

Section 35 (HPML) Breakdown Including CFPB 2013 - 2016 Updates

	HPML (12 CFR §1026.35) Higher-Priced Mortgage Loans
General	A closed-end consumer credit transaction secured by the consumer’s principal dwelling with annual percentage rate (APR) that exceeds the APOR by indicated thresholds for a comparable transaction as of the date the interest rate is set.
Consumer Loan Type	<p>Principal dwelling only -1st and subordinate liens Covers fixed rate or adjustable rate mortgages including:</p> <p>“ANY Closed-End Consumer Credit Transaction secured by a principal dwelling”</p> <ul style="list-style-type: none"> • Closed-end purchase money loan • Refinancing of closed-end purchase money or home equity loan • Closed-end home equity loan
Exemptions	<p>HPML definitions does not include;</p> <ul style="list-style-type: none"> • Initial Construction Loans (Borrower Interim) • Temporary or Bridge loans with terms of 12 months or less* • Home Equity Lines of Credit (open-end) • Reverse mortgages • Non-owner occupied transactions
Thresholds	<p>Thresholds based on average prime offer rate (APOR) as published via the FFIEC’s rate spread calculator on website www.ffiec.gov/ratespread/newcalc.aspx :</p> <p>Final APR that exceed the APOR as of the final interest rate lock by at least</p> <ul style="list-style-type: none"> • 1.5 percentage points or more for first-lien loans; or • 2.5 or more percentage points for loans which exceed Agency maximum loan limits (jumbo) • 3.5 percentage points or more for subordinate-lien loans. <p>• Note:3.5 percentage points as of January 10, 2014 for “Small Creditors” pertains to Higher Priced Covered Transactions (HPCT) per §1026.43(b)(4), not Section 35(HPML)</p>
Disclosure	No separate additional disclosures required; other then as required by Reg. B 1002.14(a)(2)- Borrowers Right to Receive Appraisal- (now included on Loan Estimate) A creditor shall mail or deliver a copy of the appraisal report promptly (generally within 30 days) after the creditor receives an applicant's request.

	<p align="center">HPML (12 CFR §1026.35) Higher-Priced Mortgage Loans</p>
<p>Underwriting</p>	<p>May not rely on the collateral securing the loan without regard to consumer’s ability to repay. Lender may consider current and reasonably expected income, employment, assets other than collateral, current obligations and mortgage-related obligations.</p> <p>Mortgage related obligations include; but are not limited to, property taxes, insurance premiums including PMI, HOA or condo fees, secondary mortgage payments taken at or before closing in addition to this transaction’s mortgage payment.</p>
<p>Prohibition</p>	<p>May not structure a home-secured loan as an open-end plan to evade Regulation Z’s HPML provisions.</p>
<p>Requirement</p>	<p>May not fail to escrow for property taxes and mortgage-related insurance for a minimum of FIVE YEARS (including insurance against loss of or damage to property, protecting mortgage lender against default or other credit loss, and flood insurance) when the high priced mortgage loan is secured by a <u>first lien</u>.</p> <p>Exemptions to Escrow Rule Requirement:</p> <ul style="list-style-type: none"> • Loans originated by creditor or affiliates who meets all “Rural or Underserved” definitions. Updates 1/2016 and 3/31/2016 • Creditor has extended <u>one covered transaction</u> in a Rural or Underserved area during the previous calendar year; or, during either of the two preceding calendar years, with applications received prior to April 1st; and • Creditor and affiliates have fewer than 2000 first lien covered transactions during the previous calendar year (not including portfolio loans), • Together with its affiliates, has less than \$2,000,000,000 (billion) in assets during the previous calendar year (adjusted annually per CPI). • Creditor or its affiliates do not maintain escrow accounts other than; <ul style="list-style-type: none"> ○ HPML loans extended between April 1,2010 and May 1, 2016; or ○ Established after consummation to distressed consumers to assist in avoiding default or foreclosure <p><u>However, they are still considered HPML loans and must follow all other HPML rules and requirements, if threshold is exceeded.</u></p> <p>Notwithstanding the 5 year mark and borrower’s hand written request to cancel, escrow accounts <u>may not</u> be canceled unless the unpaid principal balance is less than 80% of original value of the property securing underlying debt obligation; and the consumer is not delinquent or in default.</p>

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Prohibition	<p>Specified restrictions that HPML loans must follow effective January 10, 2014; May not impose a prepayment penalty at any time if any of the following is true:</p> <ul style="list-style-type: none"> • More than 36 months after consummation or account opening; or • In an amount more than 2% of the amount prepaid.; and • The penalty will apply after the two year period following consummation. • The consumer’s principal and/or interest mortgage payment can change during the first 4 years of the loan term (i.e., adjustable rate mortgage with first change during first 4 years) ; or • The source of the prepayment funds is a refinancing by the same mortgage lender or an affiliate.
Requirement	<p>Effective January 18, 2014: Appraisal Requirements Exemptions;</p> <ul style="list-style-type: none"> • A QM as defined in 1026.43(e); • Transaction secured by a new manufactured home (chattel); • A transaction secured by a mobile home, boat or trailer, without land; • A transaction for the initial construction of a dwelling ; • Certain “streamlined” refinances; • A bridge loan of 12 months or less; • A reverse-mortgage transaction; or • A transaction of \$25,000 or less. <p>A full appraisal must be obtained on any loan meeting HPML requirements; including a physical inspection of the interior of the property.</p> <p>The creditor shall not extend an HPML without obtaining an additional appraisal at no cost to the borrower if;</p> <ul style="list-style-type: none"> • The seller obtained the property 90 days or less prior to the date of purchase agreement, and the sales price exceeds seller’s acquisition cost by 10% • The seller obtained the property 90-180 days prior to the date of purchase agreement, and the sales price exceeds seller’s acquisition cost by 20% <p>Exceptions to additional appraisal requirement include ones where the seller is;</p> <ul style="list-style-type: none"> • A local, State or Federal government agency; • A person who acquired title through foreclosure,, deed-in-lieu • A non-profit entity as part of a local, State or Federal program. • A person whom acquired title by inheritance or court order. • An employer or relocation agency in connection with relocation of employee; • A service member who received a deployment; or permanent change of station; or property is located in • A federal disaster area as designated by the President; or • Located in a rural county as defined in 1026.35(b)(2)(iv)(A)