

POLICY & PROCEDURE

Credit Enhancement Policy & Procedure

1. Policy Overview
 2. Credit Enhancement Process
 - 2.1 Credit Profile Requirements
 - 2.2 Submission for Credit Analysis and Recommendation for Enhancement
 - 2.3 Documentation and Credit Rescore
 3. Monitoring
-

1. Policy Overview

New Penn Financial, LLC (“New Penn”) adheres to all internal and external credit score evaluation guidelines, and underwrites and prices loans in a fair, equitable, and non-discriminatory manner consistent with its Fair Lending Policy, applicable fair lending laws and regulations, and its underwriting policy. New Penn offers credit enhancement services at no charge to applicants that may result in a credit rescore to benefit the borrower. The mission of the Credit Enhancement Program is twofold: to work in conjunction with the credit repository in order to educate the applicant on possible means to improve their credit scores, while simultaneously achieving a rescore that portrays a more accurate picture of the applicant’s credit profile. **The program does not involve what are traditionally known as credit repair services, such as the strategic dispute of trade lines to temporarily increase a credit score and to mask the true credit profile of the subject.**

This policy (“the Policy”) sets forth (1) the score range and credit profile required to pursue credit enhancement; and (2) documentation requirements and process for credit rescoring. All credit enhancement services shall be offered pursuant to the procedures set forth herein and may never be offered or withheld on the basis of race, color, religion, national origin, sex, marital status, age, disability, familial status, income derived from a public assistance program, or the exercise of rights under the Consumer Credit Protection Act.

2. Credit Enhancement Process

The credit enhancement process is centralized internally within the Credit Enhancement unit in partnership with New Penn’s vendor Credit Plus. No credit enhancement recommendations should be made to the borrower without specific direction from the Credit Enhancement unit. Loan officers and New Penn employees should not be directly contacting Credit Plus for direction or advice. Loan officers and **New Penn employees should never contact outside parties (“credit repair companies”) for direction and advice.** All credit enhancement requests must be emailed to creditenhancement@newpennfinancial.com.

2.1 Credit Profile Requirements for Credit Enhancement

To be eligible for credit enhancement services, a minimum tri-merge mid-score of 580 must be achieved unless the credit profile contains a trade line credit that is erroneous and needs to be corrected. Credit corrections can be analyzed, recommended, and rescored. The minimum 580 score applies to all applicants. For borrowers below the minimum mid-score of 580, the loan officer must refer the borrower(s) to the Credit Plus IQualifier Program for potential long-term credit profile improvement (see last page of the policy for details).

Applicants for USDA loans or VA IRRRLS are NOT eligible for credit enhancement. Sales is responsible for ensuring that these products are not submitted for credit enhancement.

Applicants for **Jumbos (all) and Shellpoint products are NOT eligible for credit enhancement due to representations and warranties extended to secondary market investors.** Sales is responsible for ensuring that all Jumbo and Shellpoint products are not submitted for credit enhancement. Other negative issues present on credit profile (such as the presence of > 3 trade line disputes) can also prohibit credit enhancement on any file. There is a maximum target mid-score score increase of 50 points allowed on credit enhancement files.

2.2 Submission for Credit Analysis and Recommendation for Enhancement

Credit Enhancement can be completed on files that require credit correction, removal of credit disputes, program minimum score attainment and rate/pricing benefit to borrower to help complete closing the loan. To obtain a score analysis simply **email the following info to credenhancement@newpennfinancial.com**:

- Borrower(s) last name
- NPF loan #
- Credit Plus credit reference #
- Target score or goal desired (correct trade line, remove dispute, etc.)

Credit Enhancement unit will work with Credit Plus dedicated credit experts to evaluate the request and supply recommendation within 24 hours of receipt (staff permitting). If the file is > 30 days or below minimum score requirement, a response will be provided with further direction. The recommendation supplied will give a concise summary of actions to be taken by the applicant to achieve the target score, etc. It is the responsibility of loan officer to work with borrower to get actions completed. If the CE recommendation includes pay down of existing debt by \$500.00 or greater, a credit education disclosure form (attached) must be completed and signed by the applicants. Loan officer is responsible to have this completed and file maintained.

By way of example, the following is a typical analysis/recommendation to achieve 640:

Borrower – Total estimated funds needed to pay down debt(s) – \$190

Possible Trans Union +28 (649) Equifax +37 (645) **RESCORE**

Target balance \$129 on CAP ONE #5178

Accounts must be paid to EXACT suggested balance.

2.3 Documentation and Credit Rescore

Once the recommended actions are completed, the documentation proof for credit corrections or rescoring needs to be assembled by the loan officer and submitted to NPF_Credit Enhancement, Retail01. The typical documentation could be a credit card statement showing the exact suggested balance, or a letter from creditor removing dispute or authorized borrower, or a letter from collection agency with account settlement, deletion, etc. Credit Enhancement then validates the documentation and submits to Credit Plus for rescore. The typical turn time is 5-7 business days. NPF does not allow re-pulling credit for rescoring purposes. The credit enhancement process should be followed from start to finish.

Once the rescore (at the bureau level) has been completed by Credit Plus the new credit is available and communicated. If the applicant already qualified for the desired program with the credit reports in the file, a new file is not required. If the applicant did not qualify for the desired program with any of the credit reports in the file, this loan will have to be denied/withdrawn and new file created. The Credit Enhancement unit will note the file in Destiny and tag it for future analysis.

3. Monitoring and Reporting

Credit Enhancement cases shall be monitored on a regular basis to determine whether they are being offered in a fair, non-discriminatory manner that is consistent with this Policy.

Credit Education Disclosure

New Penn Financial, LLC (NPF) offers a service, free of charge, to assist applicants that do not meet certain loan program guidelines. This service helps educate borrowers of negative factors that could affect their credit profile. These factors are based on information reported to national credit repositories. Certain actions intended to improve an applicant's credit profile may require the use of personal funds or reserves.

Any actions taken as a result of the credit education program, including the use of your own personal funds, is voluntary on your behalf. NPF cannot guarantee credit profile enhancement results. In addition, NPF cannot guarantee loan qualification or loan approval from any credit education actions taken. If your credit scores do improve through the credit education program, a loan approval will be subject to the standard underwriting procedures followed by NPF. The NPF underwriting department will perform a complete review of your loan file including, but not limited to your loan application, income, credit, and appraisal. Participation in the NPF credit education program does not constitute or guarantee the approval of a loan submission with NPF.

This service is a simulation and does not guarantee any results.

Please sign below acknowledging your receipt and review of the information provided.

Borrower's Signature _____ Date _____

Co-Borrower's Signature _____ Date _____

IQualifier Program

What is IQualifier?

- Program from Credit Plus that works directly with borrowers to improve their credit score for a monthly fee of \$24.
- Allows our Loan Officers (LO) to actively refer our declined leads to IQualifier program to give them the potential to become qualified borrowers – longer term credit enhancement for borrowers.

When and how do we refer borrowers to IQualifier?

- Borrowers may be referred to IQualifier when their credit score is below 580 and their current application is Denied.
- The LO will follow a script to explain the IQualifier Process.
- If the borrower is interested, the LO will send them an email directing them to:
 - Go to www.iqualfier.com
 - Enter promo code <12725> to get a FREE credit report with a score.
- New Penn Financial will get an email notification when the borrower's score reaches 600 at which point the lead will be distributed back to the LO.

IQualifier Script:

Mr./ Mrs. borrower, unfortunately, we are not able to qualify you today for the loan program that you are looking for. I would like to help you achieve those goals though by introducing you to one of our partners, IQualifier. IQualifier will provide you with an analysis of your credit report and an action plan that provides ongoing guidance and assistance to help you achieve your goal of a higher credit score. There is a monthly fee of \$24 that is paid directly to IQualifier (this can be refunded at successful loan closing with NPF) they will be able to provide you an upfront review and analysis of your credit report. After that, you can determine if you want to move forward with the loan application. You will receive monthly updates on your score and updated tips to help improve your financial situation while in this program. I will stay in contact with you through the process of getting your credit score improved and be here to help you complete your loan transaction once you qualify. Please be aware that NPF does not guarantee loan approval as a result of this credit enhancement effort. I will send you a link via email to IQualifier website to get you started. You would need to enroll. Will that be OK?