Exhibit 1.1
Sample Policy and Procedure

123 Loan, LLC
Quality Control
Review Guidelines

POLICY

The objective of these guidelines is to affirm that *123 Loan, LLC* ("Lender") policy and procedures, FHA, FHLMC, and FNMA ("Agency") guidelines, private investor standards, and state and federal laws and regulatory requirements are being met. Additional objectives include identifying and quantifying risk trends and establishing procedures to protect the quality of the loans produced and purchased by the lender. The lender will use reports generated by the Quality Control ("QC") department as a training tool to insure that employees have been properly informed about any changes to the lender's policy and procedures, Agency guidelines, private investor standards, and state and Federal regulatory requirements. The reports will be used as a guide to provide management with information regarding which employees need counseling and which departments, branches, brokers, and correspondents need additional training and guidance. This is accomplished by a monthly audit of loan files based on random, discretionary, or other statistically valid samples.

GENERAL OVERVIEW

To accomplish this, the QC department will examine several elements contained in each loan file. The QC process evaluates the quality of processing and underwriting, enabling the lender to recognize market trends and/or deficiency patterns in order to take the appropriate action. Emphasis is placed on the following:

- Verifying that all disclosures required by state and Federal law and/or regulation are accurately prepared and delivered in a timely manner throughout the loan process;
- Reviewing underwriting decisions;
- Verifying the accuracy and validity of the credit documentation;
- Reviewing the accuracy and validity of the appraisal documentation; and
- Reviewing the accuracy of closing documents.

The primary purpose of the QC review is to insure that all proper disclosures have been made, the credit underwriting and appraisal requirements established by the lender have been followed, and that there are no errors and/or omissions in the closing documents that could invalidate the contract or cause the loan to be unsalable.

The review process is designed to identify deficiencies, errors, omissions, fraud, misrepresentations, or violations of lender guidelines. The primary review goals include:

- Increase loan file integrity;
- Identify suspected misrepresentation or fraud, and establish methods to protect against future occurrences;
- Identify significant variances from investor requirements;
- Identify areas of possible risk with regard to various loan programs;
- Identify areas requiring additional training; and
- Identify areas for which existing procedures need modification to improve loan file integrity and portfolio salability.

The QC function must be conducted independently from production, processing, and underwriting. The findings of all QC reviews should be reported to Senior Management on a monthly basis. The QC department should report to the **[*Vice President of Loan Operations*.]**

LOAN SELECTION PROCESS

The lender's commitment to QC begins at origination. The processors and underwriters take every precaution to warrant that the loan files are accurate and free of misrepresentation. All loans are re-verified prior to funding, and a minimum of 10 percent is reviewed and re-verified by QC after funding.

The QC department will conduct monthly reviews, which are considered representative of the full scope of the lender's product lines and production processes. The full scope includes, but is not limited to, all product lines, all states, all branches, each third party originator, etc.

- Minimum of 10% of annual mortgage production;
- Minimum of 10% of annual FHA-insured mortgage production;
- Minimum of 10% of annual VA-guaranteed mortgage production;
- Minimum of 35% of all loans denied;

- Additional random and discretionary broker audits;

- Additional random and discretionary audit of high risk loans such as loans with: non-owner co-borrowers, excessive seller contributions, and sweat equity; loans that are non-arms-length transactions; and/or when the collateral is in a soft market area;

- All first payment and early payment (within the first 6 months after closing) default loans.

- All loans classified as “high cost, high fee” loans or “covered loans” under Federal HOEPA or state predatory lending law.

REPORTING FINDINGS

All loans (originated and denied) selected for the QC process are chosen on a monthly basis within 90 days of the Note date, with final reports generated and submitted to senior management within 90 days of selection. The QC selection is generated from the lender’s loan tracking system. The report indicates the total number of loans produced for the calendar month being reviewed and provides the following information:

- Investor identification;

- Loan number;

- Loan program identification;

- Loan-to-value (LTV) ratio;

- Loan type;

- Loan amount;

- Originating branch including account executive, processor, and underwriter;

- Originating source (third party);

- Original appraiser;

- Property type;

- Refinance or Purchase; and

- “Cash-out” or “Rate and Term,” if applicable.

Other information may be required from the loan tracking system because of special investor requirements or risk factors.

One-third of loans selected should include a discretionary/high-risk sampling, and two-thirds of loans selected include a random sampling. Discretionary factors may include new underwriter or new originating or correspondent source.

The definition of a high-risk loan includes, but is not limited to, the following:

- 2-4 family units;
- Cash-out refinances in excess of 70% LTV;
- Condominiums;
- Investment properties;
- Jumbo loan program;
- Loans in excess of 80% LTV;
- Loans with an adjustable rate feature;
- Loans with a balloon payment feature;
- Loans with a prepayment penalty feature;
- Reduced documentation loan program;
- Self-employed borrower;
- Underwriter approved exceptions to specific loan program underwriting criteria; and/or
- All loans classified as "high cost, high fee" loans or "covered loans" under Federal HOEPA or state predatory lending law.

Denied Loans

Denied loans must be reviewed with particular attention to the following areas:

- The reasons given for rejection must be reviewed and determined to be valid.
- A senior staff person or officer of the company or a committee chaired by a senior staff person or officer has reviewed the documentation and original decision and concurs with the reason(s) the loan was rejected.
- All of the requirements of the Equal Credit Opportunity Act are met and documented in each file.

Note. Where a possible pattern of discrimination is noted, senior management is expected to take immediate corrective action.

QUALITY CONTROL REVIEW

When the loan file is selected by QC for review, the QC processor will prepare all re-verification forms for mailing. A credit report is also requested and the file is given to a QC underwriter for review and underwriting analysis.

The loan file is also reviewed for the following:

- Broker approval with the lender;
- Broker appearance on any agency or investor watch list; and
- Appraiser acceptance by the lender (it should be noted in the review if the original underwriter required a review appraisal).

Re-Verifying Documents

The information and documentation submitted in an origination package is reviewed for completeness and accuracy. For each loan file selected for a QC review, the following must be re-verified[1] in writing and reviewed:

- Verification of Employment and Income (VOE);
- Verification of tax returns from the borrower's tax preparer, using IRS Form 4506, IRS Form 8821 (Tax Information Authorization) or other acceptable authorization to obtain tax returns directly from the IRS;
- Verification of Deposits (VOD);
- Copies of bank statements authenticated by the bank;
- Copies of the stock or security statements verified by the stockbroker;
- Verification of the source of funds for down payment and closing costs;
- Verification of the gift letters;
- Verification of proof of liquidation of assets when applicable; and
- Verification of Mortgage and/or rental payments (VOM).

---

1. If alternative documentation (i.e. bank statements, pay stubs, or canceled checks) is collected for the original underwriting evaluation, send that with a cover letter requesting authentication from the bank, employer, lender, or other entity supplying verification.

If the foregoing cannot be obtained in writing, a verbal verification may be obtained and must be properly documented. Documentation must include, but is not limited to, the date, company name, phone number, and name and title of the contact person, as well as confirmation of the accuracy of the original verification.

Note. All requests for re-verification must include a business reply envelope and the instructions "Do Not Forward." Envelopes for re-verifications of employment must be marked as "Personal and Confidential, Salary Information Enclosed."

Credit Report

A minimum of ten percent of loan files reviewed will have a new factual credit report requested from a source independent from the original reporting agency. The factual credit report is compared to the original credit report for consistency and discrepancies are noted. The remaining 90% of the loan files reviewed are documented with a new credit report (2-bureau merge) to re-verify each borrower's credit information. This is also independent from the original source.

Appraisal

The purpose of the appraisal review is to determine that the original appraisal was performed to meet standard appraisal practices. Ten percent of the loan files reviewed must have a field review inspection performed by a qualified independent appraiser that is not affiliated with the original appraiser or appraisal firm. The review appraisal must establish the value and marketability of the property as of the date of the original appraisal. In the case of secondary mortgage loans, and the remaining ninety percent of the loan files reviewed, a desk-top review appraisal by a qualified independent appraiser not affiliated with the original appraiser or appraisal firm will be performed. The review appraisal will address the following areas:

- Qualifications and background of the appraiser;
- Overall consistency and accuracy of the appraisal; and
- Acceptability of the comparables.

Borrower Letter

A verification letter is sent to the borrower to verify the loan terms, occupancy status, and property address. A copy of the original application is included for the borrower(s) to acknowledge his and/or her signature(s), and to verify that the information shown is as originally provided.

Questions are asked regarding the following:

- Whether he/she was asked to sign a blank or incomplete application, and
- Whether he/she was asked to omit any information requested on the application.

Underwriting

The QC underwriter will review the original underwriter's decision as follows:

- The original underwriter was not suspended or disbarred at the time the loan was approved;
- The application, credit report, income, verifications, appraisal, etc. are reviewed for accuracy and completeness;
- The closing conditions are reviewed to determine that they were properly documented and/or obtained;
- The information required to make a credit decision is reviewed to determine that it was properly verified and documented;
- The creditworthiness of the borrower is evaluated to determine that all factors were taken into consideration;
- The income stability of the borrower is evaluated and compared to the original underwriter's evaluation;
- The original underwriter's documented reasons for his/her decision are reviewed to determine that they are consistent with the documentation in the loan file, lender policy and procedures, and investor guidelines;
- The borrowers' verified funds are reviewed to determine that they were sufficient to close the loan and have the required surplus;
- The appraisal report is reviewed to evaluate the completeness of the report, appropriateness of the comparables, and the consistency of the value stated;
- The seller contribution is evaluated to determine that it was within guidelines and properly considered in determining the Loan-to-Value;
- The overall underwriting is reviewed to confirm that it is within lender and investor guidelines;
- The processor and underwriter comments are reviewed to determine that any significant discrepancies were resolved before loan closing; and
- The original underwriter's decision is evaluated to determine that it was supported by the file documentation and was reasonable and prudent.

Note. The QC Underwriter has been given the authority to conduct additional audits at their discretion as deemed necessary.

RED FLAGS

Red flags are indicators that further investigation may be warranted. If a file contains one or more red flags, it does not mean there is material misrepresentation or fraud in the file.

Mortgage Application

- Invalid social security number;
- Employer's address shown only as a post office box;
- Significant or unrealistic commute distance;
- Same telephone number for borrower and employer.

Employment and Income (Salary)

- Evidence of "white-out" or alterations;
- "Squeezed-in" numbers;
- Appearance that verification of employment form was hand carried;
- Rounded dollar amounts;
- Employer's address shown only as a post office box;
- Handwritten pay stubs or W-2 forms;
- Income out of line with type of employment;
- Incorrect social security and/or Medicare deductions.

Self-Employment

- Tax returns not signed or dated;
- Evidence of "white-out" or alterations;
- Real estate taxes or mortgage interest paid, but no real property ownership reported;
- Different handwriting or type style within a document;
- Borrower listed as "president" on the Verification of Employment;

Collateral Assessment

- Appraisal ordered by someone other than lender;
- Comparable properties not verified as recorded;
- Comparable properties too far away from subject;
- Adjustments for differences in properties greater than $10,000;
- Tenant shown to be occupant on refinance in which applicant claims occupancy;

Occupancy

- There is an unrealistic commute distance without plausible explanation;

- There is an indication on the appraisal that the property may be rented or vacant.

MONITORING THIRD PARTY ORIGINATORS

The post funding QC management report will track all third party originators ("TPOs"). The report will track any discrepancies or patterns of discrepancies. The branch manager will be notified of any problems with TPOs. Disciplinary action, staff training, or possible termination of the broker agreement may be required. The report will be provided to investors upon request.

Monitoring TPO's That Submit FHA Insured Loans

Insure that the TPO does not employ any individual who is debarred, suspended, or subject to a Limited Denial of Participation (LDP) or otherwise restricted from participation in HUD-FHA programs for HUD origination, underwriting, or servicing.

TPO Affiliated Business

Any submissions of a TPO's affiliated business is considered a non-arms-length transaction and will be subject to a full Underwriting review and reevaluation of credit.

There is an increased risk of poor quality loans and higher potential for fraud when a correspondent broker obtains loans from other originators or fourth party originators. Correspondent brokers must agree to the following requirements:

- Provide the lender with copies of QC procedures for broker origination and their approved broker list, and
- If the lender determines that the correspondent broker does not maintain the controls and/or enough qualified staff to effectively monitor the fourth party originator, the use of the fourth party may be limited or disallowed.

All correspondent brokers are subject to a review by QC. If discrepancies are identified the appropriate action will be taken.

###

CLOSING DOCUMENTS

There must be credible evidence in each loan file in the form of original or certified copies of closing documents. Those documents include:

- The Note and all addenda to the Note;
- The security instrument and all riders to the security instrument;
- All assignments of the mortgage;
- The title insurance commitment or binder;

- The plat or survey;
- The hazard insurance policy;
- The Truth-in-Lending disclosure;
- Other required disclosure statements or evidence of compliance with applicable laws and regulations;
- The HUD-1/HUD-1A Settlement Statement; and
- Documents for specific types of loans as may apply such as:
  - — The mortgage insurance policy or certificate;
  - — The FHA Mortgage Insurance certificate;
  - — Evidence of energy efficiency; or
  - — Evidence of flood insurance.

NOTE

A certified copy of the original Note must accompany each loan file. When reviewing a file, confirm that the Note is complete and properly executed (and endorsed, if applicable). Any material deficiencies in the Note must be corrected.

Note Date

The date the Note is drawn ("doc date") must agree with the doc date on the Deed of Trust, Mortgage, Security Deed, Warranty Deed, any attached riders (collectively, "security instrument"), and any Note addenda.

Loan Program Information

The following information, as applicable, must appear in the body of the Note and conform to the parameters of the loan program:

- the loan amount;
- the interest rate, usually in 0.125% increments;
- the first payment due date and maturity date;
- the amount of the regularly scheduled monthly payment of principal and interest;
- the first adjustment date, per change cap, minimum and maximum lifetime interest rate cap, the index and the margin (if an ARM loan);
- conditions to modify or extend (if a Balloon loan); and

- late charge and the number of days after which a late charge will be assessed (grace period).

Borrower Information

The following information, as applicable, must appear in the body of the Note and conform with information provided on the application:

- The name and address of the originating/closing lender must be complete and correct.

- All borrowers' signatures agree with the signatures on the original signed loan application and the name typed on the Note and security instrument. Borrowers may sign more, but not less. EXAMPLE: The name typed on the Note and security instrument is John Q. Borrower — he may sign "John Q. Borrower" or "John Quincy Borrower," but not "John Borrower" or "J. Q. Borrower."

Note. The date the documents are notarized must be the same day, or after the doc date.

Note Addenda

Based on the loan program, one or more note addenda may be attached to the Note. There must be credible evidence in each loan file that the necessary addenda were accurately completed and executed. The addenda must state that it amends and supplements the Note of the same date and that it supersedes existing covenants in the Note. The most commonly reviewed addenda contains provisions for a prepayment penalty.

Other Requirements

The Note form used must be correct for the program type and must be the most recent revision. Review the program guidelines to confirm the proper document has been used.

- The Note endorsement must be completely executed by the lender, and is made payable to "The lender" and made "without recourse"; and

- Any intervening endorsements must be correct, complete, and properly executed.

In a multistate environment, the QC auditor must review the Note (and addenda, if applicable) for compliance with specific state laws and regulations for the state in which the collateral is located.

SECURITY INSTRUMENT

A certified copy of the original security instrument must accompany each loan file. If a recorded copy of the security instrument is not available at the time of the QC review, the recording information must be obtained from the recorder's office in the county in which the subject property is located. When reviewing the loan file, confirm that the security instrument is complete, properly executed, and notarized. Any material deficiencies in the security instrument must be corrected and, if necessary, the document must be re-recorded.

Document Date

The doc date on the security instrument and riders must match the doc date on the Note and any addenda to the Note.

Legal Description

The legal description on the security instrument must exactly match the legal description on the preliminary title report, title commitment, plat, survey, and/or title policy.

Vesting

Verify that the vesting on the security instrument matches the vesting on the application and/or escrow instructions.

Borrower Information

The following information, as applicable, must appear in the body of the security instrument and conform with information provided on the application and/or escrow/closing instructions:

- The name and address of the originating/closing lender must be complete and correct.

- All borrowers' signatures must agree with the signatures on the original signed loan application and the name typed on the security instrument. Borrowers may sign more, but not less. EXAMPLE: The name typed on the Note and Security Instrument is John Q. Borrower — he may sign "John Q. Borrower" or "John Quincy Borrower," but not "John Borrower" or "J. Q. Borrower."

- Notary acknowledgments must be correct and complete and include the following:
  - — the notary seal/stamp;
  - — the commission expiration date;
  - — the date the document was notarized; and
  - — the notary's signature.

Riders

Based on the loan program and/or property type, one or more riders may be required as attachments to the security instrument. There must be credible evidence in each loan file that the necessary riders were accurately completed and executed. The following is a list of the more commonly used riders that may be attached to and made a part of a security instrument:

- Condominium Rider;
- Planned Unit Development Rider;
- One to Four Family Rider;
- GPM Rider;
- ARM Program Rider;
- Balloon Rider;
- Prepayment Penalty Rider.

Verify that the program parameters on the GPM, ARM, or Balloon riders match the program parameters on the Note.

Other Requirements

In a multistate environment, the QC auditor must review the security instrument (and riders, if applicable) for compliance with specific state laws and regulations for the state in which the collateral is located.

###

TITLE INSURANCE

Evidence of title insurance must be in the form of a commitment or title insurance policy. The evidence must provide for full title protection for the lender, its successors, and/or assignees. Title insurers that issue policies for mortgages secured by one-to-four family properties must have an acceptable rating from one of the independent rating agencies listed below:

- Demotech, Inc. — a "Financial Stability Rating" of "S" or better, or a "Statutory Accounting Rating" of "C" or better;
- Duff and Phelps Credit Rating Company — a rating of "BBB" or better;
- LACE Financial Corp. — a rating of "C" or better;
- Moody's Investor Services — a rating of "Baa" or better; or
- Standard and Poor's, Inc. — a rating of "BBB" or better.

Effective Date

The effective date of the title insurance should be no earlier than the date the loan proceeds are disbursed or the date the security instrument is recorded, whichever occurs later.

Minimum Coverage

The title insurance coverage should be for at least the amount of the original principal balance. If applicable, an endorsement must be attached to the title policy to cover any potential increase in the principal balance due to negative amortization.

Title Exceptions

The title insurance policy must show that the property is free and clear of all liens and encumbrances including, but not limited to:

- Property taxes that are due and payable or delinquent at the time the security instrument is recorded;
- Mechanics liens;
- State and/or Federal tax liens;
- Judgments; and/or
- Any other lien that is not subordinate to the first lien mortgage.

Certain conditions of title that are considered minor impediments and will not effect the lien position include, but are not limited to:

- Customary public utility subsurface and above-surface easements;
- Mutually agreed upon easements for joint driveways and party walls or fences;
- Covenants, conditions, and restrictions regarding minimum dwelling size, or set-back restrictions;
- Encroachments of one foot or less on adjoining property by eaves or other overhanging protections or by driveways as long as there is a ten-foot clearance between the buildings and the property line affected by the encroachment;
- Encroachments on adjoining properties by hedges or removable fences;
- Oil, water, and mineral rights that will not materially alter the contour of the property or impair its value or usefulness for its intended purpose;
- Variations in the legal description as long as the lender provides a survey and insurance against loss or damage because of the discrepancies;

- Variations in the property lines as long as they do not vary by more than 2% on the front property line and 5% on all other property lines; and

- Exceptions for Indian claims as long as there is title insurance against loss or damage.

Endorsements All standard, investor-required and state-specific endorsements have been ordered and obtained. Refer to the lender's closing instructions to confirm which endorsements were ordered.

HAZARD INSURANCE The borrowers have the right to select their own insurance carrier for hazard insurance coverage. However, the coverage must meet the lender's requirements for coverage. The insurance carrier must have an acceptable rating from one of the independent rating agencies listed below:

- A.M. Best Company — a rating of either "B" or better general policyholder's rating, **or** a "6" or better financial performance index rating in the Insurance Reports, **or** an "A" or better general policyholder's rating **and** a "VIII" or better financial category size in the Insurance Reports — International Edition.

- Demotech, Inc. — a rating of "A" or better in the Hazard Insurance Financial Stability Ratings.

- Standard and Poor's, Inc. — a rating of "BBBq" qualified solvency ratio or a "BBB" or better claims-paying ability rating in the Insurer Solvency Review, or a "BBB" or better rating for claims paying ability in the International Confidential Rating Service.

Coverage Coverage should be for replacement of the improvements at a minimum. The policy must include coverage for damage caused by fire and other hazards covered by standard extended coverage policies. The policy may not exclude coverage for damage caused by windstorms, hurricanes, hail damage, or other perils normally covered by standard extended coverage endorsements.

Deductible The deductible should be the lesser of $1,000 or one percent of the face amount of the policy.

Mortgagee Clause The evidence of insurance must contain a standard mortgagee clause assigning priority to the first lienholder:

"The Lender"
its successors and/or assigns
Address
Address

FHA Mortgage Insurance Premiums

Insure that HUD-FHA Mortgage Insurance Premiums (MIPs) are remitted within 15 days from the date of loan closing.

Request a copy of the loan payment history from servicing to ensure that the loan is current when submitted for endorsement.

FLOOD INSURANCE

See the **COMPLIANCE REVIEW** section for guidance regarding review of Flood Insurance.

DISCLOSURES

Refer to the **COMPLIANCE REVIEW** section, which follows.

###

COMPLIANCE REVIEW

QC will review each file selected for compliance with all state and Federal laws and/or regulations including, but not limited to:

- Disclosures;
- Prepayment penalties;
- Marital rights/signature requirements; and
- Allowable fees and charges.

FEDERAL REGULATORY REQUIREMENTS

The QC department will review each file for credible evidence that the provisions of the Federal consumer-protection statutes are met. Specifically, the files will be reviewed for evidence of compliance with:

- The Truth-in-Lending Act (TILA);
- The Real Estate Settlement Procedures Act (RESPA);
- The Equal Credit Opportunity Act (ECOA);
- The Home Mortgage Disclosure Act (HMDA); and
- National Flood Insurance Program (NFIP).

Truth-in-Lending Act

Timing for Disclosures: There must be credible evidence in each file that a TIL disclosure was provided to each borrower within 3 business days of receipt of a credit application and at closing as required by the matrix below.

Program Disclosures: There must be credible evidence in each Adjustable Rate Mortgage (ARM) loan file that the borrower received a program disclosure reflecting the terms of the loan program at closing, including information regarding how the interest rate is calculated, how the interest rate and payments can change, when the changes will occur, and what the change caps are.

Consumer Handbook for Adjustable Rate Mortgages (CHARM Booklet): There should be credible evidence in each ARM loan file that the borrower(s) received a CHARM Booklet.

APR Tolerance: The APR will be recalculated to determine that there is no difference between the APR on the final TIL disclosure statement and the APR calculation using the points and fees from the final HUD-1. Acceptable discrepancies cannot exceed .125% above or below the actual APR on the final TIL disclosure statement.

Notice of Right to Cancel: The transaction date is the date the documents are signed. In most cases it is the date that corresponds with the notary date on the security instrument. If there is no date on the notary acknowledgment (i.e., Georgia Notaries do not require dating), use the date of the Security Instrument. The rescission period expires at midnight on the third business day following the latter of: (i) the transaction date, (ii) the date the consumer receives the Final TIL disclosure, or (iii) the date the consumer receives their Notice of Right to Cancel.

Section 32 Disclosure: There must be credible evidence in the files of loans falling within the definition of a "Section 32 loan" that the required disclosure is received by the borrower(s) 3 business days prior to the transaction date of the loan. The APR on the Section 32 disclosure must be within .125% of the actual APR on the Final TIL disclosure. All other disclosures must be 100% accurate. The closing documents, including the Notice or Right to Cancel and the Section 32 disclosures may all be drawn on the same date. However, the closing documents may not be signed until 3 business days after the Section 32 disclosure is **received by** the borrower(s). The closing documents (i.e., security instrument, Note, TIL disclosure, Itemization of Amount Financed, Notice of Right to Cancel, etc.) may be signed **on** the 3rd business day.

Note. A Section 32 loan is defined as a refinancing of a first trust deed mortgage loan or a closed-end second mortgage loan (other than a purchase money second mortgage), secured by owner-occupied residential dwelling, that exceeds one or both of the following thresholds:

- *Annual Percentage Rate ("APR") Test*. The APR at consummation exceeds by more than 8.00 percentage points on first lien loans, or by more than 10.00 percentage points for subordinate lien loans, the yield, as of the fifteenth (15th) day of the month before the month in which the lender received the credit application, on U.S. Treasury securities **(EXHIBIT 1)** having comparable periods of maturity to the loan maturity; **OR**

- *Points and Fees Test.* The total points and fees payable by the consumer at or before loan closing will exceed the *greater* of 8.00% of the total amount or $465.00 for 2001, $480.00 for 2002, and $488.00 for 2003 (this figure is adjusted annually on January 1). The "total loan amount" is the amount financed, as defined in the Truth-In-Lending Act ("TILA").

Real Estate Settlement Procedures Act

Good Faith Estimate: There must be credible evidence in each loan file that a Good Faith Estimate (GFE) was delivered to the applicant(s) within 3 business days of receiving a credit application. The fees disclosed on the GFE should be substantially the same as the fees that appear on the final Itemization of Amount Financed and/or HUD-1/HUD-1A Settlement Statement ("HUD-1/1A").

Settlement Costs Booklet: There should be credible evidence in each file that a Settlement Costs Booklet was delivered to the applicant(s), if required[2] (evidence optional).

Notice of Possible Transfer of Servicing: There must be credible evidence in each file that a Notice of Possible Transfer of Servicing was delivered to the applicant(s) within 3 business days of receiving a credit application. The document must be signed prior to loan funding.

Settlement date: "Settlement" means the process of executing legally binding documents regarding a lien on property that is subject to a federally related mortgage loan. This process may also be called "closing" or "escrow" in different jurisdictions. For example, in California the settlement date is considered the date of the escrow closing. The settlement date is the date on which the legally binding documents (i.e., note and security instrument) are signed.

Final HUD-1/1A: The final HUD-1/1A must be clearly marked as final and be either signed by the borrowers and/or certified by the closing agent. There may also be an estimated HUD1/1A signed by the borrower(s) in the file. Do not mistake the estimated HUD-1/1A for the final document.

---

2. See, 24 CFR Sec. 3500.6. The HUD Settlement Costs Booklet must be provided within 3 business days of receipt of a mortgage loan application (first- or second-lien loan) only on purchase money mortgage transactions secured by an owner-occupied 1- to 4-family residence.

Prepaid Interest From and Prepaid Interest To: On the final HUD-1/1A this field reflects prepaid interest collected from the closing (or funding) date to a date 30 days prior to the 1st payment due date on the note. If the 1st payment occurs less than 30 days after the loan has funded, there should be a credit. If the 1st payment occurs more than 30 days after the loan has funded, there should be interest pre-paid.

Home Mortgage Disclosure Act

Unless otherwise exempt, mortgage lenders are required to submit a Loan Application Register ("LAR") in accordance with the Home Mortgage Disclosure Act ("HMDA").[3]

Reporting Loan Pricing and Other Loan Characteristics — Beginning January 1, 2004, covered lenders must compile the following loan data and begin reporting this data no later than March 1, 2005:

Rate Spread Information. For originated loans only, report those first lien mortgage loans having a difference between the loan's annual percentage rate (APR) and the yield on Treasury securities having comparable maturity periods equal to or greater than 3 percentage points. For originated junior lien mortgage loans, report those loans having a rate spread equal to or greater than 5 percentage points. Use the yield on Treasury securities as of the 15th day of the preceding month if the rate is set between the 1st and the 14th day of the month, and as of the 15th day of the current month if the rate is set on or after the 15th day. To determine the yield on a Treasury security, lenders must use the table entitled "Treasury Securities of Comparable Maturity under Regulation C" as published on the FFIEC's official website (www.ffiec.gov/hmda). These thresholds are designed to capture subprime mortgage loans and exclude most prime loans in an effort to monitor and curb predatory lending.

HOEPA Status. Report whether loans originated or purchased are covered under HOEPA/Regulation Z.

Lien Status. For loan applications and originations, but not on loan purchases, report whether a loan is or would be (1) secured by a first lien on a dwelling; (2) secured by a subordinate lien on a dwelling; or (3) not secured by a lien on a dwelling. This data is intended to help explain some pricing disparities, because interest rates, and therefore APRs, vary according to lien status. Additionally, this information is designed to enable data users to better analyze information on secured and unsecured home improvement loans.

---

3. Starting January 1, 2004, if a lender originates home purchase loans (including refinancings of those loans) of $25 million or more and it has total assets of more than $10 million (including the assets of any parent company) or originated at least 100 home purchase loans (including refinancings thereof), it will have to begin collecting data in 2004 and reporting it in 2005.

Expanded Definition of "Application" — Effective January 1, 2004, the Federal Reserve Board is expanding the Regulation B definition of "application" in Section 203.2 to cover home purchase loan preapproval programs meeting the following criteria:

- The institution will issue a written commitment to the applicant to extend a home purchase loan up to a specified amount, which commitment is valid for a designated period of time.
- The lender will conduct a comprehensive analysis of the applicant's creditworthiness (i.e., verification of income, resources and other matters typically conducted as part of its credit evaluation program).
- The written commitment may be subject to limited conditions, such as: identification of suitable property; verification that there has been no material change in the applicant's financial condition or creditworthiness prior to loan closing; and fulfillment of conditions not related to creditworthiness that the lender ordinarily requires for a traditional home mortgage application approval, such as certification of a clear termite inspection.

Prequalification programs remain outside the scope of HMDA reporting in accordance with Staff Commentary 203.2(b)-2.

Home Improvement Loans — Current rules require the reporting of both secured and unsecured home improvement loan applications if the intended purpose of the loan is home improvement and is classified by the lender as a home improvement loan (see stated purpose on loan application). Beginning January 1, 2004, lenders must collect and report no later than March 1, 2005 *all* applications for secured home improvement loans, regardless of lender classification. The lender classification rule still applies to unsecured home improvement loans.

Manufactured Homes — Beginning January 1, 2004, lenders must collect and report no later than March 1, 2005 *all* loan applications involving manufactured housing, which, according to the Federal Reserve Board, are underwritten differently from other types of housing loans and tend to have higher denial rates. Amended Regulation C adopts HUD regulations defining manufactured homes to distinguish them from other structures.

Revised Ethnicity and Race Standards — Beginning January 1, 2004, the ethnicity and racial categories provided in Appendices A and B to Regulation C will change to conform with OMB guidance. For ethnicity, the standards require a determination of whether individuals are Hispanic or Latino, or do not fall within this category. The revised standards prescribe five racial designations: American Indian or Alaska Native; Asian; Black or African American; Native Hawaiian or Other Pacific Islander; and White. The standards eliminate the category "Other." The standards also require that respondents be offered the option of selecting more than one designation. **As part of the QC review, verify that the government monitoring information on the back of the loan application is complete.**

Lenders must report ethnicity and race monitoring data collected during 2003 on the 2004 LAR in accordance with conversion rules. In the case of an application provided to an applicant in 2003 that is not returned to the lender until 2004, the lender may consider such an application as received in 2003 if the date shown on the application is 2003. The conversion rules may not be used where lenders or brokers continue to use loan application forms with the current race format on or after January 1, 2004. The rules for converting information on race and national origin collected under the current regulation to the revised categories for ethnicity and race as of January 1, 2004 are as follows:

CURRENT CATEGORY	NEW CATEGORY — ETHNICITY	NEW CATEGORY — RACE
Code 1 – American Indian or Alaskan Native	Code 4 – Not Applicable	Code 1 – American Indian or Alaska Native
Code 2 – Asian or Pacific Islander	Code 4 – Not Applicable	Code 2 – Asian
Code 3 – Black	Code 4 – Not Applicable	Code 3 – Black or African American
Code 4 – Hispanic	Code 1 – Hispanic or Latino	Code 7 – Not Applicable
Code 5 – White	Code 4 – Not Applicable	Code 5 – White
Code 6 – Other	Code 4 – Not Applicable	Code 7 – Not Applicable
Code 7 – Mail or Telephone	Code 3 – Mail, Internet or Telephone	Code 6 – Mail, Internet or Telephone
Code 8 – Not Applicable	Code 4 – Not Applicable	Code 7 – Not Applicable

Under HMDA revisions, lenders must continue to report information regarding property, income, and type and disposition of the loan.

Gender: There are four codes applicable for gender:

(1) Male

(2) Female

(3) Information not provided by applicant in mail or telephone application

(4) *Not applicable (for use only if there is no co-applicant).*

Information regarding the property (i.e., MSA number, County & State codes, and Census Tract) may be confirmed by inputting the property address, including zip code, into the FFIEC Geocoding System at http://www.ffiec.gov/geocode/. The information obtained may be compared with the information provided on the appraisal report.

All other information can be recovered from the loan approval worksheet **(Exhibits 2-A and 2-B)** or Transmittal Summary (FNMA Form 1008).

Equal Credit Opportunity Act

Government Monitoring: The provisions of the Equal Credit Opportunity Act ("ECOA") require that a record of the borrower(s)' race, gender, marital status, and age be kept. The requirement to keep records on an applicant's age is optional based on whether or not an applicant wishes to provide the information.

Right to Appraisal Report: Additional provisions of ECOA require that a copy of the appraisal report used in connection with an application for credit be provided to the applicant by the lender. The pictures that accompany the appraisal report are not considered part of the report for the purposes of this part of the regulation. There must be credible evidence in the file that the applicant(s) received a copy of the disclosure required under ECOA notifying them of their right to a copy of the appraisal report.

Notice of Action Taken: In addition to the government monitoring and appraisal report disclosure, ECOA outlines the method for notifying an applicant of the action taken on an application. The Notice of Action Taken may be in the form of an Adverse Action or Suspense letter. ECOA requires that a notice be sent to each applicant within a certain amount of time as follows:

- 30 days after receiving a *completed application*;
- 30 days after taking Adverse Action on an Incomplete Application; or
- 90 days after notifying an applicant of a counteroffer (if the applicant does not expressly accept or use the counteroffer).

When reviewing canceled/denied files for the QC process, verify that the Adverse Action letter was sent to the applicant within the required time frame and that the notice provides the following information:

- Name and address of lender;
- Name and address of credit reporting agency that provided credit report;
- Statement of action taken (i.e., credit request denied, file suspended for incomplete application, credit request approved with modification of dollar amount and/or term);
- Acceptable reasons for adverse action; and
- The address of the Federal agency enforcing ECOA for the lender.

An Adverse Action letter is sent to applicants when their loan is denied for cause or because the application is incomplete. An application is considered incomplete if it is missing documentation sufficient to make a credit decision.

National Flood Insurance Program

Flood Zone Determination: There must be a Standard Flood Hazard Determination form in each loan file. Flood insurance is required if the certification states that the Property is in a flood zone beginning with "A" & "V" only. Properties located in zones "X," "D," "E," & "M," that are not "mapped" do not require flood insurance.

Flood Zone Disclosures: There must be credible evidence in the loan file that a letter (or other form of written notification) has been sent to the borrower regarding whether the dwelling (or other property improvements), or any part of it is located in a Special Flood Hazard Area. The evidence must indicate that the notice was provided within a reasonable time prior to loan closing to ensure that the borrower has sufficient time to obtain flood insurance if necessary. The letter must state "THIS IS NOT A COMMITMENT OF LOAN APPROVAL, only a notification of the flood insurance requirement should the loan be granted."

The regulations do not provide a definition of "reasonable time," however the agencies (FNMA, FHLMC, FHA & VA) consider giving the notice 10 days prior to closing as a reasonable time interval.

Required Flood Insurance Coverage: If flood insurance is required, verify that there is a binder or policy in the file and that the coverage amounts are sufficient according to which program of the NFIP the community participates in.

The amount of flood insurance required must be at least equal to the outstanding principal balance of all loans, or the maximum amount available under the NFIP, whichever is less. Flood insurance coverage does not include the value of the land.

The maximum insurance coverage available for a building under the two programs is as follows:

	EMERGENCY PROGRAM	REGULAR PROGRAM
Building Coverage		
Single Family Dwelling[4]	$35,000	$250,000
Other Residential	$100,000	$250,000
Non-Residential or Small Business	$100,000	$500,000
Contents Coverage (per unit)		
Residential	$10,000	$100,000
Non-Residential including Small Business	$100,000	$500,000

Home Equity and Second Mortgages: Flood insurance is required on home equity and/or second mortgages secured by property located in a SFHA. The same terms of the mandatory purchase law apply with equal force to home equity and second mortgages even though they are subordinate to the primary lien. The 30-day waiting period has been determined by the Flood Insurance Administration not to apply to home equity loans and second mortgages.

If a junior lienholder discovers a first mortgagee has neglected to require flood insurance coverage, or has allowed coverage to lapse, the borrower(s) must assure the junior lienholder that coverage will be purchased on all outstanding loan amounts. Similarly, if the primary lienholder has insufficient coverage, the borrower must cure this deficiency by purchasing additional coverage to protect all outstanding loans.

STATE SPECIFIC DISCLOSURES

There must be credible evidence in each file that the appropriate State specific disclosure(s) were delivered to the borrower(s).

4. Higher limits of basic coverage are available under the emergency program in Hawaii, Alaska, U.S. Virgin Islands, and Guam.

###

REPORTING RESULTS QC maintains accurate and detailed recorded information from all reviews utilizing the QC database. The database has the ability to cross-reference combinations of data to determine trends that may require action.

Management Reporting A monthly report is generated to provide management with a consistent method of evaluating the quality of mortgages originated and the effectiveness of internal operations.

Investor Reporting When significant variances from the investor requirements are discovered during a review, the investor is notified within 30 days of the determination that the issue is unresolvable.

Underwriting Issues/Follow-Up Any underwriting issues that effect the investment quality of a loan are analyzed and corrected. A 15-day response time is given to the appropriate person or department for comments, corrections, and resolutions. Continual errors in a specific area, or lack of response from the person responsible for comment, can be grounds for disciplinary action or immediate termination. Underwriting results are forwarded monthly to corporate underwriting for tracking purposes.

Review Findings The findings of the QC review are summarized and reported on disk or on the Quality Control File Review Report form. The Report includes a rating for the overall appearance of the file, and a section for exception data.

The findings may include conclusions noted as follows:

- *None* — No errors or discrepancies found.
- *Minor* — Deficiencies that do not effect the quality of the underwriting decision or investment quality of the loan.
- *Significant* — Deficiencies or discrepancies that would effect the quality of the loan but can be cured by obtaining additional or corrected documentation. These errors require review and response from the underwriter/branch.
- *Reportable* — Deficiencies, discrepancies, or misrepresentations that cannot be cured and alter the loan in such a manner as to make the loan unsalable to the investor.
- *Misrepresentation* — Evidence of impropriety verified through the QC process.

NOTE: All documentation detailing the findings, including any corrective action taken, must be maintained for a minimum of 3 years from the completion date of the review.

Willful Misrepresentation

When willful misrepresentation is discovered during a review, immediate action will be taken and the lender will seek all remedies available to resolve the evidence of such impropriety. The following notifications will be made:

Management — Any loan containing evidence of misrepresentation will be reported to senior management and included in the monthly Quality Control Management Report.

Origination — The manager of the originating branch will be advised and made aware of what action to take.

Seller/Broker/Borrower — QC will inform both the seller/broker who submitted the file, as well as the borrower involved, of the review results and potential course of action. The broker will be placed on either a watch or denied status, depending upon the extent of the findings. The lender may request that the Seller/Broker indemnify them against any loss or damage, and/or repurchase the loan(s) in question. Sellers will be given 30 days to resolve and/or repurchase the affected loan(s). Brokers/Borrowers will be notified of the severity of the findings and will be given 60 days to resolve the issues before the note is accelerated, and the loan is called due and payable.

Investors — Any unresolved issues will be reported to the appropriate investor within 30 days of determining that the matter cannot be resolved.

Authorities — If the findings are severe and consistently found in the files of a particular Seller/Broker, the appropriate authorities are notified and the lender will take an active role in pursuing criminal prosecution against those responsible. The FBI, US Attorney's Office, Department of Real Estate, and any other appropriate party will be notified in writing, as applicable.

Separate Files Maintained

QC maintains a separate file for each loan reviewed. The file contains copies of the following:

- Quality Control File Review Report;
- Underwriting worksheet;
- Underwriting analysis;
- Re-verifications for all verifiable items;

- Factual or 2 bureau merge credit report;
- Review appraisal (if applicable); and
- Any other pertinent documentation pertaining the review.

Record Retention The QC files and reports may be destroyed after 61 months.

Note. When the servicing of a loan has been released and the loan is selected for a QC review, the review copies of the loan file documents are retained by the lender and any reportable issues will be forwarded to the new servicer.

###

EXHIBIT 1 — U.S. TREASURY SECURITIES RATES FOR SECTION 32 CALCULATION

This table is the daily yields for US Treasury Securities with Constant Maturities for the 15th day of each month from January 15, 1999 to the present. Historical data from September 1995 and data for the future are available on the Internet at www.federalreserve.gov/releases/H15/. These are the factors that are used to determine whether or not a loan[1] meets the requirements for Section 32 disclosures.

DATE[3]	*5 YEAR*	*7 YEAR*	*10 YEAR*	*15 YEAR*[2]	*20 YEAR*	*30 YEAR*
01/15/99	4.54	4.76	4.66	5.37	5.43	5.10
02/12/99	4.96	5.18	5.06	5.69	5.76	5.42
03/15/99	5.07	5.29	5.15	5.74	5.79	5.51
04/15/99	5.08	5.27	5.18	5.75	5.80	5.53
05/14/99	5.48	5.71	5.62	6.12	6.16	5.92
06/15/99	5.87	6.12	5.98	6.38	6.43	6.11
07/15/99	5.63	5.88	5.72	6.15	6.20	5.91
08/13/99	5.88	6.21	5.98	6.40	6.45	6.09
09/15/99	5.80	6.12	5.92	6.44	6.51	6.06
10/15/99	5.99	6.33	6.09	6.59	6.66	6.26
11/15/99	5.87	6.07	5.94	6.31	6.37	6.04
12/15/99	6.14	6.34	6.25	6.61	6.68	6.34
01/14/00	6.59	6.71	6.69	6.86	6.91	6.69
02/15/00	6.74	6.76	6.56	6.54	6.59	6.26
03/15/00	6.50	6.52	6.29	6.35	6.39	6.07
04/14/00	6.11	6.16	5.85	6.08	6.12	5.79
05/15/00	6.73	6.72	6.47	6.51	6.56	6.17
06/15/00	6.26	6.27	6.05	6.22	6.26	5.93
07/14/00	6.25	6.29	6.10	see footnote 2	6.24	5.88
08/15/00	6.11	6.08	5.81	see footnote 2	6.02	5.72
09/15/99	5.93	6.02	5.84	see footnote 2	6.16	5.90
10/13/00	5.73	5.82	5.73	see footnote 2	6.05	5.80

11/15/00	5.69	5.78	5.72	see footnote 2	5.97	5.77
12/15/00	5.15	5.24	5.20	see footnote 2	5.59	5.44
01/12/01	4.97	5.24	5.25	see footnote 2	5.74	5.63
02/15/01	5.06	5.23	5.19	see footnote 2	5.71	5.50
03/15/01	4.55	4.82	4.81	see footnote 2	5.43	5.29
04/12/01[4]	4.83	5.09	5.17	see footnote 2	5.77	5.61
05/15/01	4.95	5.33	5.50	see footnote 2	6.03	5.89
06/15/01	4.74	5.12	5.27	see footnote 2	5.83	5.68
07/13/01	4.82	5.11	5.27	see footnote 2	5.79	5.64
08/15/01	4.62	4.90	5.00	see footnote 2	5.62	5.52
09/14/01	3.92	4.31	4.57	see footnote 2	5.38	5.35
10/15/01	3.97	4.36	4.62	see footnote 2	5.40	5.38
11/15/01	4.10	4.58	4.79	see footnote 2	5.41	5.22
12/14/01	4.52	5.01	5.24	see footnote 2	5.89	5.59
1/15/02	4.14	4.62	4.88	see footnote 2	5.56	5.34
2/15/02	4.27	4.66	4.86	see footnote 2	5.58	5.37
3/15/02	4.80	5.20	5.35	see footnote 2	5.98	5.93 (fn.5)
4/15/02	4.57	4.95	5.15	see footnote 2	5.78	5.77 (fn.5)
5/15/02	4.59	5.02	5.28	see footnote 2	5.92	5.88 (fn.5)
6/14/02	4.10	4.51	4.83	see footnote 2	5.54	5.56 (fn.5)
7/15/02	3.85	4.33	4.66	see footnote 2	5.49	5.52 (fn.5)
8/15/02	3.28	3.85	4.17	see footnote 2	5.12	5.14 (fn.5)
9/13/02	3.00	3.55	3.92	see footnote 2	4.87	4.91 (fn.5)
10/15/02	3.11	3.70	4.07	see footnote 2	5.09	5.14 (fn.5)
11/15/02	3.05	3.63	4.05	see footnote 2	5.02	5.06 (fn.5)
12/13/02	3.08	3.68	4.07	see footnote 2	5.03	5.08 (fn.5)
1/15/03	3.10	3.65	4.10	see footnote 2	5.07	5.11 (fn.5)
2/14/03	2.91	3.48	3.95	see footnote 2	4.94	5.00 (fn.5)
3/14/03	2.72	3.27	3.72	see footnote 2	4.73	4.81 (fn.5)
4/15/03	2.96	3.49	3.98	see footnote 2	4.93	5.03 (fn.5)
5/15/03	2.52	3.07	3.53	see footnote 2	4.48	4.56 (fn.5)
6/13/03	2.08	2.63	3.13	see footnote 2	4.13	4.24 (fn.5)
7/15/03	2.81	3.40	3.94	see footnote 2	4.91	4.99 (fn.5)
				see footnote 2		(fn.5)
				see footnote 2		(fn.5)
				see footnote 2		(fn.5)

FOOTNOTES

1. For the purposes of Section 32 a loan is defined as a refinancing of a first trust deed (mortgage) or closed-end second mortgage loan (other than a purchase money second) of owner-occupied residential real property.

2. The composite rate for U.S. Treasury Securities with constant maturities over 10 years is no longer available. According to the Regulation Z, Official Staff Commentary, when performing the Section

32 calculation on loans that are exactly halfway between 2 T-Bill rates, use the **lower** of the 2 rates. For example, 15-year loan requires the use of the **lower** of the 10 & 20 year rates. Also, the T-Bill rate for the term **closest** to the term of the loan should be used when performing the Section 32 calculation on loans with odd terms. For example, when performing the Section 32 calculation for a 16-year loan use the 20-year T-Bill rate.

3. When the 15th falls on a Saturday, Sunday, or Federal Holiday (as defined in the Truth-in-Lending section above) the factor will be quoted from the business day just prior to the 15th.

4. The market was closed on Friday, April 13, 2001. The last business day just prior to 4/15/2001 is therefore April 12, 2001.

5. Beginning 2/18/02, Treasury ceased publication of the 30-year constant maturity series, replacing it with Treasury long-term average, 25 years and above. This reported long-term average is based on the unweighted average of the bid yields for all Treasury fixed coupon securities with remaining terms to maturity of 25 years or more.

###

EXHIBIT 2 — HMDA LOAN APPLICATION REGISTER WORKSHEET

EXHIBIT 2-A

CURRENT

HMDA LOAN APPLICATION REGISTER WORKSHEET

Type (check one)
____ 1 Conventional (not FHA, VA or FmHA loans)
____ 2 FHA Insured
____ 3 VA Guaranteed
____ 4 FmHA Insured

Purpose (Check one)
____ 1 Home purchase
____ 2 Home Improve.
____ 3 Refinancing (1-4 family codes)
____ 4 Multi-family (5 units or more)

Owner Occupancy (Check one)
1 Owner Occupied
2 Non-owner Occupied
3 Not Applicable

Loan Amount $

Action Taken (Check one)
____ 1 Loan Originated
____ 2 Application approved but not accepted
____ 3 Application denied
____ 4 Application withdraw
____ 5 File closed for incompleteness
____ 6 Application purchased (closed loan transaction)

Date Action Taken (enter date closed, canceled, denied, or closed for incompleteness on line below)
____

Property Location:
__________ MSA Number (4 Digit Code)
__________ State Code (2 Digit Code)
__________ County Code (3 Digit Code)
__________ Census Tract (6 Digit Code)

<u>Applicant Information</u>

<u>Co-Applicant Information</u>

(enter the correct number in the blank for Applicant and Co-Applicant Race and Sex)

____ Race ____ Sex

1 American Indian/Native American
2 Asian/Pacific Islander
3 Black

____ Race ____Sex

1 Male
2 Female
3 Information not provided by applicant in mail or

4 Hispanic
5 White
6 Other
7 Information not provided by applicant in mail or telephone application
8 Not applicable (use in co-borrower section if only one borrower)

telephone application
4 Not applicable (use in co-borrower section if only one borrower)

Income_____________________________________ **(combined gross annual income of all applicants. If income is not used to qualify the applicants, leave this field blank)**

Type of Purchaser (Check one)

____ 1	FNMA	____ 2	GNMA
____ 3	FHLMC	____ 4	FmHA
____ 5	Commercial Bank	____ 6	Savings Bank or Association
____ 7	Life Insurance Co.	____ 8	Affiliated Institution
____ 9	Other	____ 0	Not Sold in calendar year reporting

NOTE: If you will not know who the investor is, enter a -0- (zero) for the type of purchaser.

Reasons for Denial (OPTIONAL)
(Check a maximum of 3 reasons)

____ 1	Debt-to-Income Ratio	____ 2	Employment History
____ 3	Credit History	____ 4	Collateral
____ 5	Insufficient Cash (down payment/closing costs)		
____ 6	Unverifiable information	____ 7	Credit application incomplete
____ 8	Mortgage insurance denied	____ 9	Other (be specific)

EXHIBIT 2-B

BEGINNING JANUARY 1, 2004
HMDA LOAN APPLICATION REGISTER WORKSHEET

Type (Check one)
____ 1 Conventional (not FHA, VA , FSA or RHS loans)
____ 2 FHA Insured
____ 3 VA Guaranteed
____ 4 FSA/RHS (Farm Svc Agency or Rural Housing Svcs)

Purpose (Check one)
____ 1 Home purchase
____ 2 Home Improvement
____ 3 Refinancing (1-4 family codes)

Property Type (Check one)
____ 1 1- to 4-family (other than manufactured housing)
____ 2 Manufactured housing
____ 3 Multifamily

Owner Occupancy (Check one)
____1 Owner Occupied
____2 Non-owner Occupied
____3 Not Applicable

Loan Amount $____________________

Preapproval (Home purchase loans only; check one)
____1 Preapproval was requested
____2 Preapproval was not requested
____3 Not Applicable

Action Taken (Check one)
____ 1 Loan Originated
____ 2 Application approved but not accepted
____ 3 Application denied by creditor
____ 4 Application withdrawn by applicant
____ 5 File closed for incompleteness
____ 6 Loan purchased (closed loan transaction)
____ 7 Preapproval request denied by creditor
____ 8 Preapproval request approved but not accepted (optional reporting)

Date Action Taken (enter date closed, canceled, denied, or closed for incompleteness on line below)
____

Property Location: __________ MSA Number (4 Digit Code) __________ State Code (2 Digit Code)

__________ County Code (3 Digit Code) __________ Census Tract (6 Digit Code)

Applicant Information: Ethnicity ____ Race _____ Sex____
Co-Applicant Information: Ethnicity ____ Race _____ Sex____
(enter the correct number in the blank for Applicant and Co-Applicant Race and Sex)

Ethnicity Codes
1 Hispanic or Latino
2 Not Hispanic or Latino
3 Information not provided by applicant in mail, Internet, or telephone application
4 Not applicable (loans you have purchased; or if the borrower is not a natural person)
5 No co-applicant

Race Codes
1 American Indian or Alaska Native
2 Asian
3 Black or African American
4 Native Hawaiian or other Pacific Islander
5 White
6 Information not provided by applicant in mail, Internet, or telephone application
7 Not applicable (loans you have purchased; or if the borrower is not a natural person)
8 No co-applicant

Sex Codes
1 Male
2 Female
3 Information not provided by applicant in mail or telephone application
4 Not applicable (use in co-borrower section if only one borrower)

Income____ **(combined gross annual income of all applicants. If income is not used to qualify the applicants, leave this field blank)**

Type of Purchaser (Check one)
____ 1 Fannie Mae
____ 2 Ginnie Mae
____ 3 Freddie Mac
____ 4 Farmer Mac
____ 5 Private securitization
____ 6 Commercial bank, savings bank or savings association
____ 7 Life Insurance Co., Credit Union, Mortgage Bank, or Finance Company
____ 8 Affiliated Institution
____ 9 Other
____ 0 Loan not Originated or Sold in calendar year covered by register

NOTE: If you will not know who the investor is, enter a -0- (zero) for the type of purchaser.

Reasons for Denial (OPTIONAL)
(Check a maximum of 3 reasons)

____ 1 Debt-to-Income Ratio
____ 2 Employment History
____ 3 Credit History
____ 4 Collateral
____ 5 Insufficient Cash (down payment/closing costs)
____ 6 Unverifiable information
____ 7 Credit application incomplete
____ 8 Mortgage insurance denied
____ 9 Other (be specific)

Other Data
(1) HOEPA Status (only for loans originated or purchased; check one)
____ 1 HOEPA loan
____ 2 Not a HOEPA loan

(2) Lien Status (only for applications and originations; check one)
____ 1 Secured by a first lien
____ 2 Secured by a subordinate lien
____ 3 Not secured by a lien
____ 4 Not applicable (purchased loans)

Appendix A — Disclosure Table

DISCLOSURE	PURCHASE 1-4 family primary residence	NON-PURCHASE OR REFINANCE 1-4 family primary residence	TIMING

Possible Transfer of Servicing[5] (24 CFR 3500.21)	YES	YES	Provide at time of application if face to face, or within 3 business days of receipt of application.
ARM Program Disclosure & CHARM Booklet[6] (12 CFR 226.19)	YES, If ARM and the term of the loan is greater than 1 year	YES, If ARM and the term of the loan is greater than 1 year	Provide at time of application if face to face, or within 3 business days of receipt of application.
Good Faith Estimate of Closing Costs (24 CFR 3500.7)	YES	YES	Provide within 3 business days of receipt of application.
Settlement Cost Booklet (24 CFR 3500.6)	YES	NO	Provide within 3 business days of receipt of application.
Early (estimated) Truth-in-Lending Statement (12 CFR 226.19)	YES	YES	Provide within 3 business days of receipt of application.
Itemization of Amount Financed (12 CFR 226.19)	YES	YES	Not required if Good Faith Estimate provided (see above); otherwise, within 3 business days.
Notice of Right to Receive Appraisal Report (12 CFR 202.5A)	YES	YES	Provide before loan approval or loan denial (recommend including with other "3 business day" disclosure package).
Section 32 "High Cost Loan" Disclosure[7] (12 CFR 226.32)	NO	YES	***Borrower*** must have in his/her possession at least 3 business days before loan document signing.
Final Truth-in-Lending Statement (12 CFR 226.19)	YES	YES, one copy to each person with the right to cancel the loan.	Must be provided no later than at time of loan document signing.
Final Itemization of Amount Financed (Final Good Faith Estimate) (12 CFR 226.19)	YES	YES, if fees change after initial Good Faith Estimate	Must be provided no later than at time of loan document signing.

5. MUST BE SIGNED PRIOR TO CLOSING.

6. The ARM Program Disclosure and CHARM Booklet MUST be provided at any time during the transaction, whenever an applicant inquires about an ARM program or as soon thereafter as is practical.

7. Loans with points & fees or an APR that exceed certain amounts (outlined in Regulation Z) must be issued a Truth-in-Lending Mortgage Disclosure for Mortgages That Exceed Certain Percentages and Amounts. This must be in the borrower's possession a minimum of 3 business days **before** the closing documents are executed.

Notice of Right to Cancel (12 CFR 226.23)	NO	YES, two copies to each person with the right to cancel the loan	Must be provided at time of loan document signing; may not fund until 3 full business days have elapsed.[8]
Initial Escrow Statement (24 CFR 3500.17)	YES, if an impound account is set up.	YES, if an impound account is set up.	Must be delivered at closing, or not later than 45 days after closing (if borrower opts for an escrow account at closing).
Notice of SFHA & Participation Status of the Community (44 CFR 59 et seq.)	YES	YES	Should be provided at least 10 days prior to loan closing if property in flood zone.
HUD-1 or HUD-1A Settlement Statement (24 CFR 3500.8)	YES	YES	A completed Settlement Statement must be provided at time of loan or escrow closing/settlement. **Note.** Settlement agent must make mostly complete HUD-1 available to borrower upon borrower's request during the business day immediately preceding settlement (loan closing).
Notice of Action Taken (*Includes* Adverse Action Notice[9]) (12 CFR 202.9)	YES	YES	A creditor must notify an applicant of action taken within 30 days after receiving a completed application concerning the creditor's approval of, counteroffer to, or adverse action on the application 30 days after taking adverse action on an incomplete application.

8. Another 3 business day rescission period may be required if another Truth-in-Lending disclosure is provided after loan document signing; also, we caution that a signed Notice of Right to Cancel may not be effective if the borrower executed this prior to final loan approval or loan commitment by the lender.

9. If the Adverse Action Notice is provided within 3 business days of receipt of an application, early disclosures required by Federal regulations need not be sent to the borrower(s).

Appendix B — Flood Insurance Requirements Flow Charts

MANDATORY FLOOD INSURANCE PURCHASE AT LOAN CLOSING LOAN ORIGINATION AND TABLE FUNDING ARRANGEMENT

See Mandatory Flood Insurance Purchase at Loan Closing — Loan Origination and Table Funding Arragnement.

MANDATORY FLOOD INSURANCE PURCHASE AT LOAN CLOSING NOTIFICATION REQUIREMENTS

See Mandatory Flood Insurance Purchase at Loan — Notification Requirements.

FLOOD INSURANCE TRIGGER POINTS DURING LIFE OF LOAN

See Flood Insurance Trigger Points — During Life of Loan.