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Purpose and Scope

It is the policy of the Correspondent Lending Division of New Penn Financial LLC (NPF) that all approved Correspondents originate and deliver for purchase each mortgage loan in compliance with the applicable agency underwriting guidelines and in compliance with all applicable governing statutes and regulations as amended and in effect at the time the loan was made. Correspondent must comply with all federal, state, local and municipal laws, ordinances, rules and regulations. These include, but are not limited to:

- Home Ownership and Equity Protection Act (HOEPA)
- Fair Credit Reporting Act (FCRA)
- Fair Housing Act
- USA Patriot Act
- Real Estate Settlement Procedures Act (RESPA and Regulation X)
- Home Mortgage Disclosure Act (HMDA and Regulation C)
- Mortgage Disclosure Improvement Act (MDIA)
- Equal Credit Opportunity Act (ECOA and Regulation B)
- Ability to Repay/Qualified Mortgage Requirements (ATR/QM)
- Appraisal Independence Requirements (AIR)
- Consumer Credit Protection Act
- Truth-in-Lending Act (TILA and Regulation Z)
- Secure and Fair Enforcement for Mortgage Lending Act (SAFE Act)
- Regulations issued by the Financial Crimes Enforcement Network (OFAC)
- Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)
- Anti-Money Laundering Requirements (AML)
- Dodd-Frank Act (DFA)

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Compliance Review and Certification

Correspondent must certify the compliance standards have been met for each mortgage loan submitted and delivered to New Penn. Prior to the issuance of a clear to close by New Penn, whereby the confirmation of minimum standards have been met in order for the Correspondent to close the loan, Correspondent must deliver a Compliance certificate or report showing passing results for all tests applicable to that loan. Results must evidence all Compliance requirements of the Agreement or by governing statutes and regulations as amended and in effect at the time the loan was made. Examples of reports or certificates would be those from ComplianceEase, Mavent or any other vendor with a product that meets industry standards.

Upon delivery of the closed loan package, New Penn will perform a review of documentation provided in support of the Correspondent's compliance certificate or report.

Compliance Management System

Correspondents are expected to maintain and adhere to a comprehensive Compliance Management System that complies with all regulatory requirements and must include an internal audit plan.

Anti-Predatory and High Cost Loans

Mortgage loans that exceed any federal, state or local high cost laws or regulations or that violate any anti-predatory lending laws or regulations are not eligible for purchase by New Penn Financial.

- Correspondent is responsible for certifying and or verifying the compliance with these laws or regulation for each mortgage loan.
- Correspondent warrants that it or its affiliates have not engaged in any form of predatory lending or any unfair, deceptive and/or abusive acts or practices in connection with any mortgage loan delivered for sale to New Penn Financial.
- Correspondent represents and warrants that it has determined that there is a Net Tangible Benefit to the borrower for each mortgage loan.

Higher Priced Mortgage Loans

A higher priced mortgage (HPML) shall mean a loan for which the APR exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set by (a) 1.5% for a first lien loan with a principal amount not in excess of the Freddie Mac limit for eligible purchases as of the date the interest rate is set, and (b) 2.5% for a first lien loan with a principal amount in excess of the Freddie Mac limit for eligible purchases as of the date the interest rate is set, or (c) 3.5% for subordinate lien loans.

- Note that the average prime offer rate index is available at http://www.ffiec.gov/ratespread/newcalc.aspx

HPML allowance / requirements vary by loan product. See specific *Product Matrices* for details located on www.gonewpenn.com.

Correspondent Lenders must ensure the loan complies with all state and federal laws, including Regulation Z and Home Mortgage Disclosure Act (HMDA) amendments, as well as underwriting and consumer protection requirements.

Mortgage Credit Certificate (MCC)

Correspondent represents and warrants that for each Mortgage Loan involving a Mortgage

Credit Certificate (MCC), Correspondent is in compliance with all requirements of the issuing authority including all required reporting to the Internal Revenue Service (IRS). Credit may not be used as income to qualify.

Qualified Mortgage and Ability to Repay

The Consumer Finance Protection Bureau (CFPB) announced amendments to Regulation Z, creating a new section of TILA, Section 129C. This implements sections of the Dodd-Frank Act requiring creditors to make a reasonable, good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage, or temporary loan) and establishes certain protections from liability under this requirement for "qualified mortgages."

No loan may be originated unless the loan satisfies the "Ability to Repay" provisions dictated by the CFPB in 12 CFR Part 1026.43. For each loan, lenders must make a reasonable and good faith determination, based on verified and documented information, that the borrower has a reasonable ability to repay the loan according to its terms.

New Penn complies with the CFPB Ability-to-Repay (ATR) and Qualified Mortgage (QM) Rule ("Rule"). Correspondents are required to also comply with the Rule's ATR and QM provisions. Any Correspondent that is a state chartered lender, must also comply with state rules that may impose more stringent requirements under this federal regulation. FHA and VA loans submitted to NPF for purchase must meet all requirements for Qualified Mortgages as defined in the Rule. Correspondents should consult with their legal and/or compliance counsel for more information on compliance with the Rule.

ATR-QM Requirements

- Loans must be originated, underwritten and closed in compliance with the regulations.
- Correspondent must evidence compliance with the Rule by providing the following:
  - Documentation that details and defines how income, liabilities and resulting DTI were calculated. Each loan file must include a worksheet with the detailed income and asset calculations.
  - Any affiliate business relationships must be documented on the Affiliate Disclosure Form. Correspondent may use the New Penn form which can be accessed on the New Penn Correspondent website.
  - Total points and fees may not exceed 3% of the total loan amount or such different amount in accordance with the qualified mortgage provisions of Regulation Z. Investment properties are included for this requirement and cannot exceed allowable points and fees threshold.
    - New Penn requires that Correspondents identify any bona fide discount points excluded from the points and fees test for each applicable Mortgage

Loan. Correspondents are required to provide evidence of the undiscounted rate ("par rate").

- Acceptable documentation includes a copy of the rate sheet, lock agreement with the borrower, lock confirmation or a screen print from the Loan Origination System (LOS) and/or Pricing Engine.

Loan Originator Compensation

Correspondent represents and warrants compliance with the federal Truth-in-Lending Act, including 12 CFR 1026.36(d) and (f) and all requirements and restrictions related to Loan Officer Compensation.

Disclosure Requirements

New Penn requires that Correspondents strictly comply with all Federal disclosures as well as any state, local ordinances, or any municipal-specific disclosures and requirements as well as with loan program-specific disclosures.

Electronic Signature

New Penn Financial will accept electronic signatures (eSignatures) on initial disclosures, re-disclosures, and the Initial Closing Disclosure. They are also acceptable on 3rd party documents such as purchase contracts. All eSignatures must be completed in compliance with the ESIGN (Electronic Signatures in Global & National Commerce) Act. Correspondent must complete the eSign Questionnaire, eSign Authorization Form and receive approval from New Penn to submit eSigned documents. All esigned documents must be accompanied by supporting audit trail from an approved vendor. E-signatures are not permitted on closing documents.

TRID Policy

New Penn Financial, LLC requires that Correspondents comply with all applicable requirements of the TILA-RESPA Integrated Disclosure Policy ("TRID") as governed by the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) in order to avoid legal, financial and reputational risk; to ensure loan marketability; and to protect customers.

New Penn will not purchase any Mortgage Loan where the initial disclosures, including the initial Loan Estimate, were not delivered to the borrower within the required timeline from the receipt of the six pieces of information that comprise an application. The six pieces of information include the borrower's name, income, social security number, the subject property address, subject property value and the loan amount. Correspondents must provide evidence of timely delivery of the initial disclosure as well as any re-disclosure resulting from a valid change in circumstances as defined in the TRID Rule.

Loan Estimate Timeline:

- Loan Estimate: The Correspondent is responsible for ensuring that it delivers or places in the mail the Loan Estimate form no later than the third business day after receiving the consumer's application and must provide evidence of timely delivery to New Penn.
- The Loan Estimate must also be delivered or placed in the mail no later than the seventh business day before consummation of the transaction.
- Rate Locks – The Correspondent will re-disclose within 3 days of lock (standard changed circumstance rules apply)

For any revised Loan Estimate due to a valid change in circumstance, the following timing requirements apply and compliance with the same must be evidenced by the Correspondent:

- The Loan Estimate will be provided within 3 business days of the changed circumstance
- The consumer must receive the revised Loan Estimate no later than 4 business days before consummation
- The Loan Estimate cannot be provided on or after the day on which the creditor provides the Closing Disclosure.

For loans that require a Loan Estimate and that proceed to closing, the Correspondent must provide a Closing Disclosure reflecting the actual terms of the transaction. The Correspondent will ensure that the consumer receives the Closing Disclosure no later than three business days before consummation of the loan. An additional three days applies if the Closing Disclosure was delivered by mail. Evidence of receipt of the Closing Disclosure by the borrower must be provided to New Penn.

The Correspondent must ensure that the consumer receives the Closing Disclosure no later than three business days before consummation having arranged delivery as follows:

- By providing it to the consumer in person
- By mailing, or by other delivery methods, including email. Three additional mail days must be used for delivery of the Closing Disclosure unless proof of receipt is obtained.

Consummation is the time that a consumer becomes contractually obligated on the credit transaction, this is considered to be the Note date. For purposes of providing the initial Closing Disclosure through the funding of the loan, three business days includes Saturdays, but not Sundays nor federal holidays.

The Correspondent must re-disclose terms or costs on the Closing Disclosure if certain changes occur to the transaction after the Closing Disclosure was first provided that cause the disclosures to become inaccurate. There are three categories of changes that require a corrected Closing Disclosure containing all changed terms:

- Changes that occur before consummation that require a new three-business-day waiting period as follows:
  - The disclosed APR becomes inaccurate
    - Increase on a fixed rate loan of more than .125% or ARM loan of more than .25% for any reason
    - Decrease by more than .125% fixed or .25% ARM loan when caused by something other than finance charges
  - The loan product changes
    - Changing from a fixed loan to ARM loan or ARM loan to fixed loan
- A prepayment penalty is added
- Changes that occur before consummation and do not require a new three-business-day waiting period. If a new three-business day waiting period has not been triggered, the corrected disclosure will be provided to the borrower on the day of their closing.
- For changes that occur to fees subject to tolerance after the initial Closing Disclosure that do not trigger a new three-business-day waiting period and the loan does not close within 7 days, increased fees will be considered invalid and Lender cures must be issued. Evidence of payment of the cure along with proof of delivery to the borrower must be provided to New Penn.
- Changes that occur after consummation. Correspondents must deliver to New Penn, a copy of the revised Closing Disclosure and cover letter provided to the borrower along with evidence of delivery.

In any case where a Lender cure was issued to a borrower, evidence of payment of the cure must be provided to New Penn. This could include evidence of the cure as a credit on the Loan Estimate or Closing Disclosure if issued prior to closing. If the Lender cure is issued after closing, a copy of the check along with the revised Closing Disclosure and a cover letter with evidence of delivery must be provided to New Penn.

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