the Loan Estimate?

- No, it still needs to be disclosed. It would appear as a Seller Credit under the "Calculating Cash to Close" section.

### Transfer Taxes

Do I have to disclose all transfer taxes?

- No. Transfer taxes are required to be disclosed in the following instances –
  - Those paid by the borrower, or
  - Those transfer taxes that are allocated to the borrower pursuant to the contract for sale.

How do I know what party is required to pay the transfer taxes?

- State and local government transfer taxes are governed by state or local law, which determines if the seller or consumer is ultimately responsible for paying the transfer taxes.
- If state or local law is unclear or does not specifically attribute transfer taxes to the seller or the consumer, disclose the amount apportioned to the consumer using common practice in the locality of the property.
- When the Lender does not have the contract of sale when it issues the Loan Estimate, the Lender must use the apportionment of transfer taxes provided by state or local law, or common practice when the state or local law is unclear.
- Transfer taxes paid by the seller in a purchase transaction are not disclosed on the Loan Estimate, but are disclosed on the Closing Disclosure.

How should the name of the government entity to which a transfer tax amount is distributed be disclosed?

- Lenders must disclose the name of the entity *assessing* the transfer tax. This is the case even if the entity that is assessing the transfer tax is different than the payee of the check cut by the settlement agent.

## **L. DELIVERY AND TIMING REQUIREMENTS FOR THE LOAN ESTIMATE**

When do I have to provide the Loan Estimate?

- ❓ The Loan Estimate must be delivered or placed in the mail no later than the third business day after receiving the loan application.

What happens if the Loan Estimate is not provided in the required timeframe?

- ❑ This would be a violation of the Rule similar to failure to issue a Good Faith Estimate pursuant to RESPA, however, lender liability is much greater under TRID.

What day starts the process, the application day or the next day?

- The “next day” counts as day 1, i.e. application day is Monday, October 5, 2015 Day 1 is October 6, 2015 and Day 2 is Wednesday, October 7, 2015. Loan Estimate should be delivered 3 business days from the date of application which would be Thursday, October 8, 2015.

10/4 Sunday	10/5 Monday	10/6 Tuesday	10/7 Wednesday	10/8 Thursday	10/9 Friday	10/10 Saturday
	App Received	Day 1	Day 2	Day 3 Provide Loan Estimate		

Does the day that the Loan Estimate is sent count as “day one”?

- ❑ No. The Rule indicates that the applicant is considered to have received the disclosures 3 business days AFTER they are delivered or placed in the mail.

How many days prior to closing must I provide a Loan Estimate to the borrower?

- ❑ A lender must deliver or place in the mail the Loan Estimate no later than 7 business days before consummation of the transaction.

Does the 7-day waiting period before consummation that applies to the Loan Estimate apply to revised disclosures?

- ❑ No. The 7-day waiting period is a TILA statutory provision that applies to the initial Loan Estimate that is provided after receipt of any application.
- ❑ Even though the 7-day waiting period does not apply to revised Loan Estimates, the LATEST that a revised Loan Estimate may be received by a consumer is 4 business days before consummation.
- ❑ **Caution- If a creditor will rely on the mail box rule, by which a consumer is deemed to receive a Loan Estimate 3 business days after delivery by any method other than personal delivery, the creditor would need to send the revised Loan Estimate at least 7 business days before consummation.**

I understand how to calculate the number of days that I have to disclose the Loan Estimate, but what about the requirement to provide the Loan Estimate 7 days before consummation?

## CORRESPONDENT

- For an application received on Monday, October 5th where the Loan Estimate is placed in the mail on Thursday, October 8th, this is how you would calculate the days:
- Consummation may occur on Friday, October 21 (assuming that the customer received the Closing Disclosure on Tuesday, October 13<sup>th</sup>.)

10/4 Sunday	10/5 Monday	10/6 Tuesday	10/7 Wednesday	10/8 Thursday	10/9 Friday	10/10 Saturday
	App Received	Day 1	Day 2	Day 3 Provide Loan Estimate	Day 1 – for delivery	Day 2 – for delivery
10/11 Sunday	10/12 Monday	10/13 Tuesday	10/14 Wednesday	10/15 Thursday	10/16 Friday	10/17 Saturday
	<b>Columbus Day – legal public holiday</b>	Day 3 - Disclosure received by borrower	Day 1 – Until Consummation	Day 2 – Until Consummation	Day 3 – Until Consummation	Day 4 – Until Consummation
10/18 Sunday	10/19 Monday	10/20 Tuesday	10/21 Wednesday			
	Day 5 – Until Consummation	Day 6 – Until Consummation	Day 7 – Day of Consummation			

If the Loan Estimate is not provided to the applicant in person, then when is the Loan Estimate deemed to be received by the borrower?

- The Loan Estimate is deemed to be received by the borrower, three business days after it is delivered or placed in the mail. This is called the “*Mailbox Rule*”.

But my borrower e-signed or acknowledged receipt of the Loan Estimate prior to the 3 business days assumed by the *Mailbox Rule*. Do I still have to wait the full 3 business days under the *Mailbox Rule* to consider the disclosure received?

- No. If evidence, such as an e-sign confirmation, that the borrower received the Closing Disclosure prior to the 3<sup>rd</sup> business day, then the date on the evidence may be used as the delivery date.

### M. BORROWER ACCEPTANCE/NOTICE OF INTENT TO PROCEED

What needs to happen before I can move forward with a loan application (collect fees other for the credit report, require documentation from the borrowers to verify information in the application)?

- The borrowers must receive the Loan Estimate and provide notice of intent to proceed with the loan.

How do I document the borrowers' "intent to proceed"?

- A copy of a *Notice of Intent to Proceed* form signed and dated by the borrowers must be uploaded to the borrowers' loan file, OR
- A verbal intent to proceed may be obtained from the borrower in instances where the borrower wishes to proceed with the loan, but the written Notice has not been received.
  - In instances where the Lender accepts a verbal intent to proceed, this authorization must be documented with a written certification from the Processor or LO and uploaded to the borrower's file.

Can the Loan Estimate Expire?

- Yes. If the applicant does not indicate that he/she intends to proceed with the loan application more than 10 business days after it was provided, the Loan Estimate is expired.

If I wait the 10 business days and have not heard from my applicant, can I assume that my applicant is ready to proceed with the loan?

- No. Silence does not indicate intention to proceed. Acceptance must be in the affirmative from the borrower.

What happens if the Loan Estimate expires?

- A Lender is not bound by the fees that are reflected on the Loan Estimate.

If the Loan Estimate expires does the loan have to be cancelled and a new loan opened?

- No. If the Loan Estimate expires, a new Loan Estimate may be provided to the applicant.

#### **N. REVISIONS AND CORRECTIONS TO THE LOAN ESTIMATE**

Can I re-disclose the Loan Estimate if something changes?

- Yes- the Loan Estimate can be revised as long as the change is a valid changed circumstance or some other triggering event allowed by the Rule.

What about re-disclosure when fees change that are subject to the 10% tolerance?

- If a valid changed circumstance occurs, lenders may send out a revised Loan Estimate at the time of the change OR may wait until cumulative fee increases exceed 10%.
- Regardless, lenders cannot reset the good faith estimate until increases exceed 10%.

What are acceptable reasons (changed circumstance or some other triggering event acceptable under the Rule) for revisions to the Loan Estimate?

The Loan Estimate can be revised and re-disclosed for the following reasons:

- Rate was not locked at the time of initial disclosure, but is subsequently locked.
- A circumstance that was unknown or inaccurate at the time of initial disclosure or a change after the disclosures were issued occurs and would cause the settlement service charge estimate to exceed the tolerance threshold. Examples are as follows:
  - A natural disaster, such as a hurricane, earthquake, damages to the property or otherwise results in additional closing costs;
  - The lender provides an estimate of title insurance on the Loan Estimate, but the title insurer goes out of business during underwriting;
  - New information not relied on when providing the Loan Estimate is discovered, such as a neighbor of the seller filing a claim contesting the boundary of the property to be sold;
  - Changes to the borrower's eligibility, creditworthiness, the value of the subject property that result in the borrower being ineligible for the estimated loan terms as previously disclosed, such as –
    - A loan program is changed due to the LTV on the property not meeting program guidelines on a conventional loan and switching the loan to an FHA loan;
    - A decrease in income for the borrower once income is calculated by underwriting (DTI changes)
    - A change in employment of the borrower or borrowers, such as a job change or loss.
- Borrower requested changes, such as loan program or terms.
- The borrower fails to provide the intent to proceed within 10 business days after the Loan Estimate was provided (similar to an expired GFE).
- The loan is a new construction loan and settlement is delayed by more than 60 calendar days, if the Loan Estimate clearly states that 60 days prior to consummation, that the creditor may issue revised disclosures.

Would a change in the title insurance company be a change of circumstance?

- Yes, if when you disclosed the original fee based on the original title company, the use of that title company and their fees was the best information you had available at the time the estimate was provide.

**CORRESPONDENT**

- If later, something changes, requiring another title company, that may be a valid change in circumstance.
- If you should have known the title company used at the time of the original Loan Estimate that would not be a valid changed circumstance.

Are there other reasons that may be considered a valid changed circumstance or other acceptable triggering event other than those in the list above?

- Yes – that is always a possibility depending on the loan transaction and borrower.

Can I re-disclose if I forgot to include a fee or make an error in the fee that was disclosed?

- No. The Loan Estimate cannot be revised due to technical errors, miscalculations, or underestimations of charges. A fee that was not reasonably known at the time of disclosure can be added, but fees that should have been known in good faith cannot be added.

So you do not have to have a valid changed circumstance to give the borrower a revised Loan Estimate as long as you don't use the fees in the tolerance comparison?

- You are still required to have a valid changed circumstance in order to issue a revised Loan Estimate.
- The Rule does not prohibit you from issuing a revised Loan Estimate when you have a changed circumstance and the fees do not increase above the 10% tolerance, doing so is acceptable so long as you compare the original charge to the actual charge.
- Below is an example of how this works.

**Charges Subject to the 10 Percent Tolerance Category.**

- Assume a creditor provides a \$400 estimate of title fees, which are included in the category of fees which may not increase by more than 10 % for the purposes of determining good faith.
- An unreleased lien is discovered and the title company must perform additional work to release the lien. However, the additional costs amount to only a 5 % increase over the sum of all fees included in the category of fees which may not increase by more than 10 percent.
- A changed circumstance has occurred (i.e., new information), but the sum of all costs subject to the 10 % tolerance category has not increased by more than 10 %.
- The creditor is not prohibited from issuing revised disclosures, but if the creditor issues revised disclosures, the actual title fees of \$500 MAY NOT be compared to the revised title fee of \$500; they must be compared to the to the originally estimated title fees of \$400 because the changed circumstance did not cause the sum of all costs subject to the 10 % tolerance category to increase by more than 10%.

Can I provide a revised Loan Estimate after the Closing Disclosure has been provided to the borrower?

- No. Once the Closing Disclosure has been issued to the borrower, a revised Loan Estimate cannot be provided. There is no exception to this limitation.

How do I document compliance with acceptable changed circumstance?

- A Change of Circumstance form reflecting the date and reason for the change must be included in the loan file.

#### **O. TIMING REQUIREMENTS FOR DELIVERY OF A REVISED LOAN ESTIMATE**

What are the timing requirements for re-disclosure of the Loan Estimate when there is a valid change of circumstance?

- ❑ The revised Loan Estimate must be provided to the borrower no later than 3 business days after receiving the information to establish the change in circumstance.

When must the revised Loan Estimate be delivered?

- ❑ The revised Loan Estimate must be delivered to the borrower no later than 3 business days after receiving the information to establish the change in circumstances.

Does the *Mailbox Rule* apply to the re-disclosure of the Loan Estimate?

- ❑ Yes. If the re-disclosed Loan Estimate is not delivered to the borrower in person, and is delivered via regular mail, overnight mail, or electronic mail, and evidence of delivery prior to the presumed 3 business days is not obtained.

What if the changed circumstance occurs within 4 days of consummation? How can I disclose that change?

- ❑ Changed circumstances that occur between the third and fourth business day prior to consummation can be reflected on the Closing Disclosure that is required to be provided to the borrower no later than 3 business days prior to consummation.

#### **P. WRITTEN LIST OF PROVIDERS**

When does the Written List of Providers have to be provided to the borrower?

- No later than 3 business days after receipt of the loan application.

**CORRESPONDENT**

- If there is a valid changed circumstance or a borrower requested change that triggers another third-party service that the creditor permits the consumer to shop for, should the list of service providers be updated and re-disclosed, or is the written list of service providers required to be provided only once upon providing the initial Loan Estimate? Yes. In instances where there is a changed circumstance and a new third-party service provider is provided that the Lender allows the borrower to shop for, and this provider has not been previously disclosed, then a new written list of service providers must be provided which includes the new provider OR this particular fee is treated as a zero-tolerance fee.

How does a Lender communicate to its consumers that the identification of a service provider on a written list is not an endorsement of that service provider?

- A disclaimer may be added to the Lender's written service provider's list.

Are there any specific requirements for this disclosure?

- Yes. In order for a borrower to be "permitted to shop for a settlement service, the lender must:
  - Identify at least one available settlement service provider for each service;
  - State that the consumer may choose a different provider;
  - Have sufficient information for the borrower to contact the provider;
  - The services on the written list must correspond with the services on the Loan Estimate.

When it is not known which inspections will be done, is it recommended that all possible inspections be listed on the Written List of Providers?

- All of the inspections should be listed based on the best information available at the time the Loan Estimate is delivered.
- This might be information in the sales contract, information the borrower has told you or items customary in your market area.

**Q. BROKERED LOANS**

Can a broker provide the LE on a brokered loan?

- Yes, the mortgage broker or wholesale lender can provide the Loan Estimate to the borrower. HOWEVER, the Lender is responsible for the content and delivery of the Loan Estimate, and for the failure of the Mortgage Broker to meet these requirements.

I'm taking an application that will be brokered to a wholesale investor. How does the Loan Estimate get issued?

- Whether the Lender or the wholesale lender issues the Loan Estimate depends on the investor.

What if I disclose a creditor's name and loan # on the Loan Estimate and then switch the loan to another institution? Is that OK? Can I provide a new Loan Estimate to the borrower with the new creditor and loan #?

- This does not appear to be a valid change in circumstance allowing a revised Loan Estimate; however, you could issue a Loan Estimate with all charges and other information remaining the same.

#### **R. INFORMATION ABOUT THE CLOSING DISCLOSURE**

What is the Closing Disclosure?

- The Closing Disclosure integrates the HUD-1 Settlement and the final Truth in Lending Disclosure Statement.

What does a Lender do if the information required to be disclosed on the Closing Disclosure does not fit on the form?

- The Rule permits an additional page to be added to the Closing Disclosure for customary recitals and information used locally in real estate settlements.
- EXAMPLES: A breakdown of payoff figures, a breakdown of the consumer's total monthly mortgage payments, check disbursements, a statement indicating receipt of funds, applicable special stipulations between the buyer and seller.
- Line numbers that are not used in a particular section may be deleted and added to space provided in any other section as necessary to accommodate the disclosure of additional items. For example: If the only origination charge required is points, the remaining seven lines illustrated on the Closing Disclosure may be deleted and added to another section of the Disclosure in addition to those provided on the form to accommodate all of the fees.

Two pages may be used to disclose fees and charges or make other disclosures if the modified Closing Disclosure does not allow for sufficient lines. For detail on utilizing separate pages, refer to Section 1026.38 or Regulation Z.

Is there a model or sample Addendum to the Closing Disclosure?

- There is no model or sample Addendum to the Closing Disclosure.

Is there anything creditors are required to include on the addendum?

- Information required/permitted to be disclosed on a separate page should be formatted similarly to the model Closing Disclosure. Information provided on the addendum should be consolidated on as few pages as necessary so as not to affect the substance, clarify or meaningful sequence of the disclosures.

What information is on the Closing Disclosure?

[Page #1 - General Closing information and Loan Terms-](#)

- Reflects the majority of the information provided in the Loan Estimate related to the borrowers, loan terms, projected payments and costs at closing.
- Adds closing and disbursement date and settlement agent information. Seller information and requires the MIC #.
- Note that except for the loan amount, all dollar amounts are shown in dollars and cents. They are not rounded as shown in the Loan Estimate.

[Projected Payments](#)

- The Projected Payments table is also reflected in the Loan Estimate and must reflect a range of payments depending on the features of the loan, for example interest-only and ARM loans.
- The maximum number of columns in the table is 4 – if there are more than 4 ranges of payments, the 4<sup>th</sup> column is to reflect all remaining periodic payments as a single range of payments.
- Cancellation of mortgage insurance is a triggering event which requires a new column in the table. Even if the borrower may cancel the insurance earlier, use the date on which the lender must automatically terminate mortgage insurance coverage under an applicable loan. Note that termination of mortgage insurance is a triggering event, while a decline in mortgage insurance premiums is not.

Projected Payments			
Payment Calculation	YEARS 1-7	YEARS 8-30	
Principal & Interest	\$885.49	\$885.49	
Mortgage Insurance	\$120.00	-	
Estimated Escrow <i>Amount can increase over time</i>	\$600.58	\$600.58	
<b>Estimated Total Monthly Payment</b>	<b>\$1,606.07</b>	<b>\$1,486.07</b>	
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time See page 4 for details</i>	\$600.58	<b>This estimate includes</b>	<b>In escrow?</b>
		<input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: <b>FLOOD INSURANCE</b> <i>See Escrow Account on page 4 for details. You must pay for other property costs separately.</i>	<b>YES</b> <b>YES</b> <b>YES</b>

## CORRESPONDENT

### Costs at Closing

- The Costs at Closing table includes the Closing Costs for all loan and other costs including any funds applied to a lender credit. Cash to Close is the total of all Closing Costs.

Costs at Closing		
Closing Costs	\$7,975.46	Includes \$5,169.30 in Loan Costs + \$6,905.08 in Other Costs – \$300.00 in Lender Credits. See page 2 for details.
Cash to Close	\$26,774.38	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

### Page #2 – Closing Cost Details

- Should reflect all fees for the transaction similar to the HUD but breakdown of fee columns are different. Fees should mirror those disclosed on the Loan Estimate.
- Columns reflect “Borrower Paid”, “Seller Paid” and “Paid by Others”. The Borrower and Seller paid columns reflect whether the fee was paid at or before closing.

### Loan Costs

#### Closing Cost Details

Loan Costs		Borrower-Paid		Seller-Paid		Paid by Others
		At Closing	Before Closing	At Closing	Before Closing	
A. Origination Charges		\$3,050.00				
01	1 % of Loan Amount (Points)	\$1,800.00				
02	Processing Fee	\$450.00				
03	Underwriting Fee	\$800.00				
04						
05						
06						
07						
08						
B. Services Borrower Did Not Shop For		\$574.30				
01	Appraisal Fee to Appraiser Company	\$400.00				
02	Credit Report Fee to CBC	\$11.30				
03	Doc Prep Fee to MDS	\$150.00				
04	Flood Cert Fee to First American Flood Data Services	\$13.00				
05						
06						
07						
08						
09						
10						
C. Services Borrower Did Shop For		\$1,545.00				
01	Survey Fee to Survey Company	\$380.00				
02	Title - Lenders Title Policy to Old Republic National Title	\$865.00				
03	Title - Settlement Fee to Old Republic National Title	\$300.00				
04						
05						
06						
07						
08						
D. TOTAL LOAN COSTS (Borrower-Paid)		\$5,169.30				
Loan Costs Subtotals (A + B + C)		\$5,169.30				

## Other Costs & Total Closing Costs

Other Costs			
<b>E. Taxes and Other Government Fees</b>			
01 Recording Fees	Deed: Mortgage: \$120.00	\$120.00	
02			
<b>F. Prepays</b>			
01 Homeowner's Insurance Premium (12 mo.)		\$3,623	
02 Mortgage Insurance Premium ( mo.)		\$2,500.00	
03 Prepaid Interest \$20.96 per day from 3/30/15 to 4/1/15 )		\$41.92	
04 Property Taxes ( mo.)			
05 Flood Insurance Premium (12 mo.)		\$1,082.00	
<b>G. Initial Escrow Payment at Closing</b>			
01 Homeowner's Insurance \$208.33 per month for 3 mo.		\$624.99	
02 Mortgage Insurance \$120.00 per month for 0 mo.			
03 Property Taxes \$302.08 per month for 6 mo.		\$1,812.48	
04 Flood Insurance Premium \$90.17 per month for 3 mo.		\$270.51	
05			
06			
07			
08 Aggregate Adjustment		-\$1,266.82	
<b>H. Other</b>			
01 HOA Transfer Fee		\$315.00	
02 Title - Owners Policy (optional)		\$140.00	
03		\$175.00	
04			
05			
06			
07			
08			
<b>I. TOTAL OTHER COSTS (Borrower-Paid)</b>			
Other Costs Subtotals (E + F + G + H)		\$6,905.08	
<b>J. TOTAL CLOSING COSTS (Borrower-Paid)</b>			
Closing Costs Subtotals (D + I)		\$11,744.38	
Lender Credits		-\$300.00	

### Page #3 Calculating Cash to Close/Transaction Summaries

- “Calculating Cash to Close” section provides a table which reflects the changes in totals from the Loan Estimate.
  - Provides a Yes/No indicator regarding the change and a descriptive statement for the location of individual fee detail.
  - A message is provided when the fees exceed the legal limit and how much the fee exceeds the limit.

Calculating Cash to Close	Use this table to see what has changed from your Loan Estimate.		
	Loan Estimate	Final	Did this change?
Total Closing Costs (J)	\$13,918.00	\$11,774.38	YES **See Total Loan Costs (D) and Other Loan Costs (I)
Closing Costs Paid Before Closing	\$0	\$0	NO
Closing Costs Financed (Paid from your Loan Amount)	\$0	\$0	NO
Down Payment/Funds from Borrower	\$20,000.00	\$20,000.00	NO
Deposit	-\$2,000.00	-\$2,000.00	NO
Funds for Borrower	\$0	\$0	NO
Seller Credits	-\$3,000.00	-\$3,000.00	NO
Adjustments and Other Credits	\$0	\$0	NO
<b>Cash to Close</b>	<b>\$28,918.00</b>	<b>\$26,724.38</b>	

- “Summaries of Transactions” – similar to the information reflected on page #1 of the HUD Settlement Statement.

Summaries of Transactions		Use this table to see a summary of your transaction.	
<b>BORROWER'S TRANSACTION</b>		<b>SELLER'S TRANSACTION</b>	
<b>K. Due from Borrower at Closing</b>	<b>\$211,774.38</b>	<b>M. Due to Seller at Closing</b>	<b>\$200,000.00</b>
01 Sale Price of Property	\$200,000.00	01 Sale Price of Property	\$200,000.00
02 Sale Price of Any Personal Property Included in Sale		02 Sale Price of Any Personal Property Included in Sale	
03 Closing Costs Paid at Closing (J)	\$11,774.38	03	
04		04	
<b>Adjustments</b>		05	
05		06	
06		07	
07		08	
<b>Adjustments for Items Paid by Seller in Advance</b>		<b>Adjustments for Items Paid by Seller in Advance</b>	
08 City/Town Taxes to		09 City/Town Taxes to	
09 County Taxes to		10 County Taxes to	
10 Assessments to		11 Assessments to	
11		12	
12		13	
13		14	
14		15	
15		16	
<b>L. Paid Already by or on Behalf of Borrower at Closing</b>	<b>\$185,000.00</b>	<b>N. Due from Seller at Closing</b>	<b>\$3,000.00</b>
01 Deposit	\$2,000.00	01 Excess Deposit	
02 Loan Amount	\$180,000.00	02 Closing Costs Paid at Closing (J)	
03 Existing Loan(s) Assumed or Taken Subject to		03 Existing Loan(s) Assumed or Taken Subject to	
04		04 Payoff of First Mortgage Loan	
05 Seller Credit	\$3,000.00	05 Payoff of Second Mortgage Loan	
<b>Other Credits</b>		06	
06		07	
07		08 Seller Credit	\$3,000.00
<b>Adjustments</b>		09	
08		10	
09		11	
10		12	
11		13	
<b>Adjustments for Items Unpaid by Seller</b>		<b>Adjustments for Items Unpaid by Seller</b>	
12 City/Town Taxes to		14 City/Town Taxes to	
13 County Taxes to		15 County Taxes to	
14 Assessments to		16 Assessments to	
15		17	
16		18	
17		19	
<b>CALCULATION</b>		<b>CALCULATION</b>	
Total Due from Borrower at Closing (K)	\$211,774.38	Total Due to Seller at Closing (M)	\$200,000.00
Total Paid Already by or on Behalf of Borrower at Closing (L)	-\$185,000.00	Total Due from Seller at Closing (N)	-\$3,000.00
<b>Cash to Close</b> <input type="checkbox"/> From <input type="checkbox"/> To Borrower	<b>\$26,774.38</b>	<b>Cash</b> <input type="checkbox"/> From <input type="checkbox"/> To Seller	<b>\$197,000.00</b>

[Page #4- Additional Information About this Loan](#)

- Reflects many of the disclosures previously disclosed in the final TIL – such as:
  - Whether the loan is assumable
  - Whether the loan has a demand feature
  - Late fees
  - Disclosure regarding security interest
- A new disclosure has been added that provides the Lender’s policy related to partial payments.

**Loan Disclosures**

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**Assumption**  
 If you sell or transfer this property to another person, your lender

☐ will allow, under certain conditions, this person to assume this loan on the original terms.

☒ will not allow assumption of this loan on the original terms.

**Demand Feature**  
 Your loan

☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.

☒ does not have a demand feature.

**Late Payment**  
 If your payment is more than 15 days late, your lender will charge a late fee of .5% of the monthly payment

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**Negative Amortization** (Increase in Loan Amount)  
 Under your loan terms, you

☐ are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.

☐ may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.

☒ do not have a negative amortization feature.

**Partial Payments**  
 Your lender

☐ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.

☒ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.

☐ does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

**Security Interest**  
 You are granting a security interest in 113 NEW PROPERTY ADDRESS  
HOUSTON, TX 77056

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You may lose this property if you do not make your payments or satisfy other obligations for this loan.

## CORRESPONDENT

- New disclosures regarding Escrow Accounts have been added;
  - A statement regarding the Lender's policy on partial payments
  - New section regarding the borrower's escrow account
  - Detail on amounts escrowed
  - A statement regarding how the amount of escrows can change in the future

### Escrow Account

**For now,** your loan

☒ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Escrow		
Escrowed Property Costs over Year 1	\$7,206.96	Estimated total amount over year 1 for your escrowed property costs:
Non-Escrowed Property Costs over Year 1	\$0	Estimated total amount over year 1 for your non-escrowed property costs:
		You may have other property costs.
Initial Escrow Payment	\$1,441.16	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	\$600.58	The amount included in your total monthly payment.

☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver Fee		

### In the future,

Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

## Page #5 – Loan Calculations/Other Disclosures/Contact Information

### 1. “Loan Calculations” –

- Provides information regarding total of payments, finance charges, etc. that was previously provided in the four boxes of the TIL.
- Adds disclosure regarding the Total Interest Percentage (TIP) – which is also provided on the Loan Estimate.

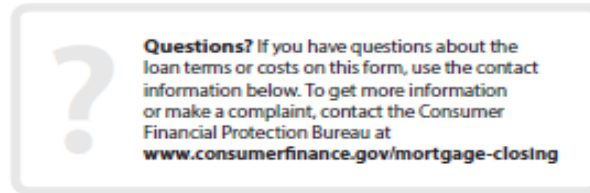
Loan Calculations	
<b>Total of Payments.</b> Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	\$328,857.76
<b>Finance Charge.</b> The dollar amount the loan will cost you.	\$152,412.68
<b>Amount Financed.</b> The loan amount available after paying your upfront finance charge.	\$176,445.08
<b>Annual Percentage Rate (APR).</b> Your costs over the loan term expressed as a rate. This is not your interest rate.	4.844%
<b>Total Interest Percentage (TIP).</b> The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	77.10%

### 2. New disclosures under “Other Disclosures” include the following -

- Adds a disclosure regarding liability after foreclosure; whether state law may protect the borrower from responsibility for any loan balance remaining after foreclosure.
- Disclosure regarding tax deductions related to interest paid on the loan that is in excess of the fair market value AND that it cannot be deducted from the borrower’s federal tax return.

Other Disclosures
<p><b>Appraisal</b> If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.</p>
<p><b>Contract Details</b> See your note and security instrument for information about</p> <ul style="list-style-type: none"> <li>• what happens if you fail to make your payments,</li> <li>• what is a default on the loan,</li> <li>• situations in which your lender can require early repayment of the loan, and</li> <li>• the rules for making payments before they are due.</li> </ul>
<p><b>Liability after Foreclosure</b> If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,</p> <p><input type="checkbox"/> state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.</p> <p><input checked="" type="checkbox"/> state law does not protect you from liability for the unpaid balance.</p>
<p><b>Refinance</b> Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.</p>
<p><b>Tax Deductions</b> If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.</p>

3. CFPB - A link to the CFPB's website is provided for borrowers that have questions regarding the form or to file a complaint.



4. "Contact Information"
  - Provides contact information regarding the lender, mortgage broker, real estate brokers for the borrower and seller and the settlement agent.

### Aggregate Adjustment

Is the Closing Disclosure required to provide the aggregate adjustment?

- Yes – the Aggregate Adjustment is disclosed on Page #2, Section "G" – the Initial Escrow Payment at Closing.

### Comparison of Fees

Is there a comparison of fees disclosed on the Loan Estimate and those actually charged on the Closing Disclosure?

- ☐ Yes. Page #3 in the Calculating Cash to Close section of the Closing Disclosure provides a column for the total fees in specific categories. The actual fees are provided in a second column and a statement whether the amount changed.

### Contact Information

Is all of the contact information for the lender, mortgage broker, real estate brokers and settlement agent required?

- Yes – it is required on all purchase money transactions.

### [Disclosure of Charges and Fees](#)

Since there are no HUD line items on the Closing Disclosure how does the disclosure of charges and fees work?

- ❓ Page #2 of the Closing Disclosure reflects the names of fees as they are disclosed on the Loan Estimate.
- Other than the fact that these fees cannot be rounded on the Closing Disclosure, all other disclosure requirements apply – discount is disclosed as points and is always disclosed first.
- In addition – all other fees are disclosed in alphabetical order within the appropriate section, also fees that relate to settlement are all disclosed with the term “Title” preceding the fee (Example – Title-Settlement Agent Fee).

### [POCs](#)

How are paid outside of closing fees disclosed on the Closing Disclosure?

- Fees that are “POC” fees such as the appraisal fee or other fees paid up front, are disclosed in the appropriate section on page #2 in the Borrower-Paid-Before Closing section.
- ❓ The actual fees are provided in a second column and a statement whether the amount changed.

### [Property Address Discrepancy](#)

The property address on the closing Disclosure does not match the property address on the Loan Estimate perfectly – how is this situation handled?

- The address is not required to match perfectly – the Closing Disclosure could be corrected/updated post-closing.

### [Recording Fees](#)

How does the disclosure of recording fees differ between the Loan Estimate and the Closing Disclosure?

- Loan Estimate – on the first line under the subheading “Taxes and Other Government Fees” include the sum of all recording fees and other government fees and taxes, EXCEPT transfer taxes.
- Closing Disclosure – in the applicable column, an itemization of each amount that is expected to be paid to State and local governments for taxes and government fees and the total of all such itemized amounts that are designated borrower-paid at or before closing.

### Rounding

The majority of costs and fees disclosed on the Loan Estimate are rounded. Are these costs and fees also rounded on the Closing Disclosure?

- No – costs and fees on the Closing Disclosure are reflected as actual costs – no rounding.
- Fees in the “Calculating Cash to Close” section, Loan Estimate Column are disclosed as rounded since they were rounded on the Loan Estimate.

### Tolerance Overages

When there is a tolerance overage on the Closing Disclosure – how is the refund shown in the Lender Credit section of the Closing Disclosure?

- At the bottom of Page #2, in “TOTAL CLOSING COSTS”, “ “Lender Credits”, you add (includes \$ \_\_\_\_ credit for increase in closing costs above legal limit)’
- In the “Calculating Costs to Close” table, in the explanation of the increase, you include the phrase “Increase **exceeds legal limits** by \$\_\_\_\_\_.”

### S. ALTERNATE CLOSING DISCLOSURE

What is the alternate closing disclosure?

- The alternate Closing Disclosure is for use on refinance transactions only. Below are some of the differences –
  - The seller’s column has been removed from page #2
  - The details of the seller’s transaction have been eliminated from Page #3
  - There is a table provided to disclose the borrower’s payments to others and payoffs
  - The Calculating Cash to Close section eliminates any down payment requirements, deposits and seller credits
  - The contact information section does not include columns for the real estate broker information

Is the alternate disclosure for refinance transactions required?

- No

### T. SELLER’S CLOSING DISCLOSURE

The Closing Disclosure provides all of the information for the borrower – what about the seller?

- The Settlement Agent is required to provide the Closing Disclosure that relates to the seller’s transaction.

1. Will New Penn Financial get a copy of the Seller's Closing Disclosure?
  - Yes – the Settlement Agent is required to provide a copy of this disclosure.

Are creditors required to collect and retain documents related to the seller that were provided only to the settlement agent?

- Creditors are obligated to obtain and retain a copy of completed Closing Disclosure provided separately by a Settlement Agent to a seller.
- Creditors are not obligated to collect underlying seller-specific documents and records from that third party settlement agent to support the closing disclosure.
- To the extent that the creditor receives documentation related to the seller's Closing Disclosure, such as when seller-related documents are provided to the creditor by the third party settlement agent along with the complete Closing Disclosure, the creditor should adhere to the normal record retention requirements set forth in Regulation Z. BUT the Rule does not impose a mandatory collection requirement on creditors for this underlying information.

#### **U. DELIVERY OF THE CLOSING DISCLOSURE**

When must the Closing Disclosure be provided to the borrower?

- ❑ The Closing Disclosure must be received by the borrower at least 3 business days before consummation.
- ❑ **Reminder: Consummation is defined as the date of the Note or the date the Security Instrument was acknowledged whichever comes later.**

May a Closing Disclosure be provided early and revised Closing Disclosures used in place of revised Loan Estimates for re-disclosing estimates that change due to changed circumstances?

- ❑ No. This practice is not allowed under the Rule.

What if a changed circumstance occurs too close to consummation for the creditor to provide a revised Loan Estimate?

- ❑ If there are less than four business days in between the time the revised Loan Estimate would have been required to be provided to the consumer and consummation, creditors may provide consumers with a Closing Disclosure reflecting any revised charges resulting from the changed circumstance and rely on those figures (rather than the amounts disclosed on the Loan Estimate) for purposes of determining good faith and the applicable tolerance.
  - If the changed circumstance or other triggering event occurs between the fourth and third business days from consummation, the creditor may reflect the revised charges on the Closing Disclosure provided to the consumer three business days before consummation.
  - If the event occurs after the first Closing Disclosure has been provided to the consumer (i.e. within the three-business day waiting period before consummation), the creditor may use revised charges on the Closing Disclosure provided to the consumer at consummation, and compare those amounts to the amounts charged for purposes of determining good faith and tolerance.

Who is responsible for delivering the Closing Disclosure?

- ☐ The Lender is responsible for delivering the Closing Disclosure to the borrower(s).

How does the Closing Disclosure have to be delivered?

- ☐ By providing it to the borrowers in person;
- ☐ By mailing, or by other delivery methods, including electronic e-sign delivery.

Is there anything special required when the Closing Disclosure is delivered via electronic e-sign delivery?

Validating documentation must be uploaded to in the loan file that document when the disclosure was sent.

If we send the Closing Disclosure to the borrower via our electronic delivery method and receive an E-Signed compliant acknowledgment, do we still have to wait three days to close?

- ☐ Yes. The three-day waiting period is based off the date the borrower is presumed to have received the Closing Disclosure.
- ☐ If the borrower acknowledges (e-sign compliant) that they received the Closing Disclosure on Monday, the three business days will be Tuesday, Wednesday, and Thursday. And the loan will be able to close on Thursday.

When is day one of the 3 day waiting period? Is it the day disclosed?

- ☐ No, it is the day after. If the Closing Disclosure is delivered to the borrower on Monday, the three business days are Tuesday, Wednesday, and Thursday. The earliest the loan could close would be Thursday.

What happens if the Closing Disclosure is not provided in the required time frame?

- ☐ The closing would be delayed until the timing requirements are met.

What happens if lock extension fees are required to be disclosed after the Closing Disclosure has been issued?

- ☐ A revised Closing Disclosure may be provided to the borrower, provided that there are less than four business days before consummation.
- ☐ If the rate lock extension fee impacts the APR, then a revised Closing Disclosure would be required to be provided to the consumer prior to consummation AND an additional 3-day waiting period would be required before the loan could be consummated.
- ☐ If the rate lock extension fee does not impact the APR, then the consumer could be provided the revised Closing Disclosure at or before consummation.

### V. WAIVER OF THE WAITING PERIOD

It is my understanding that the Rule allows the 3-business day waiting period to be waived. Will New Penn Financial allow this?

- Although the Rule allows a waiver of the 3-business day waiting period when the extension of credit is needed to meet a bona fide personal financial emergency, there is no indication at this time that the lending community – New Penn Financials investors including FNMA and FHLMC are willing to accept this waiver. So, a waiver will not be permitted under any circumstances.

### W. MULTIPLE BORROWERS

What if there is more than one borrower on a transaction?

- Rescindable Transactions – the Closing Disclosure must be provided separately to each consumer who has the right to rescind the transaction under TILA.
- Non-Rescindable Transactions – The Closing Disclosure may be provided to any consumer with primary liability on the loan.

Why are the parties that receive the Closing Disclosure different for refinances and purchases?

- ☐ The Lender is still obligated to comply with the right of rescission requirements of Regulation Z which relate to refinancing transactions of principal dwellings.
- ☐ The rescission period cannot begin to run until each consumer who has an ownership interest in the property securing the loan is provided with the Notice of Right to Rescind and delivery of all material disclosures. The material disclosures were previously included in the Truth in Lending Disclosure Statement but are now reflected in the Closing Disclosure.

Does the three-day rescission period apply in addition to the three day waiting period upon receipt of the Closing Disclosure?

- ☐ Yes. There will be two 3 day waiting periods related to refinance transactions.

Does the day of delivery count as day 1 for the business day calculation?

- ☐ No. The Rule says that the applicant is considered to have received the disclosures 3 specific business days AFTER they are delivered or placed in the mail.

Is the Closing Disclosure required to be signed?

- Yes. The Closing Disclosure is required to be signed in the following instances:
  - When it is initially issued
  - When a correction is required that triggers an additional 3 day waiting period
  - At closing

What is an example of a technical error requiring a revised Closing Disclosure after settlement?

- ☐ The Closing Disclosure identifies the incorrect settlement service provider as the recipient of a payment. The error is considered clerical because it is non-numerical and does not affect any of the delivery requirements.
- ☐ If the Closing Disclosure reflects the wrong property address, which affects the delivery requirements imposed by Regulation Z, the error would not be considered clerical.

Is a Lender required to provide a revised Closing Disclosure when money is refunded to cure tolerance violations?

- ☐ Yes. If a Lender cures a tolerance violation by providing a refund to the borrower, the Lender must provide the borrower with a revised Closing Disclosure.

**X. REVISIONS AND CORRECTIONS TO THE CLOSING DISCLOSURE- BEFORE CONSUMMATION****3 Day Waiting Period**

What if the terms or fees on the loan change after I provide the Closing Disclosure to the borrower?

- A corrected Closing Disclosure that contains the actual terms of the transaction must be provided to the borrower. Depending on the change, a new 3 business day waiting period may be required.

What circumstances require a new 3 business day waiting period after a corrected Closing Disclosure is provided to the borrower?

- A new 3-business day waiting period is required under the following circumstances –
  - Changes to the loan's APR (outside the 1/8% tolerance)
  - Changes to the loan product, for example changing from a fixed rate to adjustable rate loan or changing from a 5/1 adjustable rate loan to a 3/1 adjustable rate loan.
  - The addition of a prepayment penalty

Other types of changes merely require that the borrower receive a corrected Closing Disclosure at or before consummation, and no additional waiting period is required. Examples that do not require a new 3-day review:

- Unexpected discoveries on a walk-through such as a broken refrigerator or a missing stove, even if they require seller credits to the buyer.
- Most changes to payments made at closing, including the amount of the real estate commission, taxes and utilities proration, and the amount paid into escrow.
- Typos found at the closing table.

Is redisclosure required if the APR decreases by more than 1/8 percentage points?

- No. Redisclosure is not required, providing the decrease in the APR is due to a corresponding reduction in finance charge.

Is an additional 3-business day waiting period required if the APR decreases by more than 1/8 percentage points and we choose to redisclose?

- No. An additional 3-business day waiting period is not required if the APR decreases by more than 1/8 percentage points, providing the decrease in the APR is due to a corresponding reduction in a finance charge.

There were changes to the Closing Disclosure that did not require a new 3 day waiting period. I was planning to provide the corrected Closing Disclosure at closing, but the borrower is asking for it prior to closing. Am I obligated to provide the revised disclosure to them prior to closing?

- Yes. The borrower has the right to inspect the Closing Disclosure the business day prior to consummation.

### Lock Extensions

What happens if we have to extend a rate lock or make a change to the loan and we have already delivered the Closing Disclosure? Do we have to deliver both the Loan Estimate and Closing Disclosure and wait 3 days?

- A revised Loan Estimate is not allowed when the Closing Disclosure has been provided.

How are lock extension fees disclosed after the Closing Disclosure has been issued?

- A revised Closing Disclosure is required to be provided to the borrower.

What happens if lock extension fees are required to be disclosed after the Closing Disclosure has been issued?

- If the rate lock extension fee impacts the APR, then a revised Closing Disclosure would be required to be provided to the consumer prior to consummation AND an additional 3-day waiting period would be required before the loan could be consummated.
- If the rate lock extension fee does not impact the APR, then the consumer could be provided the revised Closing Disclosure at or before consummation.
- In any event, a revised Closing Disclosure may only be provided when there are less than four business days before consummation.

What happens if a lock is extended, the lender credits are reduced and the APR increases?

- Lender credits are negative charges to the borrower and fall in the zero-tolerance bucket. If the amount of lender credits disclosed on the Closing Disclosure is less than the amount of lender credits disclosed on the Loan Estimate, it is an increased charge to the borrower for purposes of determining good faith and would not be allowed.
- If the APR varies by more than 1/8<sup>th</sup>, a new Closing Disclosure will need to be provided and a new 3 day waiting period applies.

### Y. REVISIONS/CORRECTIONS TO THE CLOSING DISCLOSURE – AFTER CONSUMMATION

Are we ever required to provide a corrected Closing Disclosure if terms or costs change after consummation?

- Yes. Under certain circumstances a corrected Closing Disclosure is required to be provided to the borrower.

What is the timing requirement for corrections to Closing Disclosures after consummation?

- If a change to a fee or term of the loan is discovered within 30 days of consummation, then no later than 30 calendar days after receiving information sufficient to establish that such an event has occurred, a corrected Closing Disclosure is required to be delivered or placed in the mail to the borrower.

What is an example of a technical error requiring a revised Closing Disclosure after settlement?

- ❑ The Closing Disclosure identifies the incorrect settlement service provider as the recipient of a payment. The error is considered clerical because it is non-numerical and does not affect any of the delivery requirements.
- ❑ If the Closing Disclosure reflects the wrong property address, which affects the delivery requirements imposed by Regulation Z, the error would not be considered clerical.

Is a Lender required to provide a revised Closing Disclosure when money is refunded to cure tolerance violations?

- ❑ Yes. If a Lender cures a tolerance violation by providing a refund to the borrower, the Lender must provide the borrower with a revised Closing Disclosure.

Are clerical errors or tolerance violation cures that are discovered after consummation subject to the re-disclosure obligation?

- ❑ Yes, non-numerical clerical errors and cures for tolerance errors require that a corrected Closing Disclosure be delivered to the borrower.

Are we required to provide a revised Closing Disclosure when money is refunded to cure tolerance violations?

- ❑ Yes. If a tolerance violation is cured by providing a refund to the borrower, the borrower must be provided with a revised Closing Disclosure.

## **Z. OTHER DISCLOSURES**

### **Appraisal Notice**

Is the Appraisal Notice in addition to the notice that is required by Regulation B?

- No. The Appraisal Notice now appears in the Loan Estimate and the separate notice is not required.

- **Caution: In instances where the Loan Estimate was not provided such as a withdrawn or denied application the stand-alone Appraisal Notice must be provided.**

### Anti-Deficiency Disclosures –New

Where is this new disclosure?

- The disclosure can be found on the Loan Estimate for all refinance transactions.

What constitutes an anti- deficiency law for the purposes of the Anti-Deficiency disclosure?

- ❓ State law that protects the consumer against liability for the unpaid balance of the loan after a foreclosure is considered an anti-deficiency law for the purposes of the Anti-Deficiency disclosure.
- ❓ For Example, this includes state laws that forbid creditors from seeking deficiency judgments and state laws that limit the amount a creditor may collect or limit the availability of deficiency judgments to certain circumstances.

Do statutes of limitations on obtaining or collecting a deficiency judgment count as anti-deficiency protections for the purposes of this disclosure?

- No. A statute of limitations that only limits the time frame a creditor may seek redress does not constitute an anti-deficiency protection for the purposes of the disclosure.
- State laws that allow for deficiency judgments, but require creditors to file a motion or seek a judgment within a prescribed time period would not be considered anti-deficiency protections based solely on the time limitation for obtaining or collecting a deficiency judgment.

### Disclosures Required by State Law

Are we still required to provide initial disclosures required by state law on or after the October 3, 2015 effective date?

- Yes. The new disclosure regime only serves to replace existing federal law requirements.
- State laws disclosures are generally deemed to provide more protection for the borrower, TRID will not affect existing state-mandated forms and procedures.

### Escrow Accounts- New

The Closing Disclosure provides a lot of information related to the borrowers' escrows. What is this information in a nutshell?

- Provides a clear statement whether there is an escrow account on the borrowers' loan.
- For property costs – one entry provides a breakdown of escrowed and one entry provides for non-escrowed property costs over one year, the initial escrow payment and the monthly escrow payment.
- An additional table provides the non-escrowed property costs over one year and any escrow waiver fee.
- A statement that in the future property costs for escrow payments may change and what can happen if the borrower fails to pay taxes and insurance costs.

#### [Escrow Closing Notice-New](#)

The Rule establishes a new Escrow Closing Notice – when must this notice be provided?

- The Notice is required to be provided to the consumer not later than 3 business days prior to cancellation of a consumer's escrow account.

Can the Escrow Closing Notice be included in the closing document package?

- No. The Notice is only provided upon the occurrence of specific events.

What transactions require the Escrow Closing Notice?

- All closed end first lien loans secured by real property or a dwelling that have an escrow account for taxes and/insurance, except for:
  - Escrow account cancellation for escrow accounts that were established solely in connection with the consumer's delinquency or default on the mortgage OR
  - When the escrow account is terminated based upon repayment, refinancing, rescission, and foreclosure.

When must the Escrow Closing Notice be sent?

- When requested by the borrower – No later than 3 business days.

Who is responsible for providing this notice?

- New Penn Financials Servicing Department is responsible for providing this notice on all loans serviced in house.

### [Partial Payment Policy- New](#)

Is there a disclosure requirement for partial payments?

- Yes. The Lender's partial payment policy is disclosed on two separate disclosures:
  - Information on partial payments is a standard disclosure on the Closing Disclosure
  - This disclosure must also be provided to the borrower in connection with a servicing transfer notice when the ownership of the loan is being transferred.

Where does the partial payment policy come from?

- The partial payment policy is an internal Lender's policy.

### [Servicing Disclosure](#)

Is the Servicing Disclosure in addition to the disclosure required by RESPA?

- No. The Servicing Disclosure now appears in the Loan Estimate. No separate disclosure is required.

### [Tax Deductions-New](#)

What does the statement on the Closing Disclosure say about tax deductions?

- The statement cautions borrowers that if they borrow more than the property is worth, the interest on the loan amount above the property fair market value is not deductible from federal income taxes. It advised the borrower to consult a tax adviser for more information.

### [Your Home Loan Toolkit - New](#)

What is "Your Home Loan Toolkit"?

- "Your Home Loan Toolkit" replaces the Settlement Cost Booklet previously required on all purchase money loans.

How do I obtain this booklet to send to my borrower?

- The booklet is included with the initial disclosure package on all purchase money loans.

## [AA. RECORDS/DOCUMENTATION OF COMPLIANCE](#)

How long do I have to retain records?

- The Rule prescribes specific record retention requirements. The Lender must retain copies of the Closing Disclosure and all related documents to this disclosure for a period of five (5) years after loan consummation. All other documents must be maintained for three (3) years after the loan closing.

Can the records be maintained electronically?

- Yes. This acceptable under the Rule.

What type of documentation is required to be maintained for compliance purposes?

- Notice of Intent to Proceed from the borrowers
- Documentation of any verbal authorization to proceed from the borrowers
- Initial Loan Estimate and all revised estimates
- Documentation related to changed circumstances that supports the revised Loan Estimate
- The Closing Disclosure and all revised disclosures (Prior to and after consummation)
- Documentation related to changed circumstance that supports the revised Closing Disclosure
- Documentation of any refunds to the borrowers
- Copies of the following disclosures –
  - Your Home Loan Tool Kit – purchase money loans
  - Escrow Closing Notice – when required
  - The Appraisal Notice on any loan application that was withdrawn or denied prior to receiving the Loan Estimate
  - All other loan file documentation

## **SECTION 17. QUALITY CONTROL**

### **17.1 EXPECTATIONS**

New Penn Financials QC monitoring includes loan reviews which take place both prior to loan purchase and after loan purchase. All exceptions will be identified as to the level of risk the issue represents. Responses to issues of lower risk will not be required but will be tracked and reported to the Lenders should an excessive pattern or trend be identified.

A written response is required for all High or Medium risk findings. Audit findings and response instructions will be described in a summary sheet and forwarded to the Lender by e-mail communication. E-mail distribution provides a means to confirm delivery and receipt of the request. Responses are required to be returned to New Penn Financial within five business days by e-mail along with supporting documentation. Any Lender not in compliance with response procedures will be reported to Senior Management in the monthly Quality Control Report.

A loan that is determined not to meet New Penn Financial guidelines may require correction of the violation, indemnification, return of SRP, and/or reimbursement of losses or loan repurchase. Additionally, issues not resolved within the required time frames could result in suspension or termination of the relationship.

In the event the audit process reveals fraud or misrepresentation, a description of the type of fraud and recommendations for corrective action will be included in the monthly report to Senior Management and for further reporting to any required regulatory agency or investor. If there is sufficient information established to confirm a Lender participated in the misrepresentation, the business relations with the Lender will be terminated immediately including all loans in the New Penn Financial pipeline from the Lender.

New Penn Financial requires all Lenders to maintain a Quality Control Plan within their own company to help guard against errors, omissions, and fraud. A general overview of the components of a sound QC Plan are outlined below, however, detailed requirements of FHA, VA, FHLMC, FNMA, and USDA must be followed by all Lenders originating and selling loans under these products.

## **17.2 THE PLAN**

The QC Plan must be written and maintained to current guidelines. It should be administered independently of the origination process and contain all Agency, Investor, and Regulatory requirements.

The Plan should clearly describe the:

- Sampling method
- Organizational structure
- Qualifications of review staff
- Plan for completing branch reviews
- Pre and post funding process
- Timing of reviews
- Method of reporting defects
- Calculation of the defect rate
- Process of distributing results to Senior Management
- Evaluation of reports and method to address issues with corrective action
- Requirement for agency notifications when necessary
- Procedures for maintaining records of reports, loan files and all related documents

It should also include a company's record retention policy and provide for review and oversight of the audit functions.

## **17.3 PREFUNDING REVIEWS**

An acceptable QC plan must include a process for auditing a sample of loans prior to loan closing to prevent closing loans with errors, misrepresentation, or insufficient documentation. Sampling methodology should include loans with higher risk characteristics. The process should also insure a representative sample of loans from all products, branches, and personnel. Loans should be evaluated for data integrity, accuracy of credit and collateral information, and to insure the loan meets all guideline parameters. Prefunding audit results should be included in tracking and trending reports along with post-funding results provided for executive review.

#### **17.4 POST-FUNDING REVIEWS**

Post Funding reviews must comply with all agency requirements concerning timing, loan selection, sample size, and document re-verification. Audit processes must include a check of all credit documents, collateral documents, and closing documents for accuracy and compliance with eligibility criteria. The reviewer is also expected to validate the soundness of the underwriting decision and/or all requirements of the underwriter or AUS were included in the loan file.

#### **17.5 OTHER REQUIRED REVIEWS**

- Early Payment Defaults
- Declined Loans
- Insuring Process
- Branch Reviews
- Servicing Reviews
- Vendor Audits
- QC Process Review

#### **17.6 THE PROCESS**

Within the sampling methodology, loans must be selected on a random, targeted, and discretionary basis. Discretionary samples should include higher risk characteristics such as product type, high ratio, high LTV, areas of high delinquency, or areas of decreasing property values. Targeted loans will be selected from loan categories meeting specific conditions (such as EPD's and EPO's).

Audits should include a re-verification of all underwriting documents in the credit file and a desk review of the appraisal. A field review of the appraisal must also be ordered on at least 10 percent of audits. Other standard elements that the review should include are occupancy, underwriting decision, and loan approval conditions. The closing package must be reviewed for required documents, accuracy of information, and compliance with regulatory and agency requirements. All exceptions should be documented and scored on a uniform rating system based on the associated risk.

**17.7 REPORTING**

An effective QC Plan must include consistent reporting of all results to Senior Management and an appropriate method for implementing corrective action to the findings. Reports should include sample selection, loan level findings, trending and management responses. Performance issues should be addressed based on the severity.

**SECTION 18. GLOSSARY**

As used in the Agreement and this Guide, the terms herein shall have the following meanings, unless the context requires otherwise:

**Accepted Servicing Practice(s):** With respect to any Loan, as applicable, those customary mortgage master servicing practices of prudent mortgage servicing institutions that master service mortgage loans of the same type and quality as such Loan in the jurisdiction where the related Loan is located, to the extent applicable to the master servicer.

**Accrual Rate:** The rate at which interest is calculated. **Agency:** Any state or federal agency that buys or insures Loans, including without limitation, Federal Housing Administration (“FHA”), Federal National Mortgage Association (“FNMA”), Federal Home Loan Mortgage Corporation (“FHLMC”), Government National Mortgage Association (“GNMA”), Veterans Administration (“VA”), Department of Housing and Urban Development (“HUD”), United States Department of Agriculture (“USDA”) or any successor thereto.

**Agreement:** The Correspondent Loan Purchase Agreement between New Penn Financial and Lender regarding the sale of Loans to New Penn Financial by Lender, and all exhibits, schedules, addendums thereto.

**Allonge:** An attachment to a legal document that is used to insert language or signatures when there is no space for them on the document itself. An Allonge is frequently used to add endorsements to the Mortgage Note. **Automated Underwriting System (AUS):** General term for automated underwriting tools acceptable to New Penn Financial including Fannie Mae’s Desktop Underwriter® and Freddie Mac’s Loan Prospector®.

**Best Efforts Commitment:** A Commitment requiring Lender to use its best efforts to sell Loans to New Penn Financial as set forth in such Best Efforts Commitment. A Best Efforts Commitment with respect to a Locked Loan shall become a Mandatory Commitment with respect to such Loan on the related Closing Date. Notwithstanding the foregoing, any duty or obligation on the part of New Penn Financial to purchase a Loan under a Best Efforts Commitment shall be conditioned upon such Loan complying with all of the terms and conditions of the Commitment, the Agreement, this Guide, and all of New Penn Financials documentation, underwriting, and product requirements in effect as of the Purchase Date. In no event shall New Penn Financial be required to purchase any Loan that does not fully comply with same.

**Closing Date:** The date of execution of a Mortgage Note and Mortgage by a Mortgagor and the concurrent funding of a Loan by Lender.

**Commitment:** New Penn Financials written agreement for the purchase of a Loan at a given Purchase Price.

**Conforming Loan:** A residential mortgage loan that conforms to Fannie Mae or Freddie Mac guidelines.

**Conventional Loan**: A residential mortgage loan, other than a FHA Loan, VA Loan, or USDA Loan, eligible for purchase by Fannie Mae, Freddie Mac, or a private investor, with a loan term not exceeding 360 months.

**Covenants**: Rules and restrictions governing the use of Property.

**Credit File**: All documentation required by New Penn Financial for underwriting review as established by this Guide.

**Compare Ratios**: The percentage of a Lender's default rate on its Loans, compared to the local market area and to the national market, as calculated by the Federal Housing Administration ("FHA").

**Desktop Originator (DO)**: Fannie Mae's automated underwriting system available for use by loan correspondents.

**Desktop Underwriter (DU)**: Fannie Mae's automated underwriting system.

**Early Payoff Defaults (EPD) / Early Payoff (EPO)**: As defined in section 8.15 and 8.16.

**Eligible Mortgage Loans to Purchase**: All first mortgage loans which satisfy all the selling requirements and product guides referred to in this Guide for which loans are delivered as defined in the Commitment.

**Expiration Date**: With respect to any Locked Loan, that date which the Loan File, Credit File, and any additional information required by New Penn Financial must be received by New Penn Financial for the Purchase Price Percentage to be honored.

**Errors & Omissions Insurance**: Liability insurance coverage for errors, mistakes, and negligence in the usual activities of mortgage banking, but excluding fraudulent behavior (as defined by the Mortgage Bankers Association).

**Escrow Payments**: The amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, mortgage insurance premiums, fire and hazard insurance premiums, flood insurance premiums, and other payments required to be escrowed by the Mortgagor with the Mortgagee pursuant to the terms of any documents included in a Loan File or Program Documents.

**Fannie Mae or FNMA**: Federal National Mortgage Association, a federally chartered and privately owned corporation, organized and existing under the Federal National Mortgage Association Charter Act, or a successor thereto.

**Fees and Penalties**: As per this Guide: any noncompliance with all applicable loan delivery instructions and product guidelines will necessarily result in various fees and penalties to Lender. New Penn Financial reserves the right of off-set against any outstanding fees against any proceeds due Lender including servicing release premiums.

**FHA Loan(s)**: A residential mortgage loan, the payment of which is insured by the Federal Housing Administration or any successor thereto. Lender must be a HUD-approved mortgagee to sell FHA Loans to New Penn Financial.

**Fidelity Bond**: Insurance that generally covers losses caused by dishonest or fraudulent acts by employees and others (as defined by the Mortgage Bankers Association).

**Fraudulent Document:** Any Loan File document which, in the reasonable judgment of New Penn Financial, is falsified, defective, misleading, or inaccurate in any material respect.

**Freddie Mac or FHLMC:** Federal Home Loan Mortgage Corporation, a congressionally chartered corporation that purchases mortgage loans on the secondary mortgage market.

**Fund:** The payment by New Penn Financial to the Lender or its designee of the Purchase Price of a Loan on the related Funding Date.

**Funding Date:** The date New Penn Financial sets up the Loan for funding to the Lender.

**Fraud:** a) Intentional abuse of truth in order to induce another to part with something of value or to surrender a legal right, b) An act of deceiving or misrepresenting, or c) Any intentional act of concealing information.

**Guarantor:** Any party that executes a Guaranty and Support Agreement covering Lender's obligations.

**Guide:** The complete written Correspondent Lender Guide establishing New Penn Financials guidelines, procedures, rate reservation, underwriting, and document delivery requirements for a Credit File and Loan File being purchased by New Penn Financial, as amended by New Penn Financial from time to time in its sole discretion, and including any notices, announcements, or bulletins issued by New Penn Financial.

**High Cost Mortgage Test:** A calculation to determine if a Loan contains above-average fees or interest and falls within the state or federal definition of high cost home loan or any similar term, including without limitation, "rate spread home loan," "high rate, high fee mortgage," "subprime home loan," and satisfies all special requirements and restrictions on such high cost home loans.

**HUD:** The Department of Housing and Urban Development, which is a governmental entity responsible for the implementation and administration of housing and urban development programs.

**HUD Adjusted Net Worth:** The audited net worth of the Lender, less any unacceptable assets per the HUD guidelines. The calculations of adjusted net worth must be prepared by a CPA as part of the audit of the Lender.

**Investor Rights:** Any and all rights and privileges associated with the ownership of a Loan including, but not limited to, the right to receive all payments of principal and interest paid by a Mortgagor.

**Jumbo Loan:** A loan is considered "Jumbo" if it exceeds what is known as the conforming loan limit for a single-family home as established by the two government sponsored enterprises, Fannie Mae (FNMA) and Freddie Mac (FHLMC).

**Lender:** An approved correspondent mortgage lender that has entered into an Agreement with New Penn Financial.

**Liquid Assets:** Any assets to be readily converted into cash.

**Loan(s):** One- to four-unit first lien, residential mortgage loans including Conventional Loans, USDA Loans, FHA Loans, and VA Loans (including Investor Rights and Servicing Rights), which are subject to the Agreement and meet all of the requirements of this Guide and the Program Documents.

**Loan File:** All documentation required for a Loan as established by this Guide, including but not limited to the original Mortgage Note, executed endorsement or assignment of the Mortgage Note from Lender, the Loan application (1003), verification of employment, deposits and income, credit reports, appraisal report, state and federal disclosure statements, fair lending and equal credit notices, certified copy of the Mortgage in recordable form, certified copy of the assignment of Mortgage in recordable form, preliminary title report and evidence that an ALTA title policy will be issued, survey of the Property, evidence of hazard insurance showing proper coverage and loss payable endorsement has been ordered for New Penn Financial, evidence of delivery of flood insurance disclosures and flood insurance coverage with loss payable endorsement in effect or ordered for New Penn Financial (if the Property is in Flood Zone A).

**Loan Prospector (LP):** Freddie Mac's automated underwriting system.

**Locked Loan:** A Loan that has been registered for a guaranteed rate and purchase price if delivered to New Penn Financial within a stipulated period of time, and for which a price confirmation has been issued by New Penn Financial. A Locked Loan becomes a Mandatory Commitment when it is closed.

**Mandatory Commitment:** A Commitment requiring Lender to unconditionally sell a Loan to New Penn Financial as set forth in such Mandatory Commitment. Notwithstanding the foregoing, any duty or obligation on the part of New Penn Financial to purchase a Loan under a Mandatory Commitment shall be conditioned upon such Loan complying with all of the terms and conditions of the Commitment, the Agreement, this Guide, and all of New Penn Financials documentation, underwriting, and product requirements in effect as of the Purchase Date. In no event shall New Penn Financial be required to purchase any Loan that does not fully comply with same.

**Master Servicer:** The contractually responsible servicer of a Mortgage or pool of Mortgages that is included in a subservicing arrangement.

**Mortgage:** The Mortgage, Deed of Trust, or other security instrument which secures a Mortgage Note and creates a first lien on an estate in fee simple in the Property.

**Mortgage Electronic Registration Systems, Inc. (MERS):** An electronic system that assists lenders, investors, and others in tracking mortgages, servicing rights, and security interests, thus streamlining and reducing the costs associated with servicing transfers, lien releases, and quality control processes related to registered mortgages. All approved Lenders must be MERS members.

**Mortgage Identification Number (MIN):** An 18-digit identifier that MERS assigns to each registered Mortgage, which is used to track the Mortgage within MERS' electronic system.

**Mortgage Guarantor:** Any Agency or governmental entity that provides a guaranty with respect to a Loan under a guaranteed loan program.

**Mortgage Insurer:** Any Agency or entity that provides insurance or other credit enhancements on a Loan.

**Mortgage Note:** The promissory note of a Mortgagor secured by a Mortgage.

**Mortgagee:** The originator of any Loan, as lender thereunder, together with its successors and assigns.

**Mortgagor(s) or Borrower(s):** The maker(s), obligor(s), and/or guarantor(s) of a Mortgage Note.

**Net Fund:** The right to set-off and deduct any fees, penalties, or other sums owed to New Penn Financial by the Lender under the terms of the Program Documents, which may include indemnification and repurchase invoices.

**Program Documents:** The Agreement, this Guide, the Agency and investor guidelines, the Lender Application, the Officer's Certification, the Opinion of Counsel, the Commitment, the Blanket Power of Attorney, the Guaranty and Support Agreement, the Bailee Agreement and the Security Interest Certification, as applicable, together with any and all attachments and exhibits thereto, and any and all amendments thereof.

**Property:** The residential real property consisting of land and a one- to four-family dwelling thereon that is completed and ready for occupancy (including a condominium or leasehold where and when permitted by New Penn Financial).

**Premium:** The amount paid for the Loan above the outstanding balance, calculated by multiplying the outstanding loan balance at purchase by the Purchase Price Percentage less 100 percent.

**Pricing:** The payment amount agreed upon for each Loan sold to New Penn Financial corresponding to the Commitment to purchase such Loans.

**Purchase Date:** The date when the Loan, or pool of Loans, is sold to New Penn Financial and the Purchase Price is paid by New Penn Financial.

**Purchase Price:** The related Purchase Price Percentage multiplied by the outstanding principal amount of the Loan as of the related Purchase Date, plus any SRP for such Loan.

**Purchase Price Percentage:** The percentage of the outstanding principal amount of a Loan specified in a Commitment, which is used to calculate the Purchase Price for the Loan and to determine if the Purchase Price includes a Premium.

**Quality Control (QC):** The Lender's program, audits, and procedures to ensure sound practices in originating the Loans in compliance with all applicable laws, regulations, benefits to the borrower, and Agency and investor requirements, and that Loans are investment loan quality.

**Qualified Mortgage:** A qualified mortgage is a home loan that meets certain standards set forth by the federal government.

**Representations, Warranties, and Covenants:** Those binding representations, warranties, covenants, and agreements of a Lender made to New Penn Financial in the Program Documents.

**Repurchase:** The Lender's binding obligation to reacquire New Penn Financial's interest in a Loan previously sold to New Penn Financial by the Lender due to an Event of Default under this Guide.

**Repurchase Price:** The amount a Lender must pay to New Penn Financial upon New Penn Financial's Repurchase request to the Lender as determined in accordance with Section 8.13 of this Guide.

**Rural Development (RD):** A government agency within the U.S. Department of Agriculture (USDA) that makes direct loans and guarantees mortgages secured by residential properties located in rural areas, concentrating on borrowers who meet income eligibility requirements.

**Securitization Transaction** A transaction where residential mortgage loans are pooled and such consolidated debt is sold as bonds, pass-through securities, or collateralized mortgage obligations to investors.

**Service Release Premium (SRP)**: An amount paid by New Penn Financial for the Servicing Rights.

**Servicing Retained**: The sale of Loans in which the Lender retains the Servicing Rights and New Penn Financial acquires the Investor Rights in the Loans.

**Servicing Rights**: All rights to service a Loan for the owner of the Loan.

**Specific Performance**: A remedy available to New Penn Financial if Lender breaches the Agreement whereby New Penn Financial may require precise fulfillment of the Lender's contractual obligation to sell Loans to New Penn Financial pursuant to the terms of the Agreement and Commitment.

TPO: Third Party Originated loans are loans originated by a party other than an New Penn Financial (CLD) Counterparty but closed in the name of an existing New Penn Financial (CLD) Lender for further sale to New Penn Financial (CLD).

**Underwriting Guidelines**: The guidelines in this Guide which contain the basic loan underwriting and processing requirements, procedures, and forms of New Penn Financial for Loans originated by a Lender for sale to New Penn Financial.

**Wire**: Electronic transfer of funds.

**USDA Loan(s)**: Means a Loan guaranteed by the U.S. Department of Agriculture (USDA) Rural Development.

**VA Loan(s)**: Means a Loan guaranteed by the Veterans Administration, with a loan term of not more than 360 months nor less than 180 months, unless otherwise provided for in a Commitment, with a maximum Loan amount not exceeding that permitted in the applicable jurisdiction and with a combined loan guaranty and equity of not less than 25 percent.