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Fair Housing and Fair Lending Acts

Plan Overview

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

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

Regular Monitoring

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

Denied and Withdrawn Applications

Pursuant to our underwriting and credit policy, all loans with are rejected/denied or withdrawn will be subject to a second level of review to insure compliance with Fair Lending Rules and practices. In addition, 10% of all rejected/denied and withdrawn applications are selected randomly for complete review.

Training Program

All origination and production employees required to be licensed under the SAFE Act receive annual training on Fair Lending and related laws as mandated. For non-licensed employees, we provide self-paced training on the principles of fair lending and any updates published throughout the course of the year. We provide initial training to all new employees and when laws change or updates are posted, provide those links to our employees for review.

We conduct semi-annual personnel and performance reviews. At the time of the review the individual must acknowledge reading and receiving a copy of the Fair Lending Plan.

I. Performance Evaluation

Employee _____
Job Title _____
Date Hired _____
Last Review _____
Supervisor _____
Date of Review _____
LDP/HUD Clearance Checked _____ Code
Training Completed _____

- Fair Lending (semi-annually)
- Information Security (semi-annually)
- Anti-Money Laundering (annual)
- SAFE Act (annual - may include above)

Wholesale

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

Approval of Third Parties

For all customer-facing vendors, we require acknowledgement of this plan and certification of the vendor's adherence. We obtain this documentation annually as part of our annual vendor review.

Proactive Complaint Resolution

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

Review of Marketing Material

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

Role of Compliance Manager

In addition to the responsibilities listed here, the Compliance Manager is responsible for an annual review, maintenance and updating compliance and fair lending related policies and procedures.

Employee Acknowledgement of Fair Lending Plan

(Print and place in each employee's file at the time of semi-annual review)

I acknowledge receipt and review of Glory Mortgage's Fair Lending Plan.

By:

Employee Signature (Print Name)

Date

Fair Lending Compliance

Introduction

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

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

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

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

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

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

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

The CFPB and Secondary Regulators

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

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

State Specific Fair Lending Regulations - New York State

Executive Law 296-a represents New York state’s regulation applicable to Fair Lending Practices. The February 18, 2000 letter to the banking industry provides 10 items which must be included in a Fair Lending Plan. We commit to meeting these requirements, and this plan is designed not only to meet those requirements but incorporate the spirit of these requirements throughout our procedures. While policy and certain credit-related elements are described in this Fair Lending Plan, where they connect to specific job functions, the physical job steps are addressed within our procedures for that business area.

In order to simplify the review of these elements by New York State Banking Department examiners, we provide this index of required elements, and where they can be found within our plan.

Requirement	Location of Policy	Job Function
Board must ensure compliance	Quality Control Plan Underwriting Procedure (if applicable – N/A for brokered transactions) Fair Lending Plan – Page 1	Quality Control – reviews all loans for compliance and performs annual compliance audit Underwriting – 2 nd Level of Review for all loans
Plan must be monitored	Fair Lending Plan – Page 1 Quality Control Review	Quality Control – reviews all loans for compliance. Randomly selects a percentage of withdrawn loans to determine compliance
Training Program	Fair Lending Plan – Page 1 Training Programs	Human Resources – ensures all employees receive mandatory training as part of semi-annual review.
Applicable to all loans	Fair Lending Plan – Page 1 Plan Overview	We define the types of loans we offer as primarily residential but extend coverage to ALL loans.
Qualification	Fair Lending Plan Underwriting Procedures – Pages 20 -26	Underwriting – Application Paths, Pre-Qualification
Third Parties	Fair Lending Plan – Page 2 – Third Parties	Operations - Vendor approval and review procedure for Glory Mortgage vendors. Wholesale Procedures - Third Party Loan Originator Approval process
Complaint Resolution	Fair Lending Plan – Page 2 Complaint Resolution	Compliance - Complaint Resolution procedure Origination – Compliant Resolution procedure
Marketing Review	Fair Lending Plan – Page 2 Advertising Review	Compliance – Marketing Approval Origination – Marketing Approval
Review of Plan	Fair Lending Plan – Page 2 Compliance Updates	Compliance – Updating of Procedures

Fair Lending and the Equal Credit Opportunity Act

Federal Reserve Regulation B - 12 CFR Part 202

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

General Rules for Compliance §202.4

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

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

Written Applications - Take written applications for dwelling-related credit

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

Definitions - §202.2

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

Term	Definition
Judgmental System of Evaluating Applicants	Any system for evaluating the creditworthiness of an applicant other than an empirically derived, demonstrably and statistically sound, credit scoring system.

What information can be Requested – Section 202.5

ECOA, and the Federal Reserve Board's implementing Regulation B, deals with taking, evaluating and acting on applications for credit and the furnishing and maintenance of credit information. It does not prevent a Glory Mortgage from obtaining information necessary to evaluate the creditworthiness of an applicant.

Prohibited Basis

It prohibits discrimination in any aspect of a credit transaction on the basis of

- Race
- Color
- Religion
- National origin
- Gender
- Marital Status
- Age (provided that the applicant has the capacity to enter into a binding contract)
- Receipt of income from a public assistance program
- The good faith exercise of any right under the Consumer Credit Protection Act

In addition, we extend the same concerns as the Fair Housing Act

Buyers may not be discriminated against on any of prohibited bases. Specifically

- Familial status (the presence of children under the age of 18)
- Pregnancy
- A family or individual in the process of adopting or having legal custody of a child under the age of 18
- Handicap
- Having a record of such impairment
- Persons diagnosed as being HIV-positive
- Recovering substance abusers

In addition, in New York State (pursuant to Executive Order 296a) the following bases also apply:

- Sexual Orientation
- Military Status

These factors are referred to as “prohibited bases.” Most of these don’t require much explanation. Anti-discrimination extends to personal associates, business associates or relatives. Income from public assistance programs includes Aid to Families with Dependent Children (AFDC), food stamps, rent and mortgage supplement or assistance programs, Social Security and Supplemental Security Income (SSI), and unemployment compensation. Even though Glory Mortgage cannot discriminate on the basis of national origin, the applicant’s immigration status or foreign citizenship is a valid credit criterion.

Unless the property is in a community property state, unsecured Glory Mortgage can’t ask if the applicant is married. For a secured credit application, like a mortgage, only use the terms married, unmarried, and separated. Unmarried includes single, divorced, and widowed.

Alimony, child support, or separate maintenance payments as income do not need be revealed if the applicant does not want Glory Mortgage to consider it for qualifying. Glory Mortgage cannot inquire about birth control practices, intentions concerning the bearing or rearing of children, or capability to bear children – but can only ask about the number and ages of an applicant’s dependents or about dependent-related financial obligations.

Glory Mortgage can’t take into account whether there is a telephone listing in the name of an applicant for consumer credit. It doesn’t have to be in their name, but the borrower does have to have a phone in the residence.

While RESPA and TIL apply only to certain types of transactions, credit transactions protected by ECOA are very broad. Business, auto, consumer, agricultural loans, and real estate loans of all types, as well as consumer leases, are subject to the law.

How Applications are evaluated – Section 202.6/202.7

Glory Mortgage has three processes that may be used to evaluate credit applications:

**Notice to the Home Loan Applicant
Credit Score Information Disclosure**

Borrower(s) Name and Address:	Lender Name and Address:

In connection with your application for a home loan, the lender must disclose to you the score that a credit bureau distributed to users and the lender used in connection with your home loan, and the key factors affecting your credit scores.

The credit score is a computer-generated summary calculated at the time of the request and based on information a credit bureau or lender has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the lender in determining whether you will obtain a loan. They may also be used to determine what interest rate you may be offered on the mortgage. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit-scoring technologies change.

Because the score is based on information in your credit history, it is very important that you review the credit-related information that is being furnished to make sure it is accurate. Credit records may vary from one company to another.

If you have questions about your credit score or the credit information that is furnished to you, contact the credit bureau at the address and telephone number provided with this notice, or contact the lender, if the lender developed or generated the credit score. The credit bureau plays no part in the decision to take any action on the loan application and is unable to provide you with specific reasons for the decision on a loan application.

If you have questions concerning the terms on the loan, contact the lender.

One or more of the following credit bureaus provided a credit score that was used in connection with your home loan application.

Credit Bureau #1

Phone: _____
Fax: _____
Model Used: _____
Range of Possible Scores: _____ to _____

Borrower
Name: _____ Score: _____ Date: _____
Key Factors: _____

Co-Borrower
Name: _____ Score: _____ Date: _____
Key Factors: _____

Figure 1 - This is a copy of the required "Credit Score Disclosure Notice" which explains the impact of the credit score to the borrower, and how it is derived, as required by ECOA.

- A demonstrably and statistically sound, empirically derived, credit scoring system
- A judgmental system
- A combination of credit scoring and judgment

No evaluation system can discriminate among applicants. Whatever process is used must apply to all applicants in the same manner.

What is a “Statistically Sound Credit Scoring System?”

Empirical means reasoning based on facts and data, as opposed to assumptions and beliefs. Empirically derived, demonstrably and statistically sound credit scoring systems (scoring systems) are:

- Based on data comparing similar groups of people in a recent period of time.
- Designed to analyze applicants based on the Glory Mortgage’s guidelines
- Developed and validated using accepted statistical principles and methodology.
- Revalidated periodically by the use of appropriate statistical principles and methodology and adjusted as necessary to maintain predictive ability.

A scoring system has the capability of differentiating between creditworthy and non-creditworthy applicants with a statistically significant probability. Scores are assigned to credit applicants in direct proportion to the predictive value of variables employed in the scoring system. If Glory Mortgage uses a third party system, it must use its own experience to validate the model.

What is a Judgmental Credit Scoring System?

A judgmental system is used to evaluate creditworthiness by following guidelines as a measure. Most financial institutions have guidelines for evaluating credit requests. They use the same predictive factors used in credit scoring systems. In this type of system, loan officers subjectively evaluate the application and then accept or reject the credit request. Some institutions use a combination of the two systems to evaluate credit applicants. Loan officers review the scored applications and judgmentally render the final credit decision. This is referred to as an “override” or “manual underwriting.”

Adverse Action

Adverse action is a refusal to grant credit in substantially the amount or terms requested in an application unless Glory Mortgage makes a counteroffer. A counteroffer is an offer under different terms. If the applicant accepts the counteroffer, it is not considered adverse action. Adverse action also includes termination of an account or an unfavorable change in the terms of an account, unless all Glory Mortgage accounts change similarly. A denial of a credit increase is also an adverse action.

It is not adverse action if the applicant agrees to the changes, if Glory Mortgage forbears, if the account is inactive, or if there is a denial at a point of sale (like a credit card charge denial). Obviously, if Glory Mortgage is prohibited by law from extending credit, or doesn't offer the type of credit applied for, this would not be adverse.

If An Application Is Rejected

If the application is denied, Glory Mortgage must give all specific reasons why in writing. The borrower has the right to know, **within 30 days of the date of the completed application** whether the mortgage loan is approved. Glory Mortgage has to be diligent in obtaining the necessary information, such as credit reports, property appraisals and other documentation. Glory Mortgage must tell the borrower the specific reason for the rejection within 60 days. An acceptable response might be: "insufficient income" or "insufficient employment stability." "You didn't meet our minimum standards" is not specific enough.

Statement of Credit Denial, Termination, or Change

Borrower(s): _____
 Address: _____

Loan Amount: \$ _____
 Interest Rate: _____ %
 Term: _____ Months

Part I.

In compliance with Regulation 'B' (Equal Credit Opportunity Act), you are advised that your recent application for an extension or renewal of credit has been declined. The decision to deny your application was based on the following reason(s).

<p>A. Credit</p> <p><input type="checkbox"/> No credit file</p> <p><input type="checkbox"/> Insufficient credit reference</p> <p><input type="checkbox"/> Insufficient credit file</p> <p><input type="checkbox"/> Unable to verify credit references</p> <p><input type="checkbox"/> Garnishment, attachment, foreclosure, repossession, or suit</p> <p><input type="checkbox"/> Excessive obligations</p> <p><input type="checkbox"/> Insufficient income for total obligations</p> <p><input type="checkbox"/> Unacceptable payment record on previous mortgage</p> <p><input type="checkbox"/> Lack of cash reserves</p> <p><input type="checkbox"/> Delinquent credit obligations</p> <p><input type="checkbox"/> Bankruptcy</p> <p><input type="checkbox"/> Information from a consumer reporting agency</p> <p>B. Employment Status</p> <p><input type="checkbox"/> Unable to verify employment</p> <p><input type="checkbox"/> Length of employment</p> <p><input type="checkbox"/> Temporary or irregular employment, insufficient stability of income</p> <p>C. Income</p> <p><input type="checkbox"/> Insufficient income for mortgage payments</p> <p><input type="checkbox"/> Unable to verify income</p>	<p>D. Residency</p> <p><input type="checkbox"/> Temporary residence</p> <p><input type="checkbox"/> Too short a period of residence</p> <p><input type="checkbox"/> Unable to verify residence</p> <p>E. Insurance, Guaranty, Or Purchase Denied By:</p> <p><input type="checkbox"/> Department of Housing and Urban Development</p> <p><input type="checkbox"/> Department of Veterans Affairs</p> <p><input type="checkbox"/> Federal National Mortgage Association</p> <p><input type="checkbox"/> Federal Home Loan Mortgage Corporation</p> <p><input type="checkbox"/></p> <p>F. Other</p> <p><input type="checkbox"/> Insufficient funds to close the loan</p> <p><input type="checkbox"/> Credit application incomplete</p> <p><input type="checkbox"/> Inadequate collateral</p> <p><input type="checkbox"/> Unacceptable property</p> <p><input type="checkbox"/> Insufficient data – property</p> <p><input type="checkbox"/> Unacceptable appraisal</p> <p><input type="checkbox"/> Unacceptable leasehold estate</p> <p><input type="checkbox"/> We do not grant credit to any applicant on the terms and conditions you have requested.</p> <p><input type="checkbox"/> Withdrawn by applicant</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
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Part II.

Disclosure of use of information obtained from an outside source. This section should be completed if the credit decision was based in whole or in part on information that has been obtained from an outside source.

Our credit decision was based in whole or in part on information obtained in a report from the consumer-reporting agency listed below. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer-reporting agency. The reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You also have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency.

Name: _____
 Address: _____
 Telephone number (toll free): _____

Our credit decision was based in whole or in part on information obtained from an outside source other than a consumer-reporting agency. Under the Fair Credit Reporting Act, you have the right to make a written request, no later than 60 days after you receive this notice, for disclosure of the nature of this information.

If you have any questions regarding this notice, you should contact:

() _____

Notice:

The Federal Equal Credit Opportunity Act prohibits creditors from discrimination against credit applicants on the basis of color, religion, national origin, sex, marital status, or age (providing that the applicant has the capacity to enter into a contract), because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal Agency that administers compliance with this law concerning the creditor is:

Should you have any additional information which might assist us in evaluating your creditworthiness, please let us know. Thank you for applying.

This notification is given by us on behalf of:

Notice mailed on: _____ By: _____

All reasons for the credit action must be listed.

If the credit action was the result of information found in the credit report, the name of the agency must be listed.

Figure 2 - The "Adverse Action Notice", sometimes called the ECOA notice, must be delivered to the borrower any time a credit rejection, change, or other adverse decision is rendered.

Since a counter offer, if rejected, is an adverse action, the borrower has the right to know why he or she received a smaller mortgage or a higher interest rate.

The application may have been rejected because of negative information in the credit report. If so, Glory Mortgage must state this and provide the name, address, and phone number of the credit bureau. A borrower can receive a free copy of that report from the credit bureau if requested within 60 days. After 60 days the credit bureau can charge up to \$8.

If the credit report contains inaccurate information, the credit bureau is required to investigate disputes. A summary of any dispute may be included in the credit report.

The borrower is entitled to a copy of the property appraisal. The appraiser cannot use illegal factors such as the racial composition of the neighborhood.

Other General Requirements

The Equal Credit Opportunity Act and Regulation B also require Glory Mortgage to:

- Notify applicants of action taken on their applications
- Report credit history in the names of both spouses
- Retain records on credit applications
- Collect information about the applicant's race and other personal characteristics in applications for certain dwelling-related loans

Right to Receive a Copy of the Appraisal

While the Appraiser Independence Rule requires that all borrowers receive copies of appraisals, applicants also have the right, under ECOA and Regulation B, to receive copies of appraisal reports obtained in conjunction with credit that is to be secured by a dwelling. Glory Mortgage must provide the appraisal reports either routinely or upon the applicant's request. This must be done whether the credit request is granted, denied, or withdrawn. If Glory Mortgage provides the appraisal report only upon written request, the applicant must be notified in writing of the right to receive a copy of the appraisal, and the notice may be given at any time during the application process but, no later than when Glory Mortgage provides notice of action taken in accordance with Section 202.9 of Regulation B.

**Notice to Applicant of Right
to Receive Copy of Appraisal Report**

Date:

Loan Number:

Property Address:

You have the right to receive a copy of the appraisal report to be obtained in connection with the loan for which you are applying, provided that you have paid for the appraisal. We must receive your written request no later than days after we notify you about the action taken on your application or you withdraw your application. If you would like a copy of the appraisal report, contact:

Borrower

Date

Borrower

Date

Glory Mortgage May Not Discourage the Filing of an Application

ECOA prohibits the discouragement of applications. Glory Mortgage may not use words, symbols, models or other forms of communication in advertising that express, imply, or suggest a discriminatory preference. However, Glory Mortgage may affirmatively solicit or encourage members of traditionally disadvantaged groups to apply for credit.

The ECOA Code – Who Is Responsible For the Account?

The effects of the reporting section of the act are apparent on credit reports. The law requires the disclosure of relationship of Glory Mortgage to a credit. Those codes appear on the credit report.

- a. U – not identified by the creditor
- b. I – individual account
- c. J – joint account
- d. A – authorized to use another’s account
- e. S – shared joint account
- f. C – co-maker
- g. B – co-signer (responsible only in case of default)
- h. M – maker, individual account
- i. T – terminated, closed account

Glory Mortgage Do's and Don'ts

Glory Mortgage must consider:

- Reliable public assistance income in the same way as other income.
- Reliable income from part-time employment, Social Security, pensions, and annuities.
- Consider reliable alimony, child support, or separate maintenance payments, if the borrower chooses to provide this information. Glory Mortgage may ask for proof that this income is received consistently.
- If a co-signer is needed Glory Mortgage must accept someone other than a spouse. If the property is jointly owned by a spouse, he or she may be asked to sign documents allowing a mortgage to be placed.

Glory Mortgage cannot:

- Discourage anyone from applying for a mortgage or reject your application because of race, national origin, religion, sex, marital status, age, or because of receipt of public assistance income.
- Consider race, national origin, or sex; although a borrower may be asked to voluntarily disclose this information to help federal agencies enforce anti-discrimination laws. A Glory Mortgage may consider immigration status and whether a borrower has the right to remain in the country long enough to repay the debt.
- Impose different terms or conditions on a loan based, such as a higher interest rate or larger down payment, on race, sex, or other prohibited factors.
- Consider the racial composition of the neighborhood
- Ask about plans for having a family. Questions about expenses related to dependents are permitted.
- Refuse to purchase a loan or set different terms or conditions for the loan purchase based on discriminatory factors.
- Require a co-signer even if a borrower meets Glory Mortgage's standards.
- Review credit before a borrower applies for a mortgage.

September 2010 - Mortgage Lender Settles FTC Charges For Violating ECOA. On September 20, the Federal Trade Commission (FTC) announced that it settled charges against Golden Empire Mortgage, Inc. (GEM) and its owner, Howard D. Kootstra, for alleged violations of the Equal Credit Opportunity Act (ECOA). The FTC had alleged that GEM illegally charged Hispanic consumers higher interest rates and up-front charges for mortgage loans than non-Hispanic white consumers. The settlement requires GEM pay \$1.5 million to aggrieved customers, adopt a policy restricting loan originators' pricing discretion and implement programs to train employees and to monitor and ensure fair lending compliance. The settlement order also includes a \$5.5 million judgment that will be suspended once consumers are redressed.

Borrower's Recourse for Inaccurate Credit Information

Reports sometime contain inaccurate information. For example, accounts might be reported that don't belong to you or paid accounts might be reported as unpaid. If you find errors, dispute them with the credit bureau and tell Glory Mortgage about the dispute.

If you've had past bill-paying problems, such as a lost job or high medical expenses, write a letter to Glory Mortgage explaining what caused your past credit problems. Glory Mortgage must consider this information at your request.

What Borrowers are Being Coached to Ask and Why**"Try For the Best Loan Terms"**

"Some mortgage Glory Mortgage may try to charge some borrowers more than others for the same loan product offered at the same time. This may include higher interest rates or origination fees or more points. Ask Glory Mortgage if the rate you're being quoted is the lowest offered that day."

Loan officers base their rates on pricing they are given. Borrowers are being coached to see this list of investors. You can provide the list of investors, or copies of pricing documentation. Understand that if you refuse to provide the pricing information, the borrower will be understandably suspicious.

If an Application is Rejected

Borrowers are told that they must be told all reason why a loan is declined.

Borrowers must know within 30 days of the date of the completed application whether the mortgage loan is approved. Glory Mortgage must make a reasonable effort to obtain all necessary information, such as credit reports and property appraisals. If the application is rejected, Glory Mortgage must notify the borrower in writing.

Glory Mortgage must tell the borrower specifically why the application was rejected. The specific reason for the rejection, or the right to learn the reason, must be provided within 60 days.

A loan officer may say

"Your income was too low"

"You haven't been employed long enough."

A loan officer may not say "you didn't meet our minimum standards". It is not specific enough.

If the Loan is “Counter-Offered”

The borrower must be told the specific reason less favorable terms than applied for were offered, but only if you reject these terms. For example, if Glory Mortgage offered a smaller mortgage or a higher interest rate, the borrower has the right to know why. This is only if he or she did not accept Glory Mortgage’s counter offer.

Find out what is in the credit report. Glory Mortgage may have rejected the application because of negative information in the credit report. If so, Glory Mortgage must explain this and give the name, address, and phone number of the credit bureau. A free copy of that report from the credit bureau may be obtained within 60 days.

If the report contains inaccurate information, the credit bureau is required to investigate disputed items. Those companies furnishing inaccurate information must reinvestigate disputed items. Disputed items which are not removed are reflected in a dispute summary.

The borrower is entitled to a COPY of the property appraisal. The appraisal should be reviewed to see that it contains accurate information. The appraiser cannot consider illegal factors such as the racial composition of the neighborhood.

What Recourse Does the Borrower Have?

Borrowers are instructed to complain to Glory Mortgage. They will attempt to persuade Glory Mortgage to reconsider the application. However, if this course of action doesn’t satisfy the borrower, and the borrower suspects discrimination, he or she may take additional recourse.

The first level of legal recourse is to check with the state Attorney General’s office to see if Glory Mortgage violated state laws. Many states have their own equal credit opportunity laws which may be more stringent or equal to those that the federal government enforces. Since individual states are empowered with enforcing federal laws, the attorney general’s offices are able to investigate a complaint.

Borrowers are also instructed to contact a local private fair housing group and report violations to the appropriate government agency. Glory Mortgage must provide the name and address of the agency to contact.

Ultimately, a borrower may sue Glory Mortgage in federal district court. If a borrower prevails they may recover actual damages, reasonable lawyers’ fees and court costs. They may also be awarded punitive damages if the court finds that Glory Mortgage’s conduct was willful.

Defining “Application”

Application Paths and Requirements

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

Application Processes

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

Underwriting Decision Process

Underwriting Flow

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

If Loan Is Approved

1. Notify borrower
2. Borrower Responds – accepts commitment
3. Borrower Does Not Respond
4. After one week follow up by phone
5. If Reached
6. Borrower informs of intent to not proceed
7. Document conversation log
8. Send notice of loan cancellation
9. If not reached by phone
10. Send “Notice of Incomplete Application”
11. Identify “must accept approval” as missing information
12. If no response in 30 days
13. Send “Notice of Cancellation”
14. Withdraw loan file

Sending a notice of withdrawal is not required. Sending a notice of cancelation isn't required by law either. But Glory Mortgage does it any way in order to better document our loan files as to the final action taken. Examiners have been very interested in justifying and substantiating the "action taken" listed on the Loan Application Register (LAR). Because of this, we want to make our decision process as transparent and communicated as possible.

Underwriting Disposition Process

Upon reviewing the loan file the underwriter makes the determination to approve, suspend or deny the loan. Each decision requires the issuance of documentation surrounding the action.

"Approved with Conditions"

The Underwriter can add the conditions here or on the Loan Tracking - Conditions page. Once complete, the underwriter simply prints the underwriting approval form (from THE SOFTWARE or from Word) for signature. Approvals are then generally distributed to the borrower and the loan officer.

Underwriting Approval Letter

«lender_name»

«lender_address_1»
«lender_address_2»
«lender_phone»

September 2, 1999

«bor_first_name» «bor_last_name»
«cobar_first_name» «cobar_last_name»
«mailing_address»
«mailing_city», «mailing_state» «mailing_zip»

Re: «purpose_of_loan» of
«subject_address»

Dear «bor_first_name»:

We are pleased to advise you that your application for financing has been pre-approved for the following terms:

Loan Amount: «loan_amount»
Interest Rate: «note_rate»
Loan Type: «loan_type»
Loan to Value: «LTV_ratio»
Appraised Value: «appraised_value»
Loan Term: «term»
Lien Position: «lien_position»
Occupancy Status: «residency»

Prior to closing the following Closing Conditions must be met:

- 1.) Satisfactory evidence of Hazard Insurance and Paid Receipt
- 2.) Termite Inspection Report
- 3.) Title Binder and Survey

Prior to the release of the file to the closing department the following items must be received and accepted by the underwriter:

«condition_1»
«condition_2»
«condition_3»
«condition_4»
«condition_5»
«condition_6»
«condition_7»
«condition_8»
«condition_9»
«condition_10»

This is not a Lock-in Agreement. Your lock-in agreement takes precedence over the approval notification as to rate and terms. You will receive the firm commitment once all of the referenced conditions have been released by the underwriter. Please feel free to contact your loan officer or processor if you have any questions.

Sincerely,

«loan_rep»
Relationship Banker

Suspended Loans

Under normal circumstances a loan is suspended only when the underwriter believes that the loan is fundamentally "approvable", but is missing one or more items which, if not positively addressed, could cause the loan to be declined.

In this case, all conditions are once again entered in to the Tracking - "Conditions" screen. Upon completion of the data entry the underwriter can issue the additional information request - generated via the data export process.

«lender_name»
«lender_address_1»
«lender_address_2»
«lender_phone»

September 2, 1999

«bor_first_name» «bor_last_name»
«cobor_first_name» «cobor_last_name»
«mailing_address»
«mailing_city», «mailing_state» «mailing_zip»

Re: «purpose_of_loan» of
«subject_address»

Dear «bor_first_name»:

We have reviewed your application under the following terms.

Loan Amount: «loan_amount»
Interest Rate: «note_rate»
Loan Type: «loan_type»
Loan to Value: «LTV_ratio»
Appraised Value: «appraised_value»
Loan Term: «term»
Lien Position: «lien_position»
Occupancy Status: «residency»

In order to complete the review of your file, we will require the following information. Please note that these items must be received as soon as possible in order to avoid delays in the processing of your loan.

«condition_1»
«condition_2»
«condition_3»
«condition_4»
«condition_5»
«condition_6»
«condition_7»
«condition_8»
«condition_9»
«condition_10»

Please note that this is not a Lock-in Agreement. You will receive further notification on the status of your application upon receipt of all of the referenced conditions. Please feel free to contact your loan officer or processor if you have any questions.

Sincerely,

«loan_rep»

Denial - Adverse Action

Denied or declined loans must have a Notice of Denial or Termination of Credit - adverse action - failing any other action on the case.

If the borrower withdraws the application, we must provide the adverse action letter stating this. However, if the underwriter declines the loan application, the underwriter should generate and deliver the adverse action notice.

Second Level of Review

In order to insure that consumers are not arbitrarily denied financing, we have all credit denial decisions reviewed by a second level, senior credit officer. The object of this review is not so much to concur with the denial, but to identify if any other avenue of financing may be provided to the borrower and to insure that the denial is not made on any prohibited basis.

The Fair Housing Act

Covered Transactions

The act applies to residential real estate-related transactions and how they can be sold, leased, financed, improved, and appraised, whether for purchase or refinance, and also applies to servicing and collections. Any property that will function as a home is subject to the act. This includes one to four unit properties, a condominium, a cooperative unit, mobile homes, other manufactured homes, time-sharing properties, and even land, if it will be the site for a dwelling. Fair lending may also apply to business and consumer transactions, as they apply to residential property or non-business transactions.

Equal Housing Logo

All housing advertisements must have the fair housing logo.



Unlawful Lending Practices

“Redlining”

Redlining is the practice of denying loans for housing in certain neighborhoods even though the individual applicant may be otherwise eligible for credit. The term “redlining” refers to the anecdotal practice of drawing red lines on a map to show disfavored neighborhoods. It is unlawful when based upon a prohibited basis. The terms “racial redlining” refers to the practice of basing loan, insurance, or investment criteria on the racial characteristics of the people who live in a particular neighborhood. Making excessively low appraisals is may also be redlining. Racial redlining is discriminatory because it presumes a perception of higher risk arising from the racial or social composition of the population.

“Redlining” is a rational response to a real risk. Property located in a flood plain, in a slide area or close to a geologic fault presents a level of risk that may be unacceptable. The problem arises when the perceptions of risk are unrealistic, inaccurate, or arbitrary, or when the boundaries of the affected area are overbroad. Where institutions have excluded areas based on risks, the institutions have to substantiate that the exclusion is based solely on those considerations.

This does not mean that a lending institution is expected to approve all housing loan applications or that it must make all loans on identical terms. Denying loans or granting loans on more stringent terms and conditions must be justified based on economic factors. A weaker income or credit history, condition of the proposed security property, the lack of neighborhood amenities or city services and portfolio concentration are all justifiable.

A Racially Exclusive Image

Creation and exploitation of a racially exclusive image, even where there may be little concurrent evidence of a discriminatory policy, may be discriminatory. Even a less than conspicuous display of the Equal Housing Lending poster can tend to create this atmosphere. It is unlawful to print a statement or advertisement indicating any preference or limitation based on a prohibited characteristic. The court has applied this prohibition to newspaper advertisements soliciting tenants and home buyers who spoke certain languages.

Here we see that the evidence of discrimination is less obvious. Single race advertising exploits an exclusive image as does using media that caters to selected segments of the population.

Another tactic is the use of excessively burdensome qualification standards with the effect of denying housing to minority applicants. In one instance a rental agent emphasized the security deposit to and required credit checks for black applicants, but not for whites.

One of the most difficult patterns of discrimination to discern is the imposition on minority loan applicants of higher interest rates and onerous terms, conditions, or requirements. This and differing standards or procedures in administering foreclosures, late charges, penalties, reinstatements, or other collection procedures has become more readily identified as HMDA data is being more thoroughly developed.

Racial Steering

Racial steering is deliberately guiding potential purchasers toward or away from certain areas because of race. It is unlawful to use a word, phrase or action...which is intended to influence the choice of a prospective property buyer on a racial basis.

Insurance and Discrimination

The ECOA does not prohibit Glory Mortgage who sells or participates in the sale of insurance from differentiating in the terms and availability of insurance on prohibited bases. When dealing with housing credit the result is different. When insurance required for housing credit is denied, or made more difficult to obtain, on a prohibited basis, the law does preclude the practice if Glory Mortgage is involved in arranging insurance. If the borrower obtains his or her own insurance, there is no discrimination.

Congress amended the FHA in 1988 [Public Law 100-430] to include an administrative enforcement mechanism for HUD and allow increased penalties for violations. It also extended the law to the secondary mortgage market. While HUD has primary enforcement authority for compliance with the FHA, financial institutions are supervised under the FHA by the FDIC.

Violations and Enforcement

The protection of the law extends to people who are related to the transaction but not necessarily the subject of discrimination, like sellers and real estate agents. Employers can't take adverse action against people who refuse to participate in discrimination or whistleblowers.

Advertising

The Fair Housing Act also prohibits discrimination in advertising. While many of the advertising guidelines written into law were repealed, it is still illegal to make, print, publish; to use words, phrases, symbols, or photographs; or to express to agents, brokers, or employees a preference for or limitations; or that dwellings are or are not available to a particular group or persons because of race, color, sex, religion, national origin, familial status or handicap. Like the ECOA, under the FHA Glory Mortgage may encourage members of traditionally disadvantaged groups to apply for credit.

Violations

- Refusing to sell or rent housing after a bona fide offer is made, or refusing to negotiate to sell or rent, or otherwise make unavailable or deny, a dwelling to any person.
- Discriminating against any person with respect to terms, conditions, or privileges of sale or rental of a dwelling, or with respect to the provision of services or facilities in connection with the sale or rental.
- Making any oral or written statement or advertisement with respect to a sale or rental of a dwelling that indicates any preference, limitation, or discrimination or an intention to make any such preference, limitation, or discrimination.
- Representing to any person that any dwelling is not available for inspection, sale, or rental when such dwelling is available.
- Inducing or attempting to induce for profit, any person to sell or rent any dwelling by representations regarding the entry or prospective entry into the neighborhood of a certain person or persons.

Section 804 is particularly significant because it makes it unlawful not only to refuse to negotiate or complete a sale or rental, but also to “otherwise make unavailable or deny” a dwelling on a prohibited basis. The court has characterized this language as being “as broad as Congress could have made it”

Limitations Extended to 3rd Parties

In further attempting to address discriminatory actions, FHA takes the aggressive approach of identifying practices that may utilize unlawful practices. Appraisers cannot use prohibited bases for determining value. While issues that positively affect diversity, like wheelchair accessibility, can be used as positive factors, racial, gender or issues of national origin may not be.

In the secondary market, knowingly buying a loan that was made on a discriminatory basis is prohibited. The pursuit of such actions must take reasonable care not to disrupt the availability of financing in neighborhoods.

Allegations of Discrimination

A complaint may be filed with HUD which will investigate and attempt to resolve the grievance by means of conference, conciliation, and persuasion. Persons also may sue anyone who allegedly discriminated against them, whether or not they file a complaint with HUD. The Attorney General of the United States may also sue for an injunction against any pattern or practice of resistance to the full enjoyment of the rights granted by FHA.

Filing Complaints

Borrowers have one year to file a complaint with HUD. The complaint should include:

- name and address;
- The name and address of the person or company who is the subject of the complaint;
- The address or other identification of the housing involved;
- A short description of the facts indicating rights were violated; and
- The dates of the alleged violation.

HUD will notify the complainant when it receives the complaint. Normally, HUD also will:

- Notify the alleged violator of the complaint and permit the person to submit an answer;
- Investigate the complaint and determine whether there is a reasonable cause to believe the Fair Housing Act has been violated; and
- Inform the complainant if it cannot complete an investigation within 100 days of receiving the complaint.

Training

In the continuous training process the Underwriter is responsible for the scheduling and conducting of underwriting or processing training as is needed, or revealed by patterns of underwriting deficiency.

The Home Mortgage Disclosure Act (HMDA) – Regulation C

HMDA, enacted by Congress in 1975, requires Glory Mortgage to collect data about our housing-related lending activity, report the data annually to the government, and make the data publicly available. Initially, HMDA required reporting of the geographic location of originated and purchased home loans. In 1989, Congress expanded HMDA data to include information about denied home loan applications, and the race, sex, and income of the applicant or borrower.

In 2002, the Federal Reserve Board (the Board) amended the regulation that implements HMDA (Regulation C) to add new data fields, including price data for some loans. HMDA does not prohibit any lending activity, nor is it intended to encourage unsound lending practices or the allocation of credit.

Congress enacted HMDA to:

- Provide the public with information to judge whether lenders are serving their communities;
- Enhance enforcement of laws prohibiting discrimination in lending like the Equal Credit Opportunity Act (ECOA) and Fair Housing Act (FHA)
- Provide private investors and public agencies with information to guide investments in housing.

HMDA data covers home purchase, home improvement loans and refinance transactions. It also seeks to collect data on originations, servicing transfers and denied, incomplete or withdrawn applications. With some exceptions, for each transaction Glory Mortgage reports data about:

the loan (or application), such as the type and amount of the loan made (or applied for) and, in limited circumstance, its price;
the disposition of the application, such as whether it was denied or resulted in an origination of a loan;
the property to which the loan relates, such as its type (single-family vs. multi-family) and location (including the census tract), and
the applicant's ethnicity, race, sex, and income.

HMDA Reporting

Most loans secured by primary residences are required to be reported. Home equity line of credit (HELOC) reporting is optional. Glory Mortgage does not have to report HMDA data unless it has an office in a metropolitan statistical area (MSA). Banks, savings and loan associates, credit unions, and mortgage and consumer finance companies are required to report HMDA data if they meet the law's criteria for coverage. Although the information changes annually, Glory Mortgage is regulated by HMDA if:

For Depository Institutions

the assets of the institution total more than a certain threshold;
the institution originated at least one home purchase loan or refinancing of a home purchase loan secured by a first lien on a one-to-four-family dwelling
federally insured or regulated; or was the mortgage loan insured; guaranteed, or supplemented by a federal agency; or was the loan intended for sale to the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)?

Fon Non-Depository Institutions

a for-profit lender?
home purchase loan originations (including refinances of home purchase loans) equal or exceed 10 percent of its total loan originations, measured in dollars, or equal \$25 million or more?
either: (a) have a home or branch office in an MSA/MD on the preceding December 31, or (b) receive applications for, originate, or purchase 5 or more home purchase or home improvement loans on property located in an MSA/MD in the preceding calendar year?
either: (a) have assets (when combined with the assets of any parent corporation) exceeding \$10 million on the preceding December 31, or (b) originate 100 or more home purchase loans (including refinances of home purchase loans) in the preceding calendar year?

The Loan Application Register (LAR)

The LAR itemizes reportable transactions by individual application. Glory Mortgage is not required to arrange transactions on the LAR in any particular order. Any member of the public may request a LAR from any lender covered by HMDA. To help preserve consumer privacy, the law requires Glory Mortgage to remove the loan or application number and the application and action taken dates before making the LAR public.

Interest Rate Data

One of the greatest controversies over HMDA data arose in 2004 when lenders were required loans that exceeded an APR threshold much lower than previously required. Loans subject to Section 32 of the Truth-in-Lending Act, known as The Home Owners Equity Protection Act (HOEPA) were always reported separately. Now lenders had to report "higher cost," or Sub-Prime, loans at a lower threshold. Not surprisingly, a large concentration of loans made in 2004 (reported in 2005) fell into this new category. As intended, the data showed lending patterns indicating certain portions of the population were offered higher cost loans at a higher percentage.

	HOEPA Threshold	HMDA High Cost Threshold
1 st Mortgage	8% over comparable treasury	3% over comparable treasury
2 nd Mortgage	10% over comparable treasury	5% over comparable treasury

More specifically, the price data take the form of a “rate spread.” Glory Mortgage must report the spread (difference) between the annual percentage rate on a loan and the rate on Treasury securities of comparable maturity. For first-lien loans, the threshold is three percentage points above the Treasury security of comparable maturity; for second-lien loans, the threshold is five percentage points. The Board chose the thresholds in the belief that they would exclude the vast majority of prime loans and include the vast majority of sub-prime loans.

Glory Mortgage does not report the APR itself. Rather, for loans with rate spreads exceeding the prescribed thresholds, Glory Mortgage reports the difference between the APR and the rate on Treasury securities of comparable maturity.

Glory Mortgage continues to “flag” indicating loans exceeding the price triggers of the Home Ownership and Equity Protection Act (HOEPA). Those triggers are substantially higher than the thresholds for reporting rate spreads.

HMDA Higher Cost Loan Reporting Calculation				
	<u>30 Yr Fixed Loan 1</u>	<u>Fixed Loan 2</u>	<u>ARM Loan 1</u>	<u>ARM Loan 2</u>
APR	7.375	9.172	6.875	8.3
Comparable Treasury	5.6	5.6	4.15	4.15
Spread	1.775	3.572	2.725	4.15
HMDA Higher Cost?	No	Yes	No	Yes

Figure 3 - These are the various calculations made in determining whether a loan is "higher cost" and needs to be reported as such.

HPML – Section 35 Calculator-Worksheet

For each loan lock-in, secondary marketing will perform an analysis of whether the loan triggers Section 35 limits, using the FFIEC Calculator. If it does, secondary will flag the file to insure adherence to Section 35 guidelines.

FFIEC FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
Promoting uniformity and consistency in the supervision of financial institutions

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NEW FFIEC Rate Spread Calculator

USE THIS CALCULATOR IF THE LOAN APPLICATION DATE IS ON OR AFTER OCTOBER 1, 2009 OR THE ACTION TAKEN DATE IS ON OR AFTER JANUARY 1, 2010.

IF THE LOAN APPLICATION DATE IS BEFORE OCTOBER 1, 2009 AND THE ACTION TAKEN DATE IS BEFORE JANUARY 1, 2010 USE THE [OLD CALCULATOR](#).

The FFIEC developed the NEW Rate Spread Calculator to assist HMDA reporting institutions with the 2008 Regulation C amendments for reporting Rate Spread data effective October 1, 2009 and forward.

The Rate Spread Calculator generates the spread between the Annual Percentage Rate (APR) and a survey-based estimate of APRs currently offered on prime mortgage loans of a comparable type utilizing the "Average Prime Offer Rates" fixed or adjustable table, action taken, amortization type, lock-in date, APR, fixed term (loan maturity) or variable term (initial fixed-rate period), and lien status. Rate Spread is a calculated field and is NOT simply the APR on the loan application.

A [Batch Rate Spread Calculator](#) is also available to allow institutions to calculate the rate spread on multiple Loan Application Registers (LARs).

"Average Prime Offer Rates" Tables

"Average Prime Offer Rates- Fixed"	http://www.ffiec.gov/ratespread/YieldTableFixed.CSV
"Average Prime Offer Rates- Adjustable"	http://www.ffiec.gov/ratespread/YieldTableAdjustable.CSV

Use the above "Average Prime Offer Rates" tables for compliance with Regulation C (HMDA) and Regulation Z (TILA) amendments effective October 1, 2009.

Regulation C Amendments	http://edocket.access.gpo.gov/2008/E8-25320.htm
Regulation Z Amendments	http://edocket.access.gpo.gov/2008/pdf/E8-16500.pdf

The "Average Prime Offer Rates" tables are available in ASCII comma delimited format to view, print and download. See [Help](#) for more details.

NOTE: Do not use the rate spread calculator to calculate the HOEPA status; they are two different fields which require two different calculations. See [Help](#) for more details.

Action Taken: 1 - Loan Originated ([Info](#))

Amortization Type: Fixed Adjustable

Lock-In Date (mm/dd/yyyy)

APR (00.00)%

Fixed Term = Loan Maturity

Variable Term = Initial Fixed-Rate Period (Years, Whole Number; [Info](#))

Lien Status

Calculator located at: <http://www.ffiec.gov/ratespread/newcalc.aspx>

Evaluating Pipeline and HMDA Data for Disparate Impact

Since our lending policies provide for preventing discrimination at the loan level, the only way we can determine if our procedures create a disparate impact on a prohibited basis or bases is through evaluation of Glory Mortgage's own pipeline data, HMDA Data and our own HMDA reporting.

Disparate Impact Review Process

On a monthly, quarterly, semi-annual and annual basis, the Fair Lending Officer, Compliance Officer or other designee, will evaluate the HMDA data, along with internal production data, and review for any patterns between identified classes of borrowers.

Step 1 – Generate Loan Production Report from all transactions for the period using data fields identified in the Data Collected From Production Manifest

Step 2 – Review each data collection point for concentrations in any area – assemble against approved loans, denied loans, counter-offers, withdrawals

Step 3 – Identify any area in which there is a concentration outside the mean – defined as any prohibited basis exhibiting a larger percentage of the pipeline than any other.

Step 4 – Identify any potential negative impacts to the larger concentration

Step 5 – Evaluate each individual loan's characteristics to ensure legitimate business purpose justified loan outcome

Step 6 – Discuss with credit policy if impact could be averted by using an alternative process.

Step 7 – Remediate any individual loan issues

Step 8 – Identify and correct any process based issues identified through review.

Step 9 - Record all results and discussions

Addressing Potential Patterns and Averting Liability

The HUD Disparate Impact Rule finalized February 2013, requires that any plaintiff must show a cause under the prohibited factors. The way that the rule allocates the burden of proof remains its most controversial aspect.

Three Part Burden Test

- the charging party or plaintiff has the burden of proving that a challenged practice caused or will predictably cause a discriminatory effect;
- if the charging party or plaintiff satisfies this burden, the burden of proof shifts to the respondent or defendant to prove that the practice is necessary to achieve one or more of its "substantial, legitimate, nondiscriminatory interests";
- If the respondent or defendant satisfies this burden, the charging party or plaintiff may still prevail if it can prove that the respondent or defendant's interests could be served by another practice that has a less discriminatory effect.

This approach, according to HUD, means that we will not have to “prove a negative.”

In fact, while we will not have to prove a negative, we must be proactive in identifying our practices which might be perceived as based on prohibited basis. Then we must justify, as a matter of ongoing practice, why things we do:

- are not discriminatory
- that might be perceived as discriminatory are the least discriminatory of the possible actions .

Data Collected from Loan Production Manifest

Application/Loan Number	Unique identifier for application-taken – KEY FIELD
Applicant Name	Company/Individual name.
Property Street Address	Subject property number and street address. (Example: 23441 S. Pointe Dr)
Property City	The city where the subject property is located.
Property State	Two letter state abbreviation for the state in which the subject property is located.
Property Zip	The zip code where the subject property is located.
Type of Record	The type of record (1-HMDA/FairLending*, 2-CRA)
Include in Submission	Include in submission flag.
Loan Type	A specified code that indicates the type of loan.
Loan Purpose	A specified code that indicates the purpose of the loan.
Loan Amount	The dollar amount granted or requested rounded to nearest thousand; must-be-present on ALL loans. (Example: \$1,000,000 = 1000.) A specified code that indicates the final action of the loan (Example: Originated, Purchased, Denied, etc.)
Action Taken Type	The date when the final action was taken on a loan.
Action Taken Date	The Metropolitan Statistical Area number for the property location.
Metropolitan Area Code	The numeric FIPS state code where the subject property is located.
State Code	The numeric FIPS county code where the subject property is located.
County Code	The Census Tract number where the subject property is located.
Census Tract Number	The amount of annual income used in the underwriting decision - rounded to the nearest thousand with no commas.
Borrower Annual Income	The annual percentage rate on the loan. (Example: 8.25, 6.875, 23.625)
Annual Percentage Rate	The number of months from the start date until the loan must be paid off. (Example: 36)
Loan Term	Quality errors verified flag.
Quality Errors Verified	This user defined field is used to further identify the collateral secured. Examples identify the specific loan purpose provided above purchase/refi, etc. e. debt consol
Collateral Code	This field is used to calculate the loan term
Detailed Loan Purpose	The interest rate of the loan. (Example: 8.125)
Loan Maturity Date	This field is used to calculate Section 32 (HOEPA) mortgage transactions and also used for mapping records requires Longitude. Values can be computed/provided
Note Rate	Used for mapping records requires Latitude. Values can be computed/provided by enter the NMLS Branch ID in this field.
Dollar Amount of Points and Fees	This can be provided with each loan or manually entered into a table within HMDA only for additional representatives that are NOT Mortgage Loan Origination Name
Latitude	
Longitude	
Originating Branch Code	
Branch Name	
Originating Officer Code	
Officer Name	
Loan Representative Code (NMLS)	HMDA - This is REQUIRED to use the NMLS MLO ID.
Loan Representative Name	
Loan Processor Code	Enter the internal code or use a NMLS ID if available.
Loan Processor Name	Name
Underwriter Code	Enter the internal code or use a NMLS ID if available.
Underwriter Name	Name
Mortgage Broker/Third Party Originator Code	Enter the internal code or use a NMLS ID if available.
Mortgage Broker/Third Party Originator Name	Name
Application Date	The date when the application was initially received. (may also be NA when action taken)
Property Type	A specified code that indicates the type of property.
Owner-Occupancy	A specified code that indicates the type of mortgage (Example: Owner Occupied, Preapproved)
Preapproval	A specified code reflecting whether a home purchase was submitted for pre approval
Applicant Ethnicity	A specified code that indicates the applicant ethnicity option reflecting whether His or Her
Co-Applicant Ethnicity	A specified code that indicates the co-applicant ethnicity option reflecting whether His or Her
Applicant Race	A specified code that indicates the co-applicant ethnicity option reflecting whether His or Her
Co-Applicant Race	See formatting notes for Applicant Race.
Applicant Sex	A specified code indicating the sex of the borrower.
Co-Applicant Sex	A specified code indicating the sex of the co-borrower.
Type of Purchaser	A specified code indicating the type of institution that purchased the loan.
Denial Reason	The reasons why a loan was cancelled or denied.
Denial Reason	The reasons why a loan was cancelled or denied.
Denial Reason	The reasons why a loan was cancelled or denied.
Rate Spread Index Value	APOR - Average Prime Offer Rate
Rate Spread	The interest rate spread between the APR and the APOR if applicable.
Rate Lock Date	The current interest rate lock date.
HOEPA Status	This is the HOEPA loan status.
Lien Status	Indicates the specified code for the lien status on the loan. (only for applications at the time of closing)
Initial Adjustment Period	The field represents the number of months before the initial fixed period expires.
Application Taken By	This field is requested so that HMDA RELIEF can determine if a actual race/sex/ethnicity
Amortization Type	A code indicating the type of amortization used for the loan. (Example: Fixed, ARM, etc.)
Amortization Term	This is the number of months used to calculate the payment (for example a 30 year term)
Occupancy Type	Occupancy Type from URLA. (used to validate Rate-Spread)
Loan To Value	Loan amount divided by the appraised value or purchase price.
Combined Loan to Value	Total of all liens divided by the appraised value or purchase price.
Debt to Income Ratio	The total of all mortgage related debt payments, including the PITI divided by the total monthly income
Combined Debt to Income Ratio	The total of all debt payments, including the PITI, Net Rental Loss, and all other liabilities
Channel Name	This field is used for monitoring broker performance.
Applicant's Credit Score	Enter the credit score used to make the credit decision. The vendor used to determine the score
Co-Applicant's Credit Score	See APCRSORE

Analyzing Data

In the event that data reveals any patterns, we will conduct evaluations at the loan level process for the affected transactions to determine whether there was a legitimate business purpose for the decision, pricing, or other loan feature.

Analysis – Comparative File Review

According to the American Bankers Association, one effective method of determining adverse impact is to compare the extremes of marginal loan files. Take one marginal loan file that was approved and one loan file that was denied and determine why one marginal loan had a positive outcome, and the other did not.

Analysis – Regression

Once you have the data, you can perform any number of regression analyses to ascertain if one or another class or prohibited bases is being impacted.

Vendor Reviews of HMDA and Production Data

On an annual basis, or more frequently if justified, Glory Mortgage will retain a third party to review its conclusions and enhance its methodology. As we do, we will augment our Fair Lending policy appropriately.

The Community Reinvestment Act (CRA)

The Community Reinvestment Act is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods. It was enacted by the Congress in 1977 (12 U.S.C. 2901) and is implemented by Regulation BB (12 CFR 228). The regulation was revised in May 1995. HMDA data is very important in the evaluation of an institutions CRA performance.

Evaluation of CRA Performance

The CRA requires that each depository institution's record in helping meet the credit needs of its entire community be evaluated periodically. That record is taken into account in considering an institution's application for deposit facilities.

The CRA does not give specific criteria for rating the performance of depository institutions. The law indicates that the evaluation process should accommodate an institution's individual circumstances. The law does not require institutions to make higher risk loans that jeopardize their safety. An institution's CRA activities should be undertaken in a safe and sound manner.

The Fair Credit Reporting Act

The Federal Fair Credit Reporting Act (FCRA) promotes the accuracy and privacy of information in the files of the nation's consumer reporting companies.

The Fair Credit Reporting Act (15U.S.C.1681) was enacted by Congress in 1970 to ensure that information used by banks and legitimate users is accurate. It also allows customers to verify the accuracy of information found in reports.

FCRA Features

Identifies what steps the consumer may take when an adverse action is based on information found in the consumer report.

- consumer must authorize the release of credit information
- details how long credit information may be on the report
- Identifies permissible purposes and end users of credit report information.
- provides for penalties of up to 2 years imprisonment and/or fines.
- State law enforcement officers may file court actions on behalf of their residents based on this Act
- dispute errors and have them investigated within 30 days.
- Block or opt out of unsolicited offers of credit or insurance.

Penalties

A person who obtains a credit report without proper authorization or an employee of a credit-reporting agency who gives a credit report to unauthorized persons may be fined up to \$5,000 or imprisoned for one year or both. Agencies may award up to \$1,000 for each willful or negligent violation

Procedure for Correcting Errors

The Fair Credit Reporting Act (FCRA) establishes procedures for correcting mistakes on the borrower's credit report. Both the credit agency and the reporting organization are responsible for correcting inaccurate or incomplete information in the borrower's report. To protect the borrower's rights under the law, contact both the credit bureau and the information provider. It's very important to follow the procedures outlined below or the borrower won't have any legal recourse if there is a future dispute.

Disputes must be resolved 30 days after receipt of a dispute notice from the consumer. If the consumer provides additional relevant information during the 30-day period, the CRA has 15 days more. The Credit Reporting Agency (CRA) must provide Glory Mortgage with all relevant information within five business days of receipt. If Glory Mortgage does not investigate or respond within the specified time periods, the CRA must delete the disputed information from its files.

Borrowers Copy of Report

Borrowers have the right to receive a copy of the credit report. The copy of the report must contain all the information in the credit file at the time of the request. Note that Glory Mortgage is not a credit reporting agency. As such, the borrower must receive the credit report directly from the repository.

- CBI/Equifax
- TRW/Experian
- TransUnion/Empirica

Each of the nationwide consumer reporting repositories is required to provide the borrower with a free copy of his or her credit report, upon request, once every 12 months. Beginning September 2005, consumers from coast to coast have access to a free annual credit report if they ask for it.

Under federal law, a borrower is also entitled to a free report if a company takes adverse action against him or her. A denial of an application, for credit, insurance, or employment is an adverse action. The borrower must ask for the report within 60 days of receiving notice of the action. Otherwise, a consumer reporting company may charge up to \$9.50 for another copy of the report within a 12-month period.

"Imposter" Free Credit Report Sites

The FTC advises consumers who order their free annual credit reports online to be sure to correctly spell annualcreditreport.com, or link to it from the FTC's website to avoid being misdirected to other websites that offer supposedly free reports, but only with the purchase of other products. While consumers may be offered additional products or services while on the authorized website, they are not required to make a purchase to receive their free annual credit reports.

The borrower has the right to know who asked to review his or her report within the past year – two years for employment related requests.

If a company denies an application based on information given by a consumer reporting company, the borrower has the right to the name and address of the consumer reporting company.

The borrower has the right to file a dispute with the consumer reporting company if there is a question over the accuracy or completeness of information in a report. Both the consumer reporting company and the information provider are obligated to investigate a claim, and responsible for correcting inaccurate or incomplete information in a report.

The borrower has a right to add a summary explanation to his or her credit report if the dispute is not resolved to his or her satisfaction. The agency will charge a fee for this service.

Seven-Year Reporting Period

The standard method for calculating the seven-year reporting period runs from the date that the event took place. The event is defined as the date

- a delinquent account was placed for collection, internally or by referral to a third-party debt collector, whichever is earlier
- charged to profit and loss, or subjected to any similar action

For example, assume that payments on a loan were late in January, but were caught up in February. It was late again in May, but caught up in July. It was late again in September, but was not caught up before the account was turned over to a collection agency in December. There were no more payments on the account, and it was charged to profit and loss in July of the following year. Under the Fair Credit Reporting Act (FCRA), the January and May late payments each can be reported for seven years. The collection activity and the charge to profit and loss can be reported for seven years from the date of the September payment, which was the delinquency that occurred immediately before those activities.

Exceptions to the 7 Year Rule

- Chapter 7 bankruptcy information will remain on your credit reports for 10 years.
- Unpaid tax liens might, depending on where you live, remain on your credit reports indefinitely.
- Certain states require that adverse credit information remain on your credit reports no longer than 5 years.
- Credit information reported in response to an application for a job with a salary of more than \$75,000 has no time limit.
- Information about criminal convictions has no time limit.
- Credit information reported because of an application for more than \$150,000 worth of credit or life insurance has no time limit.
- Default information concerning U.S. Government insured or guaranteed student loans can be reported for seven years after certain guarantor actions.
- Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.

Permissible Purpose for Ordering a Credit Report

To make a credit inquiry, a business must have a “permissible purpose” identified under the FCRA. According to this act, access to credit reports is limited to specific situations, which are referred to as "permissible purposes."

- In response to a court order
- For the purposes of disclosure to the consumer
- As part of a legitimate business transaction which includes extending credit, reviewing the credit report of an existing customer, and collecting a debt
- For employment screening purposes
- As part of the insurance underwriting process
- In connection with screening requirements of a consumer's eligibility for a license granted by the government
- In response to a request by state or local child support enforcement authorities to determine an individual's capacity to pay child support
- To determine the risk and valuation of loans for the purposes of investing or servicing.

Glory Mortgage's Reporting Duties (Section 623)

Glory Mortgage is not a Credit Reporting Agency. Providing reports directly to a borrower is a violation. As a loan servicer, there are legal obligations. If Glory Mortgage reports information about consumers to a CRA it is considered a "furnisher" of information. If you are a furnisher you must

- not furnish information that you know is inaccurate
- Correct information if you discover you've supplied one or more CRAs with incomplete or inaccurate information
- Not give disputed information to any CRA without also telling the CRA that the information is in dispute
- Investigate and report findings about any dispute and review all relevant information provided by the CRA about the dispute
- notify CRAs when consumers voluntarily close credit accounts
- Notify the CRA within 90 days of the month and the year of the commencement of the delinquency that immediately preceded your action account.

Fair and Accurate Credit Transactions Act (FACTA)

The Fair and Accurate Credit Transactions Act of 2003 amended the Fair Credit Reporting Act. Aside from imposing comprehensive identity theft protections and changing notice requirements for users of consumer reports, it imposed responsibilities for appropriate handling of report information.

Disposing of Consumer Report Information

In an effort to protect the privacy of consumer information and reduce the risk of fraud and identity theft, a new federal rule is requiring businesses to take appropriate measures to dispose of sensitive information derived from consumer reports.

According to The Federal Trade Commission, the nation's consumer protection agency, that enforces the Disposal Rule (FTC), the standard for the proper disposal of information derived from a consumer report is flexible, and allows the organizations and individuals covered by the Rule to determine what measures are reasonable based on the sensitivity of the information, the costs and benefits of different disposal methods, and changes in technology.

For example, reasonable measures for disposing of consumer report information could include:

- burn, pulverize, or shred papers containing consumer report information so that the information cannot be read or reconstructed;
- destroy or erase electronic files or media containing consumer report information so that the information cannot be read or reconstructed;
- hire a document destruction contractor to dispose of material
- insuring the contractor is in compliance by reviewing an independent audit of a disposal company's operations and/or its compliance with the Rule
-

Identity Theft “Red Flag” Programs

FACTA was updated in 2008 to require that companies that handle sensitive consumer information review that information for evidence of identity theft. Most mortgage originators already question suspicious activity in a borrower’s credit file. The process checks for suspicious activity and asks whether it is possible that the customer’s identity has been stolen. In the event of a breach, companies are required to remedy the identity theft. Usually this means providing credit monitoring services for the consumer at the company’s cost.

FACTA and Identity Theft

The Fair and Accurate Credit Transactions Act (FACTA) provides protections for consumers who are victims of identity theft. Identity theft occurs when someone uses a borrowers name, Social Security number, date of birth, or other identifying information fraudulently. FACTA, which amends the Fair Credit Reporting Act (FCRA) gives consumers specific rights when they are victims of identity theft. FACTA, the FCRA and the Gramm-Leach-Bliley Act all work together to enforce consumer privacy rights.

A borrower has the right to ask that nationwide consumer reporting agencies place “fraud alerts” in his or her credit file to let potential Glory Mortgage and others know that he or she may be a victim of identity theft. The borrower may contact the agencies directly

- Equifax: 1-800-525-6285; www.equifax.com
- Experian: 1-888-EXPERIAN (397-3742); www.experian.com
- TransUnion: 1-800-680-7289; www.transunion.com

The initial fraud alert stays in the credit file for at least 90 days. An extended alert stays in the file for seven years. An extended alert requires the filing of an identity theft report. An initial fraud alert entitles the borrower to a copy of all the information in the file at each of the three nationwide agencies, and an extended alert entitles you to two free disclosures in a 12-month period.

In correcting fraud the borrower has the right to obtain documents relating to fraudulent transactions made or accounts opened. Glory Mortgage must give him or her copies of applications and other business records. A debt collector must provide information about the debt incurred by an identity thief – like the name of Glory Mortgage and the amount of the debt.

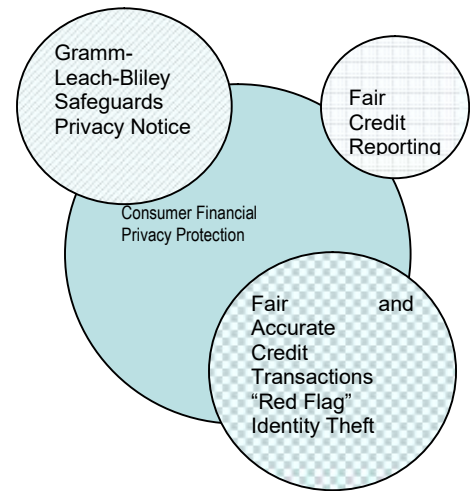


Figure 4 - There are myriad consumer protection laws which overlay and often rely on each other.

Information in a file that resulted from identity theft may be blocked. The consumer reporting agency can refuse or cancel a request for a block if, the borrower doesn't provide the necessary documentation, or a material misrepresentation by the borrower.

Once a debt resulting from identity theft has been blocked, a person or business with notice of the block may not sell, transfer, or place the debt for collection.

A borrower may prevent businesses from reporting information that is a result of identity theft. The borrower must identify the information to be blocked and provide an identity theft report.

FACTA and the Credit Score Disclosure

In 2003 it became the responsibility of Glory Mortgage to provide the borrower with a copy of the borrower's credit scores within 30 days of obtaining a credit report containing scores. Armed with this information, the borrower is able to see the relative strength of his or her credit.

FACTA and the Risk Based Pricing Notice

Effective January 1, 2011, Glory Mortgage must provide borrowers who receive terms materially less favorable than other customers, as a consequence of their credit score, with the Risk Based Pricing Notice. This is a disclosure that the borrower's loan terms have been affected by credit risk, and how that risk compares to other applicants.

In its conception this disclosure was intended to be a more technical, loan level disclosure. It would have told a borrower what the best rate for his loan would have been under risk-free circumstances, then which premiums were added to arrive at the price – complete transparency. However, Glory Mortgage has an exception to the detailed disclosure requirement. Instead of a detailed disclosure, mortgage Glory Mortgage may aggregate credit experience into percentages (bar graph), showing a distribution of credit scores among consumers using the same model.

The Gramm-Leach Bliley Act

The Financial Modernization Act of 1999, also known as the "Gramm-Leach-Bliley Act" or GLB Act, includes provisions to protect consumers' personal financial information held by financial institutions. There are three principal parts to the privacy requirements: the Financial Privacy Rule, Safeguards Rule and "pretexting" provisions.

The GLB Act gives authority to eight federal agencies and the states to administer and enforce the Financial Privacy Rule and the Safeguards Rule. These two regulations apply to "financial institutions," which include not only banks, securities firms, and insurance companies, but also companies providing many other types of financial products and services to consumers. Among these services are lending, brokering or servicing any type of consumer loan, transferring or safeguarding money, preparing individual tax returns, providing financial advice or credit counseling, providing residential real estate settlement services, collecting consumer debts and an array of other activities. Such non-traditional "financial institutions" are regulated by the FTC.

The Financial Privacy Rule governs the collection and disclosure of customers' personal financial information by financial institutions. It also applies to companies, whether or not they are financial institutions, who receive such information.

The Safeguards Rule requires all financial institutions to design, implement and maintain safeguards to protect customer information. The Safeguards Rule applies not only to financial institutions that collect information from their own customers, but also to financial institutions "such as credit reporting agencies" that receive customer information from other financial institutions.

The "Pretexting" provisions of the GLB Act protect consumers from individuals and companies that obtain their personal financial information under false pretenses, a practice known as "Pretexting."

Defining the Customer

A company's obligations under the GLB Act depend on whether the company has consumers or customers who obtain its services. A consumer is an individual who obtains or has obtained a financial product or service from a financial institution for personal, family or household reasons. A customer is a consumer with a continuing relationship with a financial institution. Generally, if the relationship between the financial institution and the individual is significant and/or long-term, the individual is a customer of the institution. For example, a person who gets a mortgage from Glory Mortgage or hires a broker to get a personal loan is considered a customer of Glory Mortgage or the broker, while a person who uses a check-cashing service is a consumer of that service.

Only customers are entitled to receive a financial institution's privacy notice automatically. Consumers are entitled to receive a privacy notice from a financial

institution only if the company shares the consumers' information with companies not affiliated with it, with some exceptions. Customers must receive a notice every year for as long as the customer relationship lasts.

Privacy Policy

_____ takes its clients' financial privacy very seriously. During the course of processing your application, we accumulate non-public personal financial information from you and from other sources about your income, your assets, and your credit history in order to allow a lender to make an informed decision about granting you credit. We restrict access to non-public personal information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your non-public personal information.

We collect non-public information about you from the following sources: (i) information we receive from you on applications or other forms; (ii) information about your transactions with us, our affiliates, or others; and (iii) information we receive from a consumer reporting agency.

We may disclose the following kinds of non-public personal information about you: (i) information we receive from you on applications or other forms, such as your name, address, social security number, assets and income; (ii) information about your transactions with us, our affiliates, or others, such as your payment history or loan balance; and (iii) information we receive from a consumer reporting agency, such as your creditworthiness, credit score, or credit history.

Choose One:

We do not disclose any non-public information about our customers or former customers to anyone, except as permitted by law.

We may disclose non-public personal information about you to the following types of third parties:

(i) mortgage bankers to which we refer your file for approval;

(ii) non-financial companies, such as:

and

(iii) others, such as non-profit organizations.

We may disclose the following information to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements: (i) information we receive from you on applications or other forms, such as your name, address, social security number, assets and income; (ii) information about your transactions with us, our affiliates, or others, such as your payment history or loan balance; (iii) information we receive from a consumer reporting agency, such as your credit worthiness, credit score, or credit history.

If you prefer that we not disclose non-public personal information about you to non-affiliated third parties, you may opt out of those disclosures, that is, you may direct us not to make those disclosures (other than disclosures permitted by law). If you wish to opt out of disclosures to non-affiliated third parties, you may call us at this phone number:

Choose One:

If more than one person has applied for a loan jointly, any one applicant may direct us not to share his or her non-public personal financial information with third parties which are not our affiliates. We require each co-applicant to separately state his or her decision in that regard. If one co-applicant gives notice and the other does not, we will not disclose information that pertains to the party opting out and information that pertains to both parties jointly.

If more than one person has applied for a loan jointly, any one applicant acting on behalf of all may direct us not to share the non-public personal financial information of all of the borrowers with third parties which are not our affiliates. We do not allow co-borrowers to opt out individually.

Figure 5 - The privacy notice discloses a company's policies with regard to maintaining and sharing information. Consumers may "Opt Out" of sharing.

The privacy notice must be given to individual customers or consumers by mail or in-person delivery; it may not be posted on a wall. Reasonable ways to deliver a notice may depend on the type of business the institution is in: for example, an online lender may post its notice on its website and require online consumers to acknowledge receipt as a necessary part of a loan application.

The Privacy Notice

The privacy notice is a clear, conspicuous, and accurate statement of the company's privacy practices. It includes what information the company collects about its consumers and customers, who it shares the information with, and how it safeguards the information. The information is the "nonpublic personal information" the company gathers and

discloses about its consumers and customers. It is most, or all, of the information a company has about them. Public information is not protected by privacy rights.

Opting Out

Sharing private information may be a particular concern to the borrower. Will the information be resold or will they receive an onslaught of solicitations from affiliated companies. Consumers and customers have the right to opt out of - or say no to - having their information shared with certain third parties. The privacy notice must explain how they can do that.

The privacy notice also must explain that consumers have a right to say no to the sharing of certain information - credit report or application information - with a financial institution's affiliates. An affiliate is an entity that controls another company, is controlled by the company, or is under common control with the company. Consumers have this right under a different law, the Fair Credit Reporting Act. The GLB Act does not give consumers the right to opt out when the financial institution shares other information with its affiliates.

The GLB Act provides no opt-out right in several other situations: For example, an individual cannot opt out if:

- a financial institution shares information with outside companies that provide essential services like data processing or servicing accounts;
- the disclosure is legally required;
- a financial institution shares customer data with outside service providers that market the financial company's products or services.

The Safeguards Rule

The Safeguards Rule requires financial institutions to develop a written information security plan that describes how the company is prepared for, and plans to continue to protect clients' nonpublic personal information. (The Safeguards Rule also applies to information of those no longer consumers of the financial institution.) This plan must include:

- Denoting at least one employee to manage the safeguards,
- Constructing a thorough information security and risk management plan on each department handling the nonpublic information,
- Develop, monitor, and test a program to secure the information, and
- Change the safeguards as needed with the changes in how information is collected, stored, and used and disposed of.

In the mortgage industry we produce vast amounts of paper that contain consumer's most sensitive data. Among other things, improper disposal of this information can result in data breaches. Fraud perpetrators have targeted mortgage company dumpsters to mine this data – a practice known as “dumpster diving.” Between the safeguards rule, FACTA

and FCRA, consumers have substantial protections against identity theft and the institutions that handle that data are made responsible for losses.

Receiving Nonpublic Personal Information

The GLB Act puts some limits on how anyone that receives nonpublic personal information from a financial institution can use or re-disclose the information. Take the case of lender that discloses customer information to a service provider responsible for mailing account statements, where the consumer has no right to opt out: The service provider may use the information for limited purposes - that is, for mailing account statements. It may not sell the information to other organizations or use it for marketing.

However, it's a different scenario when a company receives nonpublic personal information from a financial institution that provided an opt-out notice -- and the consumer didn't opt out. In this case, the recipient steps into the shoes of the disclosing financial institution, and may use the information for its own purposes or re-disclose it to a third party, consistent with the financial institution's privacy notice. That is, if the privacy notice of the financial institution allows for disclosure to other unaffiliated financial institutions - like insurance providers - the recipient may re-disclose the information to an unaffiliated insurance provider.

Other Provisions

Financial institutions are prohibited from disclosing their customers' account numbers to non-affiliated companies when it comes to telemarketing, direct mail marketing or other marketing through e-mail, even if the individuals have not opted out of sharing the information for marketing purposes.

Another provision prohibits "pretexting" - the practice of obtaining customer information from financial institutions under false pretenses. They are gaining the customer's or consumer's permission to share under false pretexts – such as a valuable offer. Suddenly the consumer has opted in without realizing it.

Fair Credit Billing Act (FCBA)

This law provides a dispute and settlement process. The law applies to "open end" credit accounts, such as credit cards, and revolving charge accounts. It does not cover installment contracts - loans or extensions of credit you repay on a fixed schedule.

The FCBA settlement procedure applies only to disputes about "billing errors." Specifically

- Unauthorized charges are limited to \$50;
- charges that list the wrong date or amount;
- charges for goods and services you didn't accept or weren't delivered as agreed;
- math errors;
- failure to post payments and other credits, such as returns;
- failure to send bills to a current address - provided Glory Mortgage received a change of address, in writing, at least 20 days before the billing period ended; and
- charges for which an explanation or written proof of purchase has been requested.

To take advantage of the law's consumer protections, the consumer must

- write to Glory Mortgage at the address given for "billing inquiries," not the address for sending payments, and include name, address, account number and a description of the billing error;
- send the letter certified mail, return receipt requested, so that it reaches Glory Mortgage within 60 days of receipt of the first bill containing the error ;
- Include copies (not originals) of sales slips or other documents

Glory Mortgage must acknowledge the complaint in writing within 30 days after receiving it, unless the problem has been resolved. Glory Mortgage must resolve the dispute within two billing cycles (but not more than 90 days) after receiving the letter.

While the Bill is in Dispute

The borrower may withhold payment on the disputed amount (and related charges), during the investigation. Any part of the bill not in question, including finance charges on the undisputed amount, must be paid, but Glory Mortgage may not take any legal or other action to collect. While an account cannot be closed or restricted, the disputed amount may be applied against the credit limit. Glory Mortgage may not threaten a credit rating or report a borrower as delinquent while a bill is in dispute, but may report that the account is being challenged.

If a bill contains an error, Glory Mortgage must explain - in writing - the corrections that will be made. In addition Glory Mortgage must remove all finance charges, late fees or other charges related to the error. If Glory Mortgage determines that a portion of the disputed amount is owed, there must be a written explanation. If Glory Mortgage's

investigation determines the bill is correct, the borrower must be told promptly and in writing how much is owed and why.

If the borrower disagrees with the results of the investigation, write to Glory Mortgage within 10 days after receiving the explanation. If the borrower refuses to pay, Glory Mortgage may begin collection procedures.

Any lender who fails to follow the settlement procedure may not collect the amount in dispute, or any related finance charges, up to \$50, even if the bill turns out to be correct.

Fair Debt Collection Practices Act

The Fair Debt Collection Practices Act requires that debt collectors treat borrowers fairly and prohibits certain methods of debt collection. The law does not erase any legitimate debt. If a borrower uses credit cards, owe money on a personal loan, or pays on a home mortgage, he or she is considered a "debtor." Personal, family, and household debts are covered under the Act. This includes money owed for the purchase of an automobile, for medical care, or for charge accounts. If he or she falls behind in repaying Glory Mortgage, or an error is made on accounts, he or she may be contacted by a "debt collector." A debt collector is any person who regularly collects debts owed to others. This includes attorneys who collect debts on a regular basis.

Rules Regarding Contact with Borrowers

A collector may make contact in person, by mail, telephone, telegram, or fax. However, a debt collector may not make contact at inconvenient times or places, such as before 8 a.m. or after 9 p.m., unless a borrower agrees. A debt collector also may not make contact at work if the collector knows that the employer disapproves of such contacts.

A borrower can stop a debt collector from contacting him or her by writing a letter to the collector telling them to stop. Once the collector receives the letter, they may not make contact again except to say there will be no further contact or to notify the borrower that the debt collector or Glory Mortgage intends to take some specific action. The collector may contact an attorney rather than the borrower. A collector may contact other people only once for investigatory purposes. The collector may not tell anyone that they owe money.

The debt collector must

- send a written notice telling the amount of money owed within five days after of first contact
- not make contact if the borrower sends the collection agency a letter stating there is no money owed within 30 days after written notice

Debt collectors may not

- harass, oppress, or abuse you or any third parties they contact
- use threats of violence or harm;
- publish a list of consumers who refuse to pay their debts (except to a credit bureau);
- use obscene or profane language;
- repeatedly use the telephone to annoy someone;
- use any false or misleading statements when collecting a debt;
- falsely imply that they are attorneys or government representatives;
- falsely imply that you have committed a crime;
- falsely represent that they operate or work for a credit bureau;

- misrepresent the amount of your debt;
- indicate that papers being sent to you are legal forms when they are not; or
- indicate that papers being sent to you are not legal forms when they are;
- state you will be arrested if you do not pay your debt;
- state they will seize, garnish, attach, or sell property or wages, unless the collection agency or Glory Mortgage intends to do so, and it is legal to do so;
- state actions, such as a lawsuit, will be taken when such action legally may not be taken, or when they do not intend to take such action;
- give false credit information to anyone, including a credit bureau;
- send anything that looks like an official document from a court or government agency when it is not;
- use a false name;
- collect any amount greater than your debt, unless state law permits such a charge;
- deposit a post-dated check prematurely;
- use deception to force borrowers accept collect calls or pay for telegrams;
- take or threaten to take property unless this can be done legally;
- contact a borrower by postcard

Payment of Debts

If a borrower owes more than one debt, any payment you make must be applied to the debt the borrower indicates. A debt collector may not apply a payment to any debt the borrower does not believe he or she owes.

Recourse for Borrowers

Borrowers may sue a collector in a state or federal court within one year from the date the law was violated. They may recover money for the damages suffered plus an additional amount up to \$1,000. Court costs and attorney's fees also can be recovered. A group of people also may sue a debt collector and recover money for damages up to \$500,000, or one percent of the collector's net worth, whichever is less.

Electronic Funds Transfer Act (EFTA)

Debit cards — which authorize merchants to debit bank accounts electronically — are increasing in use. Although a debit card may look like a credit card, the money for debit purchases is transferred almost immediately from a consumer's bank account to the merchant's account. A consumer's liability limits for a lost or stolen debit card and unauthorized use are different from the liability if a credit card is lost, stolen or used without authorization.

The EFTA applies to electronic fund transfers — transactions involving automated teller machines (ATMs), debit cards and other point-of-sale debit transactions, and other electronic banking transactions that can result in the withdrawal of cash from your bank account.

A consumer is responsible for \$50 in authorized use of a debit card if the loss is reported within two business days. If the loss is not reported within two business days but within 60 days after the statement date, the consumer is responsible for up to \$500 because of an unauthorized withdrawal. If the unauthorized transfer or withdrawal is not reported within 60 days after your statement is mailed, the consumer risks the entire loss of all funds and any overdraft protection.

The EFTA's error procedures apply to certain problems including:

- electronic fund transfers that the borrower has not made
- incorrect electronic fund transfers;
- omitted electronic fund transfers;
- a failure to properly reflect electronic fund transfers; and
- Electronic fund transfers which are in question because of a possible error.

The procedure is

- Notify the financial institution of the problem not later than 60 days after the statement containing the problem or error was sent.
- Follow-up in writing
- For retail purchases the financial institution has up to 10 business days to investigate after receiving the notice of the error
- The financial institution must provide the results of its investigation within three business days of completing its investigation.
- The error must be corrected within one business day after determining the error has occurred.
- If the institution needs more time, it may take up to 90 days to complete the investigation but it must return the money in dispute within 10 business days after receiving notice of the error.

Credit Repair Organizations Act (90-321, 82 Stat. 164)

This law prohibits false claims about credit repair and makes it illegal for these operations to charge a customer until the services have been performed. It requires these companies to tell customers about their legal rights. Credit repair companies must provide this in a written contract that also spells out just what services are to be performed, how long it will take to achieve results, the total cost, and any guarantees that are offered. Under the law, these contracts also must explain that consumers have three days to cancel at no charge.

File Segregation

A popular credit repair scheme is called “file segregation.” In this scheme, borrowers are promised a chance to hide unfavorable credit information by establishing a new credit identity. “File segregation” is illegal. Credit Repair Organizations often promote this as a legitimate process by stating that borrowers cannot be legally required to provide a social security number. This is not untrue, but it does not endorse the process of substituting a Federal Tax ID number for a social security number. This is fraud. Unsuspecting borrowers can face fines and prison sentences.

There is nothing that a credit repair company can charge a customer for that a borrower cannot do for little or no cost.

If a borrower is not disciplined enough to create a workable budget and stick to it, he or she should work out a repayment plan with Glory Mortgage. Non profit credit counseling organizations work with borrowers to solve financial problems. But not all are reputable. An organization may say it is “nonprofit” but this does not mean that its services are free, affordable, or even legitimate. In fact, some credit counseling organizations charge high fees, or hide their fees by pressuring consumers to make “voluntary” contributions that only cause more debt.

Operation Clean Sweep is the FTC’s enforcement program. On October 23, the Federal Trade Commission (FTC) filed actions against 33 credit repair organizations for allegedly violating the FTC Act and the Credit Repair Organizations Act (CROA). The FTC alleges that the companies made false and misleading statements when they claimed that they could remove negative information from consumers' credit reports, even if that information was accurate and timely. Further, the FTC alleges that the agencies violated the CROA by charging advance fees in connection with credit repair services.