

**Table of Updates**

**\*\* CHANGES ARE IN RED THROUGHOUT THE GUIDE \*\***

<b>Change Date:</b> 02-08-2007	
<b>Section of Guide</b>	<b>Change Description</b>
<a href="#">200 – Eligible State and Lien Position Lending Areas</a>	<ul style="list-style-type: none"> <li>Updated the restrictions for Ohio loans to only allow loans that are fully amortizing with Full/Alt documentation and do not have a prepayment penalty.</li> </ul>
<a href="#">302.01 – State and Local High Cost Loan Thresholds</a>	<ul style="list-style-type: none"> <li>Updated the restrictions for Ohio loans to only allow loans that are fully amortizing with Full/Alt documentation and do not have a prepayment penalty.</li> </ul>

**\*\* PREVIOUS CHANGES RECENTLY MADE \*\***

<b>Change Date:</b> 10-04-2006	
<b>Section of Guide</b>	<b>Change Description</b>
<a href="#">200 – Eligible State and Lien Position Lending Areas</a>	<ul style="list-style-type: none"> <li>Added Michigan as an eligible state for East and West coasts when the lien position is 2<sup>nd</sup>.</li> </ul>

**Table of Contents**

**Table of Updates 1**

**Table of Contents 2**

**100 – General Information 3**

101 – Equal Credit Opportunity Act (ECOA) - Regulation B ..... 3

102 – Fair Credit Reporting Act..... 4

103 – Fair Housing Act..... 5

104 – National Flood Insurance Act..... 5

105 – Real Estate Settlement Procedures Act..... 6

106 – Truth in Lending Act..... 7

107 – TILA Finance Charges Matrix ..... 7

108 – Home Mortgage Disclosure Act (HMDA) ..... 10

**200 – Eligible State and Lien Position Lending Areas 11**

**300 – High Cost Loans and Anti-Predatory Lending 13**

301 – Federal Law ..... 13

302 – State and Local Laws ..... 13

303 – Rate and Fee Limitations ..... 18

304 – Compliance Rates..... 19

Information contained herein is provided to assist real estate professionals and is not an advertisement to extend consumer credit as defined by Section 226.2 of Regulation Z.

## 100 – General Information

Each Partner is required to comply with all applicable local, state, and federal laws and regulations. The information outlined in this section covers the primary compliance concerns that are required of each Partner. The following is provided as general information and should not be considered to constitute legal advice. Partners are encouraged to consult their legal counsel for complete interpretations.

## 101 – Equal Credit Opportunity Act (ECOA) - Regulation B

The intent of the Equal Credit Opportunity Act is to ensure that no person is denied access to credit due to prohibited discrimination. Under ECOA, a creditor cannot discriminate against an applicant on the basis of race, color, religion, national origin, sex, marital status, age, receipt of public assistance benefits, or good faith exercise of consumer credit rights under federal or state law. A creditor is defined as any person who “regularly participates in the decision of whether or not to extend credit” or who regularly refers applicants to creditors.

Regulation B also requires that a creditor must notify an applicant of its credit decision within 30 days of receipt of a “completed application.” If the application is denied, the creditor must send a written “adverse action” notice to the applicant. An application is considered complete when the creditor has obtained all of the information it normally considers in making a credit decision. A creditor must act with reasonable diligence to collect all the information needed to complete the application.

Every Partner warrants and represents that he/she shall at all times comply with the requirements of ECOA and Regulation B. Specifically, the Partner represents and warrants that he/she:

- Does not discourage or dissuade any person from contemplating an application based upon any attribute of the applicant which is protected under ECOA.
- Will not request information regarding an applicant’s receipt of child support, separate maintenance or alimony payments unless the Partner has informed the applicant that he/she is not required to provide the information but may choose to include this income as a basis for qualifying to repay the loan.
- Will diligently collect all information necessary to complete an application file, and shall promptly forward each complete, registered application file to Summit Mortgage Partners, Inc. (Summit). The Partner will request all necessary information from third parties promptly after receiving an application and, if additional information is needed from the applicant, the Partner shall contact the applicant promptly.
- Will immediately forward the written “adverse action” notice provided by Summit and required by Regulation B to all applicants whose credit requests were denied by Summit.

## 102 – Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) is primarily designed to assure that “Consumer Reporting Agencies” exercise fairness, confidentiality, and accuracy in preparing and disclosing consumer information, and that the information is not used for an improper purpose. The FCRA regulates the furnishing of consumer reports to those authorized to receive them, and it places obligations on the users of consumer reports. The FCRA permits consumers to obtain credit information regarding themselves from credit bureaus and to dispute inaccurate or incomplete information. With the enactment of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act), the FCRA was amended to help prevent identity theft, improve consumers’ abilities to resolve disputes regarding information contained in their credit reports, and to permit consumers to attach fraud and active duty military alerts to their credit reports.

The FCRA prohibits a creditor from requesting or using a consumer report for improper purposes. A creditor may generally only seek, and a consumer reporting agency may only provide, a consumer report:

- In connection with a credit transaction involving the consumer; or
- Where the creditor has a legitimate business need for the information in connection with a business transaction involving the consumer.

The FCRA also requires that a creditor make certain disclosures to a consumer when the creditor takes “adverse action” based in whole or in part on information received from third parties.

Each Partner represents and warrants the following:

- Partner will not request consumer information from a consumer reporting agency or other third party for any improper purpose or before an application/credit authorization has been received.
- Partner will not release consumer information to anyone other than employees of Summit and any other agency or company which may insure or guaranty the loan, or other mortgagee involved in the transfer of an originated loan to an investor. Broker will not release consumer information to the property seller, real estate broker or any other third party, including the borrower (except for information provided by the borrower).
- Partner or employees of the Partner may not disclose information from a credit report to the applicant but should direct the applicant to obtain a copy of his/her credit report from the reporting agency.
- If a loan request was denied based on credit related information, Summit will identify (Name, Address) the consumer reporting agency that provided the information in the Adverse Action Notice sent by Summit and forwarded by the Partner to the denied applicant.
- Summit will disclose in each Adverse Action Notice whether information was obtained from a third party other than a consumer reporting agency and will clearly and accurately disclose to the consumer his/her right to receive a disclosure of the nature of the information within sixty (60) days of the date of adverse action.

### 103 – Fair Housing Act

The Fair Housing Act, Title VIII of the Civil Rights Act of 1968, prohibits discrimination in the sale, rental or financing of housing and the provision of brokerage services on the basis of race, color, religion, national origin, sex, handicap, or family status. The Act encompasses all segments of the real estate industry including Partners, builders, apartment owners, sellers, appraisers, and mortgage lenders, and applies to both single family and multi-family housing.

The Fair Housing Act prohibits the following practices:

- Failing or refusing to provide to any person information regarding the availability of loans; application requirements; or procedures for the review and approval of loans;
- Providing information that is inaccurate or different to persons because of their race, color, etc.
- Using an appraisal if the user knows or reasonably should know that the appraisal improperly takes into account race, color, etc.

As with ECOA, every Partner must comply with the anti-discrimination requirements of the fair Housing Act at all times.

### 104 – National Flood Insurance Act

The National Flood Insurance Act, Title XIII of the Housing and Urban Development Act of 1968, authorized a program, the National Flood Insurance Program (NFIP), to make flood insurance available nationwide through the federal government and the private insurance industry. Private mortgage companies are not directly subject to the NFIP because they are not deemed to be a federally supervised, regulated or insured institution. However, investors in the secondary market are often subject to the requirements of the program, and they look to the loan originator to protect their interest. The Partner must be familiar with the program and assist Summit when requested to ensure compliance with the Act. Partner's responsibilities include:

- Determining whether any of the communities in its lending area have designated special flood hazard areas, and whether or not any of the communities are participating in the National Flood Insurance Program.
- Determining whether improved real estate that will secure a loan is located in a special flood hazard area using up-to-date records for the community.
- Providing written notice, if applicable, to borrowers informing them that the property securing a loan is in a special flood hazard area and whether or not federal disaster relief assistance will be available if the property is damaged by flooding. This notice must be provided at least ten (10) days prior to closing or at the time of commitment if this occurs less than ten (10) days before the closing.
- Obtaining written acknowledgments from the borrowers indicating their understanding that the property securing the loan is or will be located in a special flood hazard area and that they have received the notice regarding the availability of federal disaster relief assistance.

If the improvements are in a special flood hazard area and the community is participating in the NFIP, flood insurance is required for the lesser of the loan amount or the maximum insurance available for the loan term.

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If the property and/or improvements are located in a secondary zone, flood insurance is recommended but not required.

If the property and/or improvements are located in a special flood hazard area, Zone A, and the community does not participate in the National Flood Insurance Program, flood insurance is not available and the loan cannot be made.

A flood certification fee must be disclosed on the Good Faith Estimate prepared by the Partner and disclosed to the applicant. It is acceptable for the property seller or Broker to pay this fee for the borrower. If the Partner is paying the flood certification fee, the fee must still be listed on the GFE as a POC by Partner. Life of loan flood certification fees should be included in the finance charges for calculation of the APR although the cost for flood determinations should not be included if that portion of the fee can be segregated from the overall flood determination cost.

### **105 – Real Estate Settlement Procedures Act**

The Real Estate Settlement Procedures Act (RESPA) was created to give home buyers full disclosure of the settlement costs and, where possible, to assist in reducing settlement costs.

Each Partner represents and warrants that he/she will provide the borrower with a Good Faith Estimate (GFE) of Settlement Services in the format required by RESPA, along with the HUD Booklet of Settlement Costs, at the time of application for all federally related mortgage loans. The GFE must include information on settlement service providers that Partners require applicants to utilize or a list of providers if the determination of which provider will be required to be used by the applicant is to be determined later in the application process.

At the time of application each Partner is also required to disclose to the applicant whether the loan servicing rights may be assigned, sold, or transferred to any other person or entity at any time while the loan is outstanding (Mortgage Servicing Disclosure Statement). Even if there is no intention of assigning servicing, disclosure has to be made on all mortgage loans secured by a first lien on residential real property. The Mortgage Servicing Disclosure Statement must be in compliance with all requirements of RESPA, must be delivered to the applicant per RESPA requirements and must contain acknowledgement by the applicant that he/she received the disclosure.

## 106 – Truth in Lending Act

The Truth in Lending Act, and implementing Regulation Z, is aimed at promoting the informed use of consumer credit by requiring various disclosures about its terms and costs.

Each Partner represents and warrants that he/she will provide applicants with an estimated Truth in Lending Act (TILA) disclosure within three (3) business days of receiving applications for loans subject to the Good Faith Estimate requirements of RESPA and where not prohibited by state laws or regulations. An estimated TILA disclosure must be re-disclosed by the Partner or Summit when a loan program changes. Summit will then issue a final TILA disclosure at closing to reflect the actual terms for the loan.

The Annual Percentage Rate (APR) tolerance is .125% for ARM loans and .125% for all other products.

Truth in Lending disclosures must reflect the terms of the legal obligation or if any terms are unknown, the disclosures shall be based upon the best information reasonably available to the Partner and must be designated as an estimate (“e”).

Partners must provide consumers with early adjustable rate mortgage (ARM) disclosures. The required ARM disclosures consist of a) The booklet entitled Consumer Handbook on Adjustable Rate Mortgages, and b) A disclosure which describes each ARM program offered by the lender. The ARM disclosures must comply with all requirements per Regulation Z.

In addition to the required ARM disclosures, Partners must also provide consumers applying for Home Equity Lines of Credit with the required Federal Reserve HELOC brochure titled Putting Your Home on the Loan Line is Risky Business or similar substitute brochure at the time of application.

In refinance transactions, Summit will provide each person who has an ownership interest in the dwelling a copy of the final Truth in Lending Act disclosure and two copies of the “Notice of Right to Cancel”.

Funds shall not be disbursed prior to the expiration of the rescission period on rescindable transactions. The rescission period expires at midnight of the third business day after the last of the following to occur:

- The date the transaction is consummated;
- The date the material TILA disclosures are delivered to the borrower, or
- The date the Notice of Right to Cancel is delivered to the borrower.

A “business day” is defined as all calendar days except Sunday and legal public holidays (any day in which mail is delivered).

## 107 – TILA Finance Charges Matrix

To reduce issues associated with APR and federal Truth in Lending Act (TILA) calculations, it is required that Partners use the following Finance Charge Matrix when preparing the required disclosure. The Matrix covers APR and TILA calculations, but does not cover Section 32 high cost testing.

<b>The following fees must be included as a finance charge:</b>	
<b>Description</b>	<b>Condition</b>
Administrative Fee	
Application Fee	Not included if charged to all applicants regardless of credit decision
Assignment Fee (MERS)	
Attorney's Fee Same as Closing/Settlement Fee	Considered a FC when fee is for attending the closing/settlement
Partner Fee (Misc.)	
Closing/Settlement Fee	
Closing Protection Letter	
Commitment Fee	
Copy Fee/Fax Fee	
Courier Fee	Include as FC if the lender requires express delivery of documents to/from a third party. If cannot determine whether lender required, include fee as FC.
Document Preparation Fee	Do not include if fee is reasonable and customary. Summit reserves the right to determine whether the fee is a FC.
Document Review Fee	
Flood Insurance (Servicing Fee)	Applies to life-of-loan service policy. Include entire amount if cannot determine how much of the fee is for the life of the loan servicing vs. the flood determination
Funding Fee	
Georgia Residential Mtg. Fee	
Loan Discount	
Loan Origination Fee	
Loan Tie-In Fee	
Mortgage Insurance	Include only the up-front premium as a prepaid FC (this includes a PMI or MIP reserve if required).
Per Diem Interest	
Processing Fee	
Sub-Escrow Fee	
Tax Related Service Fee	Applies to life-of-loan service policy. Include entire amount if cannot determine how much of the fee is for the life of the loan servicing vs. the initial determination.
Underwriting Fee	
VA Funding Fee	
Verification Fee	
Warehouse Fee	
Wire Transfer Fee	

<b>The following fees are not included as a finance charge:</b>	
<b>Description</b>	<b>Condition</b>
Abstract	
Appraisal Fee	Including appraisal field review fee.
City/Country Tax/Stamps	
Credit Report	Including business credit reports.
Energy Efficient Mortgage Fee	
Escrow Transfer	
Flood Insurance (Determination)	Applies to initial flood determination. Include the entire amount as FC if cannot determine how much of the fee is for the life of the loan servicing vs. the flood determination.
Hazard Insurance Premium	
Hazard Insurance Reserves	
Improvement Location Certificate	
Insurance Binder	
Intangible Tax	
Judgment Report	
Lender Inspection Fee	
Lien Certificate	
Mansion Tax	
Mortgage Credit Cert.	
Mortgage Tax	Including "Additional Mortgage Tax"
Notary Fee	Do not include reasonable notary fees (\$10 - \$15 per person); otherwise include fee as FC.
Pest Inspection	
Property Inspection	
Reconveyance Fee	
Record Subordination	
Recording Fees	
Redraw Fee	
State Tax/Stamps	
Survey	
Tax Certificate	Applies to initial determination of tax status. Include the entire amount if cannot determine how much of the fee is for the life of the loan servicing vs. the initial determination.
Tax Deletion	
Title Exam	
Title Ins/Endorsement	
Yield Spread Premium	

## 108 – Home Mortgage Disclosure Act (HMDA)

The purpose of HMDA is to provide the public with mortgage loan data that can be used to help determine whether financial institutions are meeting the housing needs of their communities, assist public officials in distributing public-sector investment funds where needed, and help to identify potential discriminatory lending practices committed by reporting entities. Collected data pertaining to loan applications received by an entity is submitted to federal agencies that compile the data into reports that are returned to the submitting institution. The reporting entity must keep the HMDA report and make it available to the public upon request. HMDA data collection and reporting applies to Summit and in order to satisfy the reporting requirements, Summit must rely on Partners to gather information from the applicants with respect to each home purchase or refinance loan application submitted to Summit.

**Every Broker represents and warrants that he/she will collect the following information regarding each loan application received:**

### 108.01 – Property Address/Information

- Accurate property address including street number and name, city, state and zip code
- County
- Census Tract
- Property Type (SFR, manufactured home)

### 108.02 – Application Information for each Applicant

- Race
- Ethnicity
- Gender
- Marital Status
- Age
- Combined Annual Income for all Applicants
- First Time Home buyer status
- Two Year Residence History

### 108.03 – Transaction Information

- Loan Type Requested (conventional, government)
- Purpose of Loan Request (purchase, refinance, home improvement)
- Intended Occupancy (owner occupied, investment)
- Loan Amount Requested
- Whether the Request was Originally for a Pre-Approval

Applicant information shall be requested from all applicants on the initial application. If an applicant indicates that he/she does not desire to provide the information AND the application is taken on a face-to-face basis, the Broker shall indicate the applicant's race, ethnicity and gender by visual observation or surname. If the application is received via the mail, Internet or the applicant refuses to provide the information for an application taken over the telephone, the Broker must indicate how the application was taken and the fact that the applicant chose not to provide the requested data.

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**108.04 – Other Requirements**

In addition each Broker represents and warrants as follows:

- The initial application must be signed by all parties on all pages of the application, as applicable who are on the Note, as well as the Broker acting as the interviewer.
- The initial application must be dated by all parties to establish Truth in Lending Act disclosure compliance.
- Loan Program Disclosures (i.e. Adjustable Rate Mortgage (ARM) Disclosure), if applicable must be signed and dated by all applicants. A new program disclosure and TILA disclosure as required by state laws and regulations shall be delivered to the applicant if the applicant changes loan programs.

**200 – Eligible State and Lien Position Lending Areas**

The following matrix outlines the states and lien positions for loans where Summit is currently qualified and licensed to lend. Summit will not accept applications for, fund or purchase loans in states where the matrix does not indicate appropriate eligibility. In addition, Summit will only accept loan applications from Partners who are properly licensed or exempt from the licensing requirements and who have provided appropriate proof to Summit for those areas where Summit is eligible to lend.

**Note: State licensing does not necessarily correlate to program eligibility. Please see individual product guides for additional restrictions.**

State	1 <sup>st</sup> Liens <sup>1</sup>	2 <sup>nd</sup> Liens <sup>1</sup>	2 <sup>nd</sup> HELOCs <sup>1</sup>	Predatory Restrictions <sup>2,3</sup>
Alabama <sup>7</sup>	√ - C,E,W,S	√ - C,E,W,S	√ - C,S	-n/a-
Alaska	-n/a-	-n/a-	-n/a-	-n/a-
Arizona	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	-n/a-
Arkansas	√ - C, E	√ - C, E	-n/a-	√
California <sup>8</sup>	√ - C,E <sup>8</sup> ,W,S	√ - C,W,S	√ - C,W,S	√
Colorado	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	√
Connecticut	√ - C,E,W	√ - C,E	√ - E	√
Delaware	√ - C,E	√ - C,E	√ - E	-n/a-
DC	√ - C,E,S	√ - C,E,S	√ - C,E,S	√
Florida	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	√
Georgia	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	√
Hawaii <sup>7</sup>	√ - C,E,W,S	√ - C,E,W,S	√ - E,W,S	-n/a-
Idaho <sup>7</sup>	√ - C,E,W,S	-n/a-	-n/a-	-n/a-
Illinois	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	√
Indiana	√ - C,E,W,S	-n/a-	-n/a-	√
Iowa	√ - C,E,W,S	√ - C,S	√ - C,S	-n/a-
Kansas	√ - C,E,W,S	√ - C,E,W,S	√ - C,W,S	-n/a-
Kentucky	-n/a-	-n/a-	-n/a-	-n/a-
Louisiana	√ - C	√ - C	-n/a-	-n/a-
Maine	-n/a-	-n/a-	-n/a-	
Maryland	√ - C,E,S	√ - C,E,S	√ - C,E,S	√

State	1 <sup>st</sup> Liens <sup>1</sup>	2 <sup>nd</sup> Liens <sup>1</sup>	2 <sup>nd</sup> HELOCs <sup>1</sup>	Predatory Restrictions <sup>2,3</sup>
Massachusetts	√ - C,E	√ - C,E	√ - E	√
Michigan <sup>7</sup>	√ - C,E,W,S	√ - C <sup>5</sup> ,E <sup>5</sup> ,W <sup>5</sup> ,S <sup>5</sup>	√ - C <sup>5</sup> ,E <sup>5</sup> ,W <sup>5</sup> ,S <sup>5</sup>	√
Minnesota <sup>9</sup>	√ - C,E,W,S	√ - C <sup>9</sup> ,E,W,S	√ - C <sup>9</sup>	-n/a-
Mississippi <sup>6</sup>	√ - C,E	√ - C,E	√ - E	√
Missouri <sup>7</sup>	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	-n/a-
Montana	√ - C,E,W,S	-n/a-	-n/a-	-n/a-
Nebraska	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	-n/a-
Nevada <sup>7</sup>	√ - C,E,W,S	√ - C,E,W	√ - C,E,W	√
New Hampshire	-n/a-	-n/a-	-n/a-	
New Jersey	-n/a-	-n/a-	-n/a-	
New Mexico	√ - C,E,W	√ - C,E,W	√ - C,E,W	√
New York	-n/a-	-n/a-	-n/a-	
North Carolina	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	√
North Dakota	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	-n/a-
Ohio <sup>4</sup>	√ - C,E,W	-n/a-	-n/a-	√ <sup>4</sup>
Oklahoma	√ - C,W,S	√ - C,W,S	√ - C	√
Oregon <sup>7</sup>	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	-n/a-
Pennsylvania	-n/a-	-n/a-	-n/a-	
Rhode Island	-n/a-	-n/a-	-n/a-	-n/a-
South Carolina	√ - C,E,W,S	-n/a-	-n/a-	√
South Dakota	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	-n/a-
Tennessee	√ - C,E,W,S	-n/a-	-n/a-	-n/a-
Texas <sup>7</sup>	√ - C,S	√ - C,S	-n/a-	√
Utah <sup>7</sup>	√ - C,E,W	√ - C,E,W	√ - C,E,W	√
Vermont	-n/a-	-n/a-	-n/a-	
Virginia	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	-n/a-
Washington	√ - C,E,W,S	√ - C,E,W,S	-n/a-	-n/a-
West Virginia	√ - E,C,S	√ - E,S	√ - E,S	-n/a-
Wisconsin	√ - C,E,W,S	√ - C,E,W,S	√ - C,E,W,S	√
Wyoming	-n/a-	-n/a-	-n/a-	

Note 1: “-n/a-“ in any or all of these columns indicates that Summit is not eligible to accept applications for or originate loans of the specific lien or loan type in the corresponding state. A “√” in any or all of these columns indicates that Summit is eligible to accept applications for the specific lien or loan type at its Glen Allen, VA office (designated with “E”), San Diego, CA office (designated with “W”) and/or its Plymouth, MN office (designated with “C”). Summit Mortgage eligibility is designated with “S”.

Note 2: “-n/a-“ indicates that that the corresponding state or localities within the state has not enacted specific anti-predatory or high-cost loan laws or regulations. If a cell is left blank in this column it is because none of the branches are eligible to accept applications for or originate loans of any type in the corresponding state or locality.

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Note 3: Please see the State and Local High Cost Loan Thresholds Matrix in Section 300 below for additional information on the applicable requirements.

Note 4: Liens secured by property located in Ohio are only eligible **under the following conditions. The loan must be fully amortizing (interest only is not allowed) with Full/Alt documentation only and can not have a prepayment penalty. Negative amortization is not allowed.**

Note 5: Total fees charged to the borrower on a second lien cannot exceed 5% of the gross loan amount excluding any authorized third party fees which include any broker fees.

Note 6: All loans must include a copy of the Mississippi Mortgage Origination Agreement and Fee Agreement.

Note 7: A state in which Summit is not required to carry a license (exempt) however certain exempt states require exemption letters.

Note 8: The East branch (E) is only eligible to do 1<sup>st</sup> lien loans in under the Residential Mortgage Lender License. Partners with the Finance Lender License are not eligible to do 1<sup>st</sup> lien loans in the East branch.

Note 9: Any Closed End Second starting one half point in rate below and including all that exceed the maximum MN compliance rate (as published in the Lending Guide in Compliance Rates) and all HELOCs shall be closed using the PLSI name.

## **300 – High Cost Loans and Anti-Predatory Lending**

Due to Federal requirements and the many states and localities that are issuing legislation addressing "High Cost" loans, Summit Mortgage Corporation has internal policies that must be followed, in addition to meeting the requirements of federal, state and local laws.

### **301 – Federal Law**

Summit will not accept applications for, fund or purchase high-rate or high fee loans that are subject to the federal Home Ownership Equity Protection Act (HOEPA) as implemented in Regulation Z Section 226.32.

### **302 – State and Local Laws**

These laws are constantly changing and evolving. Summit also will not accept applications for, fund or purchase any loans subject to state or local "high-cost" or anti-predatory lending laws, rules, regulations or ordinances. The following state and local area "high-cost" or anti-predatory lending matrix outlines the various rate and fee thresholds that determine when a loan qualifies as a potential predatory loan. Each Broker must educate him/herself about the thresholds listed on the matrix since Summit relies upon this information along with the requirements outlined in Section 303 – Rate and Fee Limitations in determining whether to accept, fund or purchase loans.

Note: Additional requirements may be present in product guides. Please see applicable product guides for additional requirements.

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**302.01 – State and Local High Cost Loan Thresholds**

State/Region	Loan Threshold	Rate Threshold <sup>1</sup>	Points & Fees Threshold <sup>4</sup>
Arkansas	<ul style="list-style-type: none"> <li>• ≤ \$150,000</li> <li>• Not purchase or reverse mortgages</li> <li>• Owner-occupied</li> <li>• Does not include loans insured by, securitized for or sold to HUD, VA, FNMA or FHLMC within 60 days of closing.</li> </ul>	<ul style="list-style-type: none"> <li>• 1st - 8%</li> <li>• 2nd - 10%</li> </ul>	<ul style="list-style-type: none"> <li>• 5% of total loan amount if total loan amount ≥ \$75,000.</li> <li>• 6% of total loan amount if total loan amount &gt; \$20,000 and &lt; \$75,000</li> <li>• 8% of total loan amount if total loan amount ≤ \$20,000.</li> </ul>
California	<ul style="list-style-type: none"> <li>• ≤ \$250,000</li> <li>• Not reverse mortgages or open lines of credit</li> <li>• Owner-occupied</li> </ul>	<ul style="list-style-type: none"> <li>• 8%</li> </ul>	6% of total loan amount.
California – Los Angeles City	<ul style="list-style-type: none"> <li>• ≤ FNMA conforming limits</li> <li>• Refinance transactions</li> <li>• Owner-occupied</li> <li>• Not reverse mortgages</li> </ul>	<ul style="list-style-type: none"> <li>• 6%</li> </ul>	If > \$1,500 then 4% of total loan amount.
California – Oakland City	<ul style="list-style-type: none"> <li>• ≤ FNMA conforming 1st</li> <li>• Owner-occupied</li> <li>• Not reverse mortgages</li> </ul>	<ul style="list-style-type: none"> <li>• 1st - 3%</li> <li>• 2nd - 5%</li> </ul> Above 90 day mandatory delivery commitment for 1st from > of FNMA or FHLMC on 15th of month preceding.	Greater of 5% of total loan amount or \$800
Colorado	Does not apply to purchase, reverse or open-end mortgages	<ul style="list-style-type: none"> <li>• 1st - 8%</li> <li>• 2nd - 10%</li> </ul>	6% of total loan amount.
Connecticut	<ul style="list-style-type: none"> <li>• Owner-occupied</li> <li>• Not reverse mortgages</li> </ul>	<ul style="list-style-type: none"> <li>• 1st - 8%</li> <li>• 2nd - 10%</li> </ul>	-n/a-
District of Columbia	<ul style="list-style-type: none"> <li>• ≤ FNMA conforming limits</li> <li>• Owner-occupied</li> <li>• Not reverse mortgages</li> <li>• Not FHA &amp; VA</li> </ul>	<ul style="list-style-type: none"> <li>• 1<sup>st</sup> - 6%</li> <li>• 2<sup>nd</sup> - 7%</li> </ul>	<ul style="list-style-type: none"> <li>• 5% of the total loan amount for both 1<sup>st</sup> and 2<sup>nd</sup>.</li> </ul>
Florida	Does not apply to purchase, reverse or open-end mortgages	<ul style="list-style-type: none"> <li>• 1st - 8%</li> <li>• 2nd - 10%</li> </ul>	Greater of 8% of total loan amount or \$510 (adjusted annually by CPI).
Georgia	<ul style="list-style-type: none"> <li>• ≤ FNMA conforming limits</li> <li>• Owner-occupied</li> <li>• Not reverse mortgages</li> </ul>	<ul style="list-style-type: none"> <li>• 1st - 8%</li> <li>• 2nd - 10%</li> </ul>	<ul style="list-style-type: none"> <li>• 5% of total loan amount if total loan amount ≥ \$20,000.</li> <li>• Lesser of \$1,000 or 8% of total loan amount if &lt; \$20,000.</li> </ul>

# Chapter 500 – Compliance & Geographic Restrictions

Revised: 08-10-2009

State/Region	Loan Threshold	Rate Threshold <sup>1</sup>	Points & Fees Threshold <sup>4</sup>
Georgia – Atlanta City & DeKalb County	-n/a-	<ul style="list-style-type: none"> <li>High Cost Loan - 5% over the weekly average comparable duration Treasury securities yield from previous week.</li> <li>Threshold Loan - <math>\geq 4\%</math> and <math>&lt; 5\%</math> over same Treasury rate.</li> </ul>	<ul style="list-style-type: none"> <li>High Cost Loan – 3% of total loan amount.</li> <li>Threshold Loan – n/a</li> </ul>
Illinois	<ul style="list-style-type: none"> <li>Refinance transactions only</li> <li>Not purchases or HELOCs</li> </ul>	<ul style="list-style-type: none"> <li>1st - 6%</li> <li>2nd - 8%</li> </ul>	<p>Greater of 5% of loan balance or \$800 (adjusted annually by CPI). Although not included as part of the Illinois High Risk Home Loan Act, if the interest rate on a loan exceeds 8%, the Illinois Interest Act limits the total fees and charges on the loan to 3%.</p>
Illinois – Chicago City & Cook County	<ul style="list-style-type: none"> <li><math>\leq \\$250,000</math></li> </ul>	<ul style="list-style-type: none"> <li>1st - 6%</li> <li>2nd - 8%</li> </ul>	<p>5% of total loan amount if total loan amount <math>\geq \\$16,000</math> or \$800 if loan amount <math>&lt; \\$16,000</math>. Although not included as part of the Illinois High Risk Home Loan Act, if the interest rate on a loan exceeds 8%, the Illinois Interest Act limits the total fees and charges on the loan to 3%.</p>
Indiana	<ul style="list-style-type: none"> <li><math>\leq</math> FNMA conforming limits</li> <li>Not open end credit plans or reverse mortgages</li> <li>Owner-occupied</li> <li>Not loans that can be sold to FNMA or FHLMC, HUD insured, or VA guaranteed</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	<ul style="list-style-type: none"> <li>5% of loan amount if <math>\geq \\$40,000</math>.</li> <li>6% of loan amount if <math>&lt; \\$40,000</math>.</li> </ul>
Maryland	-n/a-	<ul style="list-style-type: none"> <li>1st - 7%</li> <li>2nd - 9%</li> </ul>	<p>Greater of 7% of total loan amount or \$510 (adjusted annually by CPI).</p>
Massachusetts	<ul style="list-style-type: none"> <li>Not unsecured open end credit or reverse mortgages.</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 9%</li> </ul>	<ul style="list-style-type: none"> <li>Greater of 5% of total loan amount or \$400 (adjusted annually by CPI).</li> <li>Up to 2 bona fide discount points and conventional prepayment payments are excluded from total.</li> </ul>

# Chapter 500 – Compliance & Geographic Restrictions

Revised: 08-10-2009

State/Region	Loan Threshold	Rate Threshold <sup>1</sup>	Points & Fees Threshold <sup>4</sup>
Mississippi	-n/a-	-n/a-	The Mississippi Mortgage Consumer Protection Act, stipulates that the maximum direct compensation for a loan cannot exceed 7.95% of the loan amount.
Michigan	<ul style="list-style-type: none"> <li>Not purchases, reverse mortgages, or open end credit plans</li> <li>Owner-occupied</li> </ul>	-n/a- <sup>2</sup>	-n/a- <sup>2</sup>
Nevada	-n/a-	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	Greater of 8% of total loan amount or \$510 (adjusted annually by CPI).
New Mexico	<ul style="list-style-type: none"> <li>≤ FNMA conforming limits</li> <li>Not reverse mortgages</li> <li>Owner-occupied</li> </ul>	<ul style="list-style-type: none"> <li>1st - 7%</li> <li>2nd - 9%</li> </ul>	Up to 2% of bona fide discount points and prepayment penalty excluded from total fees calculation: <ul style="list-style-type: none"> <li>5% of total loan amount if loan ≥ \$20,000.</li> <li>Lesser of \$1,000 or 8% of total loan amount if &lt; \$20,000.</li> </ul>
North Carolina	<ul style="list-style-type: none"> <li>Lesser of FNMA conforming loan amount or \$300,000.</li> <li>Not reverse mortgages</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	Up to 2 bona fide discount points and 1% prepayment penalty excluded from total fees calculation: <ul style="list-style-type: none"> <li>5% of total loan amount if loan ≥ \$20,000.</li> <li>Lesser of \$1,000 or 8% of total loan amount if &lt; \$20,000.</li> </ul>
Ohio <sup>5</sup>	<ul style="list-style-type: none"> <li>Not purchases, reverse mortgages or open end credit plans.</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	Greater of 8% of total loan amount or \$510 (adjusted annually by CPI).
Ohio – Cleveland City <sup>5</sup>	<ul style="list-style-type: none"> <li>Owner-occupied</li> </ul>	<ul style="list-style-type: none"> <li>1st - ≥ 4.5% but &lt; 8%</li> <li>2nd - ≥ 6.5% but &lt; 10%</li> </ul>	Although no points and fees thresholds included in ordinance, loan must involve “predatory” practices to be defined as predatory loan.
Ohio – Cleveland Heights City <sup>5</sup>	<ul style="list-style-type: none"> <li>Not purchases, reverse mortgages or open end credit plans</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	Greater of 8% of total loan amount or \$510 (adjusted annually by CPI).
Ohio – Dayton City <sup>5</sup>	-n/a-	<ul style="list-style-type: none"> <li>1st – Lesser of 9% or HOEPA thresholds (8%)</li> <li>2nd - 10%</li> </ul>	Lesser of: <ul style="list-style-type: none"> <li>HOEPA points and fees threshold (&gt; 8% of loan amount or \$510).</li> <li>5% of total loan amount.</li> <li>6% of total transaction amount if loan is purchase transaction &gt; \$20,000 and FHA or VA guaranteed.</li> </ul>

State/Region	Loan Threshold	Rate Threshold <sup>1</sup>	Points & Fees Threshold <sup>4</sup>
Ohio – Toledo City <sup>5</sup>	<ul style="list-style-type: none"> <li>Owner-occupied</li> </ul>	-n/a <sup>3</sup>	-n/a <sup>3</sup>
Oklahoma	<ul style="list-style-type: none"> <li>Not purchases, reverse mortgages or open end credit plans.</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	Greater of 8% of total loan amount or \$510 (adjusted annually by CPI).
South Carolina	<ul style="list-style-type: none"> <li>≤ FNMA conforming limits</li> <li>Not open end or reverse mortgages</li> <li>Owner-occupied</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	Up to 2 bona fide discount points and conventional prepayment penalty excluded from total fees calculation: <ul style="list-style-type: none"> <li>5% of total loan amount if loan ≥ \$20,000.</li> <li>Lesser of \$1,000 or 8% of total loan amount if &lt; \$20,000.</li> </ul>
Texas	<ul style="list-style-type: none"> <li>≤ ½ FNMA conforming limits</li> <li>Not open end or reverse mortgages</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	Greater of 8% of total loan amount or \$510 (adjusted annually by CPI).
Utah	-n/a-	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	Greater of 8% of total loan amount or \$400 (adjusted annually by CPI).
Wisconsin	<ul style="list-style-type: none"> <li>Not purchases, reverse or open-end mortgages</li> <li>Owner-occupied</li> </ul>	<ul style="list-style-type: none"> <li>1st - 8%</li> <li>2nd - 10%</li> </ul>	6% of total loan amount

Note 1 – Unless otherwise indicated, Rate Thresholds are based on the stated rate added to the yield on Treasury securities with maturities comparable to the loan maturities on the 15<sup>th</sup> day of the month immediately preceding the month the credit application was received.

Note 2 – The requirements contained in Michigan’s Consumer Mortgage Protection Act apply to all mortgage loans not excluded under Loan Threshold thus no specific rate or fee thresholds were included within the Act.

Note 3 – The Toledo, Ohio code does not define thresholds but rather places certain prohibited practices on all Home Loan originations. In addition, the Code has been declared unenforceable due to it conflicting with the Ohio state predatory lending law but the decision is currently pending appeal.

Note 4 – Generally states and localities follow the Federal HOEPA/Regulation Z Section 32 definition of points and fees, which include:

- All amounts required to be disclosed under 12 CFR §226.4(a) and 12 CFR §226.4(b) except interest or the time-price differential, plus
- All compensation paid to mortgage Partners, plus
- All amounts listed in 12 CFR §226.4(c)(7) unless the amount is reasonable and the lender or affiliate receives no compensation in connection with the amount, plus
- Premiums or charges for credit life, accident, health, loss of income or debt cancellation insurance.

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Note 5 – Liens secured by property located in Ohio are only eligible **under the following conditions. The loan must be fully amortizing (interest only is not allowed) with Full/Alt documentation only and can not have a prepayment penalty. Negative amortization is not allowed.**

12 CFR §226.4(a) and §226.4(b) amount examples include:

- Interest, time-price differential and amounts payable under an add-on or discount system although these amounts are excluded under the HOEPA/Section 32 definition.
- Service, transaction, activity and carrying charges.
- Points, loan fees, assumption fees and finder's fees.
- Appraisal, investigation and credit report fees.
- Premiums or other charges for any guarantee or insurance protecting the lender.
- Charges imposed on the lender by party purchasing or accepting the obligation if the borrower is required to pay the charges
- Premiums or other charges for credit life, accident, health or loss-of-income insurance.
- Premiums or other charges for property hazard or liability insurance.
- Discounts offered for inducing payment by means other than the use of credit.

12 CFR §226.4(c)(7) amounts include:

- Fees for title examination, abstract of title, title insurance and property survey.
- Fees for preparing loan-related documents such as deeds, mortgages, reconveyances or settlement documents.
- Notary and credit report fees.
- Property appraisal and inspection fees performed prior to closing including pest and flood hazard determinations.
- Amounts required to be paid into escrow accounts.

## **303 – Rate and Fee Limitations**

Subject to any modification by federal, state or local law or ordinance, this policy applies to first or subordinate mortgage loans secured by a 1-to-4 family property (including condominiums, PUDs and townhouses) where the property securing the loan is, or will be the borrower's residence. Summit refers to such loans as "covered transactions." Investment properties are not covered transactions, but the borrower's secondary or seasonal residences are covered transactions.

On covered transactions, the following interest rate and fee restrictions must be complied with:

- At the time of lock-in the interest rate on the loan cannot exceed by more than 6 percentage points the most recently available yield on Treasury Securities with a comparable period to maturity as the loan maturity. (Federal Reserve Board publication H.15 lists Treasury Security yields for various maturities. It is available on the Internet at <http://www.federalreserve.gov/releases/h15>).
- Total points and fees paid by the borrower cannot exceed 5% of the total loan amount.

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- "Total points and fees" are the total prepaid finance charges\* paid by the borrower as defined in federal Truth in Lending Act rules:
  - less the amount a borrower contributes to a short-term buydown deposit (such as a 3-2-1 buydown), and
  - Less borrower-paid bona fide discount points\*\* that reduce the interest rate paid by the borrower in accordance with standard secondary market pricing parameters.

\*Prepaid finance charges include discount (see note below), origination fees, underwriting and processing fees, and generally all other fees that would not be payable in a cash transaction. However, certain fees are excluded by law from the definition of a prepaid finance charge, including appraisal fees, inspection fees, credit report costs, and certain other fees as specified in Truth in Lending Act rules.

\*\*Discount points must be the result of a below PAR note rate. The amount of the discount may not exceed the actual amount as evidenced by the loan lock's required rate buydown. It is a violation of policy to charge discount points in place of an origination fee and/or other standard fees as a means to circumvent the total points and fees limitation set forth in this guideline.

### **304 – Compliance Rates**

Minnesota maximum interest rates and U.S. Treasury Rates can be found by following the below link: [Compliance Rates](#)