

Summary of Contents

Part 1: Writing Your Manual

Chapter 1 Developing Your Policies and Procedures Manual

Part 2: Federal Compliance

Chapter 2 Truth-in-Lending/Regulation Z and Nontraditional Mortgage Guidance

Chapter 3 Real Estate Settlement Procedures Act and Regulation X

Chapter 4 Fair Lending — Fair Housing Act and Equal Credit Opportunity Act

Chapter 5 Home Mortgage Disclosure Act/Regulation C

Chapter 6 National Flood Insurance Program

Chapter 7 Gramm-Leach-Bliley Act

Chapter 8 Fair Credit Reporting Act

Chapter 9 USA PATRIOT Act

Chapter 10 Alternative Mortgage Transaction Parity Act and Federal Preemption

Chapter 11 Laws on Lender Advertising

Part 3: Federal Procedures

Chapter 12 Federal Consumer Disclosure Requirements

Chapter 13 Early Loan Disclosures

Chapter 14 Finance Charge Procedures

Chapter 15 Notice of Action Taken

Chapter 16 Notice of Right to Cancel

Chapter 17 Capturing the Required Loan Application Register Data

Part 4: State Compliance and Procedures

Chapter 18 State Licensing Requirements for Residential Mortgage Loan Brokers, Lenders, and Services

Chapter 19 State Books and Records Requirements

Chapter 20 State Laws on Late Fees Charged with Residential Mortgage Loans

Chapter 21 State Laws on Prepayment Penalties and High-Cost Home Loans

Chapter 22 Marital Rights and Signature Requirements

Chapter 23 Trustee Restrictions and Requirements

Chapter 24	Closing Practices — Wet Settlement or Good Funds
Chapter 25	Escrow (Impound) Account Requirements
Chapter 26	State Advertising Requirements on Residential Mortgage Loans
Chapter 27	State Predatory Lending Laws
Chapter 27A	Multistate Developments on Nontraditional and Subprime Product Risks
Chapter 28	Home Equity Line of Credit/Revolving Credit Line Fees

Contents

Writing Your Manual

Chapter 1 Developing Your Policies and Procedures Manual

Purpose of a Policy	1 — 1
Preparing the Policy	1 — 2
Purpose of a Procedure	1 — 5
Preparing Procedures	1 — 5
A “Best Practices” Blueprint for the Lending Industry	1 — 6
Approval and Communication of Policy and Procedures	1 — 8

Federal Compliance

Chapter 2 Truth-in-Lending/Regulation Z and Nontraditional Mortgage Guidance

Overview	2 — 1
Key Definitions	2 — 1
Early Disclosures	2 — 2
2008 Adjustment to HOEPA Points and Fees Dollar Amount Trigger	2 — 14
Proposed TILA Disclosures	2 — 14
Guidance on Subprime Lending	2 — 15
FDIC Supervisory Policy on Predatory Lending	2 — 15
State Laws and Regulations on Predatory Lending	2 — 15

Chapter 3 Real Estate Settlement Procedures Act and Regulation X

Overview	3 — 1
Purpose and Scope	3 — 1
Definitions	3 — 2
Exempt Transactions	3 — 4
Up-Front Disclosure Requirements	3 — 5
Closing Disclosures	3 — 8
Prohibitions on Kickbacks, Unearned Fees, and Referral Fees	3 — 12

Fee “Markup” Cases 3 — 15
RESPA Preemption Over State Laws 3 — 16

Chapter 4
Fair Lending — Fair Housing Act
and Equal Credit Opportunity Act

Overview of Fair Lending Laws 4 — 1
Overview of Fair Housing Act..... 4 — 1
Overview of ECOA..... 4 — 3
HMDA Reporting 4 — 9
Right to Appraisal Report 4 — 9
Credit Scoring 4 — 10
Notice of Action Taken..... 4 — 11

Chapter 5
Home Mortgage Disclosure Act/Regulation C

Overview 5 — 1
The Loan Application Register (LAR) 5 — 6
Setting Up a Prequal Program..... 5 — 11

Chapter 6
National Flood Insurance Program

Introduction..... 6 — 1
National Flood Insurance Program 6 — 4

Chapter 7
Gramm-Leach-Bliley Act

Overview 7 — 1
General Rule on Disclosure 7 — 2
Key Definitions 7 — 2
Initial Notice to Customers and Consumers of Privacy Policies and Practices 7 — 6
Consumer Opt-Out Requirement 7 — 6
Delivering Privacy and Opt-Out Notices 7 — 9
Limitations on Sharing Account Number Information for Marketing Purposes 7 — 10
Minimum Information to Include in Privacy Notices 7 — 10
When to Provide Initial Privacy Notices..... 7 — 11

Preservation of State Laws.....	7 — 11
Privacy Protections for Customers to Thwart Fraudulent Access to Financial Information.....	7 — 11
FTC Safeguards Rule.....	7 — 12
Current and Proposed State Legislation.....	7 — 13

Chapter 8

Fair Credit Reporting Act

General Nature of Fair Credit Reporting Act.....	8 — 1
FCRA Glossary — Definitions and Rules of Construction	8 — 1
FCRA Scope and Exemptions	8 — 5
Consumer Reporting Agency Duties	8 — 11
Limited Permissible Purposes for Which Consumer Reports May Be Furnished	8 — 13
Prohibition Against Reporting Obsolete Information in Consumer Reports	8 — 14
Information Required to Be Furnished to Consumers on Request	8 — 15
Actions Required When Truth or Accuracy of Information Is Disputed by Consumers	8 — 18
Identity Theft Prevention	8 — 23
Duties of Persons Furnishing Information to Consumer Reporting Agencies.....	8 — 27
FACT Act User Obligations	8 — 30
Final FTC Rule on Prescreen Opt-Out Notices	8 — 32
FTC Rule — Disposal of Consumer Report Information and Records	8 — 35

Chapter 9

USA PATRIOT Act

Overview.....	9 — 1
Purpose.....	9 — 1
Key Definitions.....	9 — 1
Risk-Based Approach	9 — 3
Customer Information Required	9 — 4
Customer Identification Verification	9 — 4
Alternate Methods of Identification Verification.....	9 — 4
Discrepancies in Verification.....	9 — 5
Recordkeeping	9 — 5
Government Lists.....	9 — 5
Customer Notification.....	9 — 5

Chapter 10
Alternative Mortgage Transaction
Parity Act and Federal Preemption

Alternative Mortgage Parity Act..... 10 — 1
Federal Provisions Remaining in OTS Parity Act Rule..... 10 — 2
Federal Preemption 10 — 3
Appendix 10.1: Parity Act Rollback — Impact on California Residential Loan Originators..... 10 — 4

Chapter 11
Laws on Lender Advertising

Federal Trade Commission’s Do-Not-Call List..... 11 — 1
Federal Communication Commission’s Do-Not-Fax Rules 11 — 2
Junk Fax Prevention Act and Final FCC Rule 11 — 3
Restrictions on Sending Commercial E-Mails..... 11 — 7

Federal Procedures

Chapter 12
Federal Consumer Disclosure Requirements

Overview..... 12 — 1
Application Triggers Disclosure Requirement 12 — 1
RESPA and TILA 12 — 1
ECOA..... 12 — 2
Early Disclosures 12 — 2

Chapter 13
Early Loan Disclosures

Truth in Lending/Regulation Z Early Disclosures..... 13 — 1
RESPA/Regulation X Early Disclosures 13 — 1
When an Application Is Received..... 13 — 1
Confirm That Early Disclosures Were Given 13 — 2

Chapter 14 Finance Charge Procedures

Overview	14 — 1
Sample Policy	14 — 5

Chapter 15 Notice of Action Taken

Issuing Notice of Action Taken	15 — 1
Adverse Action Notice	15 — 1
Wholesale Lending Procedures	15 — 2

Chapter 16 Notice of Right to Cancel

Notice	16 — 1
Ordering Documents	16 — 1
Checking in Documents	16 — 1
Supervisor Review	16 — 1

Chapter 17 Capturing the Required Loan Application Register Data

Overview	17 — 1
Compiling the Data	17 — 1
Pricing-Related Data	17 — 8
Mail, Internet, and Telephone Applications	17 — 10
Multiple Coapplicants	17 — 10
Common Errors	17 — 10
Procedure	17 — 11
Geo-Coding Procedure	17 — 14

State Compliance and Procedures

Chapter 18 State Licensing Requirements for Residential Mortgage Loan Brokers, Lenders, and Services

See the chapter table of contents for individual state entries.

Chapter 19 State Books and Records Requirements

See the chapter table of contents for individual state entries.

Chapter 20 State Laws on Late Fees Charged on Residential Mortgage Loans

See the chapter table of contents for individual state entries.

Chapter 21 State Laws on Prepayment Penalties and High-Cost Home Loans

See the chapter table of contents for individual state entries.

Chapter 22 Marital Rights and Signature Requirements

Overview	22 — 1
Definitions	22 — 1
Community Property States	22 — 2
Dower and/or Curtesy States	22 — 2
Homestead States	22 — 2
State-by-State Compliance.....	22 — 3

Chapter 23 Trustee Restrictions and Requirements

See the chapter table of contents for individual state entries.

Chapter 24
Closing Practices — Wet Settlement or Good Funds

Overview	24 — 1
Wet Funding States	24 — 1
Good Funds States	24 — 2
Standardizing Mortgage Closings	24 — 14

Chapter 25
Escrow (Impound) Account Requirements

RESPA Escrow Account Requirements	25 — 1
---	--------

Chapter 26
State Advertising Requirements on Residential Mortgage Loans

See the chapter table of contents for individual state entries.

Chapter 27
State Predatory Lending Laws

Arkansas: 2003 Arkansas Home Loan Protection Act	27 — 1
California: California Anti-Predatory Lending Law	27 — 6
Colorado: Colorado Consumer Equity Protection Law	27 — 16
Connecticut: An Act Concerning Prepaid Finance Charges	27 — 20b
District of Columbia: High-Cost Home Loan Act	27 — 22
Florida: Florida Fair Lending Act	27 — 29
Georgia: Georgia Fair Lending Act, as Amended (2003)	27 — 36
Georgia: Residential Mortgage Fraud Act	27 — 42
Illinois: High-Risk Home Loan Act (2003)	27 — 43
Illinois: Illinois Residential Mortgage License Act	27 — 48
Illinois — Cook County: Amendments to The Residential Real Property Disclosure Act	27 — 52
Illinois — Cook County: Predatory Lending Ordinance	27 — 53
Illinois — Chicago: Chicago High-Cost Home Loan Ordinance	27 — 59
Indiana: Law on Home Loan Practices	27 — 63
Indiana: Amendments to Home Loan Practices Act	27 — 73
Kentucky: Predatory Lending, and Loan Broker/Loan Officer Registration Law	27 — 75
Maryland: Consumer Mortgage Protection Act	27 — 78
Massachusetts: Rule on Determination and Documentation of Borrower’s Interest	27 — 81
Massachusetts: Massachusetts High-Cost Mortgage Loan Regulations	27 — 83
Massachusetts: Predatory Lending Law	27 — 91

Massachusetts: Predatory Home Loan Practices Act.....	27 — 92
Massachusetts: Rules on Determination and Documentation of Borrower’s Interest.....	27 — 101
Michigan: Michigan Consumer Mortgage Protections Act	27 — 104
Minnesota: Minnesota High-Cost Home Loan Law	27 — 106
Nevada: Predatory Lending and Licensing Measure (2003).....	27 — 112
New Hampshire: Amendments to Mortgage Broker Law	27 — 113
New Jersey: Home Ownership Security Act.....	27 — 114
New Mexico: Home Loan Protection Act.....	27 — 121
New York: Predatory Lending Law.....	27 — 127
New York: General Banking Regulations, Part 41	27 — 138
New York — New York City: Predatory Lending Ordinance (2002).....	27 — 147
North Carolina: Predatory Lending Act.....	27 — 152
Ohio: Predatory Lending Act.....	27 — 159
Oklahoma: Home Ownership and Equity Protection Act.....	27 — 169
Pennsylvania: Mortgage Bankers and Brokers and Consumer Equity Protection Act	27 — 174
Rhode Island: Home Loan Protection Act	27 — 179
South Carolina: High-Cost and Consumer Home Loans Act	27 — 188
Tennessee: Home Loan Protection Act of 2006	27 — 196
Texas: Act Relating to Certain Practices in Connection with Home Loans	27 — 203
Utah: High-Cost Home Loan Act	27 — 206
Utah: Amendments to Consumer Credit Code	27 — 210
Vermont: Regulation B-98-2: High-Rate, High-Point Notices for Residential Real Estate Loans.....	27 — 210
Virginia: Mortgage Lender and Broker Act.....	27 — 212
Virginia: Predatory Lending Act.....	27 — 213
Wisconsin: Responsible High-Cost Mortgage Lending Act.....	27 — 215

Chapter 27A
Multistate Developments on
Nontraditional and Subprime Product Risks

CSBS/AARMR Guidance on Nontraditional Mortgage Product Risks.....	27A — 1
Recommended Practices	27A — 7
CSBS/AARMR/NACCA Statement on Subprime Mortgage Lending Overview	27A — 24

Chapter 28
Home Equity Line of Credit/Revolving Credit Line Fees

See the chapter table of contents for individual state entries.

Exhibits (Available Only on CD)

Exhibit 1.1: Sample Policy and Procedure.....	Exhibits — 1
Exhibit 2.1: Early (Estimated) Truth-in-Lending Statement.....	Exhibits — 49
Exhibit 2.2: Itemization of Amount Financed	Exhibits — 50
Exhibit 2.3: ARM Program Disclosure.....	Exhibits — 51
Exhibit 2.4: Buydown Disclosure	Exhibits — 52
Exhibit 2.5: Section 32 Disclosure.....	Exhibits — 53
Exhibit 2.6: Section 32 Worksheet	Exhibits — 54
Exhibit 2.7: Notice of Right to Cancel.....	Exhibits — 55
Exhibit 2.8: Statement on Subprime Mortgage Lending	Exhibits — 56
Exhibit 3.1: Good Faith Estimate of Closing Costs	Exhibits — 72
Exhibit 3.2: NAMB Model Agreement.....	Exhibits — 73
Exhibit 3.3: Notice of Affiliated Business Arrangement	Exhibits — 74
Exhibit 3.4: Initial Escrow Account Disclosure Statement.....	Exhibits — 75
Exhibit 3.5: Monthly Trial Balance	Exhibits — 76
Exhibit 4.1: Notice of Availability of Real Estate Appraisal.....	Exhibits — 77
Exhibit 4.2: Notice of Adverse Action (General)	Exhibits — 78
Exhibit 4.3: Notice of Adverse Action (Credit Scoring).....	Exhibits — 79
Exhibit 4.4: Notice of Incomplete Application	Exhibits — 80
Exhibit 4.5: Notice of Counteroffer	Exhibits — 81
Exhibit 4.6: United States Department of Housing and Urban Development Servicemembers Civil Relief Act Notice.....	Exhibits — 82
Exhibit 5.1: HMDA Disclosure	Exhibits — 84
Exhibit 5.2: HMDA Loan Application Register Worksheet.....	Exhibits — 85
Exhibit 5.3: Prequalification Form.....	Exhibits — 86
Exhibit 6.1: Standard Flood Hazard Determination.....	Exhibits — 87
Exhibit 6.2: Flood Hazard Determination Disclosure.....	Exhibits — 90
Exhibit 6.3: Flood Hazard Determination and Insurance Authorization	Exhibits — 91
Exhibit 6.4: Sample Flood Insurance Flow Chart.....	Exhibits — 92
Exhibit 6.5: FRB Examination Guidelines for Complying with Regulation H	Exhibits — 95
Exhibit 7.1: Sample Mortgage Lender Privacy Policy Statement for Compliance with FTC Privacy Regulations (GLBA)	Exhibits — 107
Exhibit 8.1: Notice to Furnishers of Information.....	Exhibits — 110
Exhibit 18.1: Sample Map: Licensed States	Exhibits — 112
Exhibit 18.2: Comparison Chart of California’s Three Lender Licensing Laws: California Residential Mortgage Lending Act; California Finance Lender Law; and California Real Estate Broker Law	Exhibits — 113
Exhibit 19.1: Imaging Requirements	Exhibits — 125
Exhibit 21.1: Prepayment Limitations	Exhibits — 126
Exhibit 22.1: Sample Map: Community Property States	Exhibits — 127
Exhibit 24.1: Wet Settlement States	Exhibits — 128
Exhibit 27-CA.1: Consumer Caution and Home Ownership Counseling Notice.....	Exhibits — 129
Exhibit 27-CO.1: Consumer Caution.....	Exhibits — 130
Exhibit 27-FL.1: Notice to Borrower.....	Exhibits — 131

Exhibit 27-FL.2: Disclosure for Mortgages That Exceed Certain Percentages and Amounts	Exhibits — 132
Exhibit 27-FL.3: Fair Lending Act Notice.....	Exhibits — 133
Exhibit 27-IL.1: Notice to Borrower.....	Exhibits — 134
Exhibit 27-IL.2: Credit Counseling Notice	Exhibits — 135
Exhibit 27-IL.3: Balance Sheet.....	Exhibits — 136
Exhibit 27-IL.4: Mortgage Awareness Program Notice	Exhibits — 138
Exhibit 27-IL.5: Waiver of Participation in Mortgage Awareness Program	Exhibits — 139
Exhibit 27-IL.6: Delinquency Notice.....	Exhibits — 140
Exhibit 27-IN.1: Notice to Borrower	Exhibits — 141
Exhibit 27-KY.1: Consumer Caution and Home Ownership Counseling Notice.....	Exhibits — 142
Exhibit 27-MA.1: Notice to Borrower.....	Exhibits — 143
Exhibit 27-MI.1: Borrower’s Bill of Rights.....	Exhibits — 144
Exhibit 27-MI.2: Consumer Caution and Home Ownership Counseling Notice.....	Exhibits — 145
Exhibit 27-MN.1: Prepayment Penalty Disclosure	Exhibits — 146
Exhibit 27-NV.1: Foreclosure Notice	Exhibits — 147
Exhibit 27-NV.2: “Commercially Reasonable Means or Mechanism” Worksheet	Exhibits — 148
Exhibit 27-NJ.1: Notice to Borrower.....	Exhibits — 150
Exhibit 27-NY.1: Credit Counseling Notice.....	Exhibits — 151
Exhibit 27-NY.2: Consumer Caution and Home Ownership Counseling Notice.....	Exhibits — 152
Exhibit 27-NY.3: Consumer Caution and Home Ownership Counseling Notice.....	Exhibits — 153
Exhibit 27-NY.4: Early Lender, Broker Disclosure.....	Exhibits — 154
Exhibit 27-OH.1: Closing Disclosure	Exhibits — 155
Exhibit 27-OH.2: Acknowledgment of Receipt of Home Mortgage Loan Informational Document	Exhibits — 156
Exhibit 27-OH.3: Ohio Homebuyers’ Protection Act Informational Document	Exhibits — 157
Exhibit 27-OK.1: Early Disclosures	Exhibits — 158
Exhibit 27-OK.2: Insurance Notice to Obligor.....	Exhibits — 159
Exhibit 27-PA.1: Notice to Borrower	Exhibits — 160
Exhibit 27-PA.2: Insurance Notice to Borrower.....	Exhibits — 161
Exhibit 27-RI.1: Rhode Island Banking Rule 3	Exhibits — 162
Exhibit 27-TX.1: Notice to Borrowers	Exhibits — 178
Exhibit 27-TX.2: Insurance Notice.....	Exhibits — 179
Exhibit 27-VT.1: Notice to Borrower	Exhibits — 180
Exhibit 27-VA.1: Borrower Notice.....	Exhibits — 181

**Predatory Lending Worksheets
(Available Only on CD)**

Section 32 Worksheet — Federal and Multistate	Worksheets — 1
State Worksheet — Arkansas	Worksheets — 2
State Worksheet — District of Columbia	Worksheets — 3
State Worksheet — Los Angeles	Worksheets — 4
State Worksheet — Georgia	Worksheets — 5
State Worksheet — Massachusetts	Worksheets — 6

State Worksheet — New Mexico..... Worksheets — 7
State Worksheet — Tennessee..... Worksheets — 8
South Carolina High Cost Home Loan Analysis Worksheet..... Worksheets — 10

