A Bigger Better Mortgage
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High Cost Loans
&
Anti-Predatory Lending Policy

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Policy Statement

To provide a comprehensive control system that maximizes consumer protection against predatory lending as well as educating and emphasizing the need for escrow accounts for all loan originators and other offices within the company that are responsible for upholding specific laws governing high cost loans.

Reason for Policy and Purpose

All managers, future loan servicer, future underwriters, funding department and processors that may be or become employed with A Bigger Better Mortgage's Loan Shark must know escrow laws and compliance. Any loan originator must make sure that all high cost loans are requested with escrow for tax and insurance to protect the consumer from losing their home to foreclosure because they did not know or understand that not escrowing can be harmful to both the homeowner and investor if the borrower can't pay the large lump sum on the half or year that they are due.

Who needs to know the policy?

Every loan originator, broker, future underwriters, funding department and processor who may price loans for any consumer needs to know this policy. It' s in the best interest of the consumer that they are given a choice of loan programs, rates, terms and adjustment periods for ARM products.

Anti-Predatory lending

Certain Federal and State laws have been made to protect the consumer. These laws were made to keep Loan Originators, Brokers and Banks from preying on uneducated or minority groups as a way to make a higher yield (targeting).

All files must contain a copy of the lender rate sheet from the time of pricing, a copy of the lock and a signed disclosure from the borrower stating that they were given at least three loan choices and that A Bigger Better Mortgage and/ or It's Loan Originator(s) disclosed the rate and terms of the loan i.e. arm adjustment caps. Consumers are given a copy of the disclosure to take home.

We want our customers to know as much about their loan as they can so they know who to trust when it comes time to upgrade, downgrade, refinance or buy a second home. Customer service is the biggest part of consumer understanding and comfort of their new loan. Buying a home is probably the biggest investment most people will ever make so we threat it that way for them.

We search for the best rates and programs allowing the choice of loans to the consumer. Since our maximum yield is closed with our lenders for the year all we need to do is look for the best rate for the borrower.

Hook-Bait-N- Switch is a technique that is not allowed however, it may seem this way to a consumer who is not locked in at the rate they were given by the loan originator. We have the consumer sign a disclosure stating that the rate may go up or down from the time of origination to lock. This is done to help educate consumers so they know in advance what they can expect. They are given a copy to take home with them to help them remember their loan procedures.

Steering a loan is near to impossible these days since there is so much competition that it forces a competitive rate. There are lenders out there who call themselves ‘private investors’ and ‘portfolio lenders’ who may have higher rates but easy to fit terms. It’s easy to send business in an easy to close direction so that is the second reason we give the consumer three choices of loans/products.

HOEPA

Under Home Ownership Equity Protection Act Negative Amortization, Balloon loans and collateral based lending is illegal when it comes to a consumer loan. Since these types of ‘strip away’ loans can drain equity from a consumer they are seen to be a more likely cause for foreclosure and are illegal under this act.

A Bigger Better Mortgage does work with non-consumer loans for investors and businesses but when working with a consumer we are very diligent in collecting and verifying income and gathering proof to ensure that all consumers meet lending guidelines for their credit score, debt to income, housing ratio, and loan to value. All of the lender/investor requirements must be met to sell the loan. I personally don’t believe that credit score proves their ability to pay but it does give us an idea of how they pay their bills and how they may pay their mortgage.

HOEPA also states that padding is illegal so third party invoices, are kept with the file and compared to the Good Faith Estimate. Consumers are given all third party invoices for their records.

HIGH COST LOANS

We do the best we can to place our consumers with lenders who have little or no pre-payment penalty as they can keep the consumer trapped in a high cost loan and not being able to refinance or sell due to lack of equity in their home to cover the cost. I see the pre-payment penalty as a potential to ‘strip’ equity.

No mortgage insurance if possible. Today we are seeing more leniency with mortgage insurance. Some programs will now go up to 85% with no MI or PMI, but that does *not* release the borrower from mandatory escrow. It’s preferable to make sure that when offering loan products to consumers to give them a total payment with the MI and without the MI. Some loan costs may be less with a higher interest rate than the lower rate with MI added in. Comparisons are given to the consumer where it’s applicable.

Buy down points falls in the high cost loan category because they are lender fees at closing which are paid by the consumer as an incentive to get a better rate. In my opinion it’s the same thing as padding the cost of the loan and is misleading to the consumer as to the true amount they are paying for their loan which could be construed as hook bait and switch because we offer a low rate only to tack more on with buy down points or lender points. If these loans in fact do work out to be the lowest *cost* and the consumer picks it, a disclosure is signed and given to the consumer that expresses the total cost of the loan. I don’t feel that simply adding it to the HUD 1 at closing is sufficient explanation to the consumer.

TILA
The Bureau updated this guide on January 6, 2014 to reflect finalized changes to the rule. The revisions amend the final rule issued January 10, 2013, which took effect on June 1, 2013. Notable changes in the October 2013 Final Rule, which take effect January 1, 2014, impacting guide content include: ♦ Exemption for Small Creditors that Operate Predominantly in Rural or Underserved Areas. The October 2013 Final Rule amends the exemption from the requirement to maintain escrows on certain higher-priced mortgage loans for certain small creditors that operate predominantly in rural or underserved areas. To prevent small creditors from losing eligibility for the exemption in 2014 due to changes in which counties are defined as rural, the revisions extend availability to small creditors that operated predominantly in rural or underserved areas in any of the previous three calendar years and also meet the other exemption criteria.

A Bigger Better Mortgage and Loan Shark, as a brokerage, do not fund or service loans, however, we do need to make sure that the lenders we sell our loans to are meeting the escrow rule. We make sure that all loans escrow tax and insurance for first time buyers. Only sophisticated investors are considered for escrow wavers.

You must establish and maintain escrow accounts for first-lien higher-priced mortgage loans for at least five years and must be maintained until either the underlying debt obligation is terminated or after the five-year period, the consumer requests that the escrow account be canceled. However, canceling the escrow account at the consumer's request, the loan's unpaid principal balance must be less than 80 percent of the original value of the property securing the underlying debt obligation, and the consumer cannot be currently delinquent or in default on the underlying obligation – so if these conditions are not met, the borrower must maintain the escrow account beyond five years.

The TILA HPML Escrow Rule applies generally to first-lien, higher-priced mortgage loans, which are:

♦ It is a first-lien mortgage with an annual percentage rate (APR) that exceeds the Average Prime Offer Rate (APOR) by 1.5 percentage points or more.
♦ It is a first-lien mortgage with an APR that exceeds the APOR by 2.5 percentage points or more, if the principal amount of the mortgage exceeds Freddie Mac's limit for mortgages it will purchase ("jumbo loan") in effect as of the date the interest rate for the transaction is set. For example, if the APOR is 5 percent, a first-lien mortgage is higher-priced if it has an APR of 6.5 percent or more and is not a jumbo loan. The APOR is published at http://www.ffiec.gov/ratespread. When comparing the transaction's APR to APOR, use the rate in effect on the last date you set (or lock) the interest rate before consummation.

Record Keeping and Retention
Records are kept in the file for all applicants for seven years unless they were denied credit, those are kept for 1 year. All records are secure under the cloud, server and/or external hard drive kept under lock and key in a separate secure facility.

All working files are kept under password protection and/or encryption until they are closed and moved to a more secure location.

All loan originators must first see if the borrower can fit into a loan that is not a high cost loan. Records such as credit, cost of real, rate sheets, record of eligibility or lack thereof, etc. that determine the decision to offer a high cost loan must be kept in the file for the term and duration of that record.

https://abiggerbettermortgage@gmail.com
Look under the lender resource page for policies and procedures

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