

CFPB – January 2014

CFPB Rulings and Implementation

January 7, 2014

Applications Received from Broker on or after
January 10, 2014 = Qualified Mortgage

Disclaimer: This presentation addresses general point of reference and does not document all requirements under CFPB's 6 new rules (ATR/QM, HOEPA, ECOA Valuation, Loan Originator Rule, TILA HPML Appraisals, TILA and RESPA Servicing) and GSE's new Temporary QM requirements. This interpretation shall not be deemed to be legal advice and cannot be relied upon. It is simply advisory and does not absolve Brokers of their responsibility to insure that all loans comply in all respects to state, federal and local rules and regulations regardless of the opinions stated within this document. Impac's interpretation is subject to change with and without notice.

QM

Loans that are eligible for purchase by Fannie Mae, Freddie Mac or insurance or guarantee by FHA, VA or USDA must meet the definition of a QM Temporary loan.

Impac will originate QM Temporary loans satisfying the **underwriting requirements** of the following:

- Eligible for purchase by Fannie Mae/Freddie Mac
- Eligible to be insured by FHA
- Eligible to be guaranteed by VA/USDA

Non-agency QM Jumbo loans must meet the Appendix Q Ability-to-Repay requirements which include a maximum DTI of 43%, and are subject to Impac's Jumbo guidelines.

Points & Fees and APR Thresholds

Impac's pricing provided on January 10, 2014 will take into consideration these recent regulatory changes.

Programs	APR	Points and Fees
FNMA/FHLMC, QM (Jumbo's), VA, USDA	APR < APOR + 1.50%	-Loan Amount ≥ \$100K w/ Pts. & Fees ≤ 3% of total loan amt -Loan Amount < \$100K & ≥ \$60K w/ Pts. & Fees ≤ \$3k -Loan Amount < \$60K & ≥ \$20K w/ Pts. & Fees ≤ 5% of total loan
FNMA/FHLMC ATR Exempt Mortgage (NOO)	APR ≥ APOR + 1.50%	Loan Amount ≥ \$20K w/ Pts. & Fees > 5% of total loan
FNMA/FHLMC ATR Covered Mortgage (HPML)	APR ≥ APOR + 1.50%	-Loan Amount ≥ \$100K w/ Pts. & Fees ≤ 3% of total loan amt -Loan Amount < \$100K & ≥ \$60K w/ Pts. & Fees ≤ \$3k -Loan Amount < \$60K & ≥ \$20K w/ Pts. & Fees ≤ 5% of total loan
FHA Loans	APR > APOR + 1.15% + 1.35% (2.50%)	-Loan Amount ≥ \$100K w/ Pts. & Fees ≤ 3% of total loan amt -Loan Amount < \$100K & ≥ \$60K w/ Pts. & Fees ≤ \$3k -Loan Amount < \$60K & ≥ \$20K w/ Pts. & Fees ≤ 5% of total loan

Any loan with an APR exceeding the APOR by more than 1.50% or more is a High Priced Mortgage Loan (HPML). Any loan subject to HPML must meet the GSE requirements, otherwise the loan is ineligible to be brokered to Impac.

The APOR "Average Prime Offer Rate published weekly by FHLMC" is available at FFIEC website at: <http://www.ffiec.gov/ratespread/aportables.htm>.

Points & Fees Thresholds

Generally the main points and fees threshold is 3% of the total loan amount.

Loan Amount	Points and Fees Threshold *
\$100,000 or more	3%
Under \$100,000 to \$60,000	\$3,000
Under \$60,000 to \$20,000	5%

Total Loan Amount which is defined as the Amount Financed minus prepaid finance charges:

Example: \$100,000 Loan Amount
 Minus \$ 3,000 Prepaid fee
 Equals \$ 97,000 Total Loan Amount

In the above example the loan amount of \$100,000 or more the 3% is calculated using the **Total Loan Amount** which is \$97,000. $\$97,000 \times 3\%$ - Maximum points and fees = \$2,910.

Points & Fees Defined

Generally, charges always included in the Points and Fees are anything paid directly or indirectly to the Lender/Broker or affiliate of lender/broker to include, but not limited to, the following:

- Loan Origination Fee, including the 203K Supplemental Origination Fee
- Lender Paid Broker Compensation
- Processing Fees
- Broker Administration Fee
- Property Inspection Waiver
- Texas Attorney Fee
- VOE
- HOA Certification
- Upfront MIP exceeding the current FHA Upfront MIP of 1.75%
- Discount Points
- Loan Level Price Adjustments

NOTE: Fees paid by other (e.g., family member, seller, real estate agent) cannot offset the points and fees calculation.

Points & Fees Defined cont.

Impac will **no longer accept** an application where the Broker is using an Affiliated Business on the loan.

Points & Fees Defined

Up to 2 “bona fide” discount points may be excluded if:

- The Adjusted Start Rate does not exceed the APOR plus 1%

Up to 1 “bona fide” discount point may be excluded if:

- The Adjusted Start Rate does not exceed the APOR plus 2%.

Points & Fees Defined cont.

Examples:

4.00% Adjusted Start Rate applicant agrees to pay an additional 1.50% to lower the interest rate to 3.00%.

The APOR as of the lock date is + 1.00 = 2 point bona fide discount exclusion

- APOR 4.48 + 1 = 5.48 the Adjusted Start Rate is less than 5.48 results in up to 2 “bona fide” discount points may be excluded from the fees.

The APOR as of the lock date + 2.00 = 1 bona fide discount exclusion

- APOR 4.48 + 2 = 6.48 the Adjusted Starting Rate is less than 6.48 results in up to 1 “bona fide” discount point may be excluded.

To document the Adjusted Start Rate initially provided to the borrower, as well as when the loan is locked, a screen shot of the PAR or better pricing from LoanSifter and the Pricing Data Sheet must be provided to Impac at loan submission. Both the LoanSifter screen shot and Pricing Data Sheet is required upon lock or required at the time of re-lock. *See the Pricing Data Sheet to be used on the Impac Wholesale website www.impacwholesale.com.*

Pricing

Effective with pricing on January 10, 2014, Impac will include the following fees into the pricing.

- Flood Certification
- Tax Service
- Underwriting

Additionally, Loan Sifter pricing will include Broker Compensation. As a reminder, loan level adjustments are incorporated in the pricing based on individual loan characteristics.

NEW DISCLOSURE NOTICES

NMLS Identification

The loan originator's name **as it appears in the NMLS registry** and their NMLS ID must be on the Residential Loan Application (1003).

The above information is also required on the first page of the Note and Security Instrument.

Anti-Steering Disclosure

The requirements for presenting loan options to a borrower have changed and the option showing:

- A loan with the lowest total dollar amount of discount points, origination points or origination fees **or**,
- If two or more loans have the same total dollar amount of discount points, origination points or origination fees, the loan with the lowest interest rate that has the lowest total dollar amount of discount points, origination points or origination fees.)

See Impac's website at www.impactwholesale.com for a sample of the Anti-Steering form.

Notice of Right to Copy of Appraisal

Impac will require each submission package from the Broker to include the Notice of Right to Copy of Appraisal disclosure informing the applicant of their right to receive a copy of each appraisal or written valuation concerning the subject property promptly upon completion. The disclosure states the following:

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

No waiver of the timing requirements for providing copies of appraisal is allowed.

Higher-Price Mortgage Loan – Appraisal

In addition to the copy of the appraisal to the borrower, if the loan is eligible as an GSE HPML, the following requirements must be met as well.

A second appraisal, at no cost to the borrower, is required, if the property is:

- Acquired within 90 days, if the resale price is 10% above the acquisition price; or
- Acquired within 180 days, if the resale price is 20% above the acquisition price.

Homeownership Counseling Agency

Impac will require each submission package from the Broker to include the Homeownership Counseling Organization List disclosure. The disclosure must provide a list of ten HUD-approved counseling agencies offering independent advice about the applicants particular set of loan terms as a good fit, based on the applicants objectives and circumstances, often at little or no cost.

NOTE: Brokers with the capacity to provide a Homeownership disclosure to include the list of 10 approved HUD-approved Counseling Agencies is acceptable to Impac. However, for those Brokers without the capacity to do so initially, Impac will accept HUD's temporary Homeownership form without the list of ten HUD-approved Counseling Agencies until May 1, 2014.

Questions

Please contact your Account Executive.

Impac thanks you for your continued business.