



# UHM Compliance Policy Manual

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This Compliance Policy Manual is provided by Union Home Mortgage Corp. (UHM), having its principal place of business at 8241 Dow Circle West, Strongsville, OH 44136. UHM publishes this Compliance Policy Manual—via its secured website. This document may be amended from time to time.

**PARTNERS ARE RESPONSIBLE FOR REVIEWING AND UNDERSTANDING THE GUIDE AS WELL AS ANY AMENDMENTS OR MODIFICATIONS, WHEN SUCH AMENDMENTS OR MODIFICATIONS ARE PUBLISHED.**

# Policy Changes/Updates

Sec.	Topic	New
24	Hazard Insurance Policy	Updated to include policy mailing address guidance

# Contents

Policy Changes/Updates .....	1
UHM Compliance Policy Manual Introduction .....	12
Section 1 FAIR LENDING POLICY .....	14
1.1 Purpose .....	14
1.2 Policy Focus on Laws and Regulations.....	14
1.3 Internal Monitoring.....	15
1.4 Consumer Complaint Monitoring Response .....	15
1.5 Quality Control .....	15
1.6 Internal Audit.....	16
1.7 Matched Pair Analysis .....	16
1.8 Vendor Management.....	16
1.9 Parter Responsibility .....	16
Section 2 FAIR HOUSING ACT (FHAct) POLICY.....	17
2.1 Purpose .....	17
2.2 Availability of Loans.....	18
2.3 Loan Terms and Conditions .....	18
2.4 Purchasing Loans .....	19
2.5 Selling, Brokering, or Appraising Residential Real Property .....	19
Section 3 Equal Credit Opportunity Act (ECOA) Policy.....	20
3.1 Summary of Regulation.....	20
3.2 Policy .....	21
3.3 Disparate Treatment & Impact.....	21
3.4 Prohibited Practices .....	21
3.5 Definitions .....	22
3.6 General Requirements .....	23
3.7 Prohibited Actions.....	24
3.8 Requests for Information and Evaluating Applications .....	24
3.9 Inquiry vs. Application.....	25
3.10 Notification of Action Taken .....	26
3.11 Incomplete Applications .....	26
Section 4 Home Mortgage Disclosure Act—Regulation C.....	27

4.1 Summary of Regulation.....	27
4.2 Definitions .....	27
4.3 Requirements.....	29
4.4 Information to Collect.....	29
Section 5 Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) Policy.....	30
5.1 Summary of Regulation.....	30
5.2 Definitions .....	30
5.3 Policy .....	31
5.4 Training .....	31
Section 6 Privacy Policy .....	32
6.1 Introduction .....	32
6.2 Privacy Notice (Initial and On-going) .....	33
6.3 Information Sharing .....	33
6.4 Opt Out Notices.....	33
6.5 Revised Privacy Notices.....	33
6.6 Sharing Account Number Information for Marketing Purposes.....	33
6.7 Exceptions to Opt-out Requirements—Service Providers and Joint Marketing.....	34
6.8 Exceptions to Opt-Out Requirements—Processing and Servicing Transactions .....	34
6.9 Other Exceptions to Notice and Opt-out Requirements.....	34
6.10 External Communication.....	34
Section 7 Clean Desk Policy .....	35
7.1 Overview .....	35
7.2 Purpose .....	35
7.3 Required Practices .....	35
7.4 Working from Home Workspace .....	36
7.5 Recommended Actions and Habits.....	36
7.6 Policy Applicability and Enforcement .....	36
Section 8 Consumer Complaint Resolution Policy .....	37
8.1 Purpose .....	37
8.2 Complaint Resolution Policy .....	37
8.3 General Procedures for Complaint Resolution .....	38
8.4 Qualified Written Request .....	39
8.5 Responses to Inquiries .....	39

Section 9	Bank Secrecy Act.....	41
9.1	Purpose .....	41
9.2	Policy .....	41
9.3	Union Home Mortgage Corp. Customer Identification Program.....	41
9.4	Definition of Money Laundering .....	41
9.5	Monitoring: Reviewing Borrower Documentation for Suspicious Activity .....	42
9.6	Preventing Fraud: Anti-Money Laundering Red Flags .....	42
9.7	Suspicious Activity Report (SAR) and Currency Transaction Reporting (CTR) Procedures .....	42
9.8	International Gift Funds Procedures.....	43
9.9	Testing for AML Requirements .....	43
9.10	Anti-Money Laundering Training .....	43
9.11	FinCEN OFAC SDN/Watch List Policy & Investor Reporting .....	44
Section 10	Secure and Fair Enforcement (SAFE Act) Policy .....	45
10.1	Purposes and Objectives.....	45
10.2	Applicability and General Requirements .....	45
10.3	License Requirements, Maintenance, and Training.....	46
10.4	Duties that Require, or Do Not Require, a Mortgage Originator License .....	47
10.5	Internal Controls .....	49
10.6	Real Time Legal System of Record .....	49
10.7	Use of the Unique Identifier (NMLS ID#) .....	49
10.8	Disclosure of NMLS ID# .....	50
10.9	Mortgage Call Report (MCR) .....	50
Section 11	Loan Originator Compensation Policy .....	51
11.1	Summary of Loan Originator Compensation Rule .....	51
11.2	Definitions.....	51
11.3	Compensation Documentation Requirements .....	53
11.4	Compensation Requirements and Limitations .....	53
11.5	General UHM Compensation Structures, Including Minimum & Maximum Compensation.....	55
11.6	Dual Compensation Prohibition.....	56
11.7	Changes in Compensation.....	57
11.8	Reductions in Compensation .....	57
11.9	Earned Compensation.....	58
11.10	Referral Compensation.....	58

11.11	Co-Origination Compensation .....	59
11.12	Compensation Paid on Purchase and Refinance Transactions.....	59
11.13	Builder House Accounts (Retail only) .....	59
11.14	Anti-Steering Prohibition .....	59
11.15	Branch Manager Compensation (Retail only) .....	60
Section 12	Advertising Policy .....	61
12.1	Definitions .....	61
12.2	Scope .....	62
12.3	Interpretation and Reasonableness.....	62
12.4	Complying with UDAAP.....	63
12.5	Equal Housing Opportunity.....	63
12.6	Equal Opportunity Employer .....	63
12.7	Foreign Language Advertising.....	64
12.8	Bait and Switch Advertising .....	64
12.9	Complying with TILA .....	64
12.10	Disclosures of Rates & Payments in Advertisements for Credit Secured by a Dwelling .....	66
12.11	Complying with RESPA Regarding Kickbacks .....	67
12.12	Mortgage Assistance Relief Services (MARS) .....	68
12.13	S.A.F.E. Mortgage Licensing Act .....	68
12.14	Services Offered.....	69
12.15	Sweepstakes.....	71
	Appendix A – Marketing Guidelines .....	72
	Appendix B – Social Media Guidelines .....	74
	Appendix C – State-Specific Advertising Disclosure Requirements.....	77
	Appendix D – Mortgage Acts and Practices Requirements .....	80
Section 13	Appraiser Independence Policy.....	82
13.1	Purpose .....	82
13.2	Appraisal Independence Requirements.....	82
13.3	Prohibited Acts and Practices .....	84
13.4	Permissible Conduct .....	85
13.5	Conflicts of Interest.....	85
13.6	Prohibitions on Extensions of Credit.....	86
13.7	Fannie Mae Requirements.....	90

13.8	Freddie Mac Requirements.....	92
13.8	Freddie Mac Requirements.....	94
13.9	FHA Requirements .....	96
Section 14	Fair Credit Reporting Act (FCRA) Policy .....	99
14.1	Overview .....	99
14.2	Consumer Report .....	99
14.3	Consumer Report Agency.....	99
14.4	Permissible Purposes.....	99
14.5	Adverse Action .....	99
14.6	Medical Debt.....	100
14.7	Employment .....	100
14.8	Prescreened Credit or Insurance Solicitations .....	100
14.9	Responsibilities of Furnishers of Information .....	100
14.10	Responsibilities Regarding Disputes .....	101
14.11	Risk-Based Pricing Notice .....	101
14.12	Red Flags and FCRA .....	102
Section 15	Fair and Accurate Credit Transactions Act (FACTA) Policy .....	103
15.1	Overview .....	103
15.2	Required Disclosure .....	103
15.3	Legal Requirements of Sections 114 and 315 of FACTA .....	104
Section 16	Truth in Lending Act (TILA) Policy .....	105
16.1	Summary of Regulation Z .....	105
16.2	TILA-RESPA Integrated Disclosure (TRID) Applicability.....	105
16.3	Written Application.....	105
16.4	Business Days .....	105
16.5	Construction Loans.....	105
16.6	General Delivery of Disclosures .....	106
16.7	Restrictions on Activity Prior to Consumer Receipt of the Loan Estimate.....	107
16.8	Intend to Proceed .....	107
16.9	Your Home Loan Toolkit.....	107
16.10	Adjustable Rate/Variable Rate Mortgages (ARMs) .....	107
16.11	Good Faith Requirement and Variance .....	107
16.12	Variance Limitation.....	108

16.13	General Waiver of Waiting Period .....	108
16.14	Revisions and Corrections to Loan Estimates .....	108
16.15	Closing Disclosure .....	108
16.16	Revised Closing Disclosures .....	109
16.17	Changed Circumstance after Closing Disclosure has Been Issued .....	109
16.18	Disclosures Required Post-Consummation .....	109
16.19	Right of Recission.....	109
16.20	Ability to Repay/Qualified Mortgage (ATR/QM) .....	110
16.21	High Priced Mortgage Loan (HPML) .....	113
16.22	High-Cost Mortgages .....	115
Section 17	Real Estate Settlement Procedures Act (RESPA) Policy.....	116
17.1	Summary of Regulation.....	116
17.2	Covered Transactions.....	116
17.3	Prohibitions against Kickbacks & Unearned Fees (“RESPA Section 8”) .....	117
17.4	Disclosures and Home Loan Toolkit .....	117
17.5	Adjustable-Rate Mortgages .....	117
17.6	List of Service Providers .....	117
17.7	Affiliated Business Arrangements and Disclosure .....	118
17.8	Title Companies.....	118
17.9	Mortgage Servicing Transfers .....	118
17.10	List of Homeownership Counseling Organizations.....	119
17.11	Escrow Accounts.....	119
17.12	Initial Escrow Account Disclosure.....	119
17.13	Escrow Accounts Established at Loan Closing .....	119
17.14	Limitations on Payments into Escrow Accounts.....	120
Section 18	RESPA Section 8 Policy—Prohibition against Kickbacks and Unearned Fees.....	121
18.1	Overview .....	121
18.2	Applicability.....	121
18.3	Definitions.....	121
18.4	Marketing-Related Activities.....	122
18.5	Inclusion in Third-Party Advertising.....	125
18.6	Sponsorship & Other Events .....	125
18.7	Gifts .....	127



18.8	Team Creation with other Settlement Service Providers .....	128
18.9	Evaluating Office Space Leasing Requests .....	128
18.10	Penalties .....	128
Section 19	Ecommerce & Electronic Signature Policy.....	129
19.1	Regulatory Background.....	129
19.2	Use of Electronic Records or Signatures .....	129
19.3	eConsent and eSign Service Provider.....	129
19.4	Consumer Disclosure .....	129
19.5	Hardware & Software Requirements.....	130
19.6	Specific Disclosure Requirements .....	130
19.7	Closing Package Requirements .....	130
Section 20	Homeowner Protection Act (PMI Cancellation) .....	131
20.1	Summary of Regulation.....	131
20.2	PMI Cancellation Policies .....	131
20.3	Required Disclosures—Transactions and Residential Mortgages .....	132
20.4	Initial Disclosures for Fixed-Rate Residential Mortgage Transactions.....	132
20.5	Initial Disclosures for Adjustable-Rate Residential Mortgage Transactions .....	132
20.6	Initial Disclosures for High-Risk Residential Mortgage Transactions.....	133
20.7	Annual Disclosures for Residential Mortgage Transactions .....	133
20.8	Disclosure Requirements for Lender-Paid Private Mortgage Insurance (LPMI) Initial Notice....	133
Section 21	Power of Attorney & Guardianship Policy .....	134
21.1	Purpose .....	134
21.2	Types of POA Documents Acceptable to Union Home Mortgage .....	134
	Fannie Mae Specific Document Requirements.....	135
21.3	Permitted Attorneys-in-Fact or Agents Under Power of Attorney.....	136
	Fannie Mae Ineligible Agents.....	136
	VA Program Requirements .....	137
	Eligible Transactions: .....	137
	Restrictions: .....	137
	Inter Vivos Trust – Fannie Mae .....	138
	POA Required by Applicable Law .....	138
21.4	General Power of Attorney .....	139
21.5	General Requirements .....	140

21.6	Loan Application Requirements.....	140
21.7	Title Company Approval.....	141
21.8	UHM Underwriter and Compliance Approval.....	141
Section 22 UHM Loan Origination, Servicing, and Corporate Business Records Retention Policy.....		142
22.1	Purpose .....	142
22.2	Origination, Servicing, and Marketing Records .....	142
22.3	Corporate Books and Records.....	143
22.4	Seven Year General Requirements .....	143
22.5	Retention of Encrypted Data .....	144
22.6	Record Destruction .....	144
22.7	Damaged Records .....	144
22.8	Email and Other Electronic Messages Covered by the Policy.....	145
22.9	Storage and Removability of Emails by Employees .....	145
22.10	Legal Holds.....	145
22.11	Schedule A: Corporate Business Records Retention Requirements .....	146
Section 23 Revocable Trust Policy .....		147
23.1	Introduction .....	147
23.2	General Requirements .....	147
23.3	Restrictions .....	147
23.4	Power of Attorney.....	148
23.5	Underwriting Considerations .....	148
23.6	Title and Insurance Requirements .....	149
23.7	Closing Requirements .....	149
23.8	Signature Requirements .....	150
Section 24 Hazard Insurance Policy.....		151
24.1	General Requirements .....	151
24.2	Rent Loss Insurance .....	151
24.3	Rating Requirements for Hazard Insurance Carriers .....	152
24.4	Payment of Hazard Insurance .....	152
24.5	Purchase Transactions .....	152
24.6	Refinance Transactions .....	153
24.7	Insurance Binders.....	153
24.8	Minimum Coverage Requirements .....	153

24.9	Deductible Amount .....	155
24.10	Construction to Permanent & Renovation Mortgages.....	155
24.11	Condominium and PUD Requirements.....	156
24.12	Mortgagee Clause.....	160
24.13	Policy Information Requirements.....	160
24.14	State-Specific Requirements .....	161
24.15	Hazard Insurance Guide for 1-4 Family Dwellings .....	163
24.16	Sample Hazard Insurance Policy.....	165
Section 25	Flood Insurance Requirements Policy .....	167
25.1	Description .....	167
25.2	Scope .....	167
25.3	Flood Zone Determination .....	167
25.4	Flood Certification.....	170
25.5	Flood Insurance Disclosure .....	170
25.6	National Flood Insurance Program (NFIP) .....	171
25.7	Special Flood Hazard Areas (SFHA) OR Coastal Barrier Resource Systems.....	172
25.8	Private Flood Insurance .....	175
25.9	Payment of Flood Insurance .....	176
25.10	Binders (Flood Insurance).....	176
25.11	Purchase Transactions.....	177
25.12	Refinance Transactions.....	177
25.13	Minimum Coverage Requirements.....	177
25.14	Deductible Amount .....	178
25.15	Condominium and PUD General Requirements.....	179
25.16	Mortgagee Clause .....	182
25.17	Policy Information Requirements.....	182
25.18	Standard Flood Determination Form .....	183
Section 26	Servicemembers Civil Relief Act (SCRA) Policy .....	184
26.1	Interest Rate Gap .....	184
26.2	Foreclosure .....	185
26.3	State Overlays .....	185
Section 27	Telephone Consumer Protection Act (TCPA) Policy .....	196
27.1	Introduction .....	196

27.2 Purpose ..... 196

27.3 Definitions ..... 197

27.4 Facsimile (FAX) Machines..... 197

27.5 Prohibitions..... 197

27.6 Third Parties and Vendors..... 198

27.7 TCPA Rule Quick Reference..... 199

# UHM Compliance Policy Manual Introduction

The standards set out in this policy represent minimum requirements based on applicable legal and regulatory guidance and apply throughout UHM. These requirements are intended to prevent UHM, its employees, third party vendors, and clients from violating Federal Regulations related to mortgage lending and consumer compliance. Note that the term 'partner' that may be used throughout this manual is synonymous with 'employee.'

The policies contained herein have been reviewed and approved by UHM's CEO.

The purpose of this policy manual is to implement consumer protection mechanisms as required by the United States statutes and related regulations administered by the CFPB and others.

Wherever local regulations are stricter than the policies set out in this manual, the stricter standard shall be applied. If any applicable laws are in conflict with this policy manual, UHM will consult with the appropriate legal counsel to resolve the conflict.

All reporting requirements required by individual agencies to be followed. UHM will advise its Fannie Mae customer account team if an applicable law or regulation conflicts with Fannie Mae's requirements. UHM will notify Fannie Mae, if after conducting due diligence, we determine that a breach of selling warranty related to compliance with laws has likely occurred. Notification requirements depend on how many loans are affected and whether the breach could warrant a repurchase demand based on the criteria described below:

1. **Reporting Category 1** – UHM will notify Fannie Mae if both of the following conditions occur:
  - The number of loans affected by the same potential breach exceeds the lesser of 500 loan or 1% of the total number of loans delivered to Fannie Mae in the prior year, and
  - All potentially affected loans were delivered to Fannie Mae within the same calendar quarter.

Note: If the calculation described above results in fewer than five potentially affected loans, then UHM is not required to notify Fannie Mae.

The notification will occur within 60 days of the later of:

- The end of the calendar quarter in which such loans were delivered, or
- Discovery of the potential breach.

UHM will report these instances to Fannie Mae using the self-report functionality in Loan Quality Connect.

**2. Reporting Category 2** – The following requirements apply when:

- The potential breach could warrant a repurchase demand, or
- The number of loans affected by the same type of potential breach delivered in the same calendar quarter does not exceed the lesser of 500 loans or 1% of the total number of loans delivered to Fannie Mae in the prior year.

Reporting Requirements	
If...	Then...
The breach could warrant a repurchase demand and has not been remedied or will not be remedied in 60 days,	UHM will notify Fannie Mae within 60 days by using the self-report functionality in Loan Quality Connect.
The breach could warrant a repurchase demand and has been remedied or will be remedied within 60 days,	UHM is not required to notify Fannie Mae.
The breach would not warrant a repurchase demand,	UHM is not required to notify Fannie Mae.

UHM requires that its own organization, its employees and its third-party vendors comply with all requirements of this policy and all underlying regulations as they exist, or from time to time may be amended.

All new employees are required to complete compliance training (AML, Red Flags, Privacy, Fair Lending, Complaints & UDAAP) administered by UHM within 90 days of commencing work with UHM. UHM requires initial and ongoing training for all management and staff concerning UHM's policies, other related policies and underlying law and regulation to a degree commensurate with their job function.

The required training will ensure current knowledge of UHM's policies and the underlying regulations to a degree commensurate with the employee's job function.

All policies contained in this manual will be reviewed at least annually and updated as necessary.

## Section 1 FAIR LENDING POLICY

Policy Name	Fair Lending Policy
Version	6.0 (4-24-2024)
Committee Review: ACT	5-1-2024
Last Reviewed by Compliance	4-24-2024

### 1.1 Purpose

Union Home Mortgage Corp. (UHM) has a responsibility to its investors and Partners to maintain the highest standards in compliance with applicable Federal Fair Housing and Fair Lending laws and regulations. It is the policy of Union Home Mortgage Corp. (herein UHM) to make its credit products available to all qualified applicants without discrimination on the basis of sex, religion, color, race, national origin, marital or familial status, age, handicap, or receipt of public assistance. UHM's Fair Housing and Fair Lending Policy apply across all aspects of operations, including marketing, sales, processing, underwriting, origination, and servicing. Additionally, it is UHM's policy to treat all consumers consistently and fairly and in compliance with Fair Housing and Fair Lending laws. It is the responsibility of the Chief Compliance Officer to ensure compliance with this policy.

### 1.2 Policy Focus on Laws and Regulations

The UHM Fair Housing and Fair Lending Policy focusses on (but is not limited to) the following laws and regulations:

- Equal Credit Opportunity Act (ECOA)
- Fair Housing Act (FHAAct)
- Home Mortgage Disclosure Act (HMDA)

UHM supports the expansion of fair and equitable lending practices that support home ownership. UHM does not support practices that are inconsistent with that objective such as product steering, excessive points or fees, or single premium credit life insurance. UHM will comply with applicable Federal, state and local anti-predatory lending laws and similar consumer protection laws and regulations designed to prevent unfair, abusive or deceptive lending practices and loan terms. All Partners are responsible for avoiding unlawful practices in the origination, approval, and servicing of loans.

### **1.3      Internal Monitoring**

UHM strives to assess the effectiveness of its Fair Housing and Fair Lending Commitment through various forms of internal monitoring including, but not limited to:

#### **a. Disparate Treatment Monitoring**

Match Pair File Review Analysis, Customer Complaint Monitoring & Response, Independent Quality Control Testing for Approved and denied Applications, Independent Auditing, Third Party Service Provider Oversight, and Marketing and Advertising Review.

Review findings are shared with the appropriate parties.

#### **b. Redlining Analysis**

UHM will periodically review HMDA data to ascertain distribution and disposition of applications in its market area. This review will include comparing UHM's results with those of peer lenders to evaluate lending practices, market conditions and other lending opportunities.

#### **c. Marketing Analysis**

The UHM Compliance function, in tandem with the UHM Marketing function, reviews campaigns, advertisements, and marketing materials to ensure marketing efforts meet fair lending compliance.

#### **d. Fair Housing Analysis**

Loans made for residential real-estate-related transactions including, those made to buy, build, repair, or improve a dwelling, are underwritten by UHM on the basis of underwriting guidelines and standards that focus on the applicant's ability to repay the loan. UHM does not discriminate against applicants based on race or color, national origin, religion, sex, familial status, handicap, receipt of public assistance or any other factors unrelated to the applicant's creditworthiness.

### **1.4      Consumer Complaint Monitoring Response**

It is the responsibility of UHM to investigate all complaints thoroughly and respond to complaints, disputes and issues expeditiously with fair dealing. UHM promotes an urgent, decisive and accurate response to all inquiries, questions and concerns brought to its attention. Not all of these situations are in the form of a written complaint presented to the company by a customer, referral partner, vendor or regulator. (See separate Consumer Complaints policy for details on this program)

### **1.5      Quality Control**

A Quality Control function that is independent of the line of business is responsible for reviewing originated and denied loans for all products on a monthly basis to ensure loans are originated and denied within UHM and agency guidelines, and Federal and state law.



## **1.6      Internal Audit**

Internal Audit is responsible for independent testing of internal controls, including controls around Fair Housing and Fair Lending policy and procedures. This may be accomplished by including Fair Housing and Fair Lending concepts within the scope of applicable audits. Internal Audit is responsible for reviewing the Fair Housing and Fair Lending Compliance Program including, but not limited to, ensuring policies are current, risk assessments are complete and reasonable, and Fair Housing and Fair Lending complaints are tracked, monitored and reported.

## **1.7      Matched Pair Analysis**

The Compliance Department will assess its Fair Housing and Fair Lending commitment on an annual basis by performing analysis using HMDA data to select the applicants for review based on a statistical matching of pre- determined criteria. Files for identified matched pairs are reviewed in order to ascertain if the credit decision was made in accordance with UHM's credit policy and/or address any potential pricing disparities.

## **1.8      Vendor Management**

UHM understands that activities conducted through third party relationships are viewed as if the activities were performed by itself. UHM has established a vendor management oversight program and closely monitors vendors who perform critical services on behalf of UHM as well as vendors who are customer/consumer facing or have access to consumer information. When applicable, monitoring includes compliance with consumer protection laws and regulations, including Fair Housing and Fair Lending.

## **1.9      Parter Responsibility**

All employees are expected to maintain professionalism in their email correspondence at all times. This includes using appropriate language, tone, and formatting. Discriminatory language, including but not limited to remarks based on race, gender, age, religion, nationality, disability, or sexual orientation, will not be tolerated. Any instances of discriminatory language found in email correspondence will result in escalation to Senior Leadership and HR to determine disciplinary action.

## Section 2 FAIR HOUSING ACT (FHAct) POLICY

Policy Name	Fair Housing Act
Version	4.0
Committee Review: ACT	5-1-2024
Last Reviewed by Compliance	4-11-2024

### 2.1 Purpose

The primary purpose of the Fair Housing Act (FHAct) is to protect a buyer's (and renter's) right to seek housing anywhere s/he chooses. The Fair Housing Act was enacted as Title VIII of the Civil Rights Act of 1968, and prohibits discrimination in the sale, rental or financing of dwellings, in the provision of real estate brokerage services, or in the availability of residential real estate-related transactions based on the following characteristics, or prohibited basis:

- Race
- Color
- Religion
- Sex
- Disability
- Familial Status (i.e. presence of children in the household)
- National origin

The Fair Housing Act does not prohibit any religious organization, association, or society, or any nonprofit institution or organization operated, supervised or controlled by or in conjunction with a religious organization, association, or society, from limiting the sale, rental or occupancy of dwellings which it owns or operates for other than a commercial purpose to persons of the same religion, or from giving preference to such persons, unless membership in such religion is restricted on account of race, color, or national origin.

The Fair Housing Act does not prohibit a private club that is not open to the public, which as an incident to its primary purpose or purposes, provides lodgings which it owns or operates for other than a commercial purpose, from limiting the rental or occupancy of such lodgings to its members or from giving preference to its members.

## **2.2      Availability of Loans**

It is unlawful for UHM or any person or entity whose business includes engaging in residential real estate- related transactions to discriminate against any person in making available loans or other financial assistance for a dwelling (or which is or is to be secured by a dwelling) because of race, color, religion, sex, disability, familial status, or national origin. Such prohibited practices include, but are not limited to, the following:

1. Failing or refusing to provide to any person, because of race, color, religion, sex, disability, familial status, or national origin, information regarding:
  - The availability of loans or other financial assistance;
  - Application requirements;
  - Procedures or standards for the review and approval of loans or financial assistance; or
  - Providing information which is inaccurate or different from that provided to others.
2. Providing, failing to provide, or discouraging the receipt of loans or other financial assistance in a manner that discriminates in their denial rate or otherwise discriminates in their availability because of race, color, religion, sex, disability, familial status, or national origin.

## **2.3      Loan Terms and Conditions**

It is unlawful for UHM or any person or entity engaged in the making of loans or in the provision of other financial assistance relating to the purchase, construction, improvement, repair, or maintenance of dwellings or which are secured by residential real estate to impose different terms or conditions for the availability of such loans or other financial assistance because of race, color, religion, sex, disability, familial status, or national origin.

Such unlawful conduct includes, but is not limited to, the following:

- Using different policies, practices or procedures in evaluating or in determining creditworthiness of any person in connection with the provision of any loan or other financial assistance for a dwelling or for any loan or other financial assistance which is secured by residential real estate because of race, color, religion, sex, disability, familial status, or national origin.
- Determining the type of loan or other financial assistance to be provided with respect to a dwelling, or fixing the amount, interest rate, duration, or other terms or conditions for a loan or other financial assistance for a dwelling or which is secured by residential real estate, because of race, color, religion, sex, disability, familial status, or national origin.

Servicing of loans or other financial assistance with respect to dwellings in a manner that discriminates, or servicing of loans or other financial assistance which are secured by residential real estate in a manner that discriminates or providing such loans or financial assistance with other terms or conditions that discriminate, because of race, color, religion, sex, disability, familial status, or national origin.

## **2.4 Purchasing Loans**

It is unlawful for UHM, any person or entity engaged in the purchasing of loans or other debts or securities which support the purchase, construction, improvement, repair or maintenance of a dwelling, or which are secured by residential real estate, to refuse to purchase such loans, debts, or securities, or to impose different terms or conditions for such purchases, because of race, color, religion, sex, disability, familial status, or national origin.

Such unlawful conduct includes, but is not limited to, the following:

- Purchasing loans or other debts or securities which relate to, or which are secured by dwellings in certain communities or neighborhoods but not in others because of the race, color, religion, sex, disability, familial status, or national origin of persons in such neighborhoods or communities.
- Pooling or packaging loans or other debts or securities which relate to, or which are secured by, dwellings differently because of race, color, religion, sex, disability, familial status, or national origin.
- Imposing or using different terms or conditions on the marketing or sale of securities issued on the basis of loans or other debts or securities which relate to, or which are secured by, dwellings because of race, color, religion, sex, disability, familial status, or national origin.

This section does not prevent consideration, in the purchasing of loans, of factors justified by business necessity, including requirements of Federal law, relating to a transaction's financial security or to protection against default or reduction of the value of the security. Thus, this provision would not preclude UHM from considerations employed in normal and prudent transactions, provided that no such factor may in any way relate to race, color, religion, sex, disability, familial status or national origin.

## **2.5 Selling, Brokering, or Appraising Residential Real Property**

It is unlawful for UHM, its third-party service providers, any person or other entity whose business includes engaging in the selling, brokering or appraising of residential real property to discriminate against any person in making available such services, or in the performance of such services, because of race, color, religion, sex, disability, familial status, or national origin.

Such unlawful practices include, but are not limited to, using an appraisal of residential real property in connection with the sale, rental, or financing of any dwelling where the person knows or reasonably should know that the appraisal improperly takes into consideration race, color, religion, sex, disability, familial status or national origin.

## Section 3 Equal Credit Opportunity Act (ECOA) Policy

Policy Name	Equal Credit Opportunity Act (ECOA)
Version	5.0 (5-02-2023)
Committee Review: ACT	6-12-2024
Last Reviewed by Compliance	5-8-2024

### 3.1 Summary of Regulation

The Equal Credit Opportunity Act (ECOA - Regulation B) prohibits UHM from discrimination based on the following factors (“prohibited basis”):

- Race
- Color
- Religion
- National origin
- Sex
- Marital status
- Disability
- Age (provided applicant has capacity to contract)
- Whether the applicant’s receipt of income is derived from a public assistance program
- The applicant’s good faith exercise of any rights under the Consumer Credit

Protection Act Regulation B covers creditor activities relating to advertising, sales and customer acquisition through the lending and loan servicing lifecycle, including default management. The regulation applies to all persons who, in the ordinary course of business, regularly participate in the credit decision, including setting the terms of the credit. The term “creditor” includes a creditor’s assignee and transferee. The term creditor also includes a person who, in the ordinary course of business, regularly refers applicants or prospective applicants to creditors, or selects or offers to select creditors to whom requests for credit may be made.

Regulation B’s prohibitions apply to every aspect of an applicant’s dealings with a creditor regarding an application for credit or an existing extension of credit, including, but not limited to, the following:

- Providing information to applicants or prospective applicants;
- Application investigation procedures;
- Standards of creditworthiness;
- Terms of credit, including loan pricing;
- Furnishing of credit information; revocation, alteration, or termination of credit; and
- Default collection procedures and loss mitigation procedures.

Under ECOA, a credit applicant must receive a written notice of adverse action stating the reason for denial within 30 days after receiving a completed application if credit has been declined. If the applicable reasons for denial are not provided in the adverse action notice, UHM must respond in writing to any request from the applicant for the specific reasons for the adverse action taken. Records must be maintained for a period of 25 months after the date of notification of action taken.

Additionally, ECOA defines and governs the rules concerning pre-screening mortgage applicants, rate inquiries, and evaluating applications.

### **3.2      Policy**

UHM will follow Federal guidance requiring financial institutions and other firms engaged in the extension of credit to “make credit equally available to all creditworthy customers without regard to sex or marital status.” ECOA makes it unlawful for “any creditor to discriminate against any applicant with respect to any aspect of a credit transaction (1) on the basis of race, color, religion, national origin, sex, marital status, disability or age (provided the applicant has the capacity to contract); (2) because all or part of the applicant’s income derives from any public assistance program; or (3) because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.”

Union Home Mortgage Corp. has a responsibility to its investors and Partners to maintain compliance of the Equal Credit Opportunity Act (“ECOA”).

### **3.3      Disparate Treatment & Impact**

Under ECOA, there are two principal theories of liability: disparate treatment and disparate impact. Disparate treatment occurs when an applicant is treated differently based on a prohibited basis such as race or national origin. Disparate impact occurs when a creditor employs facially neutral policies or practices that have an adverse effect or impact on a member of a protected class unless it meets a legitimate business need that cannot reasonably be achieved by means that are less disparate in their impact. UHM does not treat customers differently based on ECOA prohibited bases (or prohibited bases defined under other Federal or state regulation).

### **3.4      Prohibited Practices**

UHM does not discriminate against an applicant on a prohibited basis regarding any aspect of a credit transaction. UHM does not make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage, on a prohibited basis, a reasonable person from making or pursuing an application.

## **3.5      Definitions**

### **a. Adverse Action**

Either:

- A refusal to grant credit in substantially the amount or on substantially the terms requested in an application unless the creditor makes a counteroffer (to grant credit in a different amount or on other terms) and the applicant uses or expressly accepts the credit offered;
- A termination of an account or an unfavorable change in the terms of an account that does not affect all or substantially all of a class of the creditor's accounts; or
- A refusal to increase the amount of credit available to an applicant who has made an application for an increase.

### **b. Application**

An oral or written request for an extension of credit made in accordance with procedures used by a creditor for the type of credit requested.

### **c. Completed Application**

An application in connection with which a creditor has received all the information that the creditor regularly obtains and considers in evaluating applications for the amount and type of credit requested (including, but not limited to, credit reports, any additional information requested from the applicant, and any approvals or reports by governmental agencies or other persons that are necessary to guarantee, insure, or provide security for the credit or collateral). The creditor shall exercise reasonable diligence in obtaining such information.

UHM defines a complete application for purposes of a credit decision as:

- A completed and signed written loan application
- Paystubs documenting income received for the past 30 days
- W2 forms for the past 2 years
- Tax Returns (including all schedules) for the past 2 years
- Statements for all asset accounts listed on the loan application covering the past 60 days
- Purchase contract (purchases only)
- All disclosure documents signed and returned
- Payment of application and appraisal fee

### **d. Extension of Credit**

The granting of credit in any form including credit granted in addition to any existing credit, the refinancing or other renewal of credit, the consolidation of two or more obligations, or the continuance of existing credit.

### 3.6 General Requirements

The Equal Credit Opportunity Act (ECOA) requires UHM to adhere to the following requirements:

- Collect information for monitoring purposes about the applicant's race and other personal characteristics in applications for certain loans secured by a principal dwelling.
  - An application for credit, primarily for the purchase or refinancing of a dwelling, that is or will be occupied by the applicant as a principal residence, where the extension of credit is secured by the dwelling, must contain a request for information regarding the applicant's:
    - Ethnicity (using the categories Hispanic or Latino, and not Hispanic or Latino)
    - Race (using the categories American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, and White)
    - Sex
    - Marital status (using the categories married, unmarried, and separated), and
    - Age
  - The applicant must be advised that the information is being requested by the Federal Government for the purpose of monitoring compliance with federal statutes that prohibit creditors from discriminating against applicants on those bases. In the case of a face-to-face interview, the applicant must be advised that if the applicant chooses not to provide the information, UHM is required to note the ethnicity, race and sex on the basis of visual observation or surname.
- Notify applicants of the action taken on their applications.
  - Under the ECOA, UHM must provide notification of action taken to all applicant requests for credit, whether favorable, adverse, or incomplete, within 30 days after receiving a completed application.
- Report credit history in the names of both spouses on an account. If UHM furnishes information to consumer reporting agencies concerning an account that reflects the participation of both spouses, the information must be furnished in a manner that will enable the credit reporting agencies to provide access to the information in the name of each spouse.
- Provide applicants with copies of appraisal reports used in credit transactions.
  - For applications to be secured by a first lien on a dwelling, UHM must notify applicants in writing within three business days of receiving an application of their right to receive a copy of all written appraisals developed in connection with the application.
  - UHM must provide a copy of each appraisal and other written valuation promptly upon completion or three business days before consummation (for closed-end credit) or account opening (for open-end credit), whichever is earlier.
  - An applicant may waive the timing requirement for providing these copies. Any waiver must be obtained at least three business days prior to consummation or account opening, unless the waiver pertains solely to the applicant's receipt of a copy of an appraisal or other written valuation that contains only clerical changes from a previous version of the appraisal or other written valuation provided to the applicant three or more business days prior to consummation or account opening.



- If the applicant provides a waiver and the transaction is not consummated or the account is not opened, UHM must provide appraisal copies no later than 30 days after the it determines the transaction will not be consummated or the account will not be opened.

### **3.7 Prohibited Actions**

#### **a. Signatures**

UHM may not require the signature of an applicant's spouse or other person, other than a joint applicant, on any credit instrument if the applicant qualifies under UHM's standards for creditworthiness.

UHM may require the signature of an applicant's spouse or other person only on the instruments necessary under state law to make the property available to satisfy the debt (e.g., mortgage, deed, etc.) in the event of default.

#### **b. Guarantees-Personal**

UHM may not require personal guarantees on a prohibited basis; however, UHM may request a third-party guaranty or co-signor where personal liability of an additional party is necessary to support the applicant's request for credit under UHM's standards of creditworthiness.

The applicant's spouse can serve as an additional party, but UHM must not require the spouse to be the additional party. UHM may inform the applicant that an additional party or additional assets to secure the request for credit is required and that the applicant may provide any third party to satisfy the collateral needs of the lender.

#### **c. Guarantees-Spousal**

UHM may not require the signature of a guarantor's spouse. If the applicant has sufficient assets to secure the requested credit, UHM generally may not require the signature of an applicant's spouse or any other person, other than a joint applicant, on any credit instrument.

### **3.8 Requests for Information and Evaluating Applications**

#### **a. Signatures**

UHM may not require the signature of an applicant's spouse or other person, other than a joint applicant, on any credit instrument if the applicant qualifies under UHM's standards for creditworthiness.

UHM may require the signature of an applicant's spouse or other person only on the instruments necessary under state law to make the property available to satisfy the debt (e.g., mortgage, deed, etc.) in the event of default.

## **b. Guarantees-Personal**

UHM may not require personal guarantees on a prohibited basis; however, UHM may request a third-party guaranty or co-signor where personal liability of an additional party is necessary to support the applicant's request for credit under UHM's standards of creditworthiness.

The applicant's spouse can serve as an additional party, but UHM must not require the spouse to be the additional party. UHM may inform the applicant that an additional party or additional assets to secure the request for credit is required and that the applicant may provide any third party to satisfy the collateral needs of the lender.

## **c. Guarantees-Spousal**

UHM may not require the signature of a guarantor's spouse. If the applicant has sufficient assets to secure the requested credit, UHM generally may not require the signature of an applicant's spouse or any other person, other than a joint applicant, on any credit instrument.

### **3.9 Inquiry vs. Application**

UHM is encouraged to provide consumers with information about loan products and terms. However, if in giving information to the consumer UHM also evaluates information about the consumer, determines if the applicant will qualify for the loan product requested, decides to advise the consumer of approval or decline, and communicates this to the consumer, UHM has treated the inquiry as an application and must then comply with the ECOA notification requirements.

Whether the consumer's inquiry becomes an application depends on how UHM responds to the consumer, not on what the consumer says or asks.

UHM shall not make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage, on a prohibited basis, a reasonable person from making or pursuing an application.

An inquiry is simply responding to a prospective applicant about available loan products, terms, and requirements for qualifications. In responding to an inquiry, no determination is made, whether explicit or implied, that the prospective applicant will qualify for any of the loan products or terms.

As discussed above, an inquiry moves into an application if any indication about the applicant's ability to qualify for a particular loan product or loan term is made.

### **3.10      Notification of Action Taken**

When UHM receives an application, UHM is required to notify an applicant of action taken within the following timeframes:

- 30 days after receiving a completed application concerning UHM's approval of, counteroffer to, or adverse action on the application;
- 30 days after taking adverse action on an incomplete application, unless a notice of incompleteness is provided in accordance with the "Incomplete Applications" requirements below;
- 30 days after taking adverse action on an existing account; or
- 90 days after notifying the applicant of a counteroffer, if the applicant does not expressly accept or use the credit offered.

An adverse action notice must contain a statement of the action taken, the name and address of UHM, the ECOA Notice, the name and address of the Federal agency that administers compliance, and either a statement of the specific reasons for the action taken or a disclosure of the applicant's right to receive a statement of specific reasons.

If the specific reasons for the adverse action are not provided, the disclosure of the applicant's right to receive a statement of specific reasons must contain the following:

- A disclosure of the applicant's right to a statement of specific reasons within 30 days if the statement is requested within 60 days of UHM's notification.

A notification of adverse action must be in writing; however, a notice of approval may be expressly stated or implied.

### **3.11      Incomplete Applications**

If additional information is needed from an applicant, UHM will send a written notice to the applicant specifying:

- The information needed, designating a reasonable period of time for the applicant to provide the information; and
- Informs the applicant that failure to provide the information requested will result in no further consideration being given to the application.

UHM will have no further obligation if the applicant fails to respond within the designated time period. If the applicant supplies the requested information within the designated time period, UHM shall take action on the application and notify the applicant of the action taken with 30 days after receiving the requested information to make the application complete.

When an application involves more than one applicant, notification need only be given to one of them but must be given to the primary applicant where one is readily apparent.

## Section 4 Home Mortgage Disclosure Act—Regulation C

Policy Name	Home Mortgage Disclosure Act – Regulation C
Version	4.0 (06-12-2020)
Committee Review: ACT	07-12-2024
Last Reviewed by Compliance	07-12-2024

### 4.1 Summary of Regulation

The purpose of the Home Mortgage Disclosure Act (Regulation C) is to provide the public with loan data that can be used:

- To help determine whether financial institutions are serving the housing needs of the communities;
- To assist public offices in distributing investments to attract private investment to areas where it is needed; and
- To assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.

UHM is required to compile HMDA data and to submit an annual Loan Application Register (LAR) in compliance with the Home Mortgage Disclosure Act.

### 4.2 Definitions

#### a. Application

An oral or written request for a dwelling purchase loan, a home improvement loan or a refinancing that is made in accordance with the procedures of UHM for the type of credit requested.

#### b. Dwelling

A residential structure (whether or not it is attached to real property) located in a state of the United States of America, the District of Columbia, or the Commonwealth of Puerto Rico. The term includes an individual condominium unit, cooperative unit, mobile or manufactured home, and multifamily structures such as apartment buildings. A residential structure is not limited to a 1–4 family structure. Facilities for temporary residence such as rooming houses, dormitories, and other types of non-permanent or transitory residence facilities are not dwellings. A “timeshare” is not a dwelling. Nursing homes and other types of extended care facilities are also not considered dwellings.

#### c. Home Improvement Loan

Includes:

- A loan secured by a lien on a dwelling that is for the purpose, in whole or in part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located; and
- A non-dwelling secured loan that is for the purpose, in whole or in part, of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located, and that is classified by the financial institution as a home improvement loan.

#### **d. Home Purchase Loan**

A loan secured by and made for the purpose of purchasing a dwelling.

#### **e. Refinancing**

A new loan secured by a dwelling where all or part of the proceeds of the loan will be used to pay off an existing loan by the same borrower secured by a dwelling. In determining what is and is not a refinancing, recognize that both the old and the new loan must be secured by a dwelling. All loans that fall within the refinancing definition are refinances, regardless of the purpose of the loan being paid off or the use of any new money from the new loan.

#### **f. Preapproval Program**

A request for preapproval for a home purchase loan is an application under Regulation C if the request is reviewed under a program in which UHM, after a comprehensive analysis of the creditworthiness of the applicant, issues a written commitment to the applicant valid for a designated period of time to extend a home purchase loan up to a specified amount. The written commitment may not be subject to conditions other than the following:

- Conditions that require the identification of a suitable property;
- Conditions that require that no material change has occurred in the applicant's financial condition or creditworthiness prior to closing; or
- Limited conditions that are not related to the financial condition or creditworthiness of the applicant that the lender ordinarily attaches to a traditional home mortgage application (such as certification of a clear termite inspection).

#### **g. Prequalification Program**

A Prequalification request is an assessment of a borrower's financial situation in order to advise the borrower if they may qualify for a mortgage loan. A prequalification does not constitute a mortgage application or commitment to lend and does not include a comprehensive analysis of the borrower's creditworthiness.

#### **h. Universal Loan Identifier/Legal Entity Identifier**

Regulation C requires HMDA-reporting institutions to report a Universal Loan Identifier (ULI) for each HMDA-reportable application that was taken on/after 1/1/2018. The ULI replaces the previously used "Application or Loan Number" listed on the institution's HMDA Loan/Application Register (HMDA LAR). The ULI consists of the institution's Legal Entity Identifier (LEI), followed by a check digit number and the loan number specific to each borrower.

UHM may use a previously reported ULI (generated by UHM) if a borrower requests to make either of two requests within the same calendar year:

- Reconsider an application that was previously denied, withdrawn, or closed for incompleteness; or
- Reinstate a counteroffer that the borrower did not accept.

UHM will not reinstate or reconsider an application that was reported in a prior calendar year.

### **4.3      Requirements**

The regulation applies to any residential structure, including an individual condominium unit, cooperative unit, mobile or manufactured home, and 1–4 family and multiple-family dwellings.

UHM is required to adhere to the following:

- Collect application data “for originations and purchases of home purchase loans, home improvement loans, and refinancing for each calendar year.”
- Record the data collected on a Loan Application Register (LAR), referred to as the HMDA/LAR, within 30 days after the end of each quarter in which final action was taken.
- Submit the HMDA/LAR to UHM’s supervisory agency by March 1, following the calendar year for which the loan data are compiled. UHM will retain a full copy of any LAR submitted to the appropriate agency for at least three years from the date of submission.
- Utilizing the loan data submitted, a Mortgage Loan Disclosure Statement will be prepared by the Federal Financial Institutions Examination Council (FFIEC) and sent to UHM. The Mortgage Loan Disclosure Statement must be made available to the public at UHM’s main office no later than three business days after receipt of the Statement from the FFIEC. In addition, UHM will:
  - Make its disclosure statement available to the public within 10 business days of receiving it, in at least one branch office in each other Metropolitan Statistical Area (MSA) and Metropolitan Division where they have an office; OR
  - Post the address for sending written requests in the lobby of each branch office in other MSAs and Metropolitan Divisions where UHM has offices. All written requests for a copy of the disclosure statement must be delivered within 15 calendar days of receiving the request.
- Prepare a modified HMDA/LAR by removing the loan or application numbers, dates of applications received, and dates of action taken. The modified LAR is to be available to the public at UHM’s main office by March 31 of the year following the year for which the data was compiled. A written request for HMDA information received on or before March 1 shall be delivered by March 31; those received after March 1 shall be delivered within 30 calendar days of request receipt.
- Post a notice of the availability of the HMDA data in the lobby of its home office and of each branch office located in an MSA and Metropolitan Division. The location of the office where the statement is available for inspection and copying shall either be included in the lobby notice or be provided promptly upon request.

### **4.4      Information to Collect**

UHM will collect and report all required data elements required by Regulation C regarding applications (approved, approved not accepted, declined, closed for incompleteness, or withdrawn) and purchased loans for home purchase (including an application for pre-approval if the result was either a denial or a loan), home improvement, and refinancing for each calendar year.

## Section 5 Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) Policy

Policy Name	Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)
Version	4.0
Committee Review: ACT	5-1-2024
Last Reviewed by Compliance	4-24-2024

### 5.1 Summary of Regulation

Unfair, deceptive, or abusive acts and practices (UDAAP) can cause significant financial injury to consumers, erode consumer confidence, and undermine the financial marketplace. Under the Dodd-Frank Act, it is unlawful for any provider of consumer financial products or services or a service provider to engage in any unfair, deceptive or abusive acts or practices.

### 5.2 Definitions

#### a. Unfair Acts or Practices

The standard is that an act or practice is unfair when: (1) it causes or is likely to cause substantial injury to consumers; (2) the injury is not reasonably avoidable by consumers; and (3) the injury is not outweighed by countervailing benefits to consumers or to competition.

#### b. Deceptive Acts or Practices

A representation, omission, act or practice is deceptive when: (1) the representation, omission, act, or practice misleads or is likely to mislead the consumer; (2) the consumer's interpretation of the representation, omission, act, or practice is reasonable under the circumstances; and (3) the misleading representation, omission, act, or practice is material.

#### c. Abusive Acts or Practices

Materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service; or takes unreasonable advantage of: (1) a lack of understanding on the part of the consumer of the material risks, costs, or conditions of the product or service; (2) the inability of the consumer to protect its interests in selecting or using a consumer financial product or service; or (3) the reasonable reliance by the consumer on a covered person to act in the interests of the consumer.

### **5.3      Policy**

UHM will not engage in unfair, deceptive or abusive acts as defined by the CFPB.

UHM will keep UDAAP risks at the forefront of all decision-making regarding all activities UHM participates in order to prevent and avoid consumer harm. These activities include but not limited to: product development, origination, lead generation, marketing and advertising, and loan servicing.

### **5.4      Training**

- Company-wide training for all employees is required annually.
  - Partners may be excluded from the annual training event if they are new hires who have recently completed training as part of the on-boarding process.
- Employees are required to pass an assessment demonstrating knowledge and comprehension of subject matter.
- Completion reporting is maintained as evidence of training completion.

All new hires are required to complete UDAAP training within 90 days of hire.



## Section 6 Privacy Policy

Policy Name	Privacy Policy
Version	6.0 (03-14-2024)
Committee Review: ACT	03-14-2024
Reviewed by Compliance	03-14-2024

### 6.1 Introduction

Regulation P implements Privacy of Consumer Financial Information, a requirement of the Gramm- Leach-Bliley Act (GLBA, or the Act), also known as the Financial Modernization Act of 1999. The Act is a Federal law enacted to control the ways that financial institutions deal with the private information of individuals.

This policy addresses the treatment of nonpublic personal information (NPI) about consumers/customers by UHM, specifically:

- The required notice to consumers about its privacy policies and practices;
- Describing the conditions under which UHM may disclose NPI about consumers to nonaffiliated third parties; and
- Providing a method for consumers to prevent UHM from disclosing information to most non-affiliated third parties by “opting out” of that disclosure.

NPI includes:

- Personally identifiable financial information (PII); and
- Any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived using any PII that is not publicly available.

NPI does not include:

- Publicly available information, except as included on any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived using any PII that is not publicly available.
- Any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived without using any PII that is not publicly available.

Publicly available information means any information that you have a reasonable basis to believe is lawfully made available to the general public from:

- Federal, state, or local government records;
- Widely distributed media; or
- Disclosures to the general public that are required to be made by Federal, state, or local law.

This document does not cover Information Security-related policies which are also required under GLBA. That content is housed in a separate policy.

## **6.2 Privacy Notice (Initial and On-going)**

UHM provides its Privacy Notice (aka the Notice) to all consumers in the early application disclosure package, and to existing customers at the frequency required by law.

The Notice is written in a manner that is clear and conspicuous, meaning that the Notice is reasonably understandable and calls attention to the nature and significance of the Notice.

UHM publishes its privacy policy on its websites.

## **6.3 Information Sharing**

UHM shares consumer/customer NPI for everyday business purposes, such as to process transactions, maintain account(s), respond to court orders and legal investigations, or report to credit bureaus. UHM also shares consumer/customer NPI with affiliates' for our affiliates' everyday business purposes (information about consumer transactions and experiences) and for our affiliates to market to the consumer/customer.

UHM will NOT share consumer/customer NPI for purposes of:

- Joint marketing with other financial companies;
- For our affiliates' everyday business purposes (information about consumer creditworthiness); and
- For non-affiliates to market to UHM's consumers/customers.

## **6.4 Opt Out Notices**

UHM provides in its Notice reasonable means by which consumers can opt out of information sharing.

## **6.5 Revised Privacy Notices**

If UHM changes its practices and desires to share NPI with nonaffiliated third parties, UHM will:

- Provide an updated Privacy Notice to all customers that accurately describes its policies and procedures;
- Provide a new opt out notice;
- Give the customer a reasonable opportunity to opt out before sharing information with the nonaffiliated third party; and
- Confirm that the customer has not opted out.

## **6.6 Sharing Account Number Information for Marketing Purposes**

UHM will not disclose consumer/customer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing, or other marketing through electronic mail to the consumer/customer.

UHM will disclose account numbers to credit reporting agencies, as permitted under regulation.

## **6.7 Exceptions to Opt-out Requirements—Service Providers and Joint Marketing**

Opt out requirements do not apply to UHM when providing NPI to a nonaffiliated third party to perform services for UHM or functions on behalf of UHM, if:

- UHM has provided the Notice; and
- UHM enters into a contractual agreement with the third party that prohibits the third party from disclosing or using the information other than to carry out the purposes for which UHM disclosed the information.

## **6.8 Exceptions to Opt-Out Requirements—Processing and Servicing Transactions**

The requirements for initial notice, opt out, and for service providers and joint marketing do not apply if UHM discloses NPI as necessary to affect, administer, or enforce a transaction that a consumer requests or authorizes, or in connection with:

- Servicing or processing a financial product or service that a consumer request or authorizes;
- Maintaining or servicing the consumer's account with UHM; or
- A proposed or actual securitization, secondary market sale (including sales of servicing rights), or similar transaction related to a transaction of the consumer.

## **6.9 Other Exceptions to Notice and Opt-out Requirements**

The requirements for initial notice, opt out, and for service providers and joint marketing do not apply if UHM discloses:

- With consent or at the direction of the consumer, provided that the consumer has not revoked consent or direction;
- To protect the confidentiality or security of UHM's records pertaining to the consumer, service, product, or transaction;
  - To protect against or prevent actual or potential fraud, unauthorized transactions, claims, or other liability;
  - For required institutional risk control or for resolving consumer disputes or inquiries;
  - To persons holding a legal or beneficial interest relating to the consumer; or
  - To persons acting in a fiduciary or representative capacity on behalf of the consumer.
- To the extent specifically permitted or required under other provisions of law and in accordance with the Right to Financial Privacy Act;
- To consumer reporting agencies in accordance with Fair Credit Reporting Act;
- In connection with a proposed or actual sale, merger, transfer, or exchange of all or a portion of a business if the disclosure of NPI concerns solely consumers of such business; or
- To comply with Federal, state, or local laws, rules, and other applicable legal requirements.

## **6.10 External Communication**

If there is any loss or unauthorized use, disclosure of, or access to confidential information, UHM will notify Fannie Mae's Privacy Office in writing within 72 hours of the data breach. Notification will be provided in accordance with the requirements.

## Section 7 Clean Desk Policy

Policy Name	Clean Desk Policy
Version	4.0
Committee Review: ACT	5-1-2024
Last Reviewed by Compliance	4-24-2024

### 7.1 Overview

The core business of Union Home Mortgage Corp. (UHM) involves gathering and storing sensitive customer information. Further, many UHM Partners routinely access private and proprietary corporate, investor, and vendor information and data.

The company is “paperless” by intent, but occasionally prints some documents for convenience. At other times, documents are provided to UHM on paper, or on another portable and insecure format. Some external business partners routinely, or at certain times, require UHM to provide paper files or “hard copy” documentation.

UHM customers and business partners rightly expect UHM to take all necessary steps to secure their sensitive information. By effectively implementing this “Clean Desk” Policy, and requiring the participation and support of all Partners, UHM protects the confidentiality of paper documents and digital data storage devices that contain information about our company, customers, investors, and vendors.

### 7.2 Purpose

The main reasons for a Clean Desk Policy are:

1. Reduce the threat of a security incident as confidential information will be locked away when unattended.
2. Reduce the threat of sensitive documents left in the open that can be stolen by a malicious entity.
3. Seeing clean desks and orderly workspaces can enhance UHM’s positive and professional image when customers, investors, and others visit the company (headquarters or branch location).

### 7.3 Required Practices

1. At known extended periods away from your desk, such as a lunch break, sensitive working papers, and any removable data devices (i.e. flash drives) must be placed in locked drawers.
2. At the end of the working day, tidy your desk and put away all office papers. UHM provides locking desks and filing cabinets for this purpose.

3. If you are disposing of consumer loan product information, corporate information, correspondence, product information, or non-public data or materials, you must always shred or place these items in locked shred bins for shredding and disposal. Trash cans at desks should only be used for items such as “junk” mail, paper wrappings, etc.
4. Locking your desktop computer when you are away from it is considered part of maintaining a “Clean Desk.” Always use the “Ctrl-Alt-Delete” function to lock your screen when you step away from your computer.
5. Once they are in use, treat removable mass storage devices such as CDROM, DVD or USB drives as sensitive, and secure them in a locked drawer.
6. You are required to report any observation of mishandling or careless treatment of sensitive information to your immediate supervisor, or other manager as appropriate.

#### **7.4 Working from Home Workspace**

This policy also applies to employees who work from home. At home, all confidential information must be secured and only accessible to the UHM employee, and paper documentation must be appropriately destroyed when no longer needed.

#### **7.5 Recommended Actions and Habits**

1. Allocate time at the end of your day to clear away your paperwork.
2. Always clear your workspace before leaving for longer periods of time.
3. If in doubt - throw it out. If you don't know whether something should be shredded or not-shred it.
4. Consider immediately scanning paper items and storing them digitally if they are to be retained. If an item does not need to be retained, destroy it as soon as you are finished with it.
5. Lock your desk and filing cabinets at the end of the day.
6. Lock away portable computing devices such as laptops or PDA devices.

#### **7.6 Policy Applicability and Enforcement**

Theft of information could cause serious and irreparable damage to the business and reputation of UHM, and to our customers and business partners. All Partners and others working on behalf of UHM are subject to this policy. All Partners are required to know and observe the guidelines of this policy.

Any Partner found to have willfully violated this policy, or handled sensitive information in a careless manner, is subject to disciplinary action. This includes possible termination of employment.

## Section 8 Consumer Complaint Resolution Policy

Policy Name	Consumer Complaint Resolution Policy
Version	5.0 (3-19-2024)
Committee Review: ACT	4-3-2024
Last Reviewed by Compliance	3-19-2024

### 8.1 Purpose

Complaints provide a valuable “listening post” to evaluate customer satisfaction, effectiveness of UHM processes, and compliance with regulations and company policy.

It is the responsibility of Union Home Mortgage Corp. (UHM) to investigate all complaints thoroughly and respond to complaints, disputes and issues expeditiously with fair dealing. UHM promotes an urgent, decisive and accurate response to all inquiries, questions and concerns brought to its attention. Not all of these situations are in the form of a written complaint presented to the company by a customer, referral partner, vendor or regulator.

UHM defines a complaint as written or verbal notification of disappointment with UHM arising from failure of service or expectations not being met through standard delivery channels. Complaints also include statements that contain high-risk terms or involve potential high-risk issues such as: alleging fraud, misconduct, unethical behavior, or discrimination; any unfair, deceptive or abusive act or practice; or noncompliance with consumer laws and regulations.

**Employees receiving any complaint with these key words must immediately escalate the complaint to [complaints@uhm.com](mailto:complaints@uhm.com).**

Not every customer question, comment or issue is a complaint that requires tracking. UHM encourages all employees to escalate anything that appears to be a complaint; senior management or the Compliance Department will review the complaint and determine the appropriate course of action.

### 8.2 Complaint Resolution Policy

Complaints or disputes of any nature, whether by customer, referral partner, vendor or regulator are to be communicated immediately upon acknowledgement by sending an email and supporting documentation to [complaints@uhm.com](mailto:complaints@uhm.com). The Compliance Department is responsible for managing messages received at this email address and engaging the appropriate leaders to review and respond to the complaint.

The Compliance Department will maintain a file and supporting documentation of complaints and responses.

## **8.3      General Procedures for Complaint Resolution**

### **a. Complaint Receipt**

Complaints sent to the CEO will be forwarded to the Compliance Department who will engage the appropriate manager for research, resolution and response.

Complaints received by an employee from a consumer or vendor must be immediately forwarded to [complaints@uhm.com](mailto:complaints@uhm.com) for tracking purposes.

Employees receiving a verbal complaint must document the complaint including the consumer's name, specifics of the complaint, date and time received, and forward the information to [complaints@uhm.com](mailto:complaints@uhm.com).

Complaints received from the CFPB, State Attorney General, GSE, or state examiners must be forwarded to the CEO, SVP of Business Development, SVP of Operations, General Counsel, Chief Risk Officer, and Chief Compliance Officer.

### **b. Complaint Review**

Compliance enters information on the Excel Complaint Management Tracking Spreadsheet. Compliance will also ensure the appropriate manager has a copy of the complaint and responds to it thoroughly and timely.

Verbal complaints are also captured in the spreadsheet using the information documented in the email sent by the employee who received the complaint.

### **c. Complaint Response**

It is UHM's goal to timely and accurately respond to all complaints. The desired service level is 10 business days. Complaints involving complex issues may require additional research; the goal is to resolve within 30 days. Responses to the CFPB, State Attorney General, GSE, and state examiners are written by the Compliance Department and reviewed by the Chief Compliance Officer and General Counsel prior to submission. A copy of all responses is retained by the Compliance Department. In the event that resolution was handled verbally, a written summary of the resolution will be obtained and retained by the Compliance Department.

### **d. Complaints Received by UHM Servicing**

Matters received by UHM's internal servicing departments that are handled in the ordinary course of business are not recorded on the complaint log.

However, customer inquiries that exceed the ordinary course of business must be forwarded to [complaints@uhm.com](mailto:complaints@uhm.com) for record keeping and monitoring purposes. This includes inquiries that are not able to be handled by the Partner during the initial point of contact.

## **8.4 Qualified Written Request**

It is the policy of UHM to respond to qualified written requests from borrowers about the servicing of its residential mortgage loans within the time limits prescribed by law. Regulation defines a qualified written request as any written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, that:

- Includes, or otherwise enables the servicer to identify the name and account of the borrower.
- Includes a statement of the reasons for the belief of the borrower that the account is in error or provides sufficient detail to the servicer regarding other information sought by the borrower.

UHM is not required by regulation to respond to any request that it receives more than one year after the loan servicing was transferred to another servicer or paid in full. However, UHM may choose to do so in the interest of customer service.

## **8.5 Responses to Inquiries**

UHM servicing, as appropriate, will provide a written response acknowledging receipt of any correspondence relating to the servicing of a mortgage loan within 5 business days of receipt of the request (excluding legal public holidays, Saturdays, and Sundays). All other information requested will be sent within 30 days of receipt of the request.

### **a. Complaint Tracking**

The following information is captured in the Complaint Management Tracking spreadsheet and may be periodically updated:

- Date complaint was made
- Response due date
- Loan number associated with the complaint
- Loan type
- Loan channel
- Branch location
- Region
- Property State
- Consumer/customer name
- HMDA Data – Customer Ethnicity
- HMDA Data – Customer Race
- Name of Partner receiving the complaint
- How complaint was submitted
- Details of complaint
- Loan Status
- Loan Officer Name (if applicable)
- Manager assigned to review
- Resolution
- Date resolved
- Days to resolve
- Other information as deemed necessary



## **b. Compliance Review**

Compliance is actively engaged with Senior Management regarding complaint review and resolution. Complaints alleging UDAAP (i.e. unfair, abusive, or deceptive) or Fair Lending abuses must be immediately escalated to Senior Management. Responses to complaints with regulatory or legal implications are reviewed by the Compliance Department before response is sent to the consumer. A summary of all complaints received is prepared on a quarterly basis and shared with Senior Management.

## Section 9 Bank Secrecy Act

Policy Name	Bank Secrecy Act & Anti-Money Laundering Policy
Version	5.0 (3-7-2023)
Committee Review: ACT	3-6-2024
Reviewed by Compliance	3-1-2024

### 9.1 Purpose

Union Home Mortgage Corp. (UHM) has a responsibility to its investors and Partners to maintain the highest standards in validating a Borrower's identity and source of funds, investigating mortgage fraud and money laundering, and investigating potential red flags as acknowledged by the Financial Crimes Enforcement Network (FinCEN).

The Chief Risk Officer (CRO) is designated as the BSA/AML Officer for Union Home Mortgage. The CCO is responsible for ensuring adherence to this policy.

BSA/AML procedures are located in the Anti-Money Laundering Procedures document which is saved on Partner Net under Policies and Procedures, Regulatory and Compliance folder.

### 9.2 Policy

UHM will follow federal guidance confirming the identity of every Borrower, investigating potential indications of suspicious activity for money laundering and red flags in compliance with the Bank Secrecy Act (BSA).

### 9.3 Union Home Mortgage Corp. Customer Identification Program

UHM will verify the identity of every borrower on a loan. Partners must contact the CCO if a borrower's identity cannot be verified.

Elderly or disabled borrowers may have expired identification. In these rare situations, the borrower(s) must still provide alternate forms of identification. Reference UHM's Anti-Money Laundering Procedures for information on acceptable, alternate forms of identification.

### 9.4 Definition of Money Laundering

Money laundering is the criminal practice of filtering "ill-gotten gains" or "dirty" money through a maze or series of transactions, to "clean" the funds and make them appear to be proceeds from legal transactions. Money laundering does not always involve cash transactions at every stage of the process.

Any transaction conducted through UHM has the potential to constitute money laundering. Although money laundering is a diverse and complex process, it often involves three independent steps, which at times occur simultaneously:

### **a. Placement**

The process of placing, through deposits, assets or other means, unlawful cash proceeds with traditional financial institutions.

### **b. Layering (aka Structuring)**

The process of separating the proceeds of criminal activity from their origin through the use of layers of complex financial transactions, such as converting cash into traveler's checks, money orders, wire transfers, letters of credit, stocks, bonds, mortgages or purchasing valuable assets, such as art or jewelry.

### **c. Integration**

The process of laundering funds from what appears to be legitimate sources. Different types of financial transactions, such as sham loans, or loans through a legitimate residential mortgage transaction, may be used to consummate the integration.

## **9.5 Monitoring: Reviewing Borrower Documentation for Suspicious Activity**

All Partners are responsible for due diligence on each assigned loan file, including the identification of red flags. Separate job aids highlight red flags that can occur during the various stages of mortgage origination. Partners must immediately contact the Compliance Department if any suspicious activity is identified in a loan file.

## **9.6 Preventing Fraud: Anti-Money Laundering Red Flags**

Red flags may be noted at various times throughout the origination process. If a red flag is identified, the Partner must take steps to resolve or verify information according to UHM procedures. The Partner must contact the Compliance Department if the red flag cannot be cleared.

## **9.7 Suspicious Activity Report (SAR) and Currency Transaction Reporting (CTR) Procedures**

It is the responsibility of UHM to complete a Suspicious Activity Report (SAR) if UHM knows, suspects, or has reason to suspect that the transaction:

- May involve potential money laundering or other illegal activity (e.g., terrorism financing).
- Is designed to evade the BSA or its implementing regulations.
- Has no business or apparent lawful purpose or is not the type of transaction that the particular customer would normally be expected to engage in, and UHM knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

SAR filing is the responsibility of the Chief Risk Officer and must be filed no later than 30 calendar days after the date of the initial detection. Additionally, the Chief Risk Officer is responsible for contacting law enforcement or FinCEN if money laundering or terrorist activity has been identified.

It is the responsibility of UHM to file a CTR when UHM identifies currency (cash or coin) transactions over \$10,000 conducted by, or on behalf of, one person, as well as multiple currency transaction that aggregate to be over \$10,000 in a single day, and UHM becomes aware that the customer is attempting to avoid this BSA/AML requirement. Note that UHM does not accept cash payments at any location or via mail.

CTR filing is the responsibility of the Chief Risk Officer and must be filed within 15 calendar days of the reported transaction.

## **9.8 International Gift Funds Procedures**

Borrower gift funds received from any international country in any amount must be reviewed. If any suspicious activity is identified, the Partner must take steps to resolve or verify information according to UHM procedure.

## **9.9 Testing for AML Requirements**

- AML testing is conducted annually by an independent external auditor. Internal risk mitigation controls are evaluated and tested.
- Internal controls are also evaluated and tested by the Compliance Department and/or Internal Audit.

## **9.10 Anti-Money Laundering Training**

- Company-wide training for all employees is required upon hire and annually.
  - The only Partners excluded from the annual training event are new hires who have recently completed training as part of the on-boarding process.
- Employees are required to pass an assessment demonstrating knowledge and comprehension of subject matter.
- Completion reporting is maintained as evidence of training completion.
- All new hires are required to complete AML training within 90 days of hire.

## 9.11 **FinCEN OFAC SDN/Watch List Policy & Investor Reporting**

It is the responsibility of UHM, in accordance with the Financial Crimes Enforcement Network (FinCEN) and the Bank Secrecy Act (BSA), to uphold Anti-Money Laundering regulations.

UHM reviews each borrower against OFAC's most recent list of Specially Designated Nationals and Blocked Persons (OFAC SDN List) prior to delivery of the loan to the investor. Additionally, UHM's servicing platform periodically checks all customers in the servicing portfolio against the SDN List. If a confirmed OFAC match were to occur, UHM would notify Freddie Mac or Fannie Mae within 24 hours. For further information on processing OFAC match see Anti-Money Laundering Procedures.

In accordance with Freddie Mac and Fannie Mae guidelines, UHM will notify the investor within 7 business days of confirmation of any instances of UHM's own non-compliance or compliance failure related to the AML requirements of all applicable Federal regulations. This includes all instances of penalties (civil or criminal) or enforcement actions for compliance failures or violations related to AML regulatory requirements. For Fannie Mae, these instances will be reported to Fannie Mae's Ethics division (see E-1-02, List of Contacts). For Freddie Mac, instances should be directed to the appropriate division per Freddie Mac's Directory 1.

Also, in accordance with Freddie Mac and Fannie Mae guidelines, UHM will report to the investor misrepresentations, misstatements or omissions, or suspicious activity identified to the extent that they are associated with the origination of a mortgage, whether discovered through a post-closing quality control review or by any other means. These occurrences must be reported to the investor within 60 days of discovery.

UHM will notify the investor immediately for the following circumstances:

- Theft of custodial funds, lack of collateral, non-remittance of pay-off funds or multiple deliveries of the same mortgage;
- A substantial likelihood that the fraud or suspected fraud or other suspicious activity will receive significant public exposure or publicity;
- When UHM is notified of the entry of a civil judgment, guilty plea or criminal conviction indicating lack of integrity and relating to a participant in a mortgage or related real estate transaction, or relating to a board member, officer, employee or contractor of UHM;
- When UHM is notified by law enforcement or another governmental authority that such authority is conducting an investigation or prosecution of fraud relating to mortgages owned or serviced by investor or relating to a board member, officer, employee or contractor of UHM;
- A scheme or pattern of more than five mortgages sold or serviced to investor, or mortgages sold to or serviced for investor with an aggregate of at least \$1 million; and
- Actual or possible terrorist financing or ongoing or possible money laundering schemes or activity.

For Fannie Mae, all instances of suspicious activity related to Fannie Mae loans will be reported using the self-report functionality in Loan Quality Connect. Instances of suspicious activity related to Fannie Mae's business activities will be reported to Fannie Mae's Mortgage Fraud Reporting division. See Fannie Mae's "List of Contacts" in its Selling Guide (E-1-02) for contact information.

For Freddie Mac, all instances of suspicious activity related to Freddie Mac loans or business activities will be reported according to Freddie Mac's Directory 1.

## Section 10 Secure and Fair Enforcement (SAFE Act) Policy

Policy Name	Secure and Safe Enforcement Act Policy
Version	6.0 (8-16-2023)
Committee Review: ACT	4-10-2024
Last Reviewed by Compliance	4-1-2024

### 10.1 Purposes and Objectives

The purpose of this S.A.F.E. Act Policy is to ensure the compliance of UHM, its employees, and third-party vendors with the “Secure and Fair Enforcement for Mortgage Licensing Act of 2008” or “S.A.F.E. Mortgage Licensing Act of 2008” (S.A.F.E. Act). The S.A.F.E. Act is regulated by the Consumer Finance Protection Bureau under Title V of the Housing and Economic Recovery Act (HERA) in conjunction with the appropriate state regulators and in partnership with the Nationwide Mortgage Licensing System (NMLS). It is designed to enhance consumer protection and reduce fraud through the setting of minimum standards for the licensing and registration of state-licensed mortgage loan originators.

### 10.2 Applicability and General Requirements

UHM is a non-depository lender. Therefore, the company and all Loan Officers are subject to state licensing and state regulations based on where the properties being financed are located.

The company is appropriately licensed and registered in the NMLS. Personnel required to be licensed for the work they do, in the states where they work (either physically or by telephone or other electronic means), must obtain an NMLS unique identifier and applicable state license or licenses. Further, UHM requires that any third-party vendors (mortgage brokers, lead generators) be registered in NMLS and licensed per state regulations.

UHM requires that its own organization, its employees, and its third-party vendors comply with all requirements of this S.A.F.E. Act Policy and all underlying policies and regulations as they exist, or from time to time may be amended.

### **10.3      License Requirements, Maintenance, and Training**

The UHM Compliance Department is responsible for compliance with all Corporate and Branch NMLS required reporting, and for obtaining any required new state and branch licenses. The Department will maintain the corporate and branch records on NMLS, including annual renewals, Annual Financial Statements, and Mortgage Call Reports.

Each licensed employee is responsible for knowing the requirements for obtaining and maintaining his or her individual license, including renewal and continuing education. Each state has established minimum pre- licensure education requirements, continuing education requirements, and testing requirements. All necessary information is available publicly through NMLS.

Newly hired and newly licensed employees are advised of the limits of their individual licenses. New employee training emphasizes the fact that UHM's corporate license in a state does not provide an individual or branch authority to originate in that state, unless the individual and (in most cases) the branch is also licensed there. Loan Officers may be permitted to perform origination duties under Temporary License authority on a case-by-case basis, according to Federal law and NMLS guidelines.

The license status of individuals employed by UHM is closely monitored by the Compliance, Licensing, and Administration departments as NMLS reports change and deficiencies added on sponsored individuals. Issues are addressed promptly as they occur.

## 10.4 Duties that Require, or Do Not Require, a Mortgage Originator License

In general, a license is required to take (or offer to take) or assist a consumer in completing and application, offering or offering to negotiate credit terms prior to application, or assist a consumer in determining loan terms that might be available based on consumer credit characteristics. Licenses are generally not required to perform any process, gather supporting documentation, or evaluate credit applications once they have been accepted.

The CFPB describes the following duties (performed for compensation) as those that require a Mortgage Loan Originator license:

- Taking an application.
- Arranging a credit transaction.
- Assisting a consumer in applying for credit. A loan originator assists a consumer in obtaining or applying for credit by advising on particular credit terms that are or may be available to the consumer based on the consumer's financial characteristics.
- Offering or negotiating credit terms. Credit terms include rates, fees and other costs. Selecting credit terms to offer based on the consumer's financial characteristics when those terms are selected based on any factors that may influence a credit decision, such as debts, income, assets or credit history.
- Making an extension of credit.
- Referring a consumer to a loan originator or creditor. Referring is an activity included under each of the activities of offering, arranging, or assisting a consumer in obtaining or applying to obtain an extension of credit.
- Represents to the public, through Advertising or other means of communicating (including the use of business cards, stationery, brochures, signs, rate lists, or other promotional items) to the public that you can or will perform any loan origination services.

The CFPB also cites the following examples of duties that do not require a license:

- A person who performs purely administrative or clerical tasks on behalf of a loan originator or creditor (who does so at the direction of and subject to the supervision and instruction of an individual who is licensed and registered in NMLS or individual who is lawfully registered with, and maintains a unique identifier through NMLS and an employee of the covered financial institution) but does not take consumer credit applications or offer or negotiate credit terms available from a creditor to that consumer selected based on the consumer's financial characteristics. An employee who provides a credit application from the entity for which the person works to the consumer for the consumer to complete is not a loan originator.
- A loan originator's or creditor's employee who delivers the consumer's credit application to the loan originator or creditor is not a loan originator - as long as the employee did not assist the consumer in completing the application, process or analyze information, or discuss particular credit terms that are or may be available from a creditor or a loan originator to that consumer selected based on the consumer's financial characteristics.
- A servicer or a servicer's employee, unless you perform loan origination activities on replacing an existing obligation with a new debt.



- Preparing residential mortgage loan packages, including providing general application instructions so consumers can complete an application -- but not filling out a consumer's application.
- Collecting information on behalf of the consumer with regard to a residential mortgage loan, including gathering information or supporting documentation from third parties for the consumer then to provide in the application or to submit to the creditor.
- Provide general explanations, information, or descriptions of credit products in response to consumer queries.
- Describe other product-related services (for example, optional monthly payment methods via telephone or via automatic account withdrawals, the availability and features of online account access, the availability of 24-hour customer support, or free mobile applications to access account information).
- As an employee of a creditor or loan originator, provide contact information of a loan originator or creditor for whom you work or of another person who works for that entity so long as you do not discuss particular credit terms with the consumer that are or may be available from a creditor or loan originator to that consumer selected based on the consumer's financial characteristics, or direct the consumer to a particular loan originator or creditor seeking to originate credit transactions to consumers with the consumer's financial characteristics based on the employee's assessment of those characteristics.
- Perform loan-processing activities, such as compiling and assembling credit application packages and supporting documentation, for a loan originator or creditor.
- Persons who coordinate consummation of the credit transaction or other aspects of the credit transaction process, such as communicating with a consumer about process deadlines and documents needed at consummation, are not loan originators, provided that any communication that includes a discussion about credit terms available from a creditor to that consumer selected based on the consumer's financial characteristics only confirms credit terms already agreed to by the consumer.
- Perform credit underwriting activities, so long as you do not communicate directly with the consumer about specific credit terms.

**NOTE:** States may have licensing requirements that are more restrictive than those described by the CFPB<sup>1</sup> In that event, the more restrictive regulations apply. Non-licensed employees must take care that they do not perform duties that require licensing. If an unlicensed individual performs a task that requires a license, it is both a criminal act on the part of the individual and a violation for the company. An employee that has concerns about his or her duties should seek resolution of those concerns with his or her immediate supervisor, senior management, or the Compliance Department.

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<sup>1</sup> NC Safe Act (§ 53-244.030) indicates that a Mortgage Loan Originator does not include an individual who takes the basic preapplication information for facilitating a residential mortgage loan transaction, such as the name and contact information of the prospective borrower, assessment of creditworthiness, desired loan types, and resources to make a down payment, but not including social security number, credit score, credit or employment history, or specific rates, to connect prospective borrowers to licensed MLO.

## **10.5      Internal Controls**

At time of hire, UHM shall confirm the adequacy and accuracy of all licensed employee NMLS registrations, including updates and renewals, by comparison of the employee submitted information with that contained within the company's internal records. Typically, this information would include the employee's identifying information, such as the employee's name; home address; business address and contact information; Social Security Number; gender; date and place of birth; and financial services-related civil actions, arbitrations and regulatory actions taken against the employee, if any.

This required confirmation shall be completed prior to approving, accepting, authorizing, or otherwise taking any action with respect to the MLO registration. Any discrepancies will be addressed and corrected as appropriate.

## **10.6      Real Time Legal System of Record**

NMLS is a real-time system that is a legal system of record for the state agencies in which licensees and regulators actions become part of a company's, branches, or individual's record. When an authorized employee of UHM submits a filing on behalf of the Corporation, he or she is attesting the information is true and accurate to the best of his or her knowledge and belief as described in the filing, as of the date of the filing.

Licensed Employees must attest to the truth and accuracy of their own individual NMLS record at the time of each filing. Knowingly filing a false attestation is grounds for disciplinary action, including dismissal.

As NMLS is itself a system of record, the company does not maintain separate or back-up records. A record of every filing is maintained on NMLS for the period of time required by statute. Examining authorities may obtain records that are filed in NMLS, through NMLS.

## **10.7      Use of the Unique Identifier (NMLS ID#)**

UHM shall make the unique identifiers of its registered mortgage loan originators available to consumers. Originators must provide the originator's unique identifier to a consumer upon request, before acting as a mortgage loan originator, and through the originator's initial written communication with a consumer, whether that communication is provided in writing on paper or through electronic means.

The unique identifier will enable consumer access to an individual mortgage loan originator's profile stored in the registry, including the mortgage loan originator's publicly available registration information, any state mortgage licenses held (active or inactive), employment history, and publicly adjudicated disciplinary and enforcement actions, if any.

## **10.8      Disclosure of NMLS ID#**

UHM is required to include the name and NMLS ID of the organization as well as the name and NMLS ID of the mortgage loan originator on the following mortgage loan origination documents:

- Uniform Residential Loan Application (1003)
- Loan Estimate (LE)
- Closing Disclosure (CD)
- Note
- Mortgage/Deed of Trust

Additionally, the UHM Corporate NMLS ID, as well as the NMLS ID of the mortgage loan originator, needs to be clearly shown on all solicitations and advertisements, including business cards or websites.

## **10.9      Mortgage Call Report (MCR)**

Under the requirements of the S.A.F.E. Act, UHM as an approved Fannie Mae, Freddie Mac Seller/Servicer, and Ginnie Mae Issuer, is required to submit an Expanded Residential Mortgage Loan Activity Report, as well as a Financial Condition Report (FC), through the NMLS Mortgage Call Report (MCR) system. Quarterly reports are due 45 days from the end of the quarter being reported, specific filing deadlines are posted on NMLS.

The company is also required to file its Audited Annual Financial Statement Report in NMLS 90 days from year end, normally March 31 (March 30 in a leap year).

The Compliance Department completes these MCR submissions using data from the Loan Origination System (LOS), reports prepared by the Accounting Department, reports prepared by the servicing department and/or sub-servicer, and the Audited Annual Financial Statement.

## Section 11 Loan Originator Compensation Policy

Policy Name	Loan Originator Compensation Policy
Version	8.0 (4-17-2024)
Committee Review: ACT	4-10-2024
Last Reviewed by Compliance	4-17-2024

### 11.1 Summary of Loan Originator Compensation Rule

The Loan Originator Compensation Rule (herein, the Rule) seeks to protect mortgage borrowers from unfair, deceptive, or abusive acts or practices that can arise from Loan Originator compensation practices under Regulation Z.

The Rule prohibits any person, including UHM, from paying compensation to a Loan Originator (LO) or receiving compensation if the amount of the payment is based on any of the transaction's terms or conditions or a proxy for loan terms. This prohibition applies both to payments by UHM to independent mortgage brokers and payments by UHM to its Loan Originators.

This policy applies to Retail and Consumer Direct Loan Officers and Branch Managers, and Third Party Origination (TPO) Account Executives and Brokers, all collectively referred to as Loan Originators. All LOs are required to have a written, signed agreement in place consistent with this policy. Where appropriate, the specific line of business or role is called out to address policy specific to that area/role.

### 11.2 Definitions

#### a. **Loan Originator**

A natural person, or an organization (i.e., loan originator organizations, including mortgage broker companies) who, in expectation of or for direct or indirect compensation or gain, a) takes residential mortgage loan applications; b) arranges or assists consumers in obtaining or applying to obtain a residential mortgage loan; c) offers or negotiates terms of a residential mortgage loan; d) obtains or makes an extension of consumer credit secured by a dwelling for another person; or e) through advertising or other means of communication represents to the public that such person can or will perform any of these services. Also included in this definition is a creditor (loan originator organization) that does not finance the transaction at consummation from its own resources.

## **b. Creditor**

A creditor that closes a loan in its own name and funds the loan from a bona fide warehouse line of credit, its own money or deposits held by the creditor is not a Loan Originator.

For purposes of the compensation provisions, creditors are defined as “loan originators” only if they are table-funded. This means transactions are not financed at consummation out of the creditor’s own resources, such as a warehouse line of credit. That means the rule does not restrict payments made to a creditor unless the creditor is table-funded. The rule does restrict payments from all creditors to their loan originator employees or to other loan originators such as mortgage brokers.

For purposes of the qualification and identification provisions, the rule includes both table-funded and other creditors in the definition of loan originator.

## **c. Mortgage Broker**

A mortgage broker is considered a loan originator. Originators consist of both individuals and entities, and an employee of a mortgage broker and/or creditor is a loan originator.

## **d. Other Examples Not Considered Loan Originators**

Persons who are not considered loan originators are persons who are:

- Staff that perform purely administrative or clerical tasks;
- An employee of a manufactured home retailer who does not advise consumers on loan terms;
- Real estate brokers and employees of licensed real estate brokers;
- A person, estate or trust that provides mortgage financing for sale of 3 properties in any 12-month period provided loan is fully amortizing, where borrower has ability to repay and is either fixed or adjustable only after five years and meets other conditions;
- A servicer or servicer employee, agent or contractor, including but not limited to those who offer or negotiate terms of residential mortgage loan for purposes of renegotiating, modifying, replacing and subordinating principal of existing mortgage where borrower is behind in payments, in default, or has reasonable likelihood of being in default or falling behind; and
- A creditor, except a creditor in a table funded transaction under anti-steering provisions.

## **e. Compensation**

Salaries, commissions, and any financial or similar incentives received and retained, including annual or periodic bonuses, awards (i.e. stock, stock options, or equity interests), services, trips or similar prizes. Compensation includes amounts the LO retains regardless of the label or name of the fee imposed in connection with the transaction. Bona fide third party charges that are passed to the respective third party are not considered compensation to the LO.

## **f. Transaction Term**

A transaction term is any right or obligation of the parties to a credit transaction, except for the amount of credit extended. Transaction terms include rights and obligations in the note or other credit contract and in the security instrument (and any document incorporated by reference), and any fees or charges required to be charged on the Loan Estimate or Closing Disclosure that are imposed by the Loan Originator or creditor on the consumer for the credit or for any credit-related product or service provided by the originator or creditor, or are for any product or service required as a condition of the extension of credit, such as title insurance protecting the creditor's interest or an appraisal. Examples of transaction terms include: interest rate, annual percentage rate, collateral type, existence of a prepayment penalty, the origination points or fees paid to the creditor or Loan Originator, or fees for creditor-required title insurance.

## **g. Proxy**

A factor (that is not itself a transaction term) is a proxy for a transaction term if it meets two conditions: the factor consistently varies with a transaction term or terms over a significant number of transactions, and the loan originator has the ability, directly or indirectly, to add, drop, or change the factor when originating the transactions.

### **11.3 Compensation Documentation Requirements**

All Loan Originator compensation agreements must be in writing and signed, and the signed agreement must be retained in the LO's Human Resource employee file. Generally, the structure may include a minimum wage draw against commission subject to the limitations contained within this policy. TPO compensation agreements are retained in Commence.

### **11.4 Compensation Requirements and Limitations**

Compensation paid to LOs will not vary based on loan terms or conditions or its proxies, other than the amount of the loan extended to the consumer. LOs must offer loans in accordance with UHM's policies and procedures, and in no case will the pricing, terms, or conditions of the loans originated impact the individual LO's compensation, other than as otherwise permissible under Regulation Z (as identified in this policy). All agreements, regardless of business channel, are prospective in nature. UHM's Operations staff does not perform functions that would designate them as Loan Originators; therefore, UHM's Operations staff is not subject to this policy.

LOs must lock loans in accordance with their LO Compensation Agreement and the disclaimer displayed on the Pre-Approval Interview screen within Encompass.

The following are examples of methods of compensation that are not considered to be based on the transaction's terms or conditions, or a proxy for loan terms, and would therefore be permissible under the Rule:

- The Loan Originator's overall loan volume (dollar amount or units);
- The long-term performance of the Loan Originator's loans;
- Hourly wages for actual hours worked;
- Whether the consumer is an existing or new customer;
- A fixed payment for every loan that the originator arranges, such as \$600 per loan, or \$1,000 for the first 1,000 loans and \$500 for each additional loan;
- A percentage of applications submitted by the Loan Originator that result in a closed loan;
- The quality of the Loan Originator's loan files;
- Legitimate business expense, such as fixed overhead costs;
- Compensation based on a fixed percentage of the amount of credit extended (which may be subject to a minimum or a maximum cap);
- In the form of incentive payments based on number of loans originated within a specified period of time;
- Payment to or benefit of designated tax-advantage plan participation; and
- Participation in non-deferred profits-based compensation plans.

UHM is prohibited from paying Loan Originator compensation based upon:

- A term of a single transaction;
- The terms of multiple transactions conducted by an individual Loan Originator; or
- The terms of multiple transactions conducted by multiple Loan Originators, taken in the aggregate.

#### **a. Designated Tax Advantaged Plans**

UHM offers to all of its employees, including LOs, the opportunity to participate in a qualifying 401(k) plan. Employees can opt to contribute pre-tax dollars up to defined limits, and UHM will match a certain percentage of the employees' contributions. UHM contributions into a LO's plan are not directly or indirectly based on the terms of an individual LO's transactions.

#### **b. Non-deferred Profits-based Compensation Plan**

A LO may receive, and a creditor may pay to a LO, compensation under a non-deferred profits-based compensation plan (i.e. any arrangement for the payment of non-deferred compensation that is determined with reference to the profits of the person from mortgage-related business), provided that:

- The compensation paid to an individual LO is not directly or indirectly based on the terms of that LO's transactions that are subject to the Rule; and
- At least one of the following are satisfied:
  - The compensation paid to a LO under a non-deferred profits-based compensation plan does not, in the aggregate, exceed 10% of the individual LO's total compensation corresponding to the time period for which the compensation under the non-deferred profits-based compensation plan is paid; or
  - The LO acted in a capacity as a LO for ten (10) or fewer transactions consummated during the 12-month period preceding the date of the compensation determination.

### **c. Bonus Plans**

UHM does not routinely provide bonuses to licensed LOs. UHM may pay a transitional bonus, or guarantee, to newly-hired LOs (Retail channel only). This compensation is a predetermined percentage of the business originated by the LO and is subject to the same rules and limitations outlined in this policy.

### **d. Pooled Compensation**

LOs are strictly prohibited from pooling and sharing compensation with other LOs who originate transactions with different terms and who are compensated differently.

### **e. Point Banks**

Point bank is a system by which a LO may earn points related to loan-level-related events (i.e. rate lock extensions, tolerance cures, lender credits, etc.). The points accumulate over a period of time and then result in a bonus paid to the LO. Point banks are prohibited at UHM.

## **11.5 General UHM Compensation Structures, Including Minimum & Maximum Compensation**

### **a. Retail**

LOs are paid a minimum wage draw against commission. LO commission is calculated based upon aggregate volume and is subject to minimum and maximum compensation limits. In each Metropolitan Service Area (MSA), UHM will determine a minimum and maximum compensation amount. UHM will pay a LO the minimum amount if the calculated compensation falls below the floor. UHM will cap compensation at the maximum amount allowed (i.e., ceiling) even if the calculated compensation is a higher number. The minimum and maximum amount does not vary on a compensation plan basis. The basis points in each MSA that compensation is calculated on can vary by an amount of basis points determined by Senior Management. LOs located within the same MSA may have different compensation floors and ceilings, and the minimum and maximum amounts will vary within a threshold as determined by Senior Management.

### **b. Consumer Direct**

Consumer Direct LOs earn an hourly, non-exempt wage plus commission. LO commission is calculated based upon individual loan volume and is subject to a minimum and maximum amount. The minimum and maximum commission amount is a channel standard set by senior leadership. UHM will pay an LO the minimum amount if the calculated compensation falls below the floor. UHM will cap the compensation at the maximum amount allowed even if the calculated compensation is a higher number. The basis points compensated to the Consumer Direct LO is a channel standard set by senior leadership and is specific to the source of the customer. Examples of different lead sources with different compensation amounts include portfolio customers, UHM provided leads, and self-generated customers.



### **c. TPO**

TPO Account Executives are paid a base salary and also receive a monthly commission calculated based upon aggregate volume closed. Quarterly, AE's are eligible to earn up to an additional bonus based on volume.

Brokers are paid a flat basis point in compensation, which can be paid by the consumer or by the lender, but not by both. A minimum (i.e. floor) and maximum (i.e. ceiling) also apply whereby the broker will be paid at least the minimum and no more than the maximum on a given loan. The minimum and maximum amount does not vary on a loan-by-loan basis.

TPO brokers must perform sufficient compensable origination services in order to receive compensation that is reasonably related to the value of the services performed. These originators are responsible for performing the following activities:

- Analyze applicant income and debt and may pre-qualify a consumer for credit;
- Educate the applicant on the home buying and financing process, advising the applicant of different types of loan products, and demonstrating how closing costs and monthly payments could vary under each product;
- Collect financial information (i.e. tax returns, bank statements, etc.) and other related documents that are part of the application process; obtain a credit report (after obtaining a written authorization from the application) and letter of explanation, if needed;
- Assist the applicant in understanding and clearing credit problems;
- Maintaining regular contact with the applicant, realtors, UHM, between application and closing to appraise them of the status of the application and gather additional information as needed;
- Orders the initial verification of employment or verification of debt (note: for loans where UHM is issuing initial disclosures, UHM initiates these orders);
- Orders inspection or engineering reports;
- Orders legal documents; and
- Participates in the loan closing.

### **d. Correspondent Relationships**

Correspondents are paid according to terms outlined in its Agreement and Letter of Intent, as applicable, with UHM. Exceptions to this policy may only be approved by the CEO or designate.

## **11.6 Dual Compensation Prohibition**

UHM prohibits Loan Originators from receiving dual compensation from both the consumer and UHM in a single transaction. If any Loan Originator receives compensation directly from a consumer in a consumer credit transaction secured by a dwelling, the Loan Originator is prohibited from receiving compensation, directly or indirectly, from any person other than the consumer in connection with the transaction. Any person who knows or has reason to know of the consumer-paid compensation to the Loan Originator (other than the consumer) shall not pay any compensation to a Loan Originator, directly or indirectly, in connection with the transaction.

### **a. Retail and Consumer Direct**

For transactions originated via the Retail and Consumer Direct channels, UHM may receive discount points paid by the consumer and pay its Loan Originators compensation on that same loan.

### **b. TPO**

For transactions originated via the TPO channel, brokers may only receive compensation from one source: either the consumer or UHM. Brokers cannot be compensated by both the consumer and UHM on the same transaction.

UHM expects that its TPO partners pay its employees in accordance with Loan Origination rules.

## **11.7 Changes in Compensation**

Compensation agreements between UHM and its Loan Originators (i.e. Retail Loan Officer, Consumer Direct bankers, TPO Account Executives, and TPO brokers) may be revised periodically for legitimate business needs. The validity of a legitimate business need is subject to approval by UHM Senior Management. The revised compensation agreement cannot be based on transaction terms or conditions, or a proxy for loan terms, and must be approved in advance by management. Changes to compensation plans are prospective and affect future transactions only.

Generally, Loan Originators may not increase or decrease compensation for a particular transaction. Should a competitor offer better terms or pricing, UHM may change credit terms or pricing to match the offer, but the Loan Originator's compensation cannot change. In this scenario, the Loan Originator must direct the pricing exception to the Secondary Marketing team for consideration. The request may only be approved by designates with express authority to approve pricing exceptions.

## **11.8 Reductions in Compensation**

The Rule permits Loan Originators to reduce their compensation only to lower costs to borrowers if there is an unforeseen increase in settlement costs. For example, should a title issue delay the closing causing the rate lock to expire, a Loan Originator may reduce compensation to cover the cost of the rate lock extension. Should this situation arise, the Loan Originator must consult with the Compliance Department to determine if it is permitted for compensation to be reduced given the circumstances. Reduced Loan Originator compensation is an exception.

## **11.9      Earned Compensation**

### **a. Retail and Consumer Direct**

Loan Originators are considered to have earned and be entitled to payment of a commission on eligible loans. An “eligible loan” is defined as a residential mortgage loan (a) that is originated in accordance with applicable requirements; (b) that is closed and funded in accordance with applicable requirements, in the period in which the commission is calculated; (c) that is not unfunded, cancelled or rescinded for any reason after settlement; and (d) for which the period for an early pay off has expired. An “early pay off” occurs when a loan is repaid in full for any reason within six (6) months of the note date. UHM will advance the commission on all eligible loans.

If the originated loan that has closed and been funded becomes subject to an early pay off, the loan is not an eligible loan and the Loan Originator is not entitled to a commission on the loan. If the commission has been advanced on a loan that later becomes an early pay off, the Loan Originator owes UHM the amount advanced to the Loan Originator on the ineligible loan.

UHM will not consider a loan an early pay off if the (a) refinance of the loan is retained by UHM, or (b) if the payoff is the result of the sale of the subject property and the new purchase transaction is originated by UHM.

UHM may advance commissions for all eligible loans that meet (a), (b) and (c) of the eligible loan definition in the payment cycle following the loan’s disbursement date. If the commission has been advanced on a loan that later results in an early payoff, UHM will collect from the employee any amounts advanced on such ineligible loan. In such case, UHM will reduce the amount of any such unearned advancement from the next commission payment to employee.

### **b. TPO**

For loans that payoff early (as defined by the broker agreement), brokers are charged a fee commensurate with what UHM paid them on the originated loan.

For all business channels, all claw backs will be subject to applicable law, and in no case will an LO receive less than the applicable minimum wage for any hours worked in each workweek during the employment period.

## **11.10      Referral Compensation**

Through UHM’s Opt-in program, referral compensation between Retail and Consumer Direct is permitted. Each loan officer is compensated for the work they do on the loan. Consumer Direct is the loan originator of the loan. Retail Partner is the referring partner.

### **11.11 Co-Origination Compensation**

Through UHM's Opt-in program, co-origination compensation between Retail and Consumer Direct is permitted. Each loan officer is compensated for the work they do on the loan. Consumer Direct is the loan originator of the loan. Retail Partner is the referring partner. All co-origination agreements must be approved by Senior Management, and the compensation paid is subject to this policy. The co-origination partner must be licensed or registered, as required, and must perform compensable services, as defined in the written agreement with UHM, in order to receive compensation.

### **11.12 Compensation Paid on Purchase and Refinance Transactions**

UHM does not consider loan purpose a term or condition of a loan; therefore, UHM may have different compensation plans for purchase and refinance transactions.

### **11.13 Builder House Accounts (Retail only)**

Loan Originators who want to work with a builder as a preferred lender must first seek permission from Management and obtain approval. Consumers who are working with the builder and who opt to obtain financing via the UHM LO approved as the builder's preferred lender will receive a lender credit at loan closing. LOs participating in this program may have a separate compensation agreement for loans closed under this program.

Builder house accounts are not available to Consumer Direct or TPO channels.

### **11.14 Anti-Steering Prohibition**

Loan originators are prohibited from directing or "steering" consumers to loans based on the fact that the Loan Originator will receive greater compensation for the loan from the creditor than in other transactions the originator offered or could have offered to the consumer, unless the consummated transaction is in the consumer's interest.

Retail and Consumer Direct LOs do not broker loans, therefore this section does not apply to those business channels.

#### **a. Loan Options (TPO only)**

A transaction satisfies anti-steering requirements if the loan originator presents loan options that meet the following:

- The consumer is presented with loan offers for each type of transaction in which the consumer expresses an interest (that is, a fixed rate loan, adjustable rate loan or a reverse mortgage); and
- The loan options presented to the consumer include all of the following:
  - The lowest interest rate for which the consumer qualifies;
  - The lowest points and origination fees; and
  - The lowest rate for which the consumer qualifies for a loan with no risky features, such as a prepayment penalty, negative amortization or a balloon payment in the first seven years.

## **11.15      Branch Manager Compensation (Retail only)**

Producing and non-producing Branch Managers are required to have written compensation agreements in place. These agreements may be revised periodically.

### **a. Producing Branch Managers**

Producing branch managers are responsible for managing a UHM branch and its personnel in addition to serving in the capacity of a Loan Originator and can arrange, negotiate, or otherwise obtain extensions of credit for a consumer. UHM branch managers who originate loans cannot receive compensation based on loan terms or conditions, or a proxy for loan terms, even if such compensation would be limited to loans not originated by the manager. Producing branch managers may receive a fixed percentage amount of all originated loans.

### **b. Non-Producing Branch Managers**

Non-producing branch managers are considered executive or administrative staff and are not permitted to arrange, negotiate, or otherwise obtain an extension of credit for a consumer. Such individuals may be compensated based in whole or in part on profits including the aggregate value of loans.

### **c. Disciplinary Action**

Non-compliance with this policy will result in disciplinary action, up to and including termination.

## Section 12 Advertising Policy

Policy Name	Advertising Policy
Version	6.0 (3-26-2024)
Committee Review: ACT	4-3-2024
Last Reviewed by Compliance	3-26-2024

### 12.1 Definitions

#### a. Advertising

The following regulations define “advertisement” as:

- TILA – a commercial message in any medium (visual, oral, print) that promotes, directly or indirectly, a consumer credit transaction.
- FHA – A promotion for any loan for the purpose of purchasing, constructing, improving, repairing, or maintaining a dwelling or any loan secured by a dwelling.

#### b. Advertising Media

Advertising media is broadly defined as where an advertisement is placed. Not all advertising media is acceptable to UHM. Some advertising media does not favorably represent the professionalism, high moral and ethical standards, or values of the corporation. Placement of advertising in media that would indicate endorsement of any political positions, social agendas or causes is not permitted. The acceptability of an advertising medium must be determined in advance by the UHM Marketing Department regardless of responsibility for payment for the advertising.

#### c. Social Media

Social media can be defined in a number of ways. For purposes of this policy, social media is a form of interactive online communication in which users can generate and share content through text, images, audio and/or video. Social media can take many forms, including, but not limited to, micro-blogging sites (i.e. Facebook, Instagram, TikTok, Pinterest, LinkedIn, Glassdoor, YouTube, and Twitter); forums, blogs, customer review web sites (i.e. Yelp) and bulletin boards; photo and video sites (i.e. Flickr and YouTube); and professional networking sites (i.e. LinkedIn).

## **12.2      Scope**

This Policy applies to all forms of advertising, including but not limited to: written, oral, illustration, internet/digital, business cards, public media (TV, radio, movie, webinar, slide show), billboards, inside/outside or window displays, audio program transmitted over a phone, newspaper or magazine, label, pamphlet, mailer, circular, facsimile, free standing inserts, leaflets, brochures, telephone, cellular, promotional materials and items, corporate web pages, social media (business and personal), digital, e-mail, promotional texts, and/or any other medium.

The following are not considered advertisements: rate sheets (not intended for consumers), face-to-face discussions with a consumer about the terms for a specific account, event invitations, existing account information, transaction information, required regulatory disclosures, power point presentations, press releases, checklists, correspondence directed to existing consumers, materials for other real estate professionals (including other loan officers, realtors, and title companies), external websites (such as loan officer or loan officer team websites) and contractual agreements. Public display of the logo or other trademark with no accompanying commercial message or use of the logo as an indication of sponsorship of a charity or event is not advertising.

## **12.3      Interpretation and Reasonableness**

There is a significant level of interpretation and application of reasonableness when it comes to evaluating advertising and marketing statements and their effect on audiences. A representation may be express or implied. Express claims directly represent the fact at issue, while implied claims do so in an indirect way. Whether an implied claim is made depends on the overall net impression that consumers take away from an advertisement or other representation based on all its elements (language, pictures, graphics, etc.).

Reasonableness is evaluated based on the sophistication and understanding of consumers in the group to which the representation is targeted, which may be a general audience or a specific group. A claim may be susceptible to more than one reasonable interpretation, and if one such interpretation is misleading, the advertisement is deceptive, even if other non-deceptive interpretations are possible.

All consumer-facing advertising must be reviewed and approved by the Marketing and Compliance Departments prior to the advertising being used or distributed.

## **12.4      Complying with UDAAP**

UHM requires advertising, marketing and promotional materials:

- Be truthful and non-deceptive;
- Have sufficient evidence to back up its claims; and
- Be fair.

To ensure UDAAP compliance, advertising materials will be assessed against the following standards prior to distribution:

- Is the information or the omission of information, likely to mislead consumers acting reasonably under the circumstances?
- Is the information or the omission of information, "materially" important to a consumer's decision to choose the product or service?
- Does the information cause or is it likely to cause substantial consumer injury which a consumer could not reasonably avoid?

The potential for harm caused by consumer misunderstanding must be objectively weighed against the potential for benefit gained by the product or service promoted.

## **12.5      Equal Housing Opportunity**

Advertising must reflect UHM's commitment to fair standards, equal housing lending, and equal housing opportunity. Photos of people or groups of people used in advertising should include persons of all races, sexes, and ethnicity (if identifiable). When photos are used, an individual photo of a non-minority may be acceptable in an instance. Photos or images used in advertising must also be considered as a whole to be certain that images used over time, or in a series of advertisements, do not indicate favoritism toward any race, sex, or ethnicity, or exclusion of any others. Advertising must be reviewed to ensure that it does not explicitly or implicitly discourage any applicant based on race, color, religion, national origin, sex, disability, and familial status, sexual orientation, gender identity, or other protected class.

All advertisements for mortgage services must include the full Equal Housing Opportunity statement or the Equal Housing Opportunity Logo.

## **12.6      Equal Opportunity Employer**

Advertising created for recruiting purposes must reflect UHM's commitment to being an Equal Opportunity Employer. Recruitment advertising must be reviewed to ensure that it does not explicitly or implicitly discourage any potential candidate from submitting an application based on race, color, religion, sex, sexual orientation, gender identity or expression, genetic information, national origin, age, or parental status.

All recruiting advertisements must include the full Equal Opportunity Employer statement.



## **12.7 Foreign Language Advertising**

Foreign language advertising is permitted on a case-by-case basis. Translation will be arranged through the Marketing Department. While products and services may be promoted through foreign language advertising, UHM solicits feedback from its employees about fluency in foreign language. Anyone who speaks a foreign language should be engaged for customers where that language is their primary and they have questions during the loan process.

Loan Officers may indicate personal proficiency in a language other than English on business cards or other individual marketing materials. Advertisements may not state or imply that UHM conducts its business in a foreign language, or that UHM offers or arranges mortgages in a foreign language or refers any translation services.

## **12.8 Bait and Switch Advertising**

It is illegal to advertise a product when a company has no intention of selling or offering that item, but instead plans to sell or offer the consumer something else, usually at a higher price. UHM strictly prohibits and will not tolerate any form of “bait and switch” advertising or marketing practices.

## **12.9 Complying with TILA**

### **a. Actually, Available Terms**

Only terms that are or will be arranged or offered by UHM will be advertised.

### **b. Clear and Conspicuous**

All disclosures required by the policy and/or applicable law and regulation will be made clearly and conspicuously.

### **c. Rate of Finance Charge**

Any advertising or marketing materials that include “annual percentage rate” or “APR” will also include:

- If the APR may be increased after consummation, that fact.
- For advertisements for credit secured by a dwelling, the advertisement cannot state any other rate, except that a simple annual rate that is applied to an unpaid balance may be stated in conjunction with, but not more conspicuously than, the APR.
- If the abbreviation “APR” is used it must be clearly stated within the advertisement that “APR” means “Annual Percentage Rate.”

Partners may advertise the availability of an initial rate reduction applicable to discounted variable-rate products by stating the reduced simple annual rate, provided the advertisement also shows with equal prominence and in close proximity the limited term to which the reduced rate applies and the APR that will apply after the term of the initial rate reduction expires.

#### **d. Triggering Terms**

All advertising for closed-end credit that contains any triggering term(s) must also include full disclosure. Triggering terms are:

- The amount or percentage of a down payment;
- The number of payments or period of repayment;
- The amount of any payment; and
- The amount of any finance charge;

If an interest rate is stated, Partners must provide the APR in the same type size as the interest rate. If used, the abbreviation APR must be defined as Annual Percentage Rate.

Any advertisement that includes any of the above triggering terms must include all of the following triggered terms as applicable:

- The amount or percentage of the down payment;
- The terms of repayment, which reflect the repayment obligations over the full term of the loan, including any balloon payment; and
- The "Annual Percentage Rate," or "APR," using one of these terms; and
- If the rate may be increased after consummation, that fact.

#### **e. Catalogs, Other Multiple-Page Advertisements, Electronic Advertising**

When any triggering terms are included in a catalog or other multiple-page advertising or in electronic advertising such as the Company website, UHM will allow the required additional disclosures to be contained in a table or schedule elsewhere in the advertisement, provided that it is sufficiently detailed and includes all necessary information for a representative sampling of the product being advertised. The table or schedule must be clearly and conspicuously set forth in the advertisement and the advertisement must clearly direct the consumer to the location where the table or schedule begins. Any range of transactions shown in the table or schedule must reflect what is currently available for the product described.

**Clear and conspicuous requirement:** For purposes of this section, a clear and conspicuous disclosure for visual text advertisements on the Internet for credit secured by a dwelling means that the required disclosures are not obscured by techniques such as graphical displays, shading, coloration, or other devices.

#### **f. Television or Radio Advertisements**

When any triggering terms are included in an advertisement made through television or radio, UHM requires that the materials include full disclosure as specified above under the Triggering Terms section.

The material must also list a toll-free telephone number, or any telephone number that allows a consumer to reverse the phone charges when calling for information, along with a reference that such number may be used by consumers to obtain additional cost information.

**Clear and conspicuous requirement:** For purposes of this section, a clear and conspicuous disclosure in the context of visual text advertisements on television for credit secured by a dwelling means that the required disclosures are not obscured by techniques such as graphical displays, shading, coloration, or other devices, are displayed in a manner that allows a consumer to read the information required to be disclosed. In addition, a clear and conspicuous disclosure in the context of an oral advertisement for credit secured by a dwelling, whether by radio, television, or other medium, means that the required disclosures are given at a speed and volume sufficient for a consumer to hear and comprehend them.

Radio and television advertising scripts and images (if any) must be approved in advance via normal approval process. Permission to represent the company on any live or unscripted programing must be obtained through senior management.

## **12.10      Disclosures of Rates & Payments in Advertisements for Credit Secured by a Dwelling**

The following requirements apply to any advertisements of credit secured by a dwelling, other than television or radio advertisements, including promotional materials accompanying applications.

However, the requirements do not apply to an envelope in which an application or solicitation is mailed, a banner advertisement, a pop-up advertisement linked to an application, or a solicitation provided electronically.

### **a. Rate Disclosure**

All advertising or marketing materials that promote credit secured by a dwelling and that state a simple annual rate of interest where more than one simple annual rate of interest will apply over the term of the advertised loan, will also disclose in a clear and conspicuous manner:

- Each simple annual rate of interest that will apply. In variable-rate transactions, a rate determined by adding an index and margin shall be disclosed based on a reasonably current index and margin.
- The period of time during which each simple annual rate of interest will apply.
- The Annual Percentage Rate for the loan. If such rate is variable, calculation of the Annual Percentage Rate will comply with the accuracy standards in § 1026.17(c) and §1026.22 of Regulation Z.

**Clear and conspicuous requirement:** For purposes of Rate Disclosure, clearly and conspicuously disclosed means that the above required information will be disclosed with equal prominence and in close proximity to any advertised rate that triggered the required disclosures. The required information may be disclosed with greater prominence than the other information.

## **b. Payments Disclosure**

Any advertising or marketing materials that promote credit secured by a dwelling and that state the amount of any payment, will also disclose:

- The amount of each payment that will apply over the term of the loan, including any balloon payment. In variable-rate transactions, payments that will be determined based on the application of the sum of an index and margin shall be disclosed based on a reasonably current index and margin;
- The period of time during which each payment will apply; and
- In an advertisement for credit secured by a first lien on a dwelling, the fact that the payments do not include amounts for taxes and insurance premiums, if applicable, and that the actual payment obligation will be greater.

**Clear and conspicuous requirement:** For purposes of Payments Disclosure, a clear and conspicuous disclosure means that the required information shall be disclosed with equal prominence and in close proximity to any advertised payment that triggered the required disclosures, and the fact that payments do not include amounts for taxes and insurance, shall be disclosed with prominence and in close proximity to the advertised payments.

Some states have specific requirements for advertisements that include rates and loan terms. Consult state specific regulations prior to advertising rates and terms.

A disclaimer notice that “rates are subject to change without notice” must be included in all advertisements that include interest rates.

## **c. Tax Implications**

If any advertising or marketing materials distributed in paper form or through the Internet (rather than by radio or television) promote loans secured by the consumer's principal dwelling and include a statement that the consumer should consult a tax adviser for further information regarding the deductibility of interest and charges.

## **12.11 Complying with RESPA Regarding Kickbacks**

UHM and all Partners must comply with Section 1024.14 of RESPA, which prohibits giving or accepting kickbacks for the referral of settlement service business and unearned fees.

**UHM policy prohibits providing or exchanging anything of value between UHM Partners and referral sources.**

Reference the UHM RESPA Section 8 Policy for more details.

## **12.12      Mortgage Assistance Relief Services (MARS)**

MARS imposes certain requirements and prohibitions on companies that offer Mortgage Assistance Relief Services (MARS) which includes loan modification and foreclosure prevention services, on loans that they do not own or service. UHM does not provide, advertise, or promote MARS on loans serviced or owned by other companies. UHM personnel may not:

- Represent or imply that a consumer cannot or should not contact his or her loan servicer while engaging UHM in the process of obtaining any product or service offered by UHM.
- Represent or imply that UHM provides any government endorsed or provided mortgage relief service, or similar service offered by another lender, individual, or entity.
- Comment on the likelihood that a consumer will or will not qualify for any mortgage relief service offered by any other entity.

On loans that UHM does own or service, MARS may be performed by UHM, its sub-servicer, or other third party under management direction. Promotion of MARS is at the discretion of UHM management, or as directed by the investor/owner of the loan or loans as applicable. Sub-servicer or other vendor MARS practices are subject to UHM review per Sub-Servicer Management or Vendor Management Policies and Procedures, as appropriate.

## **12.13      S.A.F.E. Mortgage Licensing Act**

UHM requires all advertising comply with state, local or other jurisdictional requirements in addition to the requirements of this policy and applicable federal regulations or laws. This includes any requirements of the Secure and Fair Enforcement Act (S.A.F.E. Act) for disclosure of UHM NMLS unique identifier and/or Mortgage Loan Originator (MLO) license or NMLS unique identifier on advertising, marketing or other promotional materials. In cases where there exists a conflict between this policy and applicable federal or state law, the most conservative requirement must be followed.

The full legal name (Union Home Mortgage Corp.) of the corporation must be included in all advertisement for UHM.

Certain states may have specific language which is required and will be included in advertising materials as required. See State Specific Advertising Requirements in appendix E.

False or misleading advertising of any kind is a criminal matter under the general statutes of most states. Individuals as well as corporations may be prosecuted when violations occur. Examples of false or misleading advertising include “bait and switch,” advertising products that are not available, and deliberately understating or concealing true costs. In addition to being illegal, false and misleading advertising is an abusive business practice and not in line with the ethical and professional standards of UHM. False or misleading advertising in any and all formats is strictly prohibited.

Many states have specific requirements for disclosures and disclaimers when another lender’s name and/or trademark or logo is used, such as in comparative charts. If this type of advertising is contemplated, a thorough review of current state requirements is necessary.

Generally, such advertisements must:

- Clearly and conspicuously state that:
  - UHM is not sponsored by or affiliated with the other lender; and
  - The advertisement is not authorized by the other lender;
- Include UHM's name, address and telephone number; and
- State that any loan information referenced was accessed by way of a public source, not directly provided by the other lender.

## **12.14     Services Offered**

UHM is licensed as a mortgage lender and only mortgage lending services can be advertised or promoted. UHM Partners are prohibited from advertising or offering legal, tax, investment, credit repair, accounting advice, or consulting services. Financial counseling can be offered only in the scope of helping a consumer qualify for or obtain a mortgage loan or understanding the requirements of a mortgage loan.

### **a. Mortgage Acts and Practices**

UHM is prohibited from making any material misrepresentation, expressly or by implication, in any commercial communication, regarding any term of any mortgage credit product. See Appendix D for more information.

### **b. Joint Advertising and Co-Branding**

Consumer-facing joint advertising (a.k.a. co-branding) with real estate agents, builders, financial consultants, or other potential referral sources must be approved in advance. This applies to any shared advertising expense or purchase of advertising space on websites, other electronic media, or printed format. UHM open house flyers or other printed materials that contain home listing or real estate agent contact information may be provided only in the electronic format approved by the Marketing Department. The Marketing Department will retain copies of all advertisements.

For all joint advertising expenses, the Partner must pay his/her share of the expense in proportion to the space (or other relevant measure according to media) UHM has in each advertisement. The Loan Officer is responsible for obtaining and retaining all invoices and proof of payment.

### **c. Inclusion in Referral Partner Advertising**

UHM or a UHM Partner may accept free placement on a Realtor, builder, or other referral source website or printed promotional material, if approved through the Marketing and Compliance Departments. The company logo and Partner photograph may be used, but otherwise the ad may contain only contact information. No product or pricing information can be included. The Partner and the company may be identified as a "Preferred Lender." The advertisement should make it clear, through disclaimer or other means, that there is no affiliation between UHM and the referral source and that use of either party is not required by the other party.

#### **d. Wholesale Channel Advertising**

Advertising directed to wholesale broker partners is not subject to the same requirements as advertising to consumers. Such broker advertising should only be distributed through media where consumer access is not possible or is limited. This advertising should contain a disclaimer indicating that it is not directed toward consumers.

UHM does not provide brokers with consumer directed advertising or marketing materials for re-use or redistribution.

#### **e. Advertising to Referral Sources**

Some advertising of products and services may be directed to realtors, builders, and other potential sources of referrals. If this advertising is not intended to be distributed to consumers (directly or indirectly), different standards of compliance may apply. Triggering terms without full disclosure can be allowed. Also, a different standard for UDAPP concerns is acceptable, as a professional audience can be assumed to have a higher-level understanding of mortgage terms and procedures. This type of advertising must contain a disclaimer indicating that it is not for distribution to consumers and must not be placed in any advertising media that can be seen or accessed by the general public.

#### **f. Advertising Service Agreements (ASA's)**

For information on Advertising Services Agreements, reference UHM's RESPA Section 8 policy.

#### **g. Waiver Not Permitted**

It is a violation UDAPP for any person to obtain, or attempt to obtain, a waiver from any consumer of any right or protection provided to the consumer under law.

#### **h. Record Keeping**

UHM complies with all record retention requirements required by applicable law and/or regulation. UHM maintains a separate Document Retention Policy. Please reference that policy for additional details.

#### **i. Disciplinary Action**

All Partners are expected to adhere to this policy. Failure to do so will result in disciplinary action including verbal or written warnings, up to and including termination.

## **12.15      Sweepstakes**

Terms and Conditions for Sweepstakes must be escalated to the Chief Compliance Officer, Chief Risk Officer, and Legal Counsel for review. The content of terms and conditions for sweepstakes is specific to each Sweepstakes.

Terms and conditions used for UHM Sweepstakes are designed using Third Party Services.

Any sweepstakes in FL or RI, where the total winning potential is \$5,000 or more must be bonded.



## **Appendix A – Marketing Guidelines**

### **a. Business Cards**

All Loan Officers will receive uniform business cards provided by the Administration Department based on a corporate template. Loan Officers are prohibited from ordering and utilizing business cards not obtained through the company.

### **b. E-Mail E-Signatures**

All UHM Partners must use the email signatures developed and maintained through by the Marketing Department. This is required for uniformity and branding purposes.

### **c. Marketing Materials**

Marketing materials must maintain the brand focus, be compliant with Federal and state regulations, and be consistent with the highly professional reputation of UHM.

- All marketing materials, media, and placement must be approved by Marketing; Compliance must approve consumer-facing advertisements.
- All marketing materials must reflect the company brand in messaging and aesthetics. There are corporately approved library templates created for customization and available to each Loan Officer.
- If there is a need for specific flier or campaign creation, the Loan Officer must consult with the Marketing Department.
- All third-party creation of marketing materials must be approved by the Marketing and Compliance Departments.
- All creative designs must be approved by Marketing (and Compliance, if consumer facing) before distribution.

### **d. Team Marketing Materials**

The company permits forming teams within the organization as a promotional, marketing and work- sharing concept. All marketing regulations apply on a team level. If a separate team logo is desired, all creative ideas must be approved by Marketing before distribution.

- Team logos cannot vary drastically from the company logo.
- Team logos may not vary from the company colors and may not be larger than the company logo or distract from the company logo in any way.
- The company logo must always be present and have visual priority over the team logo. Outside design firms may be permitted to create team logos and materials if approved in advance. Created material prepared by outside firms must have final approval from the UHM Marketing Department prior to any publication. All new and existing team logos must conform to these rules.

### **e. Customer Retention Management (CRM) System Management**

All Loan Officers have the ability to opt into a corporately sponsored CRM account. The account is managed by the IT Department. Customer information stored in the CRM system is the property of UHM and is not permitted to be released or transferred to any other data storage system or device.

## **f. Websites and Online Promotion**

Each Loan Officer has an optional opportunity of placing a photograph and statement of introduction (bio) on the UHM corporate website. This intro page has a separate web address and may be used as a link from other websites, or as a web address on other promotional material. Individual website creation as a part of the corporate website must be managed by the Marketing Department and all creative content must be approved by Marketing.

Use of a third party (outside) website is prohibited unless approved by UHM in advance. Loan Officers may be asked to grant administrator access to any individual web properties outside of the company website to the Marketing Department. Outside websites must follow the guidelines established in Appendix B Social Media Guidelines. Permission to maintain an individual website using the UHM name, logo, trademarks, and other images may be withdrawn by management, in its sole discretion, at any time.

## Appendix B – Social Media Guidelines

Loan Officers are encouraged to establish a professional social media presence. Corporate training programs will be offered periodically on various social media platform promotion for business and networking, and one-on-one help is available from the Marketing Department. All account names, usernames, and page names must be approved by the Marketing Department. Administrator access must be granted to the Marketing Department for compliance monitoring whenever possible. All imagery must be approved by the Marketing Department and Compliance Department before distribution.

It is important to note that Professional Branch or Loan Officer social media pages are not to be confused with traditional, personal social media pages. Business should not be discussed or conducted on personal social media pages. Individual help with branch promotion is also available from the Marketing Department.

### a. Marketing & Social Media Compliance Requirements

Partners must comply with all UHM marketing and social media guidelines, requirements and policies, including using required Federal and state disclosures and National Mortgage Licensing System (NMLS) identifiers on all postings that could be considered “advertising.”

- No website can include misleading statements of material fact, omissions of statements required by state or federal law or false promises regarding a material fact, through representation or any other means, or engage in a continued course of misrepresentations.
- No website can include unqualified superlatives, including but not limited to: “lowest rates,” “lowest costs,” “lowest payment plan,” “cheapest loans,” “best service,” “special terms,” “reduced rates,” or that it makes offers that cannot be reasonably fulfilled or substantiated. Also prohibited are advertising catch phrases such as “Easy Terms,” “skip a payment,” “previous bad credit okay,” or any variation thereof.
- Posting any items to a social networking site that include ANY MORTGAGE TERMS, “trigger terms” under TILA or Regulation Z. (e.g., only 5% down, 30-year mortgage, \$500,000 loan for just \$1,650 per month, ) is strictly prohibited unless a disclaimer with the additional required terms as defined by TILA is also disclosed
- Websites cannot indicate that mortgage loans are available to buyers with “previous bankruptcy,” “no credit,” “bad credit” or the like unless the notice clearly explains any limitations that apply or state that “certain conditions apply – call for details.” In any website, the actual limitations or the warning that “certain limitations apply – call for details” must appear in a font no smaller than ten points in Times New Roman.
- If an advertisement for credit states specific credit terms, it must state only those terms that actually are or will be arranged or offered by UHM.
- Blogging of personal ideas/thoughts on business websites is prohibited.
- Interest rate publication websites and daily rate lock advisory and/or rate listings are strictly prohibited.
- Posting or collecting customer information from a social networking site that would constitute an “application” or would be sufficient for prequalification purposes are prohibited.
- Never post anything to a social networking site that includes confidential or proprietary

information about UHM, its employees or its customers. Social networking sites are not secure and UHM employees may not use them to transmit or post ANY personal information.

- Never post anything to a social networking site that is related to or references UHM or its employees that is unprofessional or disrespectful (e.g., obscene or vulgar language, sexually explicit or otherwise offensive material, etc.)
- Never post anything to a social networking site that is related to or references UHM or its employees that disparages UHM, its employees, business practices, or customers.
- Never post anything to a social networking site that is intended to harass, intimidate or discriminate against any employee or customer, including but not limited to, comments that are derogatory regarding race, color, religion, national origin, gender identity, sexual orientation, sex, disability, and familial status, or other protected class.
- Use of craigslist.com, bookoo.com or any “classifieds” type of website for advertising purposes of any kind in connection with UHM business is strictly prohibited.
- Websites and social media pages must be cleared of outdated information. Company and individual NMLS numbers must appear on every independently viewable page of the social media site.
- Posting of Copyright materials such as photos, logos, music, text, or published written material is prohibited.
- Some social network sites (Facebook, Twitter, LinkedIn, etc.) provide the user with an opportunity to create a corporate site within their system. UHM Partners are prohibited from creating corporate sites individually. Corporate sites are created, posted, and controlled by UHM’s Marketing Department.
- Links within websites and social media pages directing the consumer to another enterprise must provide notification to the user that the user is leaving the website of the UHM employee.
- Any new website, social media page or other electronic means of advertising must be reported immediately to the Marketing Department via electronic notification to marketing including the web address, URL and/or social media site with any individual identifiers included, along with the date on which such advertising venue account was opened.
- Complaints or negative commentary about UHM that is posted on social media must be forwarded to [complaints@uhm.com](mailto:complaints@uhm.com) and handled per UHM’s Complaint Resolution Policy.
- Genuine customer testimonials are permitted under the following limitations:
  - Testimonials posted directly on social media by the consumers themselves may remain as posted. These testimonials may be deleted but may not be edited.
  - Consumer testimonials gathered from other sources may be posted or uploaded to social media sites only with written permission from the consumer and assuming the testimonial is not copyrighted by the source site. If a photo of the consumer and/or the consumers’ property will be used, the written permission must include permission to use the image.
  - When UHM posts a testimonial, consumers can be identified only as “first name, last name initial, city/state.”

- Consumer testimonials may not be transferred from one social media site to another or posted on UHM business social media if they are from another source.
- Testimonials received while a loan officer was employed by another lender are not appropriate to post on UHM business social media.

### **b. Mobile Applications (Apps)**

Mobile Apps are downloadable, two-way communication programs that are for use with smart phones, tablets, and other portable electronic devices. Loan Officers are permitted to connect with customers and referral sources through the use of Mobile Apps which have been approved by the Marketing and/or IT Departments.

## Appendix C – State-Specific Advertising Disclosure Requirements

When creating advertising, the following state-specific disclosures must be included on the advertisement for the state where the advertisement will be used. The NMLS consumer access website (along with full corp. name, equal housing logo, and NMLS#) covers state requirements for national ads only. If an ad is published in one state or a few states, all state specific information is required.

State	State-Specific Advertising Disclosure Requirement
Alabama	Individual and Company NMLS #
Alaska	Individual and Company NMLS #
Arizona	Individual and Company NMLS #, Name of Individual, company AZ license number: 0930335.
Arkansas	Individual and Company NMLS #, Full name, address and telephone number of the individual as licensed.
California	Individual and Company NMLS# "Licensed by the California Department of Financial Protection and Innovation. Residential Mortgage Lending Act License number 4131047."
Colorado	Individual and Company NMLS# Responsible party (individual person) registration #, mortgage company name, <i>business</i> phone number of responsible parties
Connecticut	Individual and Company NMLS #
Delaware	Individual and Company NMLS #
District of Columbia	Individual and Company NMLS #
Florida	Individual and Company NMLS #
Georgia	Individual and Company NMLS# Individual name, license number, and an office address (); "Georgia Residential Mortgage Licensee" unless an entity is licensed in more than one state. In this case, the ad may list Georgia as one of the states in which the licensee is licensed.
Hawaii	Individual and Company NMLS #
Idaho	Individual and Company NMLS #
Illinois	Individual and Company NMLS #, company name, NMLS consumer access website: <a href="http://www.nmlsconsumeraccess.org">www.nmlsconsumeraccess.org</a> (Marketing materials cannot use terms such as "urgent," "action required," "materials inspected," "time sensitive," or "important account information needed." If soliciting business to non-UHM borrowers, marketing materials cannot appear to be coming from the consumers' current mortgage company.)
Indiana	Individual and Company NMLS #
Iowa	Individual and Company NMLS #
Kansas	Individual and Company NMLS# , Name of Individual
Kentucky	Individual and Company NMLS #
Louisiana	Individual and Company NMLS #
Maine	Individual and Company NMLS #
Maryland	Individual and Company NMLS #

Massachusetts	Individual and Company NMLS#, Name of Individual, “Mortgage Lender # {license number}”,
Michigan	Individual and Company NMLS #
Minnesota	Individual and Company NMLS #, If loan terms or programs are mentioned, include: “This is not an offer to enter into an agreement. Any such offer may only be made pursuant to subdivisions 3 and 4 of MN Statute Section 47.206”
Mississippi	Individual and Company NMLS # Name and NMLS-registered address (corporate or licensed branch address).
Missouri	Individual and Company NMLS #
Montana	Individual and Company NMLS# name of company, and NMLS consumer access website: <a href="http://www.nmlsconsumeraccess.org">www.nmlsconsumeraccess.org</a>
Nebraska	Individual and Company NMLS#
Nevada	Individual and Company NMLS#, Individual and company name, Individual and corporate address, Individual and corporate telephone number, description of any license activity mentioned in an advertisement (written in non-technical terms)
New Hampshire	Individual and Company NMLS#
New Jersey	Individual and Company NMLS #, All ads in all formats must contain the LO’s name, address, and telephone number and the phrase “Licensed by the N.J. Department of Banking and Insurance” Verbal ads must indicate (either visually or verbally) whether they apply to first or second mortgages.
New Mexico	Individual and Company NMLS #
New York	Individual and Company NMLS #Name of entity and street address of any 1 of its offices in NY, “Licensed Mortgage Banker – NYS Department of Financial Services”,
North Carolina	Individual and Company NMLS #
North Dakota	Individual and Company NMLS #
Ohio	Individual and Company and NMLS#, Residential Mortgage Lending Act certificate of registration #, Individual’s office address; These requirements do not apply to advertising done on promotional items such as pens, pencils, coffee mugs, and similar items.
Oklahoma	Individual and Company NMLS #
Oregon	Individual and Company NMLS #, Individual’s office address, Individual’s name
Pennsylvania	Individual and Company NMLS #
Rhode Island	Individual and Company NMLS#, Type of license held: “Rhode Island Licensed Lender”, company name
South Carolina	Individual and Company NMLS #
South Dakota	Individual and Company NMLS #
Tennessee	Individual and Company NMLS #

Texas	Individual and Company NMLS #, Name of Individual. Individual branch address is required on social media profiles. All advertisements (including social media) must contain either the Texas Recovery Fund notice or a link to the UHM website where the notice can be found ( <a href="http://www.sml.texas.gov/wp-content/uploads/2021/07/rmlo_80_200_b_recovery_fund_notice.pdf">www.sml.texas.gov/wp-content/uploads/2021/07/rmlo_80_200_b_recovery_fund_notice.pdf</a> )
Utah	Individual and Company NMLS #
Vermont	Individual and Company NMLS #
Virginia	Individual and Company NMLS #, lender name, must include NMLS consumer access website: <a href="http://www.nmlsconsumeraccess.org">www.nmlsconsumeraccess.org</a> If interest rates are listed, include a statement that interest rates may change or not be available at commitment or lock-in. Special rules are in place if information on a consumer's current mortgage is obtained in advance. Consult current regulations before this type of advertising in VA.
Washington	Individual and Company NMLS #, lender name and license number, licensee's name and license number, and the NMLS consumer access website: <a href="http://www.nmlsconsumeraccess.org">www.nmlsconsumeraccess.org</a> .
West Virginia	Individual and Company NMLS #
Wisconsin	Individual and Company NMLS #
Wyoming	Individual and Company NMLS #



## Appendix D – Mortgage Acts and Practices Requirements

UHM prohibits making any express or implied material misrepresentation in any communication regarding any term of any mortgage credit product including but not limited to misrepresentations about:

- (a) The interest charged for the mortgage credit product, including but not limited to misrepresentations concerning:
  - a. The amount of interest that the consumer owes each month that is included in the consumer's payments, loan amount, or total amount due;
  - b. Whether the difference between the interest owed and the interest paid is added to the total amount due from the consumer;
- (b) The annual percentage rate, simple annual rate, periodic rate, or any other rate;
- (c) The existence, nature, or amount of fees or costs to the consumer associated with the mortgage credit product, including but not limited to misrepresentations that no fees are charged;
- (d) The existence, cost, payment terms, or other terms associated with any additional product or feature that is or may be sold in conjunction with the mortgage credit product, including but not limited to credit insurance or credit disability insurance;
- (e) The terms, amounts, payments, or other requirements relating to taxes or insurance associated with the mortgage credit product, including but not limited to misrepresentations about:
  - a. Whether separate payment of taxes or insurance is required;
  - b. The extent to which payment for taxes or insurance is included in the loan payments, loan amount, or total amount due from the consumer;
- (f) Any prepayment penalty associated with the mortgage credit product, including but not limited to misrepresentations concerning the existence, nature, amount, or terms of such penalty;
- (g) The variability of interest, payments, or other terms of the mortgage credit product, including but not limited to misrepresentations using the word "fixed";
- (h) Any comparison between:
  - a. Any rate or payment that will be available for a period less than the full length of the mortgage credit product; and
  - b. Any actual or hypothetical rate or payment;
- (i) The type of mortgage credit product, including but not limited to misrepresentations that the product is or involves a fully amortizing mortgage;
- (j) The amount of the obligation, or the existence, nature, or amount of cash or credit available to the consumer in connection with the mortgage credit product, including but not limited to misrepresentations that the consumer will receive a certain amount of cash or credit as part of a mortgage credit transaction;
- (k) The existence, number, amount, or timing of any minimum or required payments, including but not limited to misrepresentations about any payments or that no payments are required in a reverse mortgage or other mortgage credit product;
- (l) The potential for default under the mortgage credit product, including but not limited to misrepresentations concerning the circumstances under which the consumer could default for nonpayment of taxes, insurance, or maintenance, or for failure to meet other obligations;

- (m) The effectiveness of the mortgage credit product in helping the consumer resolve difficulties in paying debts, including but not limited to misrepresentations that any mortgage credit product can reduce, eliminate, or restructure debt or result in a waiver or forgiveness, in whole or in part, of the consumer's existing obligation with any person;
- (n) The association of the mortgage credit product or any provider of such product with any other person or program, including but not limited to misrepresentations that:
  - a. The provider is, or is affiliated with, any governmental entity or other organization; or
  - b. The product is or relates to a government benefit, or is endorsed, sponsored by, or affiliated with any government or other program, including but not limited to through the use of formats, symbols, or logos that resemble those of such entity, organization, or program;
- (o) The source of any commercial communication, including but not limited to misrepresentations that a commercial communication is made by or on behalf of the consumer's current mortgage lender or servicer;
- (p) The right of the consumer to reside in the dwelling that is the subject of the mortgage credit product, or the duration of such right, including but not limited to misrepresentations concerning how long or under what conditions a consumer with a reverse mortgage can stay in the dwelling;
- (q) The consumer's ability or likelihood to obtain any mortgage credit product or term, including but not limited to misrepresentations concerning whether the consumer has been preapproved or guaranteed for any such product or term;
- (r) The consumer's ability or likelihood to obtain a refinancing or modification of any mortgage credit product or term, including but not limited to misrepresentations concerning whether the consumer has been preapproved or guaranteed for any such refinancing or modification  
The availability, nature, or substance of counseling services or any other expert advice offered to the consumer regarding any mortgage credit product or term, including but not limited to the qualifications of those offering the services or advice.

## Section 13 Appraiser Independence Policy

Policy Name	Appraiser Independence Policy
Version	5.0 (02-22-2024)
Committee Review: ACT	02-22-2024
Reviewed by Compliance	02-22-2024

### 13.1 Purpose

UHM's HVCC (Home Valuation Code of Conduct) department is responsible for ensuring adherence to all Appraiser Independence standards. UHM's channels utilize panels of appraisers in the geographic areas it serves (via Mercury) and AMCs (Appraisal Management Company) for its appraisal ordering process. The AMCs are contractually required to have appropriate policies and procedures in place to ensure adherence to all Appraiser Independence standards.

### 13.2 Appraisal Independence Requirements

To maintain appraisal independence, the following actions are prohibited in consumer-credit transactions secured by a consumer's principal dwelling:

- Causing or attempting to cause the value assigned to the property to be based on a factor other than the independent judgment of the appraiser, by compensating, coercing, extorting, colluding with, instructing, inducing, bribing, or intimidating a person conducting or involved in an appraisal.
- Mischaracterizing, or suborning any mischaracterization of, the appraised value of the property securing the extension of credit.
- Seeking to influence an appraiser or otherwise encourage a targeted value to facilitate the making or pricing of the transaction.
- Withholding or threatening to withhold timely payment for an appraisal report or for appraisal services rendered when the appraisal report or services are provided for in accordance with the contract between the parties.

UHM may engage in the following permissible conduct:

- Asking an appraiser to consider additional, appropriate property information, including information regarding additional comparable properties to make or support an appraisal.
- Asking an appraiser to provide further detail, substantiation, or explanation for the value conclusion.
- Asking an appraiser to correct errors in the report.
- UHM will comply with the TILA requirements governing appraisal independence.

## **a. Regulation Z Valuation Independence: Definitions**

### **Covered Persons**

Regulation Z Valuation Independence rules apply to creditors, appraisal management companies, appraisers, mortgage brokers, realtors, title insurers, and other settlement service providers (as defined in RESPA).

### **Covered Transaction**

Both open- and closed-end credit transactions secured by a consumer's principal dwelling are subject to the valuation independence rules. Home equity plans secured by a consumer's principal dwelling are also covered.

### **Valuation**

A valuation is any estimate of value in written/electronic form, other than one produced solely by an automated model or system. All appraisals are valuations. A valuation is an estimate of value prepared by a natural person and includes an estimate of value prepared by a real estate agent or an estimate of value developed by a natural person using an automated model or system.

### **Valuation Management Functions**

Valuation Management Functions are administrative functions performed in connection with valuations including the following activities:

- Recruiting, selecting, or retaining a person to prepare a valuation.
- Contracting with or employing a person to prepare a valuation.
- Managing or overseeing the process of preparing a valuation, or by providing administrative services such as receiving orders, submitting completed valuations to creditors and underwriters, collecting fees for valuation services rendered, and compensating the person who prepares the valuation.
- Reviewing or verifying the work of the person who prepares the valuation.

### **13.3      Prohibited Acts and Practices**

UHM will not coerce or attempt to coerce a person who prepares a valuation, directly or indirectly, to assign a value to the consumer's principal dwelling based on any other factor other than the independent judgment of the person who prepares the valuation, which will secure the credit transaction.

UHM will not engage or attempt to engage in coercion; extortion; inducement; bribery; intimidation; compensation; or instruction to, or collusion with, a person who prepares valuations or performs valuation management functions in order to cause or attempt to cause the value assigned to the consumer's principal dwelling to be based on a factor other than the independent judgment of the person who prepares valuations.

UHM shall not engage in the following acts or practices toward a person who prepares a valuation, or a person engaged in valuation management functions:

- Seeking to influence a person to report a minimum or maximum value for the consumer's principal dwelling.
- Withholding or threatening to withhold timely payment to a person because the person does not value the consumer's principal dwelling at or above a certain amount.
- Implying that current or future retention of the person depends on the amount at which the person estimates the value of the consumer's principal dwelling.
- Excluding a person from consideration for future engagements because the person reports a value for the consumer principal dwelling that does not meet or exceed a predetermined threshold. (This prohibition does not preclude the management of appraiser lists for bona fide administrative or quality-control reasons based on written policy).
- Conditioning the compensation paid to a person on consummation of the covered transaction.
- Providing to an appraiser, appraisal company, appraisal management company, or any entity or person related to the appraiser, appraisal company, or appraisal management company, stock, or other financial or non-financial benefits.
- Removing an appraiser from a list of qualified appraisers or adding an appraiser to an exclusionary list of disapproved appraisers, in connection with the influencing or attempting to influence an appraisal. (This prohibition does not preclude the management of appraiser lists for bona fide administrative or quality-control reasons based on written policy.)
- Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, or impartiality or violates law or regulation, including, but not limited to, the Truth in Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

In addition, UHM will not falsify or materially alter a valuation, or induce any person to violate the prohibition against falsifying or materially altering a valuation. For example, a loan officer may not coerce a loan underwriter to alter an appraisal report to increase the value assigned. UHM also shall not induce any person who prepares a valuation or performs a valuation management function to materially misrepresent the value of the consumer's principal dwelling in a valuation.

UHM shall not engage in indirect acts or practices with respect to prohibited conduct. An example is a creditor who attempts to cause the value an appraiser engaged by an appraisal management company assigns to the consumer's principal dwelling to be based on a factor other than the appraiser's independent judgment, by threatening to withhold future business from a company affiliated with the appraisal management company unless the appraiser assigns a particular value.

## **13.4      Permissible Conduct**

UHM may engage in the following permissible acts or practices:

- Asking a person who prepares valuation to consider additional, appropriate property information, including information about comparable properties, to make or support a valuation.
- Requesting a person who prepares a valuation to provide further detail, substantiation, or explanation for the person's conclusion about the value.
- Asking a person who prepares a valuation to correct errors in the valuation.
- Obtaining multiple valuations for the consumer's principal dwelling to select the most reliable valuation.
- Withholding compensation due to breach of contract or substandard performance of services.
- Taking action, permitted or required, by applicable federal or state statute, regulation, or agency guidance.

## **13.5      Conflicts of Interest**

UHM recognizes that TILA prohibits a person from preparing a valuation or performing valuation management functions for a covered transaction if he or she has a direct or indirect interest in the property or transaction. No employee, officer, or director in the creditor's loan production function is directly or indirectly involved in selecting, retaining, recommending, or influencing the selection of the person to prepare a valuation or perform evaluation management functions or to be included or excluded from a list of approved persons who prepare valuations or perform valuation management functions. For example, if the person who selects the person to prepare a valuation for a covered transaction is supervised by an employee of the creditor who also supervises loan officers, the condition is not met.

UHM recognizes that despite implementing the firewalls set forth above, an employee or affiliate may have a direct or indirect interest in the property or transaction that creates a prohibited conflict of interest. The establishment of firewalls in accordance with this section serves to address perceived conflicts of interest based solely on the basis of a person's employment or affiliation. Whether an employee or affiliate has a prohibited conflict of interest based on some factor other than his or her employment or affiliation with the creditor depends on the facts and circumstances of a particular case, including the structure of the employment or affiliate relationship.

## **13.6 Prohibitions on Extensions of Credit**

If UHM knows that prohibited conduct was engaged in or that a conflict of interest exists in connection with a valuation, at or before consummation, UHM will exercise reasonable diligence to determine whether the valuation materially misstates or misrepresents the value of the consumer's principal dwelling before extending credit based on the valuation. A material misstatement or misrepresentation affects the credit decision or the terms on which credit is extended.

UHM shall document that it has acted with reasonable diligence in determining whether a valuation materially misstates or misrepresents the value of the consumer's principal dwelling. If UHM determines the valuation materially misstates or misrepresents the value of the consumer's principal dwelling, no credit will be extended based on the valuation.

### **a. Customary and Reasonable Compensation**

UHM will compensate a fee appraiser for performing appraisal services at a rate that is customary and reasonable for comparable appraisal services. UHM or its agents will consider the following factors in determining an amount that is reasonably related to recent rates paid for comparable appraisal services performed in the geographic market of the property:

- Type of property
- Scope of work
- Time in which appraisal services are required to be performed
- Fee appraiser qualifications
- Fee appraiser experience and professional record
- Fee appraiser work quality

UHM will also refrain from the following "anti-competitive" acts:

- Entering into any contracts or conspiring to restrain trade through methods such as price fixing or market allocation
- Engaging in acts of monopolization

UHM and its agents will be presumed to comply with the requirement to provide customary and reasonable compensation to fee appraisers, if UHM determines the amount of compensation paid to a fee appraiser as follows:

- By relying on information about rates based on objective third-party information, including fee schedules prepared by independent third parties such as government agencies, academic institutions, and private research firms; or
- By relying on information about rates based on recent rates paid to a representative sample of providers of appraisal services in the same market as the subject property or the fee schedules of those providers.
- If, when relying on information based in fee schedules, studies, or surveys, compensation paid to fee appraisers for appraisals ordered by appraisal management companies is excluded.
- AMC's are contractually responsible for determining whether the amount of compensation paid to the appraiser meets these requirements.

## **b. Mandatory Reporting**

If UHM reasonably believes an appraiser has materially failed to comply with the USPAP or ethical or professional requirements for appraisers, the matter will be referred to the appropriate state's appraiser certifying and licensing agency within a reasonable period of time after it is determined that there is a reasonable basis for believing a material failure to comply has occurred.

A failure to comply is material if the failure is likely to affect the value assigned to the consumer's principal dwelling. The following acts or practices are material failures to comply, and this list is not exclusive:

- Mischaracterizing the value of the consumer's principal dwelling
- Performing an assignment in a grossly negligent manner
- Accepting an appraisal assignment on the condition that the appraiser will report a value equal to or greater than the purchase price for the consumer's principal dwelling

## **c. Interagency Appraisal and Evaluation Guidelines**

In addition to the Regulation Z requirements set forth in the preceding sections, UHM will comply with the additional requirements set forth in the Interagency Appraisal and Evaluation Guidelines to ensure appraisal independence.

## **d. Selection of Appraisers or Persons Who Perform Evaluations**

The following content applies to the HVCC department which manages the appraisal ordering process for the Retail channel. The AMC's employed by the Consumer Direct and TPO channels are responsible for having adequate policies and procedures in place to comply with all appraisal evaluation guidelines.

UHM is responsible for ensuring the AMC's meet AIR requirements. Upon receipt of the appraisal, the HVCC department manages the relationship with the appraiser. This includes, but is not limited to, ingesting the report into Mercury, underwriting the report, and communicating with the appraiser. Mercury has systemic controls preventing a LO or broker from communicating with the appraiser.

UHM will select, evaluate, and monitor the performance of appraisers and persons who perform evaluations to ensure that a qualified, competent, and independent person completed the appraisal or evaluation. The evaluation criteria will ensure the following:

- The person selected possesses the requisite education, expertise, and experience, and is capable of rendering an unbiased opinion.
- The person selected is independent, and has no direct, indirect, or prospective interest, financial or otherwise, in the property or the transaction.
- The appraiser selected holds the appropriate state certification or license at the time of the assignment.
- The evaluations are periodically reviewed for quality by UHM.

UHM will maintain documentation to demonstrate that the person who performs the appraisal or evaluation has the relevant experience and knowledge for the market, location, and type of real property being valued.



The person at UHM who selects or oversees the selection of appraisers or persons providing evaluations shall be independent from the loan production area. Use of a borrower-ordered or borrower-provided appraisal violates the agencies' regulation.

UHM may establish an approved appraiser list so long as UHM creates and maintains appropriate procedures for the development and administration of such a list in accordance with the following requirements:

- The procedures must include a process for qualifying an appraiser for initial placement on the list.
- The procedures must outline a process for monitoring appraiser performance and credentials to assess whether the appraiser will be retained on the list.
- UHM must set forth a process for periodic internal review of the use of the approved appraiser list to confirm its procedures and controls ensure independence in the development, administration, and maintenance of the list.
- The procedures must outline a process for removing an appraiser from the list.

#### **e. Subsequent Appraisals**

As a general rule, UHM will not order, obtain, use, or pay for a second or subsequent appraisal, unless a second appraisal is required by law or lending program. If UHM determines that a second appraisal is necessary because there is a reasonable basis to believe the original appraisal was flawed or tainted, or because such an appraisal is required by law, lending program or pursuant to a written, pre-established appraisal review process, quality control process, or underwriting guidelines, UHM will adhere to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value.

#### **f. Borrower Receipt of Appraisal**

UHM will ensure that the borrower is provided with a copy of the appraisal report and any other written valuation concerning the borrower's subject property promptly upon completion, or no less than three days prior to the closing of the mortgage, whichever is earlier. The borrower may waive this three-day requirement if such waiver is obtained at least three days prior to the closing of the mortgage. At closing, UHM may provide the borrower with a revised copy of an appraisal and information as to the nature of any revisions, as long as the revisions had no impact on value.

For the Retail channel, on Conventional, FHA and USDA appraisals, the Mercury Network retains documentation that appraisal was sent to the borrower. Encompass holds this information as well. For Consumer Direct and TPO, the AMC's provide documentation supporting when the AMC delivered the report to the consumer.

While UHM may not charge for providing a copy of the appraisal, UHM may require the borrower to reimburse UHM for the cost of the required appraisal.

## **g. Appraiser Engagement**

UHM or any third party specifically authorized (including, but not limited to, appraisal companies, appraisal management companies, and correspondent lenders) shall be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser. UHM will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by any other third party (including real estate agents). There must be separation of a seller's sales or mortgage production functions and appraisal functions. An employee of UHM in the sales or mortgage production function shall have no involvement in the operations of the appraisal function.

- Certain parties are prohibited from:
  - Selecting, retaining, recommending, or influencing the selection of any appraiser for a particular appraisal assignment or for inclusion on a list or panel of appraisers approved or forbidden to perform appraisals for UHM; and
  - Having any substantive communications with an appraiser or appraisal management company relating to, or having an impact on, valuation, including ordering or managing an appraisal assignment.

These parties are:

- All members of UHM's mortgage production staff;
- Any person who is compensated on a commission basis upon the successful completion of a mortgage; and
- Any person whose immediate supervisor is not independent of the mortgage production staff and process.

## **h. Transfer of Appraisals**

UHM may deliver to either Fannie Mae or Freddie Mac a conventional mortgage with an appraisal prepared by an appraiser selected by another lender, including where a mortgage broker has facilitated the mortgage application (but not ordered the appraisal). UHM, when delivering the loan to either agency, makes all representations and warranties regarding the appraisal set forth in the mortgage selling and servicing contracts and any related documents, including the representation that the appraisal is obtained in a manner consistent with these Appraiser Independence Requirements.

In order to accept said appraisal UHM will require the following:

- Full color PDF of the appraisal file;
- A copy of the appraisal in XML format
- Evidence the appraisal was ordered in compliance with the AIR policy;
- Copies of the FNMA/FHLMC UCDP/SSR that contains the FNMA Collateral Underwriter Score and/or the LP Risk scores;
- A written acknowledgement from the appraiser confirming they will communicate and work with UHM in the event we require corrections, additional comparables, etc.; and
- A copy of the paid invoice.

## 13.7 Fannie Mae Requirements

UHM shall comply with Fannie Mae's Appraiser Independence Requirements which were developed to:

- Protect the independence of appraisers and the integrity of their appraisals;
- Extend protections for home buyers, mortgage investors, and the housing market; and
- Reinforce Fannie Mae's commitment to responsible lending and mortgage quality standards.

UHM's Appraiser Independence Requirements are further amended by the following Fannie Mae-specific requirements for all loans sold to, or securitized by, Fannie Mae. Only those Fannie Mae requirements which expand, amend, or revise UHM's policies are recited below.

### **a. Appraiser Quality Monitoring (AQM)**

Appraisal data submitted to Fannie Mae through the Uniform Collateral Data Portal® (UCDP) by UHM and other lenders allows Fannie Mae to monitor and evaluate appraisals for data accuracy and consistency.

Fannie Mae issues messages through UCDP notifying lenders about actions regarding appraisals from specific appraisers. The messages indicate either that:

- 100% of the loans submitted with appraisals from the identified appraiser will be reviewed;
- Fannie Mae will not accept appraisals from the identified appraiser.

Appraisers receiving either status will be placed on the Fannie Mae Appraiser Quality Monitoring (AQM) list. As an approved Seller or Servicer, this protected list is available to UHM through Technology Manager.

UHM shall ensure the AQM list is monitored such that all appraisals ordered by UHM, or on our behalf by any third party, are ordered from appraisers who do not appear on the AQM list. The following outlines the procedure should an appraiser currently engaged by UHM be placed on the AQM list:

- The change in status should be immediately reported HVCC.
- No new assignments should be issued to the appraiser.
- Any pending assignments not completed should be reassigned, if possible.
- All affected loan files with appraisals prepared by this appraiser shall be appropriately reviewed by underwriting and Quality Control.

## **b. Post-Closing Quality Control Review of Appraisers & Appraisals**

UHM shall implement a program to comply with Fannie Mae's requirements for post-closing QC review of appraisers and appraisals, including the following:

- Evaluation of appraiser's work and property fieldwork
- Review of appraisals or property inspections
- Review of appraisal forms
- Re-verification of appraisals through a desk review
- Automated valuation models for desk reviews
- Appraiser Independence Requirements

UHM will continually evaluate the quality of an appraiser's work and property fieldwork through the normal underwriting review of all appraisal reports, as well as through the spot-check field review of appraisals.

UHM will re-verify the appraisal or property inspection for 10% of the loans having an appraisal that are included in the random sample of mortgage loans selected for QC review by ordering a review appraisal, additional appraisal reports, property inspection report, or other appropriate documentation to check the work of the original appraiser. The selection process must also include appraisals on the basis of the relative risk of the mortgage loan, especially if the lender uses an automated valuation model as its sampling tool.

The review appraisal or property inspection—which may be either a new retrospective appraisal or property inspection, or a field review—must be prepared by an appraiser who is not affiliated with the original appraiser or appraisal firm. Any field review must include an exterior inspection and an analysis of the comparable sales, with emphasis on the accuracy of the factual data on the appraisal or property inspection report. For loans underwritten with Desktop Underwriter® (DU®), the review appraisal or property inspection must be consistent with the level of review that was conducted after the DU recommendation was received.

UHM may utilize Fannie Mae's Exterior-Only Inspection Residential Appraisal Report Form 2055, or another form of its choice may be used to document a new retrospective appraisal. The DU Property Inspection Report Form 2075 may be used to document a new property inspection. A One-Unit

Residential Appraisal Field Review Report FNMA Form 2000; (or FNMA Form 2000A for two- to four- unit properties) must be used to report the results of a field review.

A desk review may be used to re-verify the appraisal or property inspection for the remaining 90% of mortgage loans selected for QC review. UHM's staff person who performs the desk review does not have to be an appraiser but must be competent in the application of basic appraisal theory for assessing market risk; determining if property meets eligibility requirements, including the LTV ratio; and prescribing corrective actions in the underwriting process when defects are identified.

UHM currently accomplishes this by utilizing the services of a third-party vendor that selects the 10% random sample and performs the analysis. Reference the Quality Control Plan for more details.

## **13.8 Freddie Mac Requirements**

UHM's Appraiser Independence Requirements are further amended by the following Freddie Mac-specific requirements for all loans sold to or securitized by Freddie Mac. Only those Freddie Mac requirements which expand, amend, or revise UHM's policies are recited below.

### **a. General Requirements for Appraisals and Inspections**

#### **Selection of appraisers and appraiser independence**

The appraisal or inspection report must be signed by an appraiser that the company has approved. UHM will ensure that the individuals underwriting the appraisals and collateral are independent of loan production staff.

With respect to each conventional mortgage delivered to Freddie Mac, UHM must represent and warrant that the appraisal was obtained in a manner consistent with Freddie Mac's Appraisal Independence Requirements.

#### **Representations and warranties regarding appraisals and inspections**

In addition to the representations and warranties with respect to the Appraiser Independence Requirements, regarding each appraisal or inspection, UHM represents and warrants the following:

- All information known to UHM that may affect the estimate of value or marketability has been provided to the appraiser in conjunction with the appraisal or inspection request.
- UHM has reviewed the report and has concluded that the mortgaged premise is adequate security for the mortgage, in accordance with the requirements of Freddie Mac.
- The appraisal or inspection complies with the applicable requirements in this policy.
- The report is of professional quality and supports all of the appraiser's assumptions, data, analyses, rationale, and conclusions that were relied on in estimating the value and addressing the marketability of the mortgaged premises.
- The information in the report is accurate, internally consistent, written in clearly understandable language, fully supported, and sufficiently documented.
- Deficient appraisals or inspections will be considered a breach of UHM's warranty as to the acceptability of the mortgage and will subject UHM to the remedies available to Freddie Mac. In addition to reviewing the appraisal or inspection report submitted by UHM, Freddie Mac may make property inspections and/or other investigations to assure property eligibility and proper underwriting of the mortgages offered for sale to and sold to Freddie Mac.

## **Market Value**

UHM requires that an appraisal must be based on the following definition of market value:

- The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby the following is true:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction.

Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment. The market value estimate of the subject property must not include value assigned to furniture or any other personal property.

## **13.8 Freddie Mac Requirements**

UHM's Appraiser Independence Requirements are further amended by the following Freddie Mac-specific requirements for all loans sold to or securitized by Freddie Mac. Only those Freddie Mac requirements which expand, amend, or revise UHM's policies are recited below.

### **a. General Requirements for Appraisals and Inspections**

#### **Selection of appraisers and appraiser independence**

The appraisal or inspection report must be signed by an appraiser that the company has approved. UHM will ensure that the individuals underwriting the appraisals and collateral are independent of loan production staff.

With respect to each conventional mortgage delivered to Freddie Mac, UHM must represent and warrant that the appraisal was obtained in a manner consistent with Freddie Mac's Appraisal Independence Requirements.

#### **Representations and warranties regarding appraisals and inspections**

In addition to the representations and warranties with respect to the Appraiser Independence Requirements, regarding each appraisal or inspection, UHM represents and warrants the following:

- All information known to UHM that may affect the estimate of value or marketability has been provided to the appraiser in conjunction with the appraisal or inspection request.
- UHM has reviewed the report and has concluded that the mortgaged premise is adequate security for the mortgage, in accordance with the requirements of Freddie Mac.
- The appraisal or inspection complies with the applicable requirements in this policy.
- The report is of professional quality and supports all of the appraiser's assumptions, data, analyses, rationale, and conclusions that were relied on in estimating the value and addressing the marketability of the mortgaged premises.
- The information in the report is accurate, internally consistent, written in clearly understandable language, fully supported, and sufficiently documented.
- Deficient appraisals or inspections will be considered a breach of UHM's warranty as to the acceptability of the mortgage and will subject UHM to the remedies available to Freddie Mac. In addition to reviewing the appraisal or inspection report submitted by UHM, Freddie Mac may make property inspections and/or other investigations to assure property eligibility and proper underwriting of the mortgages offered for sale to and sold to Freddie Mac.

## **Market Value**

UHM requires that an appraisal must be based on the following definition of market value:

- The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby the following is true:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction.

Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment. The market value estimate of the subject property must not include value assigned to furniture or any other personal property.



## **13.9      FHA Requirements**

### **Responsibility for Appraisals**

UHM will comply with FHA's rule that lenders, including sponsoring lenders, are equally responsible, along with appraisers, for the quality, integrity, accuracy, and thoroughness of appraisals. UHM will be held accountable if it knew, or should have known, that there were problems with the integrity, accuracy, and thoroughness of an appraisal submitted to FHA for mortgage insurance purposes. UHM acknowledges that lenders who submit appraisals to HUD that do not meet FHA requirements are subject to the imposition of sanctions by the HUD Mortgagee Review Board.

UHM must ensure the following:

- An FHA appraiser is not prohibited by the lender, AMC or other third party, from recording the fee he was paid for performing the appraisal in the appraisal report.
- FHA roster appraisers are compensated at a rate that is customary and reasonable for appraisal services performed in the market area of the property being appraised.
- The fee for the actual completion of an FHA appraisal does not include a fee for management of the appraisal process or any activity other than the performance of the appraisal.
- Any management fees charged by an AMC or other third party must be for actual services related to ordering, processing, or reviewing of appraisals performed for FHA financing.
- AMC and other third-party fees must not exceed what is customary and reasonable for such services provided in the market area of the property being appraised.

### **Appraisal Assignment to Ensure Appraiser Competency**

UHM must select an appropriate appraiser for every assignment, one who has knowledge of the market area, or geographic competency. The company must not assume, simply because an appraiser is state- certified, that he is qualified and knowledgeable in a specific market area or property type. UHM must determine if an appraiser's qualifications, as evidenced by educational training and actual field experience, are sufficient to enable the appraiser to competently perform appraisals before assigning an appraisal to him or her.

UHM will ensure that the FHA roster appraiser selected to perform an appraisal is listed as active on the FHA Appraiser Roster at the time of selection. FHA will not insure mortgages predicated upon appraisals performed by appraisers who are not current on the FHA appraiser roster at the time of the effective date of the appraisal.

The Retail channel uses a third-party vendor to ensure compliance with this requirement. For Consumer Direct and TPO, the AMC's are responsible for ensuring compliance with this requirement.

### **Preventing Improper Influences on Appraisers**

In order to help FHA roster appraisers avoid conflicts of interest or appearance of conflicts of interest, no member of UHM's loan production staff or any person who is compensated on a commission basis tied to the successful completion of a loan, or reports, ultimately, to any officer of UHM not independent of the loan production staff and process, shall have substantive communications with an appraiser, including ordering or managing an appraisal assignment.

If absolute lines of independence cannot be achieved as a result of UHM's small size and limited staff, UHM must be able to clearly demonstrate that it has prudent safeguards in place to isolate its collateral evaluation process from influence or interference by its loan production process.

### **Who May Not Order the Appraisal**

FHA prohibits lenders from accepting appraisal reports completed by an appraiser selected, retained, or compensated in any manner by a real estate agent. To ensure appraiser independence, FHA-approved lenders are also prohibited from accepting appraisals prepared by FHA roster appraisers who are selected, retained, or compensated in any manner by a sponsored third-party originator or any member of a lender's staff who is compensated on a commission basis tied to the successful completion of a loan.

### **Appraiser Independence Safeguards**

UHM and third parties working on behalf of the company are prohibited from the following:

- Withholding or threatening to withhold timely payment or partial payment for an appraisal report.
- Withholding or threatening to withhold future business from an appraiser.
- Demoting or terminating, or threatening to demote or terminate, an appraiser.
- Expressly or impliedly promising future business, promotions or increased compensation for an appraiser.
- Conditioning the ordering of an appraisal report or the payment of an appraisal fee, salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary value estimate requested from an appraiser.
- Requesting that an appraiser provide an estimated, predetermined, or desired valuation in an appraisal report prior to the completion of that report.
- Requesting that an appraiser provide estimated values or comparable sales at any time prior to the appraiser completion of an appraisal report.
- Providing to the appraiser an anticipated, estimated, encouraged, or desired value for a subject property, or a proposed or target amount to be loaned to the borrower, except that a copy of the sales contract for purchase must be provided.
- Providing stock or other financial or nonfinancial benefits to the appraiser, the appraisal company, the appraisal management company, or any entity or person related to the appraiser, Appraisal Company, or Management Company.

- Allowing the removal of an appraiser from a list of qualified appraisers, or the addition of an appraiser to an exclusionary list of qualified appraisers used by any entity, without prompt written notice to such appraiser, which notice shall include written evidence of the appraiser's illegal conduct, violation of the Uniform Standards of Professional Appraisal Practice (USPAP), violation of state licensing standards, or improper or unprofessional behavior or other substantive reason for removal.
- Ordering, obtaining, using, or paying for a second or subsequent appraisal or automated valuation model (AVM) in connection with a mortgage financing transaction, unless:
  - There is a reasonable basis to believe that the initial appraisal was flawed or tainted, and such appraisal is clearly and appropriately noted in the loan file; or
  - Such appraisal or automated valuation model is done pursuant to written, pre-established, bona fide pre- or post-funding appraisal review or quality control process or underwriting guidelines, and UHM adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value.
- Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, or impartiality, or violates law or regulation, including, but not limited to, the Truth in Lending Act (TILA), Regulation Z, and USPAP.

### **Appraiser Selection in the FHA Connection**

UHM is responsible for ensuring that the appraiser who actually conducted the appraisal is correctly identified in FHA Connection (FHAC).

### **Direct Endorsement Underwriter Responsibility**

UHM shall comply with HUD's directive which states the Direct Endorsement (DE) Underwriter who is responsible for the quality of the appraisal report is allowed to communicate with the appraiser. The underwriter may request clarifications and discuss components of the appraisal that influence its quality. Under this policy, the underwriter bears the primary responsibility for determining the eligibility of a property for FHA insurance.

## Section 14 Fair Credit Reporting Act (FCRA) Policy

Policy Name	Fair Credit Reporting Act (FCRA) Policy
Version	4.0 (5-7-2024)
Committee Review: ACT	6-12-2024
Last Reviewed by Compliance	5-7-2024

### 14.1 Overview

The Fair Credit Reporting Act (FCRA) and its implementing regulations, Regulation V, protect consumers against inaccurate or misleading information in credit files maintained by consumer reporting agencies. FCRA also imposes disclosures and other requirements on mortgage lenders that obtain consumer information from a consumer reporting agency to determine a borrower's creditworthiness.

### 14.2 Consumer Report

A Consumer Report is any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living.

### 14.3 Consumer Report Agency

A Consumer Reporting Agency is any person who regularly engages in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties.

### 14.4 Permissible Purposes

UHM Loan Officers and TPO partners must obtain permission (i.e. permissible purpose) from the consumer before obtaining a consumer credit report. Permission granted by the consumer must be express consent and may be obtained orally or in writing.

### 14.5 Adverse Action

If any adverse action is taken against the consumer that is based in whole or in part on the information contained in a consumer credit report, UHM will provide the consumer with an adverse action notice.

## **14.6      Medical Debt**

UHM will not take adverse action on a consumer's credit application solely based on the presence of medical information on the credit report. UHM may include medical debt in calculating DTI (debt-to-income) as required by underwriting guidelines.

## **14.7      Employment**

For employment purposes at UHM, applicants must be provided with a notice of UHM's intent to obtain a consumer credit report.

## **14.8      Prescreened Credit or Insurance Solicitations**

For prescreened credit offers when UHM is accessing credit reports without the consumer's permission, and the consumer meets the UHM defined credit criteria, UHM or contractual vendor will deliver a Firm Offer of Credit to the consumer. The Firm Offer of Credit will meet all regulatory disclosure requirements and be timely delivered according to regulatory requirements.

## **14.9      Responsibilities of Furnishers of Information**

Information that UHM sends to the credit reporting agencies must be accurate. Corrections and/or additional information will be promptly reported to the agencies. If a consumer is disputing the completeness or accuracy of information, UHM may not furnish the information to the agencies without notice that the information is in dispute. Notice will be provided to the agencies regarding the voluntary closure of accounts by consumers. When providing information regarding delinquent accounts being placed in collection, charged to losses or similar action, UHM shall notify the agencies of the month and year of the commencement of the delinquency that immediately preceded the action, not later than 90 days after furnishing the information. Reasonable procedures are in place to respond to any notice it received from a consumer reporting agency relating to information resulting from identity theft to prevent UHM from refurnishing such blocked information.

If a consumer submits an identity theft report to UHM at the address specified by UHM for receiving such reports stating that information UHM maintains about that consumer resulted from identity theft, UHM may not furnish the information in question to any consumer reporting agency unless UHM subsequently knows or is informed by the consumer that the information is correct.

## **14.10      Responsibilities Regarding Disputes**

Upon notification from a consumer reporting agency of a dispute regarding information provided to the agency, UHM must promptly investigate the disputed information, and report the results to the consumer reporting agency before the expiration of 30 days.

Consumers are allowed to dispute files directly with UHM. In these cases, the disputed information must be reported as in dispute with the agencies. UHM must:

- Provide an address to consumers to directly dispute a consumer report relating to the consumer may be provided to the consumer in writing or electronically (if the consumer has agreed to the electronic delivery of information from UHM), or to any business address if UHM has not specified an address to consumers for submitting disputes;
- Conduct a reasonable investigation with respect to the disputed information, including review of any documentation submitted by the consumer relating to the dispute;
- Respond to the consumer within 30 days of receipt of the dispute;
  - If the investigation finds that information reported was inaccurate, promptly notify each consumer reporting agency to which the furnishers provided inaccurate information of that determination and provide the consumer reporting agency any correction to that information that is necessary to make the information provided by UHM accurate.
- Frivolous or irrelevant disputes
  - UHM is not required to investigate a direct dispute if UHM has reasonably determined that the dispute is frivolous or irrelevant.
  - A dispute qualifies as frivolous or irrelevant if:
    - The consumer did not provide sufficient information to investigate the disputed information;
    - The direct dispute is substantially the same as a dispute previously submitted by or on behalf of the consumer, either directly to UHM or through a consumer reporting agency, with respect to which UHM has already reviewed, corrected if necessary and responded, provided that a direct dispute is not substantially the same as a dispute previously submitted if the dispute included information that had not previously been provided to UHM.
  - Upon determination that the dispute is frivolous or irrelevant, UHM must notify the consumer of the determination not later than five business days after making the determination, by mail or, if authorized by the consumer for that purpose, by any other means available to UHM.
    - The notice to the consumer must include the reasons for determining the dispute as frivolous or irrelevant and identify any information required to investigate the dispute information, if applicable.

## **14.11      Risk-Based Pricing Notice**

UHM will provide a notice at the time of application that states the terms offered are based on information from a credit report, the consumer may obtain a free copy of the report from the credit reporting agency, and the notice will include the credit reporting agency's contact information.

## **14.12      Red Flags and FCRA**

### **a. Active Duty Alerts**

An active duty alert is an alert on a credit report that indicates an individual is deployed. Active duty alerts last one year without further renewal and require creditors to take additional steps to verify an individual's identity before granting credit.

### **b. Credit Freezes**

UHM will receive notice of a credit freeze from a CRA to the consumer, in response to a request for a consumer credit report, if a fraud or active duty alert is included with a consumer report.

### **c. Fraud Alert**

If UHM obtains a consumer report that includes an initial fraud alert, UHM may not establish a new credit plan or extension of credit other than an advance within the existing credit limit under a HELOC, in the name of that consumer, or grant any increase in credit limit on an existing credit account requested by that consumer, unless UHM has followed reasonable policies and procedures to form a reasonable belief that UHM knows that the identity of the person making the request.

### **d. Address Discrepancies**

If a consumer report obtained by UHM indicates an address discrepancy, UHM must investigate and form a reasonable belief that the consumer report relates to the consumer about whom it has requested the report.

### **e. Affiliate Marketing**

If UHM uses information from its affiliates for the purpose of marketing solicitations, or provides information to its affiliates for that purpose, it must:

- Clearly and conspicuously disclose to the consumer in writing, or if the consumer agrees, electronically, that it may use eligibility information about that consumer received from an affiliate to make solicitations for marketing purposes to the consumer;
- Provide the consumer with a reasonable opportunity and a reasonable and simple method to "opt out" or prohibit UHM from using eligibility information to make solicitations for marketing purposes to the consumer.

The consumer's election to opt out prohibits any affiliate covered by the opt-out notice from using eligibility information received from another affiliate as described in the notice to make solicitations to the consumer. The opt out must be effective for a period of at least five years beginning when the consumer's opt-out election is received and implemented, unless the consumer subsequently revokes the opt-out in writing, or, if the consumer agrees, electronically.

After five years, for consumers who have exercised their right to opt out, the consumer must be given a renewal opt-out notice.

## Section 15 Fair and Accurate Credit Transactions Act (FACTA) Policy

Policy Name	Fair and Accurate Credit Transactions Act (FACTA) Policy
Version	5.0 (1-12-2024)
Committee Review: ACT	5-1-2024
Last Reviewed by Compliance	4-24-2024

### 15.1 Overview

The Fair and Accurate Credit Transactions Act of 2003, also known as FACT Act or FACTA, was enacted in December 2003 as an amendment to the Fair Credit Reporting Act. The FACT Act was intended primarily to help consumers fight the growing crime of identity theft. Accuracy, privacy, limits on information sharing, and consumers' rights disclosures are included in FACTA.

The provisions of the Act that pertain to all phases of the mortgage origination and servicing processes are the provisions to help prevent and/or reduce identity theft, such as the ability for individuals to place alerts on their credit histories if identity theft is suspected or if deploying overseas in the military, thereby making fraudulent applications for credit more difficult; further, it requires secure disposal of consumer information.

UHM is required to comply with the Fair and Accurate Credit Transaction Act (FACTA or FACT Act) of 2003. The act amended the Fair Credit Reporting Act (FCRA) and was established to serve the following purposes:

- Enhances the ability of consumers to combat identity theft;
- Increases the accuracy of consumer report information; and
- Allows consumers to exercise greater control regarding the type and amount of marketing solicitation they receive.

### 15.2 Required Disclosure

Any time UHM initiates or orders a consumer credit inquiry or makes or arranges loans and uses a consumer credit score in connection with an application initiated or sought by a consumer for a closed- end loan or the establishment of an open-end loan for a consumer purpose that is secured by 1 to 4 units of residential real property, UHM, or its contractual vendor on behalf of UHM as the case may be, must provide the following disclosures to the consumers as soon as reasonably practicable:

#### **a. Credit Score Notice**

UHM is required to furnish consumers with a consumer credit score notice as soon as practicable that includes the name, address and telephone number of each consumer reporting agency used, as well as the model language included in the Act.



## **b. Disclosure of Credit Score**

UHM is required to furnish consumers with a disclosure of Credit Score Information that gives borrowers their credit score, the name of the credit score provider, the key factors that adversely affect the credit score, the range of possible credit scores and the date the credit score was created.

## **c. Negative Information Notice**

Applicants must be given a notice prior to negative information being provided to a credit bureau. UHM has opted to provide this notice at the time of application, well in advance of negative information ever being sent to a credit reporting agency.

UHM demands and requires that all 3<sup>rd</sup> Party business partners timely provide all of the above Notices and Disclosures in this Section and adhere to the mandates and requirements of FACTA.

## **15.3      Legal Requirements of Sections 114 and 315 of FACTA**

Section 114 of FACTA covers measures on Identity Red Flags while Section 315 covers Address Discrepancies. UHM must ensure that legal requirements are met in accordance with Sections 114 and 315 of FACTA. Summarized are the compliance obligations of the regulation:

- Filing of Suspicious Activity Reports (SAR) in accordance with the regulation and applicable supervisory agency;
- Complying with prohibitions of FACTA regarding the sale, transfer, and placement for collection of certain debts resulting from identity theft;
- Implementing any requirements regarding the circumstances under which credit may be extended when the company detects a fraud or active duty alert;
- Implementing any requirements for furnishers of information to consumer reporting agencies, such as to correct or update inaccurate or incomplete information, and not to report information that the furnisher has reasonable cause to believe is inaccurate.

## Section 16 Truth in Lending Act (TILA) Policy

Policy Name	TILA/RESPA Integrated Disclosure – Regulation Z
Version	7.0 (4-24-2024)
Committee Review: ACT	5-1-2024
Last Reviewed by Compliance	4-24-2024

### 16.1 Summary of Regulation Z

The purpose of Regulation Z is to promote informed use of consumer credit by requiring disclosures about its terms and cost. Regulation Z applies to credit that is offered or extended to consumers, primarily for personal, family or household purposes.

### 16.2 TILA-RESPA Integrated Disclosure (TRID) Applicability

The majority of UHM's originated loans utilize the 2015 TRID required disclosures. There are limited exceptions for Housing Finance Agencies' (HFAs) down payment assistance programs with liens not in first position.

### 16.3 Written Application

UHM relies on the Regulation Z definition of a complete application for purposes of delivering a Loan Estimate. A complete application is one in which UHM has received six (6) specific pieces of information:

- Consumer's name,
- Consumer's income,
- Consumer's social security number,
- Property address,
- Estimate of the value of the property, and
- The mortgage loan amount sought.

### 16.4 Business Days

UHM considers all weekdays and Saturdays as business days. UHM observes all Federal holidays. Emerging Bankers (TPO channel) may not consider Saturday a business day and UHM may honor that choice. Requests from this business channel to modify UHM's business day definition must be directed to the Chief Compliance Officer.

### 16.5 Construction Loans

UHM has opted to disclose its construction loans as a single close transaction, meaning the interest only construction phase and the fully amortizing period are disclosed on one set of disclosures.

## 16.6 General Delivery of Disclosures

The following Partners will provide a Loan Estimate within three business days of receiving a completed application as defined by Regulation Z:

- Loan Officer (Retail);
- Broker or UHM Disclosure Desk (TPO);
- Non-delegated correspondents.

UHM will ensure delivery of the Loan Estimate within three business days of application either by delivering disclosures:

- In person;
- Fax;
- Mailing the disclosures, which may include overnight delivery; or
- Electronic delivery methods.

If any required disclosures are not provided to the consumer in person, the consumer is considered to have received the disclosures three business days after they are delivered or placed in the mail. Should the consumer not consent electronically to receipt before the expiration of the third business day after application, then the Loan Officer must send a paper copy of the disclosures to the consumer.

If within this three-day period, the consumer withdraws the application or if UHM determines that the application will not or cannot be approved on the terms requested by the consumer, the Loan Estimate and other early disclosures do not need to be provided.

When UHM obtains evidence that the consumer received the disclosures earlier than three business days after mailing or delivery, UHM may rely on that evidence under the rule and consider the disclosures to be received on that date.

Once the Loan Estimate is acknowledged or considered received by the consumer, closing cannot occur for seven (7) business days.

On Retail and Consumer Direct loans where consumers have e-signed all previous documents, a wet signed initial Closing Disclosure may be accepted only if it is signed, dated and returned to UHM within 24 hours of the initial Closing Disclosure being delivered electronically to the consumer. Exceptions may be granted by UHM's CEO, President and/or Chief Compliance Officer.

The Closing Disclosure must be received by the consumer at least three business days prior to consummation. For refinance transactions where the consumer has the right to rescind, UHM will provide the Closing Disclosure separately to each consumer who has the right to rescind. For transactions that are not rescindable, UHM will provide the Closing Disclosure to any consumer with primary liability for the mortgage transaction.

## **16.7      Restrictions on Activity Prior to Consumer Receipt of the Loan Estimate**

UHM will not impose fees on or collect a credit card number or a post-dated check from a consumer before the consumer has received the Loan Estimate and provided intent to proceed. The only exception is collection of fees to cover the expense of a credit report.

Likewise, UHM will not require the consumer to submit documents verifying information related to the consumer's application before providing the Loan Estimate. UHM can request verifying documents from the consumer but cannot delay delivery of the Loan Estimate if the six pieces of information are submitted and the consumer denies UHM's request for verifying documentation.

## **16.8      Intend to Proceed**

For the Retail channel, UHM will send an Acknowledgement of Intent to Proceed disclosure with the initial application disclosure package. This document must be signed and retained in the loan file as evidence of the consumer's intent to proceed with the transaction.

For TPO, the broker will obtain intent to proceed, and provide this documented proof to UHM which will be retained in the loan file.

## **16.9      Your Home Loan Toolkit**

For the Retail channel, UHM will provide the Home Loan Toolkit on all Purchase loans within three business days to consumers who apply for a consumer credit transaction secured by real property.

For TPO, the broker may provide to UHM a form of written and signed acknowledgement of receipt from the consumer(s) in lieu of a copy of the broker's Your Home Loan Toolkit.

## **16.10     Adjustable Rate/Variable Rate Mortgages (ARMs)**

On ARMs, UHM will provide the ARM/Variable Rate Disclosure and the most current version of CFPB's Consumer Handbook on Adjustable Rate Mortgages (CHARM Handbook), within three business days.

## **16.11     Good Faith Requirement and Variance**

UHM will act in good faith and exercise due diligence in obtaining information necessary to complete the Loan Estimate and Closing Disclosure. UHM will provide estimates using the best information reasonably available at the time the disclosures are issued.

## **16.12      Variance Limitation**

UHM will comply with the various aspects of fee tolerances as defined under Regulation Z. If there is a valid change of circumstance, UHM will process the change within three business days and pass the additional cost to the consumer. If not processed within three business days, or if not due to a valid change in circumstance, a cure will be provided to the customer.

## **16.13      General Waiver of Waiting Period**

Any consumer request to modify a waiting period must be presented to the Chief Compliance Officer or designate for consideration. Waivers to a waiting period are an exception and not the norm and may be granted on an exception basis if the bona fide personal financial emergency warrants it.

If a waiver request has been granted, the following must take place:

- The consumer must receive and acknowledge the initial Closing Disclosure;
- The consumer must provide a dated, written letter that:
- States the bona fide personal financial emergency;
- Specifically asks to modify or waive the waiting period; and
- Is signed by all consumers who are primarily liable on the legal obligation.

Only the Chief Compliance Officer or designate can approve the waiver request.

## **16.14      Revisions and Corrections to Loan Estimates**

UHM is generally bound by the Loan Estimate provided within three business days of application and may not issue revisions to Loan Estimates because it later discovers technical errors, miscalculations, or underestimations of charges.

UHM will provide to the consumer a revised Loan Estimate if the revision is due to a valid change of circumstance.

UHM will provide the revised Loan Estimate within the three business days of the event that triggered the need for re-disclosure.

## **16.15      Closing Disclosure**

For loans in which a Loan Estimate has been issued and proceed to closing, UHM will provide an initial Closing Disclosure at least three business days before consummation.

A consumer has the right to inspect the Closing Disclosure the business day before consummation. If a consumer requests to inspect the Closing Disclosure the business day before consummation, the Closing Disclosure presented to the consumer will reflect any adjustments to the costs or terms that are known to UHM at the time the consumer requests the disclosure.

## **16.16      Revised Closing Disclosures**

Once a Closing Disclosure is delivered or mailed to the consumer, consummation cannot occur until three business days after the disclosure is considered received by the consumer. If the disclosures become inaccurate before consummation, UHM will provide a corrected disclosure reflecting any changed term so that the consumer receives the corrected disclosure at or before consummation.

The following circumstances require a corrected Closing Disclosure and a new three-business-day waiting period:

- The disclosed APR increases beyond tolerance ( $\frac{1}{8}\%$  (.125%) for a regular transaction or  $\frac{1}{4}\%$  (.25%) for an irregular transaction);
- The consumer changes loan product from what was previously disclosed; or
- A prepayment penalty is added.

## **16.17      Changed Circumstance after Closing Disclosure has Been Issued**

If a valid changed circumstance occurs after the Closing Disclosure has been issued, UHM will process the valid change within three business days of the event and disclose the increased cost to the consumer on a revised Closing Disclosure.

## **16.18      Disclosures Required Post-Consummation**

For any clerical or numeric error noted via third party QC, self-assessment, internal audit, or post-closing procedure, UHM will deliver or mail a post-consummation corrected Closing Disclosure to the consumer as soon as reasonably possible.

## **16.19      Right of Rescission**

In a refinance transaction, a consumer has the right to rescind a credit plan in which a security interest is or will be retained in the consumer's principal dwelling. When a consumer has a right to rescind, UHM will deliver two copies of a Notice of Right to Rescind to each consumer who is entitled to rescind the transaction.

The consumer has until midnight of the third business day to rescind. The three-business day wait period begins at consummation, when the consumer receives the Notice of Right to Rescind, or when the consumer receives all material disclosures, whichever occurs last. Unless the consumer waives the right to rescind under the general waiver policy, no funds shall be disbursed other than in escrow, no services performed, and no materials delivered until the rescission period has expired and UHM is reasonably satisfied that the consumer has not rescinded.

## **16.20     Ability to Repay/Qualified Mortgage (ATR/QM)**

### **a. Ability to Repay**

UHM must make a reasonable and good faith determination that the consumer will have a reasonable ability to repay the loan according to its terms before originating a covered transaction. UHM must verify this information using reasonable reliable third-party records. To comply with ATR requirements, UHM must verify:

- Current or reasonably expected income or assets, other than the value of the dwelling;
- Current employment status, if the creditor relies on employment income;
- Monthly payment on the covered transaction, calculated as prescribed;
- Monthly payment on any simultaneous loan, calculated as prescribed;
- Monthly payment for mortgage-related obligations;
- Current debt obligations, alimony, and child support;
- Monthly debt-to-income ratio or residual income as prescribed; and
- Credit history.

UHM may apply additional overlays at its discretion.

The rule applies to almost all closed-end consumer credit transactions secured by a dwelling including any real property attached to the dwelling. The rule is not limited to first liens or to loans on primary residences. The rule does not apply to:

- Home equity lines of credit;
- Time-share plans;
- Reverse mortgages;
- Temporary or bridge loans with terms of 12 months or less (with possible renewal);
- A construction phase of 12 months or less (with possible renewal) of a construction-to-permanent loan;
- Consumer credit transactions secured by vacant land;
- An extension of credit made pursuant to a program administered by a Housing Finance Agency;
- Or any other loan that is exempt from Regulation Z under section 1026.3

### **b. Qualified Mortgages**

The ATR rule provides a presumption that creditors that originate Qualified Mortgages have complied with the ATR requirements. The Qualified Mortgage Rule changed the definition of Temporary QM and General QM with mandatory compliance on October 1, 2022. These changes are incorporate into this section and related ATR/QM policies and reference information in UHM. These changes did not alter any requirements for FHA, VA or USDA loans. Based on the April 2021 rule, there are four types of Qualified Mortgages under the rule. UHM originates QM loans that meet General QM definitions. UHM does not originate QM loans that meet the Small Creditor, Balloon-Payment, or Seasoned QM definitions as established by CFPB

There is a DTI-based General QM definition and a price-based General QM definition. UHM applies the price-based General QM definition.

### **c. Points & Fees Limitations**

For a loan to be a QM in 2024, the points and fees may not exceed the points-and-fees caps.

- 3% of the total loan amount for a loan greater than or equal to \$130,461;
- \$3,914 for a loan greater than or equal to \$78,277 but less than \$130,461;
- 5% of the total loan amount for a loan greater than or equal to \$26,092 but less than \$78,277;
- \$1,305 for a loan greater than or equal to \$16,308 but less than \$26,092; and
- 8% of the total loan amount for a loan less than \$16,308.

### **d. Rebuttable Presumption**

QMs that are higher priced have a rebuttable presumption that they comply with ATR requirements. A consumer has the right to rebut that presumption. The requirements of rebuttable presumption are as follows on all loans:

- Conventional—Approve/Eligible (DU) or Accept (LP) Only
- Conventional Manual UW—Eligible must be reviewed by National Sales Manager and National Operations Manager prior to application
- Government loans—must meet all applicable VA/FHA/RD guidelines and UHM overlays

A QM is higher-priced if:

It is a first-lien mortgage for which, at the time the interest rate on the loan was set, the APR was

- 1.5 percentage points or more over the Average Prime Offer Rate (APOR);
- It is a subordinate lien mortgage with an APR that, when the interest rate was set, exceeded the APOR by 3.5 percentage points or more.

UHM will underwrite to ensure Safe Harbor and qualifications for Safe Harbor can be found in the Retail Lending Guidelines.

### **e. Safe Harbor**

General QM's that are not higher priced have a safe harbor, meaning that the loan is conclusively presumed to comply with the ATR requirements.

### **f. General QM Definition**

Loans meeting the following conditions fall under the general QM definition:

- May not have negative-amortization, interest-only or balloon-payment features or terms that exceed 30 years;
- May not have points and fees that exceed the specified limits;
- The new loan was underwritten based on a fully-amortizing schedule using the maximum rate permitted during the first five years after the date of the first periodic payment;
- The consumer's income or assets, current debt obligations, alimony and child-support obligations were considered and verified;
- The consumer's total monthly debt-to-income ratio is no more than 43%.



## **g. Temporary QM Definition**

Loans meeting the following conditions fall under the general QM definition:

- May not have negative-amortization, interest-only or balloon-payment features or terms that exceed 30 years;
- May not have points and fees that exceed the specified limits;
- The new loan was underwritten based on a fully-amortizing schedule using the maximum rate permitted during the first five years after the date of the first periodic payment;
- The consumer's income or assets, current debt obligations, alimony and child-support obligations were considered and verified;
- The loan is eligible for Federal Housing Administration (FHA) insurance, or is eligible to be guaranteed by the U.S. Department of Veterans Affairs (VA), or is eligible to be guaranteed by the U.S. Department of Agriculture (USDA), or is eligible to be insured by the Rural Housing Service ('Agency' for purposes of this paragraph)

Eligibility for insurance or guarantee by an agency can be established based on the following:

- Valid recommendation from a GSE Automated Underwriting System (AUS) or an AUS that relies on an agency underwriting tool;
- Agency guidelines contained in official manuals;

## **h. Exempt Transactions**

Credit extended to acquire, improve, or maintain rental property (regardless of the number of housing units) that is not owner-occupied is presumed to be for business purposes and, unless cash-out proceeds are used for a consumer purpose, is exempt from Regulation Z and ATR/QM. If the owner expects to occupy the property for more than 14 days during the coming year, the property cannot be considered non-owner-occupied and this special rule will not apply.

UHM will exempt transactions from Regulation Z as defined by Section 1026.3 of CFPB Regulation Z.

## **i. Qualified Mortgage APR vs APOR Comparison**

- 2.25 or more percentage points for a first-lien covered transaction with a loan amount greater than or equal to **\$130,461**;
- 3.5 or more percentage points for a first-lien covered transaction with a loan amount greater than or equal to **\$78,277** but less than **\$130,461**;
- 6.5 or more percentage points for a first-lien covered transaction with a loan amount less than **\$78,277**;
- 6.5 or more percentage points for a first-lien covered transaction secured by a manufactured home with a loan amount less than **\$130,461**;
- .5 or more percentage points for a subordinate-lien covered transaction with a loan amount greater than or equal to **\$78,277**; or
- 6.5 or more percentage points for a subordinate-lien covered transaction with a loan amount less than **\$78,277**.

## **16.21      High Priced Mortgage Loan (HPML)**

HPMLs are loans secured by the borrower's principal dwelling that are priced at an APR (Annual Percentage Rate) exceeding the index published by the Federal Reserve Board named the Average Prime Offer Rate (APOR).

- HPML's do not include:
- Construction financing;
- Temporary or bridge loans 12 months or less;
- Reverse mortgage; and
- Home equity lines of credit.

### **a. Average Prime Offer Rate (APOR) Index**

Based on the date the interest rate is set (locked or re-locked), UHM must compare its APR with the Fed's APOR index. The loan will be considered a higher-priced mortgage loan if the APR exceeds the index by:

- 1.5 or more percentage points for loans secured by a first lien with a principal obligation at consummation that does not exceed the limit in effect as of the date the transaction's interest rate is set for the maximum principal obligation eligible for purchase by Freddie Mac;
- 2.5 or more percentage points for loans secured by a first lien with a principal obligation at consummation that exceeds the limit in effect as of the date the transaction's interest rate is set for the maximum principal obligation eligible for purchase by Freddie Mac; or
- 3.5 or more percentage points on a subordinate lien.

### **b. Assessment of Borrower Ability to Pay (HPML)**

UHM must assess the borrower's ability to repay a HPML, and will do so by:

- Verifying income to cover repayment ability through W-2, tax returns, paystubs, financial institution records or third-party verifications; and
- Verifying the borrower's current obligations through credit reports and other documents.

UHM is presumed to have complied with this rule if it has verified the borrower's repayment ability and determined repayment ability of P&I scheduled for the first seven years, taking into account all of the borrower's obligations.

UHM may utilize debt ratios or disposable income. For certain loans, such as terms of seven years or less or increases in principal balance, no presumption of compliance is available.

### **c. Escrow for Property Taxes & Insurance**

UHM may not extend a higher-priced mortgage loan secured by a first lien on a consumer's principal dwelling unless an escrow account is established before consummation for payment of property taxes and premiums for mortgage-related insurance required by the creditor.

This requirement does not apply to:

- a transaction secured by shares in a cooperative;
- a transaction to finance the initial construction of a dwelling;
- a temporary or "bridge" loan with a loan term of twelve months or less; or
- a reverse mortgage transaction.

The escrow account must be in place for five years. After that date, it may not be cancelled unless:

- The unpaid principal balance is less than 80 percent of the original value of the property securing the underlying debt obligation;
- The consumer currently is not delinquent or in default on the underlying debt obligation.

### **d. HPML Appraisal Rate**

Credit cannot be extended without obtaining, prior to consummation, a written appraisal of the property to be mortgaged.

- The appraisal must be performed by a certified or licensed appraiser who conducts a physical visit of the interior of the property that will secure the transaction
- A second appraisal must be obtained, by an appraiser differed than the one who performed the first appraisal, at no cost to the borrower, if:
  - The seller acquired the property 90 or fewer days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement to acquire the property exceeds the seller's acquisition price by more than 10 percent, or
  - The seller acquired the property 91 to 180 days prior to the date of the consumer's agreement to acquire the property and the price in the consumer's agreement to acquire the property exceeds the seller's acquisition price by more than 20 percent.

### **e. Prepayment Penalties**

UHM may include a prepayment penalty for a HPML only under the following conditions:

- The penalty is otherwise permitted by law
- Under the terms of the loan:
  - The penalty will not apply after the two-year period following consummation
  - The penalty will not apply if the source of the prepayment funds is a refinancing by the creditor or an affiliate of the creditor; and
  - The amount of the periodic payment of principal or interest or both may not change during the four-year period following consummation.

## **16.22      High-Cost Mortgages**

High-Cost Mortgages, or Section 32 mortgages, applies to a consumer credit transaction that is secured by the consumer's principal dwelling and in which either:

- The annual percentage rate as of the date the interest rate is set will exceed by more than 6.5 percentage points or more for first-lien covered transactions with a loan amount less than \$78,277, the average prime offer rate (APOR);
- For 2024, the total points and fees payable by the consumer at or before loan closing will exceed 5% of the loan amount for loans greater than or equal to \$26,092 but less than \$78,277; \$1,305 for a loan amount greater than or equal to \$16,308 but less than \$26,092;
- For 2024, the total points and fees payable by the consumer at or before loan closing will exceed the lesser of 8% of the loan amount for loans less than \$16,308;
- The loan has a prepayment penalty applicable for more than thirty-six (36) months after consummation or in an amount exceeding 2% of the loan amount.
- Section 32 requirements do not apply to: a residential mortgage transaction, a reverse mortgage transaction or an open-end credit plan.

If UHM originates loans subject to Section 32, UHM must give the consumer additional disclosures, avoid certain loan terms, and ensure the consumer receives additional protections, including homeownership counseling.

UHM does not currently originate high-cost mortgages.

### **a. Prohibition on Mandatory Arbitration**

UHM is prohibited from including terms that require arbitration or any other non-judicial procedure to resolve any controversy or settle any claims arising out of a contract or other agreement for a closed-end consumer credit transaction secured by a dwelling or for a HELOC secured by the consumer's principal residence.

After a dispute or claim under the transaction arises, a consumer, UHM, or any assignee may agree to settle or to use arbitration or another non-judicial procedure to resolve the dispute or claim.

### **b. Prohibition on Financing Credit Insurance**

UHM may not finance, directly or indirectly, any premiums or fees for credit insurance in connection with a closed-end consumer credit transaction secured by a dwelling or for a HELOC secured by a consumer's principal dwelling.

### **c. Advertising**

See "Marketing and Advertising Policy" for issues on Regulation Z materials and advertising.

## Section 17 Real Estate Settlement Procedures Act (RESPA) Policy

Policy Name	Real Estate Settlement Procedures Act (RESPA)
Version	4.0 (5-08-2023)
Committee Review: ACT	6-12-2024
Last Reviewed by Compliance	6-11-2024

### 17.1 Summary of Regulation

Congress enacted the Real Estate Settlement Procedures Act (RESPA) to ensure consumers received greater and timely information regarding costs pursuant to the real estate settlement process. Unlike most of the other consumer protection statutes that are directed to lenders, RESPA applies to all parties involved in the settlement process.

RESPA focuses on the following areas:

- Abusive and unreasonable practices within the real estate settlement process that increased settlement costs;
- Lack of understanding by consumers about the settlement process and the fees associated with it;
- Complexities and inefficiencies in the system for recording land titles in public records, which has been identified as a real barrier to significant reductions in the level of settlement costs;
- Prohibitions against kickbacks and unearned fees;
- Establishing and maintaining escrow accounts;
- Responding to Notices of Error or Requests for Information (qualified written requests);
- Transfer of Servicing notices;
- Force-placed insurance Early intervention and continuity of contact for certain borrowers;
- Loss mitigation procedure.

UHM is a covered institution, as defined by RESPA, and as such is required to comply with the Real Estate Settlement Procedures Act and its implementing regulation, Regulation X, for the loan it originates that are covered by RESPA.

### 17.2 Covered Transactions

RESPA applies to a federally related mortgage loan. A Federally related mortgage loan refers to almost every loan secured by a lien on residential real property designed principally for occupancy as a one-to- four-unit dwelling and made by a regulated lender, a government-assisted lender, a lender with intent to sell to an agency, or a truth-in-lending creditor.

Exempted transactions include the following:

- Temporary financing with a term of less than two years
- A business purpose loan
- Agricultural purpose loans
- A loan a property of 25 acres or more
- Vacant land (unless within two years from the date of the settlement of the loan, a structure of a manufactured home will be constructed or places on the real property using the loan proceeds)
- Assumption without lender approval
- A loan conversion
- A secondary market transaction

### **17.3      Prohibitions against Kickbacks & Unearned Fees (“RESPA Section 8”)**

See UHM’s separate policy on RESPA Section 8 (Prohibitions against Kickbacks & Unearned fees).

### **17.4      Disclosures and Home Loan Toolkit**

UHM timely delivers all required state and federal disclosures, including the Home Loan Toolkit (purchase loans only), on all loan transactions.

### **17.5      Adjustable-Rate Mortgages**

For a Federally related mortgage loan involving an adjustable-rate mortgage, UHM will provide the consumer(s) a copy of the CFPB handbook entitled “Consumer Handbook on Adjustable-Rate Mortgages” or CHARM handbook

### **17.6      List of Service Providers**

If UHM requires the use of a particular service provider and requires the consumer to pay any portion of the cost, the early disclosure (Loan Estimate or Good Faith Estimate, depending on transaction type) will clearly state the required use. In addition, UHM will provide a Settlement Service Provider List disclosing the name, address, and telephone number of at least one service provider that can provide that service in the consumer’s geography.

## **17.7      Affiliated Business Arrangements and Disclosure**

RESPA defines an affiliated business arrangement as an arrangement in which:

- A person who is in a position to refer business incident to or a part of a real estate settlement service involving a Federally related mortgage loan, or an associate of such person, has either an affiliate relationship with or a direct or beneficial ownership interest of more than 1% in a provider of settlement services; and
- Either of such persons directly or indirectly refers such business to that provider of affirmatively influences the selection of that provider.

For any affiliate relationship that UHM has, it will provide the Affiliated Business Arrangement Disclosure Statement which sets forth the nature of the relationship between the provider of the settlement service and the person making the referral, and of an estimated charge or range of charges generally made by the provider. The disclosure will be provided as a separate disclosure no later than the time of each referral or at the time of application.

UHM may not require the use of an affiliated service provider other than UHM's chosen attorney, credit reporting agency or appraiser.

## **17.8      Title Companies**

A seller of a property that will be purchased with the assistance of a Federally related mortgage loan cannot require the use of a particular provider of a settlement service. This means that if UHM is financing a federally related mortgage, it must ensure that the buyer was not required to use any particular settlement service provider by the seller.

## **17.9      Mortgage Servicing Transfers**

RESPA requires UHM to provide several notices relating to mortgage servicing transfers;

- Servicing Disclosure Statement must be furnished to the applicant within 3 business days from receipt of the completed application. This notice advises the consumer about the potential for transfer of servicing of the mortgage loan.
- When UHM or its servicer transfers the servicing of a federal related mortgage loan after origination, both the transferor (UHM) or transferee (new servicer) are required to provide a notice of servicing transfer to the borrower.
  - The transferor servicer must provide the notice not less than 15 days before the effective date of the transfer of servicing;
  - The transferee servicer must provide the notice not more than 15 days after the effective date of transfer;
  - Both notices may be combined and must be delivered to the borrower no less than 15 days before the effective date of the transfer.

For loans subject to TRID, the servicing disclosure statement is included on the Loan Estimate. For applications received via the TPO channel, the broker will issue the Loan Estimate and complete the servicing disclosure statement with the best information it reasonably has at the time of issuance; the same standard applies to any subsequent Loan Estimates that UHM might issue.

## **17.10 List of Homeownership Counseling Organizations**

UHM must provide a list of homeownership counseling organizations to each borrower not later than three business days after receipt of an application, or information sufficient to complete an application. The disclosure will be a clear and conspicuous written list of homeownership counseling organizations that provide relevant counseling services in the loan applicant's area. The list must be obtained no earlier than 30 days prior to when the list is provided to the loan applicant from either;

- The website maintained by the CFPB for lenders to use in complying with the requirements of this section; or
- Data made available by the CFPB or HUD for lenders to use in complying with these requirements, provided that the data is used in accordance with instructions provided with the data.

If the mortgage broker (TPO channel) has provided the required list of homeownership counseling organizations, UHM is not required to provide an additional list. UHM is not required to provide the list of homeownership counseling organizations if, before the end of the three-business-day period, UHM denies the application or the loan applicant withdraws the application.

## **17.11 Escrow Accounts**

An escrow account is any account that a lender or servicer establishes on behalf of a borrower to pay real estate taxes, hazard or flood insurance premiums, and mortgage insurance premiums (if applicable), or any other charges that the borrower and lender have voluntarily agreed that the servicer should collect and pay.

## **17.12 Initial Escrow Account Disclosure**

UHM must conduct an escrow account analysis before establishing an escrow account to determine the amount the borrower must deposit into the escrow account.

## **17.13 Escrow Accounts Established at Loan Closing**

After conducting the escrow account analysis for each escrow account, UHM must submit an initial escrow account disclosure statement to the borrower at settlement or within 45 days of settlement for escrow accounts that are established as a condition of the loan.

The initial escrow account statement included the amount of the borrower's monthly mortgage payment and the portion of the monthly payment going into the escrow account and itemized the estimated taxes, insurance premiums, and other charges that UHM reasonably anticipates to be paid from the escrow account during the escrow account computation year and the anticipated disbursement dates of the charges. The initial escrow account statement must also indicate the amount that UHM selects as a cushion and also includes a trial running balance for the account.



## **17.14      Limitations on Payments into Escrow Accounts**

UHM will not require a borrower to deposit more than the following amounts into an escrow account created in connection with a federally related mortgage loan:

- At settlement, an amount sufficient to pay the charges attributable to the period from the date the payment(s) were last paid until the initial payment date.
- Throughout the life of the escrow account, a monthly sum equal to  $1/12$  of the total annual escrow payments.

At settlement and throughout the life of the escrow account UHM may add a charge to maintain a cushion no greater than  $1/6$  (2 months) of the estimated total annual payments.

## Section 18 RESPA Section 8 Policy—Prohibition against Kickbacks and Unearned Fees

Policy Name	Section 8 Policy
Version	6.0 (6-12-2024)
Committee Review: ACT	6-26-2024
Last Reviewed by Compliance	6-12-2024

### 18.1 Overview

In line with RESPA Section 8, Union Home Mortgage Corp (UHM) strictly prohibits giving or accepting any fee, kickback or thing of value pursuant to any agreement or understanding (written, oral or otherwise) that business related to real estate services involving a mortgage will be referred to any person. UHM further prohibits giving or accepting any portion, split or percentage of any charge made or received for the rendering of real estate settlement services in connection with a mortgage transaction other than for services actually performed. That is to say, payment of kickbacks, fees or other things of value in exchange for referrals of mortgage or other settlement-related business are expressly prohibited, unless conducted in accordance with this RESPA Section 8 Policy.

Normal promotional and educational activities that are not conditioned on the referral of business and that do not involve the defraying of expenses that otherwise would be incurred by persons in a position to refer settlement services or business and payment to any person of a bona fide salary, or compensation or other payment for goods or facilities actually furnished or for services actually performed are exempt from RESPA Section 8.

### 18.2 Applicability

This policy applies to all UHM Partners in all Channels. Note that TPO Account Executives cannot submit expense reimbursement to UHM for marketing-related activities.

### 18.3 Definitions

#### a. Settlement Services

Any service provided in connection with a real estate settlement including loan origination, mortgage broker services, real estate broker or agent services, handling of loan closing, title services, title insurance, mortgage insurance, hazard insurance and any service for which a settlement service provider (such as UHM) requires the borrower or seller to pay. Any company providing a settlement service is a “settlement service provider.”

## **b. Referral**

Any oral or written action or course of conduct directed to a person that influences the selection of a settlement service provider by any person, or business incident to or part of a settlement service, when that person will pay for the settlement service or business incident thereto, or pays a charge attributable in whole or in part to such settlement service or business.

NOTE: this includes referrals of consumers by other settlement service providers, such as real estate agents, title agents or insurance providers, to UHM. A referral can occur even if a loan application is not taken.

## **c. Agreement or Understanding**

An agreement or understanding for the referral of business incident to or part of a settlement service need not be written or verbalized but may be established by a practice, pattern or course of conduct. When a thing of value is received repeatedly and is connected in any way with the volume or value of the business referred, the receipt of the thing of value is evidence that it is made pursuant to an agreement or understanding for the referral of business.

## **18.4 Marketing-Related Activities**

The following topics highlight UHM's policy on a variety of activities with RESPA Section 8 implications. This list is not all-inclusive. If a Partner wishes to partake in an event or pursue a marketing or advertising opportunity but is uncertain if the event or opportunity is Section 8 compliant, **THE PARTNER MUST CONSULT WITH THE COMPLIANCE DEPARTMENT TO DETERMINE IF THE EVENT OR OPPORTUNITY IS COMPLIANT WITH RESPA SECTION 8 PRIOR TO PURSUING THE OPPORTUNITY**. When in doubt about any activity a UHM Partner wishes to pursue with a settlement service provider (realtor or title company, for example), he/she must consult with the Compliance Department prior to pursuing the opportunity.

### **a. Marketing Service Agreements (MSAs)**

In general, an MSA is a relationship between a real estate broker or developer and a title company or mortgage lender or mortgage broker whereby the real estate office or developer agrees to market the service of the title company or mortgage lender or mortgage broker in exchange for a marketing fee.

UHM participates in MSA's. Loan Officers seeking to participate in a MSA must first obtain approval from Sales Management. The Compliance Department assists in obtaining an independent valuation of the marketing services to be performed. The contract is signed by UHM and the real estate broker; a Loan Officer cannot sign a MSA agreement on behalf of UHM. Loan Officers are prohibited from providing a subscription service or additional payments to a settlement service provider outside of the terms outlined in the MSA contract. The Compliance Department provides oversight by monitoring the actual services performed to ensure adherence to Section 8 requirements.

## **b. Lead Buy**

UHM Retail Loan Officers are permitted to purchase leads, but only in accordance with this RESPA Section 8 Policy.

### **For all lead buy companies,**

- Agreement, if required, must be in writing (Note: The Loan Officer CANNOT sign a contract that obligates UHM at a corporate level; the contract must be between the Loan Officer and the lead buy company);
- The agreement must be clear that there are no expectations of future payments or volume;
- The rate structure must be flat, not based on lead generation success, and must be reasonable in amount in relation to the fair market value of the lead in the marketplace irrespective of the value of the loan or other services that may result from the lead;
- The UHM Partner must pay the lead generation company directly;
- UHM Partners are not permitted to purchase or arrange for the purchase of leads from other settlement services providers such as real estate brokers or agents;
- The lead generation company, if required, must be licensed by the state to provide leads; and In addition to what is stated above, for co-branded lead buy companies:

### **In addition to what is stated above, for co-branded lead buy companies:**

- Proof of payment to the lead generation company cannot exceed the Partners pro rata share (i.e. 50%) and the other party must pay its pro-rata share directly to the lead generation company;
- If leads are shared as provided just above, the party receiving the leads from UHM must not refer potential customers from the lead list to UHM unless the party receiving the leads is invoiced separately by the lead generation company for the lead recipient's pro rata share of such leads; and
- The lead generation company and any referral source with whom UHM shares leads (see above) cannot influence the consumer to contact the Loan Officer or endorse the Loan Officer.

Consumer Direct may purchases lead at the corporate level. Individual Consumer Direct Loan Officers are not permitted to purchase his/her own leads.

TPO Account Executives are not permitted to buy leads.

Loan Officers and all UHM Partners are prohibited from selling, re-selling, or forwarding leads.

### **c. Joint Ventures**

Joint ventures between UHM Partners and other settlement service providers (such as a real estate agent, insurance agents, title companies, etc.) is expressly prohibited.

### **d. Joint Advertising**

Joint advertising between a UHM Loan Officer and another settlement service provider (such as a realtor) is permitted.

Joint advertising (a.k.a. co-branding) with real estate agents, builders, financial consultants, or other potential referral sources, including sharing of costs and expenses, must be submitted to [marketing@uhm.com](mailto:marketing@uhm.com) for approval by the Marketing Department (for marketing standards and branding purposes) and the Compliance Department (for regulatory purposes) **in advance**. This applies to any shared advertising expense or purchase of advertising space on websites, other electronic media, or printed format (such as local magazines, newspapers, real estate guides, and flyers and other takeaways used for marketing). UHM open house flyers or other printed materials that contain home listing or real estate agent contact information may be provided only on the format approved by the Marketing Department. The Marketing Department will retain copies of all advertisements.

For all joint advertising expenses, the Partner must pay his/her share of the expense in proportion to the space (or other relevant measure according to media) that UHM has in each advertisement. The Partner doing the joint advertising must obtain documentation supporting the full cost of the advertisement, including not just the cost of placement but of development (if UHM Marketing Department is not utilized), as well, and the portion he/she paid and must submit copies and proof of payment to the Marketing Department. The Marketing Department will retain the records. The UHM Loan Officer is responsible for obtaining all subsequent invoices and proof of payment if the advertisement is ongoing. UHM considers the joint advertising cost to be the fair market value of the services performed.

The above content is also included in UHM's Marketing-Advertising Policy.

## 18.5 Inclusion in Third-Party Advertising

UHM or a UHM employee may accept placement on a realtor, builder, or other referral source web-site or printed promotional material, if approved in advance through the Marketing and Compliance Departments. These placements must not be exclusive, meaning that UHM cannot require or even suggest that the referral party not provide such placements to other mortgage lenders or mortgage brokers. The company logo and Partner photograph may be used, but otherwise the ad may contain only contact information. The employee and UHM may be identified as a “Preferred Lender” (or other term that is common in the marketplace) but no arrangement can be exclusive to UHM or any UHM employee. The advertisement should make it clear, through disclaimer or other means, that there is no affiliation between UHM and the referral source and that use of either party is not required by the other party. No UHM employee is permitted to influence the selection by a consumer of the referral source that permits UHM or UHM employee to advertise in this manner. A referral source that permits UHM or a UHM employee to advertise in this manner should have no expectation of referrals from UHM or any UHM employee.

Under no circumstance can UHM or its employees defray or discount the advertising expense of the other party who is a settlement service provider (i.e. real estate agent, title company, etc.) and in a position to refer business, as the payment of that expense can be construed as an expectation of referrals.

## 18.6 Sponsorship & Other Events

The ability to sponsor an event depends on who is hosting the event and what the Union Home Mortgage Loan Officer is asked to provide.

- An LO is never permitted to subsidize a settlement service provider’s event;
- An LO is never permitted to defray costs for a settlement service provider;
- An LO is never permitted to sponsor an event that has no normal promotional value to UHM; and
- An LO is never permitted to pay more than fair market value for an event.

### a. What is a sponsorship?

A sponsorship is when UHM or a UHM LO is asked by a third party to contribute money to sponsor a specific event. To be permissible, **a sponsorship must be consumer facing**, meaning the event is open and/or available to the public or is open to multiple real estate offices and not exclusive to one agent’s office.

### b. What is an event?

Events include, but are not limited to, events hosted by a Chamber of Commerce, Board of Realtors, or a mixed community business event. Lunch & learns are also considered events. To be permissible, a lunch & learn **must include an educational component**.

### **c. What is a subsidy?**

Money provided to a settlement service provider in order to offset or defray that provider's expenses for a sponsorship or event.

### **d. Lunches and Happy Hours**

UHM Partners may host lunches and happy hours for his/her service provider contacts (i.e. realtors, title companies, etc.). These events must contain a promotional or educational component, such as learning about UHM and products it offers, and must include substantial marketing and promotion of UHM products and services. At no time during these events, or in consideration of hosting or attending these events, can there be discussion or inference about the expectation of referrals of business.

The same is true if the service provider partner hosts an event; there must be a promotional or educational component (i.e. learning about that partner's business and services offered, for example) and no discussion or inference about referrals of business. UHM will not cover event-related expenses of service providers that service providers would incur if UHM was not participating.

UHM Partners may jointly host lunches and happy hours with realtors, title companies or other settlement service providers. There must be an educational component and include substantial marketing and promotion of UHM products and services. No discussion or inference about referrals of business may occur. Marketing materials related to this event must include a disclaimer indicating that there is no affiliation between the hosts, nor does the joint event infer that there is an endorsement by one party of the other. Costs for the joint event must be shared equally among the hosts.

## e. Sporting Events

It is never permissible for a UHM Loan Officer to give tickets to or take a settlement service partner to a professional or college sporting event.

The following are broadly stated examples of permissible and impermissible sponsorships and events. If you are unsure a sponsorship or event is permissible, you **MUST** contact the Compliance Department in advance of agreeing to the sponsorship or event. This list is not intended to serve as approval for the examples listed as the unique characteristics of each event must be evaluated to ensure compliance with RESPA Section 8.

Permissible Sponsorships	Impermissible Sponsorships
Flag on golf hole for golf event that is open to numerous participants and not limited to 1 company	Individual realtor office events
Local community youth sports teams	Paying for food or prizes for individual realtor office events
Lunch & learns with an educational component (i.e. learn about UHM and its products)	On-going sponsorships (i.e. pay a flat amount for a period of time to gain access to a conference room in realtor's office)
Chamber of Commerce events	Team building activities for anyone outside of UHM
Mixed community business events	Lunch, dinner or happy hours without a promotional or educational component
Board of Realtor events	Taking realtors/title companies/etc. to professional or college sporting events
Open house for real estate agent (expenses must be shared equally by all hosts)	Donating money to settlement service provider's own foundation/charity

To increase the likelihood that sponsorships, gifts or lunches would be deemed "normal" promotional or educational activities, such activities must be reasonably priced and ordinary, rather than expensive and unique. Repetitive sponsorships, gifts, or lunches are less likely to appear normal if such items are regularly provided to the same persons and referrals are made from such person to UHM. Recipients of promotional or educational sponsorships, gifts, or lunches should be based on neutral business criteria to avoid the appearance that such activities are related to a past or future referral.

## 18.7 Gifts

All gifts must be nominal in nature and may only be given occasionally. All gifts must be related to marketing and promotion of UHM products and services.

It is never appropriate for a UHM Loan Officer or Partner to create branded gifts using the settlement service provider's logo. This is considered subsidizing of the provider's marketing expense.



## **18.8      Team Creation with other Settlement Service Providers**

The creation of “teams” with other settlement service providers is prohibited as it gives the appearance of an endorsement. For example, it is not permitted for UHM Partners to create and advertise a team comprised of title companies, insurance providers, real estate agents or any other real estate settlement service providers.

## **18.9      Evaluating Office Space Leasing Requests**

Direct questions about office space leasing to the National Sales Manager or the Chief Compliance Officer.

## **18.10    Penalties**

Violations of RESPA Section 8 expose both UHM and its individual employees to liability under RESPA and the Consumer Financial Protection Act (CFPA) as well as individual criminal charges.

Violations of this UHM Policy will result in disciplinary action up to, and including, termination.

## Section 19 Ecommerce & Electronic Signature Policy

Policy Name	ECommerce & Electronic Signature Policy
Version	4.0
Committee Review: ACT	4-3-2024
Last Reviewed by Compliance	3-19-2024

### 19.1 Regulatory Background

The Uniform Electronic Transition Act (UETA) at the state level and the Electronic Signatures in Global and National Commerce Act (ESIGN) at the Federal level have both established requirements for permissible use of electronic signatures. The UETA provides a general rule of validity for electronic records and signatures for transactions in or affecting interstate or foreign commerce. The E-Sign Act allows the use of electronic records to satisfy any statute, regulation, or rule of law requiring that such information be provided in writing, if the consumer has affirmatively consented to such use and has not withdrawn such consent. Compliance with both UETA and ESIGN ensures that the transaction is both valid and enforceable in an electronic format.

### 19.2 Use of Electronic Records or Signatures

Union Home Mortgage (UHM) does not require any person to use electronic records or signatures.

### 19.3 eConsent and eSign Service Provider

UHM uses a third-party service provider to obtain eConsent from the consumer, which allows the consumer to receive documents electronically and to eSign documents. UHM relies on the third party vendor to validate the entire e-consent process to ensure the consumer is able to receive, view, and sign documents in accordance with Federal and state law.

### 19.4 Consumer Disclosure

The third-party service provider issues clear statements to the consumer about:

- Any rights or options to have the record provided or made available to the consumer through paper or electronic form;
- Whether consumer consent applies to the specific transaction that gave rise to the obligation to provide the record;
- Procedures the consumer must follow to withdraw consent and how to update information needed to contact the consumer; and
- How the consumer may obtain a paper copy of an electronic record.

## **19.5      Hardware & Software Requirements**

The third-party service provider provides the consumer with statements regarding the hardware and software requirements required to access and retain electronic records. The consumer must demonstrate that they have the ability to receive and open electronic documents. This functionality is demonstrated before the consumer can sign any document electronically.

If for any reason there is a change in software or hardware requirements, UHM must:

- Provide the consumer with a statement of the revised hardware or software necessary to gain access to electronic records; and
- Provide the consumer the right to withdraw their consent without being charged any fees.

UHM relies on the third-party service provider to provide information about changes in hardware and software requirements necessary to receive, view and sign documents electronically in accordance with Federal and state law. If there were changes to hardware and software requirements, UHM would collaborate with the third-party vendor to determine how the information would be communicated to consumers.

## **19.6      Specific Disclosure Requirements**

All initial application disclosures, and other disclosures received thereafter, may be electronically signed except for forms that require a physical signature as defined by Federal or state law or agency guidelines. A Power of Attorney is never permitted to be executed electronically.

## **19.7      Closing Package Requirements**

UHM requires that the entire closing package, including but not limited to, the original Note and the original Security Instrument (Mortgage, Deed of Trust, and/or Security Deed) be signed by all borrowers and required interested parties with wet ink signatures. For eClosings UHM allows all documents to be e- signed except documents requiring a wet ink signature per State Law.

## Section 20 Homeowner Protection Act (PMI Cancellation)

Policy Name	Homeowner Protection Act (PMI Cancellation)
Version	7.0 (3-5-2024)
Committee Review: ACT	4-3-2024
Last Reviewed by Compliance	3-5-2024

### 20.1 Summary of Regulation

The Homeowner Protection Act of 1998 (HPA), also known as the “PMI Cancellation Act,” establishes provisions for canceling and terminating PMI, establishes disclosure and notification requirements, and requires the return of unearned premiums. Production personnel handling consumer questions about PMI during the origination process should reference the required PMI disclosures described in this policy.

Post-consummation borrower questions about PMI and PMI cancellation should be directed to UHM’s Servicing Oversight Manager or the Servicing Department.

### 20.2 PMI Cancellation Policies

#### **Automatic Cancellation:**

UHM servicing software tracks the loan-to-value ratio on each loan. The system generates a report on a monthly basis detailing which loans are less than or equal to 78% loan-to-value ratio, based on the original value as defined by the Homeowner’s Protection Act. UHM reviews each loan on the report to determine if it meets the other requirements for automatic termination. PMI is cancelled if the loan meets the investor requirements and reported to the investor within the month of cancellation. Any refunds paid by mortgage insurers are forwarded to the customer immediately. UHM performs an escrow analysis to adjust for the elimination of PMI from the escrow payment, and new payment. UHM then sends the customer notification the cancellation of the PMI, payment change, and effective date.

#### **Borrower Initiated Cancellation:**

UHM will review an account for possible PMI cancellation based on either a verbal or written borrower request. The review will be based on the requirements of the investor who owns the loan. UHM does not charge any fee for the review, but if an appraisal or other type of property valuation is required, the cost of the valuation must be paid in advance by the borrower. UHM will provide a copy of the valuation regardless of outcome, and a written response to the review request if PMI cannot be cancelled. If the review results in a determination that PMI can be cancelled, the cancellation is reported to the investor within the month of cancellation. Any refunds paid by mortgage insurers are forwarded to the customer immediately. UHM performs an escrow analysis to adjust for the elimination of PMI from the escrow payment, and new payment. UHM then sends the customer notification of the cancellation of the PMI, payment change, and effective date.

**Modifications:**

PMI can be cancelled on loans that have been modified if permitted by the investor that owns the loan. On loans that are modified, the new terms, amortization schedule, and new valuation (if applicable) are utilized when making the determination if PMI can be canceled rather than the original loan information.

**20.3      Required Disclosures—Transactions and Residential Mortgages**

UHM provides borrowers certain disclosures that detail the borrower's rights for PMI cancellation and termination. A borrower may not be charged for any disclosure required by this policy. The borrower must also be provided with certain annual and other notices concerning PMI cancellation and termination.

**20.4      Initial Disclosures for Fixed-Rate Residential Mortgage Transactions**

When PMI is required for non-high-risk fixed rate mortgages, UHM must provide to the borrower at the time the transaction is consummated:

- Written initial amortization schedule, and
- Written notice that discloses:
  - The borrower's right to request cancellation of PMI, and, based on the initial amortization schedule, the date the loan balance is scheduled to reach 80 percent of the original value of the property;
  - The borrower's right to request cancellation on an earlier date, if actual payments bring the loan balance to 80 percent of the original value of the property sooner than the date based on the initial amortization schedule;
  - That PMI will automatically terminate when the LTV ratio reaches 78 percent of the original value of the property and the specific date that is projected to occur (based on the initial amortization schedule); and,
  - The Act provides for exemptions to the cancellation and automatic termination provisions for high risk mortgages and whether these exemptions apply to the borrower's loan.

**20.5      Initial Disclosures for Adjustable-Rate Residential Mortgage Transactions**

- When PMI is required for adjustable rate mortgages, UHM must provide to the borrower at the time the transaction is consummated a written notice that discloses:
- The borrower's right to request cancellation of PMI on
  - the date the loan balance is first scheduled to reach 80 percent of the original value of the property based on the amortization schedule then in effect or
  - the date the balance reaches 80 percent of the original value of the property based on actual payments. The notice must also state that UHM, or its sub-servicer will notify the borrower when either (a) or (b) occurs;

- That PMI will automatically terminate when the loan balance is first scheduled to reach 78 percent of the original value of the property based on the amortization schedule then in effect. The notice must also state that the borrower will be notified when PMI is terminated and,
- That there are exemptions to the cancellation and automatic termination provisions for high-risk mortgages and whether such exemptions apply to the borrower's loan.

## **20.6      Initial Disclosures for High-Risk Residential Mortgage Transactions**

When PMI is required for a high-risk residential mortgage transaction, UHM must provide to the borrower a written notice stating that PMI will not be required beyond the date that is the midpoint of the loan's amortization period if the borrower is current on payments. The UHM will provide this notice at consummation. UHM need not provide disclosure of the termination at 77% LTV for UHM or Investor defined high risk mortgages.

## **20.7      Annual Disclosures for Residential Mortgage Transactions**

For all residential mortgage transactions, including high risk mortgages for which PMI is required, UHM or its sub-servicer must provide the borrower with an annual written statement that sets forth the rights of the borrower to PMI cancellation and termination and the address and telephone number that the borrower may use to contact the servicer to determine whether the borrower may cancel PMI. UHM may elect to include this notice as part of the borrower's annual escrow analysis.

## **20.8      Disclosure Requirements for Lender-Paid Private Mortgage Insurance (LPMI) Initial Notice**

In the case of LPMI required for a residential mortgage transaction, the Act requires that the lender provide a written notice to the borrower not later than the date on which a loan commitment is made advising the borrower of the differences between LPMI and BPMI (borrower paid mortgage insurance) by notifying the borrower that LPMI:

- Differs from BPMI because it cannot be canceled by the borrower or automatically terminated as provided under the Act;
- Usually results in a mortgage having a higher interest rate than it would in the case of BPMI; and,
- Terminates only when the mortgage is refinanced, (as that term is defined in the Truth in Lending Act, and Regulation Z), paid off, or otherwise terminated.

The notice must also provide:

- That LPMI and BPMI have both benefits and disadvantages;
- A generic analysis of the costs and benefits of a mortgage in the case of LPMI versus BPMI over a ten-year period, assuming prevailing interest and property appreciation rates; and,
- That LPMI may be tax-deductible for federal income taxes, if the borrower itemizes expenses for that purpose.

## Section 21 Power of Attorney & Guardianship Policy

Policy Name	Power of Attorney & Guardianship Policy
Version	8.0 (12-21-2023)
Committee Review: ACT	12-20-2023
Last Reviewed	12-21-2023

### 21.1 Purpose

Union Home Mortgage Corp. (UHM) may permit, in its sole discretion, the use of a person acting as Attorney-in-Fact pursuant to authority granted by a borrower under a written Power of Attorney (POA), according to Agency guidelines. The person acting as Attorney-in-Fact/Agent should have a familial, personal, or fiduciary relationship with the borrower.

The Power of Attorney may be utilized at closing for execution of the loan documents in accordance with Investor guidelines, programs, and restrictions and in compliance with applicable state and/or federal laws.

During the pendency of the COVID-19 pandemic, UHM may amend some requirements herein pursuant to published and/or enacted Temporary Flexibilities for POA(s).

Freddie Mac: A POA may only be used when:

- There is an event such as a medical emergency, natural disaster, military deployment or other hardship preventing the Borrower from executing the requisite documents in person, by electronic signature or through other alternative electronic means (e.g., Remote online Notarization, eClosing ), or
- Applicable law requires UHM to accept use of a POA.

If these requirements can not be met the loan must be marked Fannie Mae only and meet all Fannie Mae requirements.

### 21.2 Types of POA Documents Acceptable to Union Home Mortgage

#### **Durable Power of Attorney**

Allowed on Freddie Mac, FHA, VA, and USDA

- Must survive the disability or incapacity of the principal.
- Must contain language stating that the authority given remains in effect if the principal/grantor becomes incapacitated.

#### **Military Power of Attorney**

Allowed on Freddie Mac, FHA, VA and USDA

- Must survive the disability or incapacity of the principal.

## **Specific, Special, or Limited Power of Attorney**

Allowed on all loan types, but required by Fannie Mae as described in Fannie Mae Specific Document Requirements below. Refer to jumbo investor requirements that generally require a limited power of attorney.

## **Fannie Mae Specific Document Requirements**

FNMA Selling Guide B8-5-05 requires that:

An attorney-in-fact or agent under a power of attorney may sign the security instrument and/or note on behalf of a borrower if all the following requirements are met:

- the lender obtains a copy of the power of attorney.
- The name(s) on the POA match the name(s) of the person on the relevant loan document.
- The POA is dated such that it was valid at the time the relevant loan document was executed.
- The POA is notarized
- The POA must reference the address of the subject property.

FNMA Additional Requirements:

- In jurisdictions where a power of attorney used for a signature on a security instrument must be recorded with the security instrument, the lender must ensure that recordation has been affected.
- If applicable law requires an original power of attorney for enforcement or foreclosure purposes, an original (rather than a copy) must be forwarded to the document custodian.
- If there is more than one borrower, each may execute the note and/or security instrument using a POA that complies with FNMA section B8-5-05.



## 21.3 Permitted Attorneys-in-Fact or Agents Under Power of Attorney

### Fannie Mae Ineligible Agents

Ineligible Agents	Unless a person described below is a relative* of the borrower, none may serve as an agent except in accordance with a listed permitted exception.	
	<b>Agent</b>	<b>Permitted Exceptions</b>
	Affiliate of Lender	Transaction must meet the additional conditions below.
	Loan Originator	
	Affiliate of the Loan Originator	
	Employee of the Title Insurance Company	
	Affiliate of the Title Insurance Company or its Employee (including, but not limited to, the Title Agency closing the loan)	
	Lender (or Employee of Lender)	None.
	Property Seller, or any Person Related to the Property Seller, Including a Relative or Affiliate	
	Any Real Estate Agent with a Financial Interest in the Transaction (or any Person affiliated with such Real Estate Agent)	
*A borrower’s relative includes any person defined as a relative in FNMA’s Guide, or a person who is an individual engaged to marry the borrower, or is in a legally recognized mutual relationship with the borrower (however denominated under applicable local law).		

### Fannie Mae Additional Conditions

The following are the additional conditions that must be met to qualify for a permitted exception in the table above.

- The POA expressly states an intention to secure a loan not to exceed a stated amount from a named lender on a specific property.
- The POA expressly authorizes the agent to execute the required loan documents on behalf of the borrower.
- In a recorded, interactive session conducted via the internet, and to the satisfaction of the agent, the borrower must:
  - Confirm their identity;
  - After reviewing the required loan documents, reaffirm their agreement to the terms and conditions of the note and security instrument evidencing the transaction; and
  - Reaffirm their agreement to the execution of the loan documents by the agent.
- At Fannie Mae's request, the lender must produce a recording and other documentary media memorializing the entirety of the interactive session. Such request may be at any time during the term of the related loan. The lender must comply within a commercially reasonable time following such request and without additional expense to Fannie Mae.
- If the agent is an employee of the title insurer or is an employee of the policy-issuing agent of the title insurer, then unless unavailable under applicable law, such title insurer must issue a closing protection letter (or similar contractual protection) for the transaction for the policy-issuing agent.

## **Freddie Mac Specific Requirements**

For FHLMC, the person using the POA to sign on behalf of the Borrower is called an “attorney-in-fact.” The attorney-in-fact must:

- Have a familial or fiduciary relationship with the Borrower;
- Be an individual employed by the title insurer underwriting the title insurance product insuring the Mortgage; or
- Be an individual employed or engaged contractually by the title agency issuing the title insurance product for the Mortgage and closing the transaction, but only if the title insurer has issued a closing protection letter relating to the transaction (or has similar contractual indemnity to the Seller and assignees of the Seller) for such policy issuing agent
- Neither the seller of the property in a purchase transaction nor an employee of the originating lender is eligible to be an attorney-in-fact under a POA.

## **VA Program Requirements**

Union Home Mortgage Corp. will allow a veteran to use an attorney in fact to execute any document necessary to obtain a VA-guaranteed loan. All Union Home Mortgage Corp. general requirements must be met in addition to:

- Obtaining the veteran’s written consent to the specifics of the transaction (see VA Lender Handbook for specifics);
- At the time of closing, the lender must verify that the veteran is alive, and, if on active military duty, not missing in action (MIA) and make the following certification:
- “The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran’s behalf by the attorney in fact.”

## **Eligible Transactions and Restrictions on the Use of a Power of Attorney**

### **Eligible Transactions:**

- Purchase
- Limited Cash Out Refinance

Except as required by applicable law, the following restrictions apply:

### **Restrictions:**

#### Fannie Mae:

A FNMA cash-out refinance is not allowed.

#### Freddie Mac:

A FHLMC cash-out refinance is allowed if, after the terms of the Mortgage have been finalized and prior to closing, an employee of the originating lender or settlement agent must explain and discuss the terms of the Mortgage and use of the POA with the Borrower to confirm that the Borrower understands them.

However, if the Borrower is in a Period of Military Service as defined in Section 8503.1 and is unavailable for the discussion or the Borrower is incapacitated such that he or she cannot participate in a discussion, then this requirement is waived as to that Borrower. At a minimum, the discussion must include:

- Review of the rate, term, and principal balance of the Mortgage,
- The address of the Mortgaged Premises,
- The fact that the attorney-in-fact uses the Borrower's POA to sign documents on behalf of the Borrower, and
- The scheduled or estimated closing date

This discussion must take place in person, telephonically or using a video conference system. It may take place just before closing and does not require the presence of the attorney-in-fact. It must be memorialized by a Borrower acknowledgment that may be in:

- Writing
- An e-mail exchange with the Borrower at an e-mail address provided by the Borrower, or
- A recording or a transcript of the telephone or video discussion with the Borrower

The acknowledgement must be retained in the Mortgage file and made available to Freddie Mac upon request.

#### Jumbo Investors:

Refer to Jumbo investor guides for specific requirements. UHM process must still be followed in addition to the investor process when the loan is delegated underwriting and/or UHM is acting as a correspondent and responsible for the loan closing document accuracy.

#### **Inter Vivos Trust – Fannie Mae**

When title to mortgaged property is held by a trustee under an *inter vivos* revocable trust, loan documentation may not be executed using a POA granted by such trustee unless,

- the related trust instrument expressly authorizes the trustee to use a POA to delegate powers to an agent, or
- the agent under the POA is the borrower creating such *inter vivos* revocable trust.

#### **POA Required by Applicable Law**

If a Power of Attorney is used because UHM determines that such use is required by applicable law, UHM must include in the mortgage file a written statement that explains the circumstances, and will also independently verify and obtain supporting documentation. The statement is generally to be provided to the document custodian with the Power of Attorney.

## 21.4 General Power of Attorney

A general Power of Attorney is only acceptable on Freddie Mac, USDA loans, FHA loans, and VA loans. A General Power of Attorney must:

- Contain powers to enter in real-estate transactions with specific ability to mortgage, pledge, hypothecate, encumber and execute loan documents;
- Survive the disability or incapacity of the principal; and
- Contain language stating that the authority given remains in effect if the principal/grantor becomes incapacitated.

Additionally, the VA Program requires:

VA Pamphlet 26-7 Chapter 9 Topic 7 (B and E) requires that “To complete the loan transaction using an attorney-in-fact, VA also requires the veteran’s written consent to the specifics of the transaction. This requirement can be satisfied by either:

- The veteran’s signature on both the sales contract and the Uniform Residential Loan Application, as long as the veteran’s intention to obtain a VA loan on the particular property is expressed somewhere in those documents, or
- A specific power of attorney or other document(s) signed by the veteran, which encompasses the following elements:
  - Entitlement—A clear intention to use all or a specified amount of entitlement;
  - Purpose—A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinancing;
  - Property Identification—Identification of the specific property;
  - Price and Terms—The sales price, if applicable, and other relevant terms of the transaction; and
  - Occupancy—The veteran’s intention to use the property as a home to be occupied by the veteran (or other applicable VA occupancy requirement).

VA may relax the requirements in an exceptional case if serious hardship may result due to the time or other pertinent factors involved in obtaining the veteran’s consent to the specific transaction.

## 21.5 General Requirements

The following specifications must be met:

- Indicate clearly that the mortgagor is appointing an attorney in fact;
- Prepared by a licensed attorney, title company and/or be in recordable format;
- Precisely identify who is being appointed;
- The appointed attorney in fact must be the same person signing the note and/or security instrument on behalf of the Principal;
- The Principal's name must exactly match the name on the note and/or security instrument. A name change may be required to be processed in Encompass;
- Be signed and dated by the borrower;
- Be witnessed, if the State requires a witness or witnesses;
- Be notarized (if executed outside the U.S. see Power of Attorney Executed Abroad section);
- Be effective prior to the date of the closing and remain in effect for a minimum of thirty (30) days following the consummation date to provide for post-closing issues, if any;
- Contain a recorder's stamp if previously recorded;
- A separate, executed POA must exist for each borrower not present at closing. An Attorney in Fact may not sign on behalf of multiple borrowers. UHM may consider a Joint POA wherein the 2<sup>nd</sup> Principal will not be vested in title, is not a credit qualifying borrower and is solely signing the Security Instrument to release his/her spousal/marital/dower/homestead/community property interests in the property.
- The POA should include, if formatting permits, UHM as the Lender, UHM loan number, loan amount and loan program type (ex. Conventional or FHA).
- The POA must include language that the AIF is granted the authority and power(s) on behalf of the Principal to enter into transactions for the purchase and/or mortgage of real property, and to execute Notes, Mortgages/Deeds of Trust, and any and all ancillary closing documents that may be required by UHM, the title company, settlement agent and/or an Investor.

## 21.6 Loan Application Requirements

Initial loan applications must be signed by the borrower unless:

- The borrower is on military service with the United States armed forces serving outside the United States or deployed aboard a United States vessel, as long as the power of attorney expressly states an intention to secure a loan on a specific property, or complies with the requirements under the VA Lender's Handbook relating to the powers of attorney for VA-insured mortgage loans; or
- Such use is required of lender by applicable law; or
- **FNMA Only:** The attorney-in-fact agent signs the security instrument in their personal capacity with regard to their individual ownership interest in the mortgaged property; or
- FHLMC is the Investor.

## 21.7 Title Company Approval

If the loan documents are scheduled to be signed by an attorney in fact, the executed and notarized Power of Attorney must be pre-approved in writing by the title company issuing the title policy with express affirmation that the POA is in recordable format. This writing from the title company should be saved in the Encompass Conversation Log. The title company must ensure the lien priority without exception to the POA.

## 21.8 UHM Underwriter and Compliance Approval

The executed and notarized POA must be reviewed and approved by the UHM Underwriter prior to the preparation of the UHM closing documents. Any questions by the UHM Underwriter should be directed to his/her respective U/W Team Lead. Thereafter, if questions, concerns and/or issues remain outstanding and unresolved, a Ticket should be sent to UHM's Power Help Desk.

### Signature Requirements

Documents executed by the attorney in fact must be signed according to the following:

Acceptable Signature Format
*** <u>Jane Mac by John Mac, as her Attorney-in-Fact</u> <b>Jane Mac by John Mac, as her Attorney-in-Fact</b>
<u>John Mac as AIF for Jane Mac pursuant to POA dated XX-XX-</u> <u>XXXX</u> <b>Jane Mac by John Mac, as her Attorney-in-Fact</b>
<u>Jane Mac by John Mac AIF</u> <b>Jane Mac by John Mac, as her Attorney-in-Fact</b>
<u>Jane Mac by John Mac POA</u> <b>Jane Mac by John Mac, as her Attorney-in-Fact</b>
<u>John Mac, Attorney-in-Fact for Jane Mac</u> <b>Jane Mac by John Mac, as her Attorney-in-Fact</b>

To promote consistency and uniformity, UHM requires that the signature line be typed exactly as above. The preferred method of signature is the 1st example above identified by the 5 underlined red stars.

### Signature Format

The borrower may execute the POA using an electronic signature and following the specific requirements by each Agency.

### Power of Attorney Executed Abroad

A POA may be executed and notarized in an Embassy, Consulate, or on a Military Base. All requirements set forth by the State Department for overseas Citizens Services and the Uniform Code of Military Justice must be met.

### Delivery Requirements

A certified true copy of the POA must be returned by the settlement agent with the original closing package. The original recorded POA must be provided to UHM's Post-Closing Dept. not later than forty- five (45) days following disbursement of UHM's loan proceeds.

## Section 22 UHM Loan Origination, Servicing, and Corporate Business Records Retention Policy

Policy Name	UHM Loan Origination, Servicing & Corporate Records Retention Policy
Version	5.0 (11-30-2022)
Committee Review: CEO	11-29-2023
Last Reviewed by Compliance	07-10-2024

### 22.1 Purpose

This Policy is crafted in accordance with the legitimate business needs and concerns of UHM and in accordance with UHM's existing administrative, operational and fiscal constraints, and to comply with and adapt to the fluid regulatory environment of the mortgage banking industry and may be amended and/or updated as its business model evolves, or as technology changes or as the regulatory framework within which UHM conducts business expands, restricts or mandates.

### 22.2 Origination, Servicing, and Marketing Records

This Policy is interactive and is intended to primarily formalize the retention of UHM's loan origination records, loan servicing records and marketing records that are received in the ordinary course of business. UHM preserves loan origination records, loan servicing records and marketing records to comply with Federal and state regulatory requirements and to prepare for, and respond to, pending and/or reasonably foreseeable litigation, audits and/or investigations, whether on the Federal or state level or from a quasi- governmental agency or demands, routine reporting, requests and inquiries to and from a 3rd Party, including, but not limited to GSE's, Investors, customers and business partners. UHM recognizes that a multitude of significant Federal and state records laws exist which govern its activities and that there may be overlapping of time frames. In this event, UHM will adhere to the longer and more stringent requirement. Or alternatively, there may exist a Federal requirement but there is no corresponding state requirement, or vice versa. UHM recognizes that the Federal and state requirements are only minimum time frames and has crafted this Policy to provide that loan origination records, loan servicing records and marketing records will be maintained for their useful life expectancy as determined by UHM in its sole discretion, but never less than state or Federal or state legally mandated timeframes.

## **22.3      Corporate Books and Records**

This Policy also delineates the record retention of UHM's official and unofficial business and corporate records. UHM's Corporate and Business Records may or may not contain public, non-public, official, unofficial, private, confidential, sensitive, personal and/or privileged information that in some instances may be protected by the attorney client privilege, a Non-Disclosure Agreement or other restriction that may have an impact on, inhibit or prevent the release to 3rd parties thereof. UHM retains all corporate and business records pertaining to, including, but not limited to, all facets of employment, Human Resources, accounting (to be liberally construed) whether internal or outside retained firm(s), legal, administrative, day to day operations, summaries, reports, audits whether internal or external, and vendors etc., in accordance with generally accepted and commercially reasonable and prudent practices and principles to maintain and preserve the integrity of the record and its contents and to prevent the unauthorized and unlawful dissemination.

## **22.4      Seven Year General Requirements**

Unless otherwise noted in Schedule A, UHM elects to adopt and has implemented a general record retention period of seven (7) years for all loan origination records, loan servicing records, and UHM's Corporate and Business Records, with the exception of any record of any type that may require a longer specific itemized retention period or permanent retention as the case may be.

Records retained for a period of seven (7) years includes but is not limited to:

- Banking Records and Statements
- Financial Records and Reports
- Accounting Records
- Accident reports/claims (settled cases)
- Payroll records & summaries (7 years from separation)
- Withholding tax statements
- Retirement & pension records
- Personnel files (7 years from separation)
- Time books/cards (7 years from separation)
- Internal and External Audit Reports
- Training Manuals and Materials
- Internal Policies and Procedures (7 years after becomes inactive)
- Correspondence (legal & important matters only)
- Loan origination records (from closing date)
- Loan servicing records (from payoff date)

The retention period for marketing records varies by state. UHM will retain marketing records for the required time specified by state law.



UHM's best practices is to, whenever practical and in UHM's sole discretion, obtain the guidance, direction, advice and consent of the appropriate UHM managerial executive, in-house legal counsel or consult with UHM's independent tax and legal professionals whether a corporate or business record should be expunged following its minimum life expectancy. There may exist a contingency or situation wherein an actual record has exceeded its lawful retention period and/or is expired and may not be available for production by UHM for the entirety of the seven (7) year general term.

## **22.5      Retention of Encrypted Data**

If any information retained under this policy is stored in an encrypted format, considerations must be taken for secure storage of the encryption keys. Encryption keys must be retained by UHM's IT Department as long as the data that the keys decrypt is retained.

## **22.6      Record Destruction**

UHM is subject to both the Federal Trade Commission's (FTC) Disposal Rule 16 CFR 682 (effective June 1st, 2005 but as of September 12, 2016 under review by the FTC) and the Gramm-Leach-Bliley (GLB) Safeguards Rule. The Safeguards Rule requires the implementation of an information security program. Pursuant to 16 CFR 314.1. and to comply therewith UHM has adopted a standalone comprehensive Information and Data Security Policy.

UHM elects to retain all loan files in electronic format through the hosted server of the Encompass loan origination system (LOS). During the seven-year retention period above, electronic loan origination files will not be completely purged, but some information/documents, after the expiration of lawful time retention period(s), may or may not be available for reproduction.

All paper loan origination, loan servicing, corporate and business records will be destroyed in accordance with the Disposal Rule's guidelines, which may entail any acceptable method that renders the document completely illegible.

## **22.7      Damaged Records**

UHM has implemented viable and commercially feasible protocols and protections to preserve the integrity of loan origination records and to guard against damage, destruction or loss. However, in the event that any of UHM's loan origination records become partially, permanently or completely damaged, UHM will undertake reasonably prudent and diligent actions to recover or reconstruct the damaged record(s). At all times herein, UHM undertakes daily actions to mitigate and prevent loss exposure by maintaining electronic and paper documentation in a private, safe and secure environment.

If an event, circumstance or occurrence has partially or completely damaged, destroyed, compromised or affected the utility or viability of a UHM record, and UHM has actual notice thereof, UHM will promptly notify all necessary parties, inclusive of the UHM customer if applicable, and thereafter proceed in accordance with both UHM's Information and Data Security Policy and Federal and state law.

## **22.8      Email and Other Electronic Messages Covered by the Policy**

This Policy is also designed to cover information that is stored or shared by email messages and attachments; electronic calendars and time management systems; electronically captured and delivered voicemail, instant messaging, or other similar communicative online technologies; and electronically transmitted documents including scanning and facsimile records (collectively defined as “Email”). This policy does not pertain to hard copy documents and information not stored in an electronic form.

## **22.9      Storage and Removability of Emails by Employees**

Removable media use and storage must comply with UHM’s removable media policy.

## **22.10    Legal Holds**

Documents and emails that are not otherwise subject to retention for business reasons may need to be retained for purposes of potential or pending litigation or a government investigation. In the event that requirements in this section conflict with the Policy described above, this section shall control.

### **a. Creation of Legal Holds**

In the event that UHM reasonably anticipates being a party to a lawsuit or government investigation, or becomes a party to a lawsuit or government investigation, and where emails that are not usually retained may be required to be kept to service the lawsuit, a receipt of a subpoena, or a request for production of documents, UHM and its employees, as directed by legal counsel, will preserve emails in its possession, custody, or control that it knows, or reasonably should know, are relevant to the action, are reasonably calculated to lead to the discovery of admissible evidence, are reasonably likely to be requested during discovery, or are the subject of a pending discovery request. If UHM determines that the regular email retention policy might lead to the destruction of emails described above, it shall suspend and/or modify its Policy accordingly and ensure that only impacted employees are aware of the then-applicable retention requirements.

### **b. Tracking of Legal Holds**

Legal Counsel is responsible for tracking legal holds and production activities for UHM and will provide UHM leadership with a current list of all legal hold activity on a periodic basis.

### **c. Suspension of Legal Holds**

Once a legal matter has been resolved, Legal Counsel will communicate to all employees that the legal hold has been lifted. At that time, regular disposal in accordance with this Policy may resume.

#### **d. Consequences of Willful Disposal**

All UHM employees are required to follow the Company's instructions, including from UHM's legal counsel, with respect to the retention of emails and other electronic materials, including the suspension or modification of normal email retention and destruction procedures. Willful and premature destruction of emails subject to a legal hold is expressly prohibited. Any intentional destruction of such email is a serious offense and may result in disciplinary action, up to and including the termination of employment and possible civil and criminal liability.

### **22.11 Schedule A: Corporate Business Records Retention Requirements**

THIS DOCUMENT IS INTENDED AS REFERENCE MATERIAL ONLY. UHM may, at its discretion, retain documents for a longer period of time.

#### **Permanently**

1. Minute books of directors, stockholders, bylaws, and charter
2. Patents & related papers
3. Trademark registrations and copyrights along with related content
4. Agreements with investors and warehouse bank providers
5. Insurance policies

#### **40 years**

6. Benefit plan and profit-sharing plans (Maine requirement)

#### **30 years**

7. Worker's Compensation/Medical Records (30 years from separation)

#### **6 years**

8. Health Plan/Summary Plan Description

#### **3 Years**

9. I-9 documentation (3 years from separation)
10. Non warehouse and investor contracts and vendor agreements (3 years from expiration)

#### **1 Year**

11. Employment applications from non-hired applicants (3 years from application)

#### **120 Days**

12. Email

## Section 23 Revocable Trust Policy

Policy Name	Revocable Trust Policy
Version	5.0 (02-05-2024)
Committee Review: ACT Committee Review: RUDY	8-12-2024
Last Reviewed by Compliance	8-12-2024

### 23.1 Introduction

Subject to investor guidelines, programs, parameters and restrictions, Union Home Mortgage Corp. (UHM) may permit a residential mortgage loan to be made to an individual(s) who currently holds legal title in the name of his/her/their trust (refinance) or desires to purchase property and at the time of acquisition vest legal title in the name of his/her/their trust/trustee.

As a transfer out of trust may have ancillary consequences, no employee of UHM shall suggest, infer, demand or require that a borrower transfer property out of trust as a condition of loan approval. If a borrower voluntarily and not under duress and without collusion offers this alternative, he/she should be instructed to seek the advice of his/her independent professionals.

### 23.2 General Requirements

The Inter Vivos Revocable Trust, or a/k/a Family Trust, or Living Trust, must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The borrower must be the Settlor or Trustor (the individual that created the trust and transfers assets such as the subject property, to hold and manage on behalf of the trust), the Trustee (the person selected by the Settlor acting on behalf of the trust to administer the terms of the trust) and the primary beneficiary (the person identified by the Settlers for whose benefit the trust is administered).

### 23.3 Restrictions

UHM does not permit the use of:

- Irrevocable Trust
- Qualified Personal Residential Trust
- Institutional Trust
- Corporate Trust
- Trust established under outside of or under the laws of any jurisdiction other than one of the 50 states or the
- District of Columbia,
- Survivor Trust where the Trust is no longer Revocable
- Testamentary Trust
- Blind Trust

### **Land Trusts (Including Illinois)**

UHM will consider approval of a Land Trust on an exception basis.

### **Community Land Trust**

A Community Land Trust is a model of affordable housing and community development, otherwise known as “CLT.” A CLT may also be considered for an Exception Approval.

**Exception approvals will only be granted on Conventional loans that meet agency guidelines.**

Refer to the Ask Alice/Ask UHM question, “What are the guidelines for Community Land Trusts and Ground Leases?” for detailed Agency guidance.

## **23.4 Power of Attorney**

A power-of-attorney may not be used under any circumstances to sign any documents, from initial application through and including closing, on behalf of a Trustor, Settlor, Beneficiary, Trust and/or Trustee.

## **23.5 Underwriting Considerations**

The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals, if there are two or more) were the borrower (or a co-borrower, if there are additional individuals whose income or assets will be used to qualify for the mortgage).

All property and occupancy types may be eligible subject to program and investor restrictions. For properties that are the borrower’s principal residence, at least one individual establishing the trust must occupy the security property and sign the loan documents.

The trust must be valid in a) the state in which the subject property is located; b) the state where the trust was created; and c) the state of controlling law and interpretation if specified in the trust.

The borrower(s) must provide a copy of the entire trust agreement, if the law of the property state allows a lender to require a copy of the entire trust agreement

**OR**

A Certification of Trust in the following states:

Alabama	Arizona	Arkansas	California
Delaware	District of Columbia	Florida	Idaho
Illinois	Iowa	Indiana	Kansas
Maine	Michigan	Minnesota	Mississippi
Missouri	Nebraska	Nevada	New Hampshire
New Mexico	North Carolina	North Dakota	Ohio
Oregon	Pennsylvania	Rhode Island	South Carolina
South Dakota	Tennessee	Texas	Utah
Vermont	Virginia	West Virginia	Wyoming

NOTE: Table includes information on states in which UHM is not licensed.

In all cases UHM will request the complete trust agreement. However, in those states where a lender is prohibited from requiring a full copy of the trust, a Certificate of Trust may be acceptable. Excerpts of the trust may be required in accordance with the laws of the property state and to validate the trust meets guidelines.

UHM does not at this time require an Attorney Opinion Letter for all trust reviews, but specifically reserves the right to require the borrower(s) to submit should the trust/trust certificate be outdated, aged, ambiguous, amended, restated, or complex.

A thorough review of the complete trust agreement or Trust Certificate and the title commitment must be completed by the Underwriter. All of the trust documents must be retained in the loan file.

The Underwriter must complete the Trust Checklist along with their signature and date acknowledging the Underwriter has reviewed and approved the trust documents. Any questions by the UHM Underwriter should be directed to his/her respective U/W Team Lead. Thereafter, if questions, concerns and/or issues remain outstanding and unresolved, a Ticket should be sent to UHM's Power Help Desk.

## **23.6      Title and Insurance Requirements**

UHM must retain in the individual mortgage file a copy of any trust documents that the title insurance company required in making its determination on the title insurance coverage.

Title held in the trust does not in any way diminish investor or agency rights as a creditor, including the right to have full title to the property vested in investor or agency should foreclosure proceedings have to be initiated to cure a default under the terms of the mortgage.

- The title insurance policy ensures full title protection to investor or agency.
- The title insurance policy states that title to the security property is vested in the Trustee(s) of the inter vivos revocable trust.
- The title insurance policy does not list any exceptions with respect to the Trustee(s) holding title to the security property or to the trust.

Title to the security property is vested solely in the Trustee(s) of the inter vivos revocable trust, jointly in the Trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the Trustee(s) of more than one inter vivos revocable trust.

## **23.7      Closing Requirements**

The following executed collateral documents are required when closing a loan in a trust:

- The original note,
- Trust addendum to the note,
- Mortgage/deed of trust,
- Trust rider to the mortgage/deed of trust.

## **23.8      Signature Requirements**

Due to the multi-capacity of parties involved in an inter vivos trust (for example Settlor, Trustee and Beneficiary), the loan documents must be executed by all required parties and in a specific manner.

### **a. Original Note**

- The borrower must sign as an individual and trustee of the trust.
- Each individual, not a Trustee whose income or assets were used to qualify for the loan (i.e. co-borrower).
- Each Settlor whose income or assets were used to qualify for the loan.

### **b. Trust Addendum to the Note**

- Each Trustee as Trustee of the trust.
- Each Settlor whose income or assets were used to qualify for the loan.

### **c. Mortgage/Deed of Trust**

- Each Trustee as Trustee of the trust.
- Each individual that has a vested interest in the property but is not a Trustee of the trust. (The borrower does not have to sign as an individual unless title will be vested in both the name of the trust and the individual which is rare and uncommon).

### **d. Trust Rider**

- Each Trustee as trustee of the trust.
- Each individual that has an interest in property.

A trust is the legal entity. Vesting will be in the name of the trustee/trust. If there is more than one borrower and the borrower is not a Settlor or Trustee of the trust the additional borrower must sign all documents individually only.

If the borrower is the Trustee, Settlor, Beneficiary and the borrower's spouse will not be a party to the loan transaction a (non-borrowing spouse), marital vesting may not be applicable in states where dower, homestead or community property are required by state law. State law will determine if the non- borrowing spouse is required to release dower, homestead or community property rights.

## Section 24 Hazard Insurance Policy

Policy Name	Hazard Insurance Policy
Version	7.0 (08-27-2024)
Committee Review: ACT	11-01-2023
Last Reviewed by Compliance	08-27-2024

### 24.1 General Requirements

The requirement for hazard insurance is the same for all loan programs. At a minimum, the mortgaged premises must be protected against loss or damage from fire and other hazards, perils, natural disasters, and dangers within the scope of standard extended coverage. The coverage must provide for claims to be settled on a replacement cost basis. The hazard insurance must be in full force and in effect as of the date of the loan closing (note date) and the effective date, listed on the declaration page, should not be dated more than 30 days prior to the loan closing date (note date).

The policy must contain the standard clause that provides the insurer will notify the named mortgagee (UHM, investor or servicer) at least 10 days before any reduction in coverage or cancellation of the policy. Standard extended coverage for all Agencies must include at a minimum, hurricane, civil commotion (including riots), smoke and damages caused by aircraft, vehicle, or explosion, or any other perils such as vandalism, malicious mischief that are normally included under an extended coverage endorsement. If a policy limits or excludes from coverage (in whole or in part) any peril that is normally or customarily included under an extended coverage endorsement, then a separate policy or endorsement is required from another commercial insurer or from a state insurance pool that provides adequate coverage for the limitation and/or exclusion. Areas that are subject to localized hazards including, but not limited to, sinkholes or mine subsidence etc., will require special coverage. Conventional, USDA, and FHA loans also require hazard insurance covering windstorm and hail damage. VA does NOT require windstorm or hail coverage.

### 24.2 Rent Loss Insurance

Rent loss insurance covers rental losses that are incurred during the period that a property is being rehabilitated following a casualty or during a “loss of rent” period.

Fannie Mae requires coverage equal to a minimum of six months of the gross monthly rent for the property that secures the mortgage. This requirement may be waived if the borrower qualifies for the mortgage based on the full payment—principal, interest, taxes, and insurance—for the subject property, without having to rely on the rental income.



## **24.3      Rating Requirements for Hazard Insurance Carriers**

The hazard insurance policy for a property securing any first mortgage including blanket policies for condos, co-ops, and PUDs must be written by a carrier that meets the following rating requirements. The carrier only needs to meet one of the following rating categories, even if it is rated by more than one agency.

- Carriers rated by the A.M. Best Company, Inc. must have either a “B” or better Financial Strength Rating in Best’s Insurance Reports, or an “A” or better Financial Strength Rating and a Financial Size Category of “VIII” or greater in Best’s Insurance Reports Non-US Edition.
- Carriers rated by Demotech, Inc. must have an “A” or better rating in Demotech’s Hazard Insurance Financial Stability Ratings.
- Carriers rated by Standard & Poor’s must have a “BBB” or better Insurer Financial Strength Rating in Standard & Poor’s Ratings Direct Insurance Service.
- Carriers rated by Kroll Bond Rating Agency must have a “BBB” or better rating in Kroll Bond Rating Agency’s Insurance Financial Strength Rating (IFSR).
- Policies underwritten by a state’s Fair Access to Insurance Requirements (FAIR) plan, if it is the only coverage that can be obtained.

Fannie Mae and Freddie Mac have additional requirements; refer to the Ask Alice/Ask UHM question, “What are the requirements for Insurance Companies Ratings on Conventional loans?” or Agency guides.

## **24.4      Payment of Hazard Insurance**

Acceptable evidence of payment of hazard insurance may be one of the following:

- Payment amount is deducted on the HUD-1
- Policy or binder stating the premium amount has been paid in full
- Paid receipt from the insurance agent or insurance company
- Canceled check, copy of front and back

## **24.5      Purchase Transactions**

- Borrowers are required to provide a receipt for payment of one full year of hazard insurance at or before closing.
- Provide a copy of the homeowner’s insurance policy or Declarations Page of the policy.
- Union Home Mortgage Corp. is to be named as loss payee.
- The hazard insurance must be in full force and effect as of the date of the loan closing (note date) and the effective date, listed on the declaration page, should not be dated more than 30 days prior to the loan closing date (note date).

## **24.6      Refinance Transactions**

- Provide a copy of the current homeowner's insurance policy.
- Union Home Mortgage Corp. is to be named as loss payee.
- The hazard insurance must be in full force and effect as of the date of the loan closing (note date) and the effective date, listed on the declaration page, should not be dated more than 30 days prior to the loan closing date (note date).
- Collect sufficient number of months to cover premium from date of closing to policy renewal date. If the policy renewal date is due before or within 2 weeks of the first payment date of the new mortgage, the total amount of the annual premium must be collected at closing.
- If the borrower does not escrow their homeowner's insurance and pays their premium on a monthly basis, then verify that the premium has been paid up to the first payment date of the new mortgage.

## **24.7      Insurance Binders**

UHM accepts an insurance binder at loan closing, provided the binder is:

- Issued by a licensed local recording agent
- Accompanied by a paid receipt
- Replaced by an original insurance policy within 30 days

All acceptable documents must be issued by the insurance company, not the broker/customer. Paid binders are acceptable in all states (\*see exception below). In addition, the binder date cannot exceed 90 days.

\*Exception: Michigan HFA, all loans originated in the state of California do not accept binders, a Declarations page is required.

## **24.8      Minimum Coverage Requirements**

Insurable value is defined as the value determined by the insurance carrier not the appraised value found on the Uniform Residential Appraisal Report. Insurable value is defined as the value of the property improvements (the home and other structures permanently affixed to the land) as determined by insurance carrier. Insurable value is ordinarily less than the appraised value because the value of the land and other features such as in ground swimming pool, retaining walls, landscaping, etc. are not included in the calculation.

Replacement cost is the amount needed to replace or fully repair the insurable improvements in the event of loss. Insurable improvements are named in the policy, generally the home and any significant outbuildings such as a detached garage.

The amount of the policy coverage must be:

**Conventional, FHA, and VA**

- 100% of the replacement cost value of the property improvements, or
- The loan amount (unpaid principal balance), as long as it equals 80% of the insurable value of the improvements.

The following table describes how to calculate the minimum amount of hazard insurance required:

Step	Description
1	Compare the replacement cost value to the unpaid principal balance of the mortgage loan.
1A	If the replacement cost value of the improvements is less than the unpaid principal balance, the replacement cost value is the amount of coverage required.
1B	If the unpaid principal balance of the mortgage loan is less than the replacement cost value of the improvements, go to step 2.
2	Calculate 80% of the insurable value of the improvements.
2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.

**EXAMPLES**

Category	Property A	Property B	Property C
Replacement Cost Value	\$90,000	\$100,000	\$100,000
Unpaid Balance	\$95,000	\$90,000	\$75,000
80% Insurable Value	---	\$80,000	\$80,000
Required Coverage	\$90,000	\$90,000	\$80,000
Calculation Method	Step 1A	Step 2A	Step 2B

**USDA Only:**

Properties should have replacement cost coverage in an amount that is at least equal to the guaranteed value of the improvements or the unpaid principal balance. Deductible(s) should not exceed 5% of the total coverage amount.

**Important:**

- **Do not back out the land value when making the above calculations. The Agencies have confirmed this is not permitted.**
- **Exceptions to the insurance coverage requirements shown above must be escalated to UHM Sr. Management for review. Approval of an exception is not guaranteed.**
- **Manufactured Homes: The insurance industry places a cap on the amount of coverage available for older manufactured homes, based on Actual Cash Value. UHM is not accepting loans that do not meet Replacement Cost Value (RCV) requirements, or cover the loan amount, regardless of limitations set by the insurance industry.**

## **24.9      Deductible Amount**

### **a. Deductible – All Loan Types**

The maximum allowable deductible for insurance covering a property securing a first mortgage loan must be no greater than 5% of the dwelling coverage unless a higher maximum is required by state law. This includes common elements in a PUD or condo project.

When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the dwelling coverage of the policy.

USDA Only: When using a high deductible, ensure that the chosen deductible is reasonable in relation to the borrower's repayment ability, and will not cause undue hardship for the borrower.

### **b. Investor Requirements, US Bank Serviced Housing Finance Agencies, Hazard and Flood Insurance Deductible**

Unless a higher maximum amount is required by state law, the maximum hazard insurance deductible for US Bank Serviced Housing Finance Agencies (Ohio, Michigan and Indiana) may not exceed the greater of \$2,500.00 or 2.5% of the face amount and \$5,000.00 if the flood insurance is required.

The maximum deductible for flood insurance is greater of \$1,000.00 or 1% of the face amount of the policy.

US Bank's requirements differ from UHM standard requirements which has been noted in the Retail Lending Guide. Please take note of this adjustment in the event for HFA loans in Ohio, Indiana and Michigan or any states in which US Bank services the loan.

## **24.10      Construction to Permanent & Renovation Mortgages**

### **a. Construction to Permanent Loans**

Construction to Permanent Loans are covered by a Builder's Risk Insurance Policy during the construction period. A Hazard Insurance policy in compliance with UHM's requirements must be in place either immediately following the completion of construction, or occupancy by the borrower(s), whichever is earlier.

### **b. Renovation Loans**

For partially renovated or partially constructed properties, the existing hazard insurance policy must be increased to the "as-completed" value either immediately following the completion of renovation, or at the closing of the conversion to or modification of permanent financing, whichever is earlier.

**Fannie Mae Homestyle Loans Only:** A Builder's Risk/Course of Construction policy, OR a standard homeowner's insurance policy, must be obtained. If a Builder's Risk/Course of Construction policy is used, an updated declaration page must be obtained following the completion of the renovation which shows the completed value.

## 24.11 Condominium and PUD Requirements

Acceptable policies must provide coverage for either an individual project or multiple affiliated projects. The insurance policy must at least protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard “all risk” endorsement. The effective date of the policy should not be dated more than 30 days prior to the loan closing date (note date).

### **a. PUD Requirements**

The HOA must maintain a property insurance policy, with premiums being paid as a common expense. The policy must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, and excavations. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered.

Individual insurance policies are also required for each unit mortgage that Fannie Mae purchases in a PUD project. If the project’s legal documents allow for blanket insurance policies to cover both the individual units and the common elements, Fannie Mae will accept the blanket policies in satisfaction of its insurance requirements for the units.

### **b. Condominium Requirements**

The lender must review the entire condo project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The insurance requirements vary based on the type of HOA master or blanket insurance policy as follows:

“Single Entity”: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the homeowners’ association. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.

“All-In”: (sometimes known as an “all-inclusive”) policy. The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the homeowners’ association. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. Typically this type of policy does include HO-6 or “Walls-In” coverage however if the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.

“Bare Walls”: This policy typically provides no coverage for the unit interior, which includes fixtures, equipment, and replacement of interior improvements and betterments. As a result, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event, as determined by the insurer.

“Studs Out”: This policy provides the most limited coverage and typically only protects the shell of the structure. Coverage is not provided for interior walls, flooring, plumbing, electrical, HVAC, cabinets, appliances etc. As a result, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event, as determined by the insurer.

### **c. Condo Association Master Policy Minimum Coverage Requirements**

Insurance must cover 100% of the insurable replacement cost of the project improvements, including the individual units in a co-op or condo project. An insurance policy that includes either of the following endorsements ensures full insurable value replacement cost coverage:

- A Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); or
- A Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the property’s insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

### **d. Master or Blanket Insurance for Unaffiliated Condo Association Projects**

If a condo project is covered by a master or blanket insurance policy that combines insurance coverage for multiple condo projects or other residential or substantially residential projects that are unaffiliated with one another, the lender must ensure the policy meets all of the following requirements:

- The insurance policy coverage limits must meet the higher of: greater than or equal to 50% of the total insurable replacement value for all condo projects and other residential or substantially residential projects insured under the policy; or
- greater than or equal to 150% of the total insurable replacement value for the single largest condo project or other residential or substantially residential project insured under the policy, but not more than 100% of the total insurable replacement value for all condo projects and other residential or substantially residential projects insured under the policy.

### **e. HO-6 Coverage**

When the HOA Master/Blanket policy does not provide coverage for the interior or “Walls In” policy for the individual unit then the borrower is responsible for obtaining a walls-in policy for the individual unit. The walls- in policy must be sufficient to repair the interior of the unit to its original condition in the event of a loss (including any additions, improvements and betterments (such as kitchen cabinets, lighting, flooring, and plumbing, fixtures such as toilets or tubs).

Between the project’s Master or Blanket policy and the walls-in policy, the insurance must cover 100% of the insurable replacement cost of the unit’s exterior and interior improvements and betterments whether originally installed or subsequently upgraded.

#### **f. Liability Insurance for Condo and Co-op Only**

- UHM must verify liability insurance coverage as part of its review of a project, with the following exceptions: it is not required to verify liability insurance coverage for Fannie Mae Type E PUD projects or PUD and condo projects processed under the Fannie Mae Limited Project Review procedures
- The homeowners' association (or co-op corporation) must maintain a commercial general liability insurance policy for the entire project, including all common areas and elements, public ways, and any other areas that are under its supervision. The insurance must also cover commercial spaces that are owned by the homeowners' association (or co-op corporation), even if they are leased to others. The commercial general liability insurance policy must provide coverage for bodily injury and property damage that result from the operation, maintenance, or use of the project's common areas and elements.
- The amount of coverage must be at least \$1 million for bodily injury and property damage for any single occurrence. For co-op projects that consist of elevator buildings, the minimum coverage is \$3 million. Higher amounts of coverage may be required if similar amounts are usually required by mortgage investors in other projects in the area.
- If the policy does not include "severability of interest" in its terms, a specific endorsement to preclude the insurer's denial of a unit owner's claim because of negligent acts of the homeowners' association (or co-op corporation) or of other unit owners.
- The policy should provide for at least ten days' written notice to the homeowners' association (or co-op corporation) before the insurer can cancel or substantially modify it. For condo and co-op projects, similar notice also must be given to each holder of a first mortgage or share loan on an individual unit in the project.

#### **g. Fidelity Bond Insurance for Condo and Co-op only**

Fidelity insurance is required for new and established condo or co-op projects consisting of more than 21+ units. This requirement applies to all condo and co-op review processes.

#### **h. Who Should Be Covered?**

The homeowners' association (or co-op corporation) must have blanket fidelity insurance coverage for anyone who either handles or is responsible for funds that it holds or administers (such as officers, employees and agents), whether or not that individual receives compensation for services. The insurance policy should name the homeowners' association (or co-op corporation) as the insured and the premiums should be paid as a common expense by the association (or corporation).

A management agent that handles funds for the homeowners' association (or co-op corporation) should be covered by its own fidelity insurance policy, which must provide the same coverage required of the homeowners' association (or co-op corporation).

## **i. Amount of Coverage**

The fidelity insurance coverage must generally cover the maximum funds that are in custody of the homeowner's association or its management agent at any time while the policy is in force.

A lesser amount of coverage is acceptable if the project's legal documents require the homeowners' association (or co-op corporation) and any management company to adhere to one or more of the following financial controls:

- Separate bank accounts are maintained for the working account and the reserve account, each with appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the homeowners' association (or co-op corporation).
- The management company maintains separate records and bank accounts for each homeowners' association (or co-op corporation) that uses its services, and the management company does not have the authority to draw checks on, or transfer funds from, the homeowners' association's (or co-op corporation's) reserve account.
- Two members of the Board of Directors must sign any checks written on the reserve account.

### FNMA, FHLMC, VA, & USDA:

The amount of coverage must not be less than the sum of three months of assessment for all units in the project.

### FHA Only:

The amount of coverage must not be less than the greater of the two following options:

- The sum of three months of assessment for all units in the project, or
- The minimum amount required by state law.

For existing policies, an uninsured amount within 3 percent of the above calculation or \$10,000, whichever is less, is also acceptable.

## **j. Master Policy, Named Insured**

The table below provides the requirements regarding the name of the insured entity.

Condo Projects: The policy must show the exact name of the homeowners' association as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.

PUD Common Areas: The policy must show the exact name of the homeowners' association as the named insured.

Co-op Project Common Areas: The policy must show the co-op corporation as the named insured. The insurance policy also must include the standard mortgagee clause and must name as mortgagee either the regulatory agency or the servicers for the mortgage loans. When a servicer is named as the mortgagee, its name must be followed by the phrase "its successors and assigns."



## 24.12 Mortgagee Clause

### **Mortgagee Clause for Insurance, for Loans Serviced by Union Home Mortgage including FNMA, FHLMC, FHA, VA, & USDA (Servicing Platform 43):**

Union Home Mortgage Corp.

ISAOA/ATIMA

P.O. Box 7115

Troy, MI, 48007

Loan #

### **Mortgagee Clause for Hazard Insurance, for Servicing Released loans including Jumbo, Bond, & Private Investors (Servicing Platform Blank):**

Union Home Mortgage Corp.

ISAOA/ATIMA

8241 Dow Circle

Strongsville, OH 44136

Loan #

### **Mortgagee Clause for Insurance, for Non-Delegated Correspondent Loans:**

NDC Partner (Lender's) Name and Address

ISAOA/ATIMA

### **Texas Properties:**

Texas follows the same addresses as listed above, but the Union Home Mortgage Corp. name must also include the following statement:

Union Home Mortgage Corp.,

ISAOA/ATIMA, and each successor and assign in ownership of the indebtedness secured by the insured mortgage, except a successor who is an obligor under the provisions of Section 12 (c) of the Conditions and Stipulations.

## 24.13 Policy Information Requirements

The hazard insurance policy must include the following information:

- Borrower(s) name(s)
- Property address
- Policy number
- Effective date
- Deductible
- Mortgagee Clause
- Premium
- Dwelling coverage
- Endorsements (i.e. HO-6, fidelity bond, liability)

### **a. Policy Mailing Address**

- The policy mailing address should match the subject property address.
- The mailing address on the COI or Declarations Page must match the loan's subject property, except when the subject property is a second home or an investment property.
- If the subject property is a second home or an investment property, the policy mailing address is the home address on the FNMA 1003/FHLMC 65.

## **24.14 State-Specific Requirements**

California – Required coverage cannot exceed the replacement value of the improvements on the property per California state law.

Colorado – Colorado statutes require prior to issuing a homeowner's insurance policy, the insurer must offer replacement cost coverage and law and ordinance coverage.

All homeowner's insurance replacement cost policies for a dwelling must include additional living expense (ALE) coverage. This coverage must be available for a period of at least twelve months and is subject to other policy provisions. Insurers shall offer policyholders the opportunity to purchase a total of twenty-four months of ALE coverage and give an applicant an explanation of the purpose, terms, and cost of this coverage.

"Extended replacement cost coverage" pays a designated amount above the policy limit to replace a damaged structure if necessary, under current building conditions.

"Law and ordinance coverage" means coverage for increased costs of demolition, construction, renovation, or repair associated with the enforcement of building ordinances and laws.

"Additional living expense coverage" or "ALE" covers increased living expenses during the time required to repair or replace damage to the policyholder's dwelling unit following an insured loss or, if the policyholder permanently relocates, the time required to move the policyholder's household to a new location.

Florida - Prior to issuing a homeowner's insurance policy, the insurer must offer replacement cost coverage and law and ordinance coverage per Florida statutes.

Texas - UHM cannot require a borrower to purchase insurance on their property in an amount that exceeds the replacement cost of the dwelling and its contents as a condition of financing a residential mortgage or providing other financing arrangements for the property, regardless of the amount of the mortgage or other financing arrangements. In determining the replacement cost of the dwelling, UHM cannot include the fair market value of the land on which a dwelling is located per Texas state law.

Maryland – the homeowner’s insurance may not require a deductible that exceeds 5% of the “Coverage A – Dwelling Limit” of the policy in the case of a hurricane or other storm.

UHM may not require a borrower to insure any real property in an amount exceeding the replacement cost of the dwelling. UHM cannot require a borrower to obtain insurance in the amount of the loan if the loan amount exceeds the replacement cost of the home.

Others AZ, AR, DE, IL, MI, MN, MO, NC, NJ, NV, PA, VA, WI, WV (list is not exhaustive and for informational purposes only)– In full and complete compliance with any and all applicable state laws, rules and regulations UHM does not require as a condition of loan approval the borrower(s) to insure his/her/their property in excess of or greater than the replacement value of the improvements.

## 24.15 Hazard Insurance Guide for 1-4 Family Dwellings

TABLE	DESCRIPTION FOR EACH SECTION OF THE SAMPLE INSURANCE POLICY. FOLLOW THE TABLE FOR EACH NUMBERED ITEM LISTED ON THE POLICY.
#1	Date policy was written
#2	Insurance Agency information (name, address, agent, contact information)
#3	Insurance Carrier (master insurance company). It can be one and the same company.
#4	Insured Name (Borrower's names and current mailing address). All borrowers must be listed as insured on the policy.
#5	UHM Loan Number may be listed in this section or in section #16.
#6	Insurance Policy Number
#7	Effect Date of policy (start date of insurance coverage).
#8	Expiration Date (when the policy term ends). Must be for a period of one year.
#9	Complete address of subject property. If 2-4 family unit address must reflect all units for the dwelling.
#10	<p>This section is about the Coverage information. Provides the breakdown of what is actually covered on the policy. It should list the dwelling (subject home), other structures (detached garage or outbuildings like shed, barn, etc.). Include other structures when calculating total insurable value.</p> <p>This section will also list any additional types of coverage such as: Personal Property, Liability, Replacement Cost, Rent Loss, etc.</p>
#11	<p>This section provides the breakdown for the amount of coverage for dwelling, other structures and any additional types of insurance coverage. Refer to this section to determine total dwelling coverage for the subject property.</p> <p>Calculation: Dwelling + other Structures = Insurable Value of policy. If the policy reflects 100% guaranteed replacement cost no further calculations are required.</p>
#12	<p>(All Loan Types) The Deductible for the insurance policy. To determine if the deductible meets UHM guidelines follow this calculation: Ex. Dwelling Coverage \$333,033 X 5% = \$15,137.00 (Maximum deductible allowed).</p> <p><b>USDA Only</b> - for USDA loans, the maximum allowable deductible for insurance covering a property (all perils, including wind, hail, flood, and hazard coverage) must be the greater of: \$1000, 1% of the policy coverage, or the minimum deductible offered by the Borrower's chosen Insurance carrier.</p> <p>Note: If using an amount greater than \$1000 or 1%, a Letter of Explanation from either the Borrower or their Insurance Agent verifying that a lower deductible was not available from their chosen policy carrier is required.</p>
#13	Remarks Section will reflect total amount of premium, any special conditions added to the policy: (i.e. sometimes this is where Replacement Cost is reflected, or swimming pool not included in coverage). Every policy is different and may reflect the additional coverage in this section of the policy.

#14	UHM Mortgagee Clause information.
#15	UHM is always listed as the Mortgagee.
#16	UHM Loan Number must be listed in this section.
#17	Signature the Agent authorized to sign on behalf of the insurance company.
#18	Invoice for the insurance premium. Check to make sure whether the policy was paid by the borrower(s) prior to closing. If not collect the total premium amount at closing.

## 24.16 Sample Hazard Insurance Policy

ACORD		EVIDENCE OF PROPERTY INSURANCE		#1	UP TO 30
THIS EVIDENCE OF INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONVEYS NO RIGHTS UNDER THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER'S AUTHORIZED REPRESENTATIVE OR PRODUCER AND THE ADDITIONAL INTEREST.				NEW EVIDENCE 04/30/2014	
<b>COMPANY</b> <b>THE DEARBORN AGENCY, INC.</b> 22801 Michigan Avenue Dearborn, MI 48124 <b>THE DEARBORN AGENCY, INC.</b>		<b>COMPANY</b> <b>Citizens Insurance of America</b> 846 W. Grand River Howell, MI 48840		#2	#3
<b>PHONE</b> 313-682-2272 <b>FAX</b> 313-682-2271 <b>EMAIL</b> info@dearbornagency.com <b>WEBSITE</b> www.dearbornagency.com		<b>ADDRESS</b> Nathan Williams Sara Williams 8700 Guinea Rd Grand Ledge, MI 48837		#4	#5
<b>INSURANCE INFORMATION</b> 8700 Guinea Rd. Grand Ledge, MI 48837		<b>INSURANCE INFORMATION</b> 8700 Guinea Rd. Grand Ledge, MI 48837		#6	#7
<b>THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.</b>		<b>COVERAGE INFORMATION</b>		#8	#9
<b>COVERAGE INFORMATION</b> A. Dwelling Amount B. Other Structures Amount C. Personal Property Amount D. Loss of Use Amount E. The Limit for Cost Amount F. Paid Policy Limit Amount		<b>COVERAGE INFORMATION</b> A. Dwelling Amount B. Other Structures Amount C. Personal Property Amount D. Loss of Use Amount E. The Limit for Cost Amount F. Paid Policy Limit Amount		#10	#11
<b>REMARKS (including Special Conditions)</b> (Optional section for additional information)		<b>REMARKS (including Special Conditions)</b> (Optional section for additional information)		#12	#13
<b>CANCELLATION</b> SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.		<b>ADDITIONAL INTEREST</b> Union Home Mortgage Corp 1800 AVATIMA 2241 Dow Circle West Strongsville, OH 44138		#14	#15
<b>ADDITIONAL INTEREST</b> Union Home Mortgage Corp 1800 AVATIMA 2241 Dow Circle West Strongsville, OH 44138		<b>ADDITIONAL INTEREST</b> Union Home Mortgage Corp 1800 AVATIMA 2241 Dow Circle West Strongsville, OH 44138		#16	#17
ACORD 201 (01/01/12)		© 1999-2012 ACORD CORPORATION. All rights reserved.		#18	#19



The Dearborn Agency, Inc.  
22881 Michigan Avenue  
Dearborn, MI 48124  
Phone : 313-682-8878 Fax : 313-682-6371

INVOICE# 29283		
CLIENT NAME	OF	DATE
WILL MA4	JJ	04/30/14

Page 1

Nathan Williams  
Sara Williams  
12887 Crescent Cir  
Grand Lodge, MI 48837



Item #	Eff Date	Type	Description	Amount
432243	05/09/14	HOME	New homeowners policy	\$ 940.00
Invoice Balance:				\$ 940.00

Pol pd in full, zero balance

CL BEPCMS 02018677

## Section 25 Flood Insurance Requirements Policy

Policy Name	Flood Insurance Policy
Version	7.0 (06-28-2024)
Committee Review: ACT	11-29-2023
Last Reviewed by Compliance	06-28-2024

### 25.1 Description

Federal financial regulatory agencies prohibit their regulated lending institutions from making, increasing, extending or renewing a loan secured by improved real estate or a mobile home located or to be located in a special flood hazard area (SFHA) in a community participating in the National Flood Insurance Program (NFIP), unless the property securing the loan is covered by flood insurance. Background and current law may be found on the Federal Emergency Management Agency (FEMA) website: <https://www.fema.gov/flood-insurance-reform-law>. All loans originated by UHM are subject to the federally mandated flood insurance requirements.

### 25.2 Scope

This document is UHM’s general policy regarding flood insurance requirements for the loans that UHM sells to Fannie Mae, Freddie Mac, and Ginnie Mae. If you are working with a specialty product such as state housing bond loans, jumbo loans, certain ARMs or other loan types that may be sold servicing released, consult investor guidelines for specific requirements.

### 25.3 Flood Zone Determination

FEMA conducts surveys and analyzes terrain features and other considerations to determine an area’s flooding probability. Detailed maps of the entire US are produced, and flood zone status assigned and designated by a combination of letters and numbers. Any flood zone beginning with the letter “A” (Special Flood Zone Area or a “V” (Coastal Barrier Area) is a Special Flood Hazard Area. All properties with a “federally related” mortgage are required to have flood insurance if located in a Special Flood Hazard Area; refer to section 25.8, Special Flood Hazard Areas (SFHA) or Coastal Barrier Resource Systems (CBRS).



## **a. Disputing a Flood Zone Determination**

### **Fannie Mae: Existing, Proposed, and New Construction**

If a borrower believes that their property has been incorrectly mapped and wishes to have the flood insurance requirement waived, they may submit a request directly to FEMA for a Letter of Map Amendment (LOMA).

If the borrower is successful in obtaining a map amendment from FEMA that removes the principal or residential detached structure securing the loan from a flood hazard area (the flood zone has been changed from “A” or “V” to something else), the LOMA can be forwarded to the flood certification provider, which will produce a “clear” flood certification.

Complete instructions and an online portal for submitting the request are available through FEMA’s website, <http://www.fema.gov>.

The borrower is required to have flood insurance from the time of purchase until after the property produces a “clear” flood certification. Flood insurance cannot be waived based on a pending change.

### **Freddie Mac: Existing, Proposed and New Construction**

If a borrower believes that their property has been incorrectly mapped and wishes to have the flood insurance requirement waived, they may pursue one of the following courses of action:

- The borrower and UHM may obtain, following a joint request to FEMA as provided under federal law, a Letter of Determination Review (LODR) concluding that the insurable improvements are not in an SFHA, or
- The borrower may submit a request directly to FEMA for a Letter of Map Change (LOMC, a.k.a. LOMA or LOMR):
  - If the borrower is successful in obtaining a map amendment (LOMA) from FEMA excluding the insurable improvements or the entire property from a flood hazard area (the flood zone has been changed from flood zone from “A” or “V” to something else), the LOMA can be forwarded to the flood certification provider, which will produce a “clear” flood certification.
  - If the borrower is successful in obtaining a map revision (LOMR) from FEMA removing the community’s SFHA designation, the LOMR can be forwarded to the flood certification provider, which will produce a “clear” flood certification.

Complete instructions and an online portal for submitting the request are available through FEMA’s website, <http://www.fema.gov>.

The borrower is required to have flood insurance from the time of purchase until after the property produces a “clear” flood certification. Flood insurance cannot be waived based on a pending change.

**FHA:**

**For existing construction,** a LOMA/LOMR, even if obtained, does not replace the need for a flood insurance policy if any part of the property was originally determined to be within an SFHA.

**For proposed and new construction,** a LOMA/LOMR, even if obtained, does not replace the need for a flood insurance policy and flood elevation certificate if any portion of the property improvements were originally determined to be within an SFHA.

**VA: Existing, Proposed, and New Construction**

Properties located within an SFHA must be covered by a flood insurance policy. A LOMA/LOMR, even if obtained, does not replace the need for a flood insurance policy if any part of the property was originally determined to be within an SFHA. If flood insurance is not available, the property is not eligible for a VA loan.

**USDA:**

For **existing construction**, if any portion of the structure is within an SFHA, flood insurance (along with the other required documentation) must be obtained. A LOMA/LOMR, even if obtained, does not replace the need for a flood insurance policy if any part of the structure was originally determined to be within an SFHA.

Refer to Section 106.2, Location of Property or Separate Structure, for documentation requirements.

**New or proposed construction** within an SFHA is ineligible for a USDA loan. If a borrower believes that the subject property has been incorrectly mapped, they may pursue one of the following courses of action:

- The borrower may submit a request directly to FEMA for a Letter of Map Change (LOMC, a.k.a. LOMA or LOMR):
  - If the Borrower is successful in obtaining a map amendment or revision (LOMA or LOMR) from FEMA removing the property from a flood hazard area (the flood zone has been changed changing the flood zone from “A” or “V” to something else), the LOMA/LOMR can be forwarded to the flood certification provider, which will produce a “clear” flood certification.
  - Complete instructions and an online portal for submitting the request are available through FEMA’s website, <http://www.fema.gov>.
- A FEMA National Flood Insurance Program Elevation Certificate (FEMA form FF-206-FY-22-152) may be obtained:
  - The flood elevation certificate must be prepared by a licensed engineer or surveyor documenting that the lowest floor (including the basement) of the residential building, and all related improvements, structures, and/or equipment essential to the value of the property, are built at or above the 100-year flood elevation in compliance with the NFIP criteria.
- Documentation may be provided verifying that there are no practical alternatives to new construction within the SFHA.

## **25.4      Flood Certification**

UHM must determine whether or not each security structure on the security property is located in an SFHA by using the Standard Flood Hazard Determination (SFHD) form endorsed by FEMA. SFHAs are shaded on a Flood Hazard Boundary Map and designated on a Flood Insurance Rate Map (FIRM). (For the purposes of these requirements, the term “security structure” is any structure that is securing the subject mortgage not just the subject dwelling).

The Flood Certification must be no more than 120 days old at closing. In addition to the certification, the vendor also provides life of loan reporting, and will notify UHM or a subsequent servicer if there is a change in a property’s flood zone determination. The Flood Certification is evidence of the individual property’s current flood zone determination and UHM’s compliance with federal law. The contract with the third-party flood cert provider enables our compliance with the requirement of keeping current information on a mortgaged property’s flood zone status. A Flood Certification is required on every transaction.

## **25.5      Flood Insurance Disclosure**

A Notice of Special Flood Hazards (NSFH) must be provided to the borrower within a reasonable time prior to the closing if the property is located in a SFHA. The purpose of the NSFH is to inform the borrower about federal flood insurance coverage requirements and whether federal disaster relief assistance is available in that location.

If there are multiple borrowers, this notice must be provided to at least one borrower, and must be provided no less than 5 days prior to closing, to ensure that borrowers are informed of the flood insurance requirements and have sufficient time to obtain flood insurance.

NOTE: UHM’s Compliance department suggests getting the disclosure to the borrower as early in the loan process as possible, as some Examiners/Regulators continue to apply the 10 days prior to closing requirement.

## **25.6      National Flood Insurance Program (NFIP)**

The National Flood Insurance Program (NFIP) is administered under two statutes: The National Flood Insurance Act of 1968 (1968 Act) and the Flood Disaster Protection Act of 1973 (FDPA). The FDPA requires federal financial regulatory agencies to adopt regulations prohibiting their regulated lending institutions from making, increasing, extending, or renewing a loan secured by improved real estate or a mobile home located or to be located in a standard flood hazard area (SFHA) in a community participating in the NFIP unless property securing the loan is covered by flood insurance.

The National Flood Insurance Program (NFIP) covers improved real property or mobile homes located or to be located (new construction) in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards. Covered properties generally include:

- Residential, industrial, commercial, and agricultural buildings that are walled and roofed structures which are principally above ground.
- Buildings under construction where a development loan is made to construct insurable improvements on the land. Insurance can be purchased to keep pace with the new construction.
- Mobile homes that are affixed to a permanent site, including mobile homes that are part of a dealer's inventory and affixed to permanent foundations.
- Condominiums and co-operative buildings.

Flood Insurance is required for the term of the loan on such properties when all three of the following factors are present:

- The institution originates, increases, extends, or renews any loan(s) (commercial or consumer), secured by improved real estate or a manufactured (or mobile) home that is affixed to a permanent foundation (security property).
- The property securing the loan is located or will be located in an SFHA as identified by FEMA and the community participates in the NFIP.

The flood insurance must be in full force and effect as of the date of the loan closing (note date) and the effective date, listed on the declaration page, should not be dated more than 30 days prior to the loan closing date (note date).

Community participation in the NFIP is based on a voluntary agreement between the local community and the federal government. If a community adopts and enforces a floodplain management ordinance to reduce future flood risks in Special Flood Hazard Areas, the federal government will make flood insurance available. If a community has chosen not to participate, flood insurance is not available within that community jurisdiction. Information regarding community non-participation will be on the flood certification.

## 25.7 Special Flood Hazard Areas (SFHA) OR Coastal Barrier Resource Systems

### a. Property Eligibility and Policy Type

The Mortgagee must determine if a property is located in a Special Flood Hazard Area (SFHA) or Coastal Barrier Resource System Area (CBRS) as designated by the Federal Emergency Management Agency (FEMA). The Mortgagee must obtain flood zone determination services, independent of any assessment made by the Appraiser to cover the Life of the Loan Flood Certification.

If a residential building and related improvements/proposed improvements are located within the Coastal Barrier Resources System (CBRS), it is ineligible for all agencies.

Agencies do not require participation in NFIP (National Flood Insurance Program) when the property is not in an SFHA.

#### **Conventional & USDA:**

- Properties located in a SFHA must be located in a community that participates in the NFIP/has NFIP coverage available, regardless of whether the borrower obtains NFIP coverage or a private insurance policy.
- Properties located in non-participating communities, or where coverage is unavailable are ineligible.
- If the NFIP requirement is met, Private Flood Insurance (PFI) that meets agency guidelines is acceptable.

#### **FHA:**

- Properties located in a SFHA must be located in a community that participates in the NFIP/has NFIP coverage available.
- Properties located in non-participating communities, or where coverage is unavailable, are ineligible.

#### **VA:**

- Properties located in a SFHA must be covered by a flood insurance policy through the NFIP or PFI that meets agency requirements. For additional information, refer to Flood Insurance guidance below.
- Properties located in a SFHA are not eligible if flood insurance is not available.

### b. Location of Property or Separate Structure

#### **Freddie Mac:**

If the principal structure (subject dwelling) on a property is not located within an SFHA, flood insurance is not required on the principal structure (subject dwelling) even if another detached structure on the property is located within the SFHA. However, if the detached structure is attached to the land and serves as part of the security for the mortgage, flood insurance is required for the detached structure.

#### **Fannie Mae:**

The following table describes how to evaluate a property to determine if flood insurance is required. For these requirements, the "principal structure" is the primary residential structure on the subject property.

If...	Then Flood insurance is...
any part of the principal structure is located within an SFHA	required
the principal structure is not located within an SFHA, but a residential detached structure affixed to the land that serves as part of the security for the loan is located within the SFHA	required for residential detached structure.
the principal structure is not located within an SFHA, but a non-residential detached structure affixed to the land that serves as part of the security for the loan is located within the SFHA	not required on either structure.
the principal structure is not located within an SFHA, but a detached structure affixed to the land that does not serve as part of the security for the loan is located within the SFHA	not required on either structure.

#### **FHA:**

**Existing Construction** – Flood insurance is required for properties where any portion of the dwelling, related structures, and/or equipment essential to the value of the property are located in a SFHA.

If a property is located within the Coastal Barrier zone (zone V) or within otherwise Protected Areas as defined by the Coastal Barrier Resources Act then the property is not eligible for an FHA loan.

Proposed or new construction - If any portion of the property improvements (the dwelling and related structures/equipment essential to the value of the property and subject to flood damage) is located within a SFHA, the property is not eligible for FHA mortgage insurance unless:

- The lender obtains a FEMA National Flood Insurance Program Elevation Certificate (FEMA form FF-206-FY-22-152). The flood elevation certificate must be prepared by a licensed engineer or surveyor documenting that the lowest floor (including the basement) of the residential building, and all related improvements, structures, and/or equipment essential to the value of the property, are built at or above the 100-year flood elevation in compliance with the NFIP criteria, and
- The borrower obtains flood insurance.

Note: Insurance under the NFIP is required when a flood elevation certificate documents that the property remains located within a SFHA.

#### **VA:**

Flood insurance is required on any building or personal property that secures a VA loan if the property is located in a SFHA.

The following property types are ineligible for a VA loan:

- A property located within the Coastal Barrier zone or within otherwise Protected Areas as defined by the Coastal Barrier Resources Act
- Proposed/under/new construction with elevation of the lowest floor below the 100-year flood level and the property is located in a SFHA

**USDA:**

**New or proposed construction** within an SFHA is ineligible for a USDA loan.

**Existing Construction** – The following necessary documentation is required for the approval or funding of an existing dwelling located in a SFHA. If any of the documentation or information cannot be obtained the loan is not eligible for purchase by USDA.

1. The community of the dwelling's location must be participating in the NFIP for the loan to be eligible for purchase by USDA.
2. The property is not located in a Coastal Barrier Resource System (CBRS).
3. Environmental Review – an environmental review is required to satisfy USDA requirements.

The following documentation must be included in the file outlined in RD Instructions 1940-G and 426.2:

- FEMA Form 086-0-32, Standard Flood Hazard Determination Form to determine whether the dwelling is located in a Special Flood Hazard Area (SFHA) in accordance with the National Flood Insurance Reform Act of 1994.
- A Modified Class 1 Environmental Assessment must be prepared using the 1940-21 Form with a determination that the transaction will have no significant effect on the quality of the human environment.
- A completed Flood Cert (SFHD) indicating the property is located in a participating NFIP community.
- Elevation Certificate (FF-206-FY-22-152) – an elevation certificate or an equivalent document indicating the first flood elevation of habitable space is at or above the 100-year flood plain. (This can be obtained by any one of the following departments within the municipality in which the subject is located: county housing/building or engineer's department. If there is none on record with county then a qualified land surveyor, architect or engineer who by law can certify elevation information must be obtained.
- First floor habitable space is defined as the first floor which is "finished" or has the reasonable potential to be "finished". Therefore, the basement may be below the 100-year flood level if it has not been converted to habitable space. Proof of "habitable" space can be obtained from the appraisal report or property home inspection report.
- Evidence that the property is either served by public utilities and facilities which are located and constructed to minimize or eliminate flood damage. If the property is served by a well or sewage treatment system evidence that they have been located to avoid impairment of such systems and contamination from the sewage treatment system during flooding. (This can be verified through one of the county municipalities listed in 2c above).
- A copy of Form RD 3550-6 "Notice of Special Flood Hazards, Flood Insurance Requirements and Availability of Federal Disaster Relief Assistance" or the Special Flood Hazard Disclosure notifying the borrower of risks to property and persons living in a flood prone area.

## Flood Insurance

Existing dwellings are eligible under the SFHGLP only if flood insurance, through FEMA's National Flood Insurance Program (NFIP), is available for the community and flood insurance whether NFIP, "write your own" or private flood insurance as approved by UHM, is purchased by the Borrower. All Agencies will accept flood insurance issued by a private insurer. Refer to section 100.7, Private Flood Insurance, for more information.

Insurance must be obtained as a condition of closing and maintained for the life of the loan for existing residential structures when any portion of the structure is determined to be located in a SFHA, including decks and carports, etc.

However, according to the Homeowner Flood Insurance Affordability Act (HFIAA) of 2014, flood insurance is not required for any additional structures that are located on the property but are detached from the primary residential structure and do not serve as a residence, such as sheds, garages, or other ancillary structures. Existing dwellings financed through the SFHGLP are not subject to the requirement within RD Instructions 1970, Subpart F, which requires a search for practicable off-site alternatives to purchasing an existing dwelling within the SFHA.

**NOTE:** Part of the site may be located in the SFHA without triggering these requirements, as long as no part of the dwelling is located in the SFHA. At the Lender's discretion they may require flood insurance even if the residential building and related improvements to the property are located within the SFHA, but the Lender has reason to believe that the building and related improvements to the property may be vulnerable to damage from flooding.

## **25.8      Private Flood Insurance**

### **a. Conventional, VA, and USDA**

Fannie Mae, Freddie Mac, USDA, and VA will accept flood insurance issued by a private insurer. Please reference agency guidelines for details.

UHM will not accept private flood insurance policies without this statement reflected on the insurance declaration page: *"This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation."*

### **b. FHA**

Properties located in a SFHA must be located in a community that participates in the NFIP/has NFIP coverage available, regardless of whether the borrower obtains NFIP coverage or a private insurance policy. Properties located in non-participating communities, or where coverage is unavailable are ineligible for private flood insurance.

As long as the NFIP requirement is met, FHA will allow a private flood insurance policy that meets FHA requirements to be purchased by the Borrower in lieu of an NFIP.

The following statement must be reflected on the insurance declaration page: *"This policy meets the definition of private flood insurance contained in 24 CFR 203.16a(e) for FHA insured mortgages."*



\*Note: In the absence of the language on the insurance declaration page, the insurance agent or carrier may separately provide the statement above via email or some other written communication.

Please reference agency guidelines for details.

Note: All agencies except VA require that properties located in a SFHA also be in a community that participates in the NFIP. Non-participating communities are not eligible. For additional information see Properties in a Special Flood Hazard Area (SFHA) or Coastal Barrier Resource System Area (CBRS).

## **25.9      Payment of Flood Insurance**

If flood insurance is required, one of the following must be provided:

- A flood insurance policy, along with a paid receipt evidencing the first full years' premium has been paid in full, or an invoice showing the amount due that may be paid at closing, is required. The effective date, listed on the declaration page, should not be dated more than 30 days prior to the loan closing date (note date), OR
- A fully executed flood insurance application along with paid receipt evidencing the first full year's premium has been paid in full. The premium may also be paid at closing in lieu of the paid receipt.
  - Acceptance of a fully executed flood insurance application and permitting payment at closing is subject to change based on property location and weather-related events.

The following items are acceptable forms of a paid receipt:

- Copy of the Flood Insurance Application that includes evidence the premium amount has been paid in full.
- Paid receipt from the insurance agent or insurance company.
- Canceled check (copy of front and back).

### **Premium Used for Qualifying**

Fannie Mae, FHA, VA, & USDA: The actual premium required to be paid, whether the full risk premium or a discounted premium, must be used to qualify the Borrower.

Freddie Mac: If the flood insurance policy shows a full risk premium as well as a discounted premium, the full risk premium, plus any fees and surcharges, must be used to qualify the Borrower. The discounted premium may not be used.

## **25.10      Binders (Flood Insurance)**

UHM will not accept either a Certificate of Flood Insurance or Binder as acceptable proof of coverage. Certificates of Flood Insurance and Binders do not meet NFIP or FEMA requirements. UHM will only accept a copy of a Flood Insurance Application provided by the insurance carrier.

## **25.11      Purchase Transactions**

- Borrowers are required to provide a receipt for payment of one full year of flood insurance at or before closing.
- Provide a copy of the Flood Insurance Application for the policy.
- Union Home Mortgage Corp is to be named as loss payee.
- The insurance must be in full force and effect as of the date of the loan closing (note date) and the effective date, listed on the declaration page, should not be dated more than 30 days prior to the loan closing date (note date).
- Flood Insurance Escrow is required regardless of LTV.
- UHM permits transfers of seller's flood insurance to the new buyer. If the borrower is assuming the sellers flood insurance, the borrower must provide evidence from the insurer that this change will take affect at time of title transfer.

## **25.12      Refinance Transactions**

- Provide a copy of the current "in-force" Declarations page of the flood insurance policy.
- Union Home Mortgage Corp is to be named as loss payee.
- The insurance must be in full force and effect as of the date of the loan closing (note date) and the effective date, listed on the declaration page, should not be dated more than 30 days prior to the loan closing date (note date).
- Collect sufficient amount of months to cover premium from date of closing to policy renewal date. If the policy renewal date is due before or within 2 weeks of the first payment date of the new mortgage, the total amount of the annual premium must be collected at closing.
- Flood Insurance Escrow is required regardless of LTV.

## **25.13      Minimum Coverage Requirements**

### **a. Conventional**

The minimum amount of coverage for 1-4-unit properties and, detached PUD's is the lowest of the three options below:

- 100% Replacement Cost of the total insurable value of the improvements, or
- the maximum insurance available from the NFIP which is currently \$250,000 per dwelling, or
- The unpaid principal balance of the mortgage.

### **b. FHA**

The minimum amount of coverage for 1-4-unit properties and detached PUDs is the lowest of the three options below:

- 100% Replacement Cost
- The maximum insurance available from the NFIP which is currently \$250,000
- The outstanding principal balance of the loan

### **c. VA**

The minimum amount of coverage for 1-4-unit properties, detached PUD's, condo's, townhouses or row houses is the lesser of:

- The outstanding principal balance of the loan; or
- The maximum limit of coverage available for the particular type of property under the National Flood Insurance Act which is currently \$250,000; or
- 100% Replacement Cost.

### **d. USDA**

The minimum amount of coverage for 1-4-unit properties and detached PUD's is the lowest of the two options below:

- The maximum insurance available from the NFIP which is currently \$250,000 per dwelling; or

The unpaid principal balance of the mortgage. Note, US Bank Serviced Housing Finance Agency Loans: US Bank requires the flood insurance to cover the amount of the promissory note to include the amount of the first mortgage and an HFA DPA if applicable.

This requirement supersedes UHM requirements when financing an HFA loan serviced by US Bank.

## **25.14     Deductible Amount**

### **a. Conventional**

The maximum allowable deductible for a flood insurance policy for a first mortgage is the maximum deductible available from the NFIP (currently \$10,000).

### **b. FHA**

FHA now follows guidance regarding deductibles as required by the Biggert-Waters Flood Insurance Reform Act.

The Homeowner Flood Insurance Affordability Act and the National Flood Insurance Program (NFIP)

The Homeowner Flood Insurance Affordability Act has repealed and modified certain provisions of the Biggert-Waters Flood Insurance Reform Act which was enacted in 2012. In addition to several other changes, the law states that for residential properties, flood insurance coverage that provides for loss-deductible damage to the covered property shall be made available in various amounts, up to and including \$10,000. This amount is higher than FHA policy allowed as reflected in Section IX of Mortgagee Letter (ML) 94-7. The maximum deductible under ML 94-7 is no longer in effect, Federal Law supersedes the prior FHA policy in this case.

### **c. VA**

Unless a higher maximum amount is required by state or federal law, the maximum deductible clause for a flood insurance policy must not exceed the greater of \$1,000 or 1 percent of the face amount of the policy.

### **d. USDA**

For USDA loans, the maximum allowable deductible for insurance covering a property (all perils, including wind, hail, flood, and hazard coverage) is \$10,000.

Note: When using a high deductible, ensure that the chosen deductible is reasonable in relation to the borrower's repayment ability, and will not cause undue hardship for the borrower.

## **25.15 Condominium and PUD General Requirements**

The homeowners' association must obtain a Residential Condominium Building Association Policy (RCBAP) or equivalent private flood insurance coverage for each building that is located in an SFHA. The policy must cover all of the common elements and property fixtures, as well as each of the individual units in the building.

For individual condo units, stand-alone flood insurance dwelling policies for an attached individual condo unit are not acceptable. A master condo flood insurance policy must be maintained by the homeowners' association, subject to the coverage requirements below. (For detached units, refer to the requirements described in Coverage Requirements for 1-4 family unit properties shown above).

The insurance must be in full force and effect as of the date of the loan closing (note date) and the effective date, listed on the declaration page, should not be dated more than 30 days prior to the loan closing date (note date).

Master insurance policies are obtained, reviewed, and approved by UHM's Condo department.

### **a. Association Master Policy Minimum Coverage Requirements**

#### **Conventional**

The homeowners' association must obtain a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for each building that is located in an SFHA. The policy must cover all of the common elements and property fixtures, as well as each of the individual units in the building.

Fannie Mae and Freddie Mac will accept flood insurance issued by a private insurer. Refer to section 25.9, Private Flood Insurance, for requirements.

The master flood insurance policy must be at least equal to the lesser of the two following options:

- 80% of the replacement cost; or
  - Note: If the master flood insurance policy meets the minimum coverage requirement of 80% of the replacement cost value, but the per unit coverage amount does not meet the requirement for loans secured by 1-4-unit properties, the unit owner must maintain a supplemental policy for the difference.

**- OR -**

- The maximum insurance available from NFIP per unit (which is currently \$250,000).
  - Note: If the commercial space of an attached condo is over 25%, coverage provided by the General Property Form (or equivalent coverage) is insufficient. A private flood insurance policy, or a private flood insurance policy in conjunction with a General Property Form policy (or equivalent coverage) must be maintained by the HOA to equate to coverage requirements for projects eligible for an RCBAP.

The contents coverage must equal the lesser of the two following options:

- 100% of the replacement cost value of all contents owned in common by the association members, or
- The maximum coverage amount available from NFIP.

#### **FHA**

- The homeowners' association is required to obtain and maintain coverage equal to the replacement cost of the project less land costs or up to the National Flood Insurance Program (NFIP) standard of \$250,000 per unit, whichever is less.
- FHA will accept flood insurance issued by a private insurer. Refer to section 25.9, Private Flood Insurance, for requirements.
- The maximum limit of building insurance coverage of a residential condominium building in a regular program community is \$250,000 times the number of units in the building (not to exceed the building's replacement cost);
- The homeowners association, not the borrower or the individual unit owner, is responsible for obtaining and maintaining adequate flood insurance under the NFIP on buildings located in a Special Flood Hazard Area (SFHA); and
- The flood insurance coverage must protect the interest of borrowers who hold title to an individual unit as well as the common areas of the condominium project.
- The following documentation must be submitted:
  - HUD-9992,
  - FEMA flood map with the Condominium Project location clearly marked,
  - If applicable, the FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152), and
  - If applicable, the certificate of insurance or complete copy of the Flood Insurance Policy.
- If any portion of the Structures or equipment essential to the value of the Condominium Project is located within an SFHA, then the Condominium Project is not eligible for Condominium Project Approval, unless flood insurance is obtained.

## **VA**

- The amount of flood insurance must be equal to the lesser of:
  - The outstanding principal balance of the loan; or
  - The maximum limit of coverage available for the particular type(s) of property under the National Flood Insurance Act which is currently \$250,000; or
  - 100% Replacement Cost.
- The maximum limit of building insurance coverage of a residential condominium building in a regular program community is \$250,000 times the number of units in the building (not to exceed the building's replacement cost);
- The homeowners association, not the borrower or the individual unit owner, is responsible for obtaining and maintaining adequate flood insurance under the NFIP on buildings located in a Special Flood Hazard Area (SFHA); and
- The flood insurance coverage must protect the interest of borrowers who hold title to an individual unit as well as the common areas of the condominium project
- The condominium must be located within an approved VA project.
- VA will accept flood insurance issued by a private insurer. Refer to section 25.9, Private Flood Insurance, for requirements.

## **USDA**

A FEMA Form FF-206-FY-21-116, Standard Flood Hazard Determination Form (SFHDF), must be completed to determine whether the dwelling is in a Special Flood Hazard Area (SFHA). The homeowners' association must obtain a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for each building that is located in an SFHA.

USDA will accept flood insurance issued by a private insurer. Refer to section 25.9, Private Flood Insurance, for requirements.

### **b. Deductible Amount**

The deductible for a master projected cannot exceed the maximum deductible amount currently offered by the NFIP for condo projects insured by an RCBAP.

### **c. Master Policy, Named Insured**

The list below provides the requirements regarding the name of the insured entity.

Condo Projects: The policy must show the homeowners' association as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.

PUD Common Areas: The policy must show the homeowners' association as the named insured.

Co-op Project Common Areas: The policy must show the co-op corporation as the named insured. The insurance policy also must include the standard mortgagee clause and must name as mortgagee either the regulatory agency or the servicers for the mortgage loans. When a servicer is named as the mortgagee, its name must be followed by the phrase "its successors and assigns."

## 25.16 Mortgagee Clause

UHM's mortgagee clause will be:

### **Mortgagee Clause for Insurance, for Loans Serviced by Union Home Mortgage including FNMA, FHLMC, FHA, VA, & USDA (Servicing Platform 43):**

Union Home Mortgage Corp.  
ISAOA/ATIMA  
P.O. Box 7115  
Troy, MI, 48007  
Loan #

### **Mortgagee Clause for Hazard Insurance, for Servicing Released loans including Jumbo, Bond, & Private Investors (Servicing Platform Blank):**

Union Home Mortgage Corp.  
ISAOA/ATIMA  
8241 Dow Circle  
Strongsville, OH 44136  
Loan #

### **Mortgagee Clause for Insurance, for Non-Delegated Correspondent Loans:**

NDC Partner (Lender's) Name and Address  
ISAOA/ATIMA

### **Texas Properties:**

Texas follows the same addresses as listed above, but the Union Home Mortgage Corp. name must also include the following statement:

Union Home Mortgage Corp.,  
ISAOA/ATIMA, and each successor and assign in ownership of the indebtedness secured by the insured mortgage, except a successor who is an obligor under the provisions of Section 12 (c) of the Conditions and Stipulations.

## 25.17 **Policy Information Requirements**

The Flood Insurance Application or flood insurance policy must include the following information:

- Borrower(s) name(s)
- Property address including the unit number, when appropriate
- Policy number (purchase transactions may only have an application number)
- Effective date (dated no more than 30 days prior to the loan closing date (note date))
- Deductible
- Mortgagee Clause
- Premium
- Dwelling coverage
- Loan Number

## 25.18 Standard Flood Determination Form

SECTION I	LOAN INFORMATION
#1	UHM's complete name and address, company name, branch office, and requestor name.
#2	Subject property complete address, Borrower name
#3	UHM's seller/servicer number if loan is being sold to Fannie or Ginnie Mae. The field should be left blank if loan is not being sold to Fannie or Ginnie Mae.
#4	UHM loan number
#5	This is an optional field. For UHM purposes this is a blank field.
SECTION II, A	NFIP COMMUNITY JURISDICTION
#1	NFIP Community Name – this is the city or municipality as indicated on the NFIP map in which the subject property is located
#2	County in which the subject property is located.
#3	State in which the subject property is located
#4	The NFIP community number. If the city or municipality does not participate in the NFIP this field will be blank.
SECTION II, B	NFIP DATA AFFECTING BUILDING
#1	NFIP Community Map Number – this determines the location of the community in which the subject is located on the NFIP map.
#2	The Map effective date or the map revised date shown on the NFIP map.
#3	LOMA/LOMAR Number – If a Letter of Map Amendment (LOMA) or a Letter of Map Revision (LOMAR) has been issued by FEMA since the current Map's effective date the revised Map number and date of the revision will appear in this field.
#4	The flood zone determination. Anything starting with an "A" means the subject property (or a portion of the property) is located in a flood zone. Anything starting with a "V" means the subject property is located in a Coastal Barrier or Protected Lands zone.
#5	This is the NFIP Map number for the flood or Coastal Barrier zone. The field will be blank if the subject is not in a flood or Coastal Barrier zone.
SECTION II, C	FEDERAL FLOOD INSURANCE AVAILABILITY
#1	If this box is checked the community participates in the NFIP
#2	If this box is checked the community does not participate in the NFIP. Note: If this box is checked the loan is not eligible for financing with UHM.
#3	If this box is checked the subject is located in a Coastal Barrier or federally Protected Area. Note: If this box is checked the loan is not eligible for financing with UHM.
SECTION II, D	FLOOD ZONE DETERMINATION
	Verifies if subject is in flood zone A or V.
SECTION II, E	COMMENTS
	Comments section will provide information such as if only a portion of the subject is in a flood zone, census tract data, etc.
SECTION II, F	Name, address of flood cert provider
	Date flood cert was issued, cert number and life of loan coverage.



## Section 26 Servicemembers Civil Relief Act (SCRA) Policy

Policy Name	Servicemembers Civil Relief Act
Version	5.0 (6-20-2024)
Committee Approval: ACT	6-26-2024
Last Reviewed by Compliance	6-20-2024

Union Home Mortgage will comply with the Servicemembers Civil Relief Act, which offers protections to servicemembers dependent on their period of military service and occurrence of the financial obligation. Servicing Partners are aware that protections may suspend borrower financial obligations. Protections are available, regardless of loan type. SCRA protections apply as follows:

### 26.1 Interest Rate Gap

Union Home Mortgage recognizes that servicemembers may have mortgage obligations with interest rates exceeding 6% – this includes, but is not limited to, originated loans as well as mortgage loan modifications. To the extent those mortgage obligations were entered prior to the servicemember entering military service, the servicemember may have his/her interest rate capped at 6% during his/her period of military service and for a period up to 1 year after the end of the period of military service.

If the servicemember, no later than 180 days after termination or release from military service, provides written notice to Union Home Mortgage and a copy of the military orders calling the servicemember to military service, a certified letter from a commanding officer detailing the same, or other evidence of military service, the Servicing Department will review the interest rate reduction request. Upon validating the information provided, the Servicing Department will work with investors and agencies to process military indulgence and calculate a new monthly payment.

The Servicing Department acknowledges that, in some cases, interest may need to be retroactively forgiven. While under the interest rate protection, the Servicing Department waives fees. The Servicing Department will continue to credit report borrowers receiving SCRA protection but subject to the interest rate protection.

At least once every three months, the Servicing Department will check with the servicemember or his/her family to determine when active-duty status will end.

Even if the interest rate protection does not apply to a servicemember, the servicemember may be eligible for fee waivers during active duty.

## **26.2      Foreclosure**

The Servicing Department will not accelerate the loan balance based on a servicemember's request to cap, or reduce, the interest rate on their mortgage loan. Further, during the servicemember's period of service, and for a period of up to 1 year after, the Servicing Department is generally unable to foreclose, conduct a sale, and/or commence eviction proceedings on a SCRA protected borrower and/or his/her dependent, unless permitted by a court or the servicemember has waived his/her rights in writing.

Prior to foreclosure referral, the Servicing Department will check system notes to assess if SCRA protections may apply. If protections do not appear to apply, and if the loan is referred for foreclosure, UHM may utilize outside counsel to confirm that the servicemember is not SCRA protected before filing any foreclosure action.

The Servicing Department acknowledges that unavoidable delays may arise in some foreclosures, sales and/or evictions, involving the servicemember – or a dependent of the servicemember – because of his/her military service, as courts have the authority to delay proceedings or judgment. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **26.3      State Overlays**

The Servicing Department acknowledges that states may add to federal SCRA protections. State National Guard members are generally not protected by the federal SCRA unless called into active duty by either the President or the Secretary of Defense for a minimum of 30 consecutive days. Based on the Servicing Department's footprint, the Servicing Department will also comply with the following state-level protections, as applicable:

### **a. Alabama**

ALA. CODE § 35-10-71 (2009).

Alabama protects active-duty servicemembers – and National Guard members called to active duty service by either the President or the Secretary of Defense for at least 30 days – by providing a 6-month moratorium on mortgage foreclosure if that servicemember dies while serving overseas. To be eligible for the protection, the servicemember's surviving spouse or estate must notify UHM in writing, describing the mortgage and property, providing contact information, and make a request to stay proceedings (and the mortgage was taken out after August 1, 2009). In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **b. Alaska**

Alaska Stat. § 26.05.135

Alaska extends protections to members of the organized militia (as described in AS 26.05.010(b)(1)) while on active duty for the state by order of the governor.

## **c. Arizona**

Ariz. Rev. Stat. § 26-168

Employment protections are extended to members of the National Guard who are ordered to active duty, maneuvers, drills, camps, or formations by the governor in certain circumstances.

## **d. Arkansas**

ARK. CODE §§ 12-62-702 – 716 (2020).

Arkansas extended protections to soldiers and airmen of the Arkansas National Guard who are called into active military service for the State of Arkansas. Relief should be provided to the soldiers and airmen when they are called into extended active military service for the State of Arkansas. The benefits of this subchapter apply to those that meets one of the following requirements: (1) ordered into the active military by the governor under state law for a period of more than 180 continuous days; (2) ordered into active military service under the provision of Title 32 for a period of more than 180 continuous days; or (3) ordered into active duty for any length of service, under the direct result of the execution of an Emergency Management Assistance Compact. In those instances, the Servicing Department will comply with federal Interest Rate Cap and Foreclosure protections and will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **e. California**

CAL. MIL. & VET. CODE §§ 400 – 409.13 (2019).

California extends SCRA protections to National Guard members or reservists called or ordered to full-time active duty service by either the Governor or the President. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections and will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **f. Colorado**

COLO. REV. STAT. §§ 28-3-1401 – 1407 (2003).

Colorado protects National Guard members called to active-duty service (State Military Service or State Defense Force) by more than 30 days by the Governor, by halting the foreclosure sale until at least 30 days after the active duty service ends, but only to the extent, the mortgage debt was incurred before the active duty service. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

### **g. Connecticut**

CONN. GEN. STAT. § 27-34a (2017).

Connecticut extends SCRA protections to National Guard members called to full-time active duty State service by the Governor. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections and will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

### **h. Delaware**

DEL. CODE. tit. 6, §§ 2501D – 2513D (1979).

Delaware's state SCRA protections, which mirror the federal SCRA, cover National Guard members called to full-time active duty service by either the Governor or the Secretary of Defense for at least 30 consecutive days. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections and will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

### **i. Florida**

FLA. STAT. §§ 250.5201-250.5205 (2003).

Before a soldier is entitled to any of the provisions of this section, that soldier must furnish to the affected creditor, landlord, court, or other affected person a copy of his or her orders, together with a written statement from the Adjutant General of the State of Florida, or his or her designee, that the soldier has served continuously on state orders for the period commencing with the date of the orders through the date of the statement. The court may require the soldier to furnish a recertification every 30 days thereafter, which shall be furnished to the soldier by the Adjutant General upon request. Florida protects state National Guard members called into state active duty if the soldier provides evidence from Florida's Adjutant General that the soldier was in service for at least 17 days – the stay of foreclosure, sale and/or eviction proceedings is effective during active duty and for up to 30 days after, unless a court issues an order ahead of time allowing the foreclosure action to proceed. However, the soldier must have executed the mortgage obligation prior to entering military service. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

### **j. Georgia**

Ga. Code Ann. §§ 44-7-22

The Official Code of Georgia grants civil relief protections to service members on active duty for a period of 90 days or longer in every branch of the United States armed forces, including the Georgia National Guard.

## **k. Idaho**

Idaho Code § 46-409

Relief Act protections are extended to members of the National Guard who are ordered to state active duty (other than for training) by the governor or federal duty ordered by the president of the United States in certain circumstances.

## **l. Illinois**

330 ILCS 63 et seq 50 USC 3091 et seq.735 Ill. Comp. Stat. §§ 5/15-1501.5, 5/15-1501.6, 330 Ill.Comp.Stat.§60/5.1

Illinois protects active-duty military, state National Guard members, and reservists called into state active duty service for at least 30 consecutive days by allowing the individual to seek relief from foreclosure in court. The court, in turn, may stay the proceeding for 90 days and/or they may apply for a reduction in the monthly payments for up to 90 days. Illinois courts can postpone proceedings if state or federal military service directly results in failure to meet pre-service obligations. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **m. Indiana**

IND. CODE § 10-16-7-23 (2016).

Indiana extends federal SCRA protections to state National Guard members called into state active duty for a minimum of 30 consecutive days, including full-time training, annual training, or federal duty by order of the President. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections, and work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **n. Iowa**

Iowa Code § 29A.103

If the servicemember entered into a mortgage to purchase real estate prior to military service, nonjudicial foreclosure is prohibited. The creditor of a service member who, prior to entry into military service, has entered into a mortgage contract with the service member for the purchase of real or personal property shall not foreclose on the mortgage or repossess the property for nonpayment or for any breach occurring during military service without an order from a court of competent jurisdiction.

## **o. Kentucky**

KY. REV. STAT. § 38.510 (2008).

Kentucky extends federal SCRA protections to state National Guard members who are called into state or federal active duty for a minimum of 30 consecutive days. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections, and work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

#### **p. Louisiana**

La. Rev. Stat. Ann. § 422

Federal Servicemember Civil Relief Act protections are adopted in full and extended to members of the state National Guard ordered to active duty by the governor in certain circumstances.

#### **q. Maine**

Me. Rev. Stat. Ann. tit. 37-B, §§389-A, 390-A

Active Duty members of the state National Guard and Army Reserves are entitled to the opportunity to stay (postpone) court proceedings during the period of active duty, including up to 60 days after the completion of active duty.

#### **r. Maryland**

MD. CODE PUB. SAFETY § 13-704(b)(2) (2018).

Maryland extends federal SCRA protections to state National Guard members who are called into state or federal active duty for a minimum of 14 consecutive days. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections, and work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

#### **s. Massachusetts**

Mass. Gen. Laws ch. 33, § 13A

Massachusetts extends federal SCRA protections to state National Guard members who are called into state or federal active duty service. Additionally, based on prior case law, Massachusetts servicers, as a part of any mortgage foreclosure, file a case in the Superior Court or the Land Court of the Trial Court to determine if anyone who has an ownership interest is entitled to SCRA protections. Regardless, other federal protections, such as the Interest Rate Cap, still apply. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

#### **t. Michigan**

MICH. COMP. LAWS §§ 600.3285 (2008).

Michigan law provides special protections against foreclosure to certain military servicemembers. These include members of the Michigan National Guard. If a servicemember entered the mortgage before becoming a service member, or the mortgagor is deployed in overseas service, the lender cannot obtain a non-judicial foreclosure during the servicemember's period of military service (or within 6 months thereafter), unless a court orders the sale or foreclosure. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

#### **u. Minnesota**

Minn. Stat. § 190.055

Federal servicemember Civil Relief Act protections are extended to members of the state National Guard called to state active service.

#### **v. Montana**

Mont. Code Ann. §§ 10-1-902 & 10-1-903

A Montana court may stay civil proceedings related to a servicemember's nonpayment of a mortgage or residential lease for up to 90 days for their primary residence or adjust the payment amount due. This provision is applicable to any member of the Montana Army or Air National Guard serving on active duty at least 14 consecutive days of full-time state active duty ordered by the governor or full-time National Guard duty.

#### **w. Nebraska**

Neb. Rev. Stat. § 55-702

Federal Servicemember Civil Relief Act protections are adopted in full and extended to members of the state National Guard ordered to active duty by the governor in certain circumstances.

#### **x. Nevada**

Nev. Rev. Stat. §§ 40.439

Nevada legislature accepted the provisions of the Federal SCRA in 2017. The bill also extended those protections to active-duty members of the Nevada National Guard and dependents of a servicemember. Upon application to the court, a dependent of a servicemember is entitled to the protections provided to a servicemember pursuant to this section if the ability of the dependent to make payments required by a residential mortgage loan is materially affected by the servicemember's active duty or deployment. Among the additional protections offered in Nevada is the ability of a servicemember to stay foreclosure proceedings for a period of up to one year following the return of the service member from active duty.

#### **y. New Hampshire**

N.H. REV. STAT. § 110-C:2(I) (2002).

New Hampshire extends federal SCRA protections to state National Guard members who are called into state or federal active duty for a minimum of 30 consecutive days. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections, and work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **z. New Jersey**

N.J. STAT. § 38:23C-23.1 38:23C-16 (2016).

New Jersey allows national guard members or reservists called to active duty to request a deferral of the principal and interest portion of the mortgage payment, if requested in writing, for the length of the active duty service plus 60 days after. After receiving the valid request, UHM will conditionally grant the applicable deferment and prepare and send a modification agreement covering the term, which the borrower must execute within 30 days of receipt to be effective. However, if the borrower's mobilization begins less than 30 days from the issuance of orders, the borrower must sign the modification agreement within 60 days after active duty ends, for the agreement to be effective. No sale, foreclosure, or seizure of property for nonpayment of any sum due under any such obligation, or for any other breach of the terms thereof, whether under a power of sale, under a judgment entered upon warrant of attorney to confess judgment contained therein, or otherwise, shall be valid if made during the period of military service, or within 3 months thereafter, unless upon an order of sale previously granted by the court and a return thereto made and approved by the court. Following New Jersey law, UHM will not charge fees as a result of the deferment, including late fees, attorneys' fees, recording fees, or additional interest. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **aa. New Mexico**

N.M. Stat. Ann. § 20-4-7.1

Protections are extended to members of the National Guard ordered to state active duty for 30 or more consecutive state duty days or to any federally funded duty performed in an operational role for homeland security.

## **bb. New York**

N.Y. Mil. Law §§ 301 to N.Y. Mil. Law 328

Like the federal law, New York law applies to a service member on federal active duty or state duty pursuant to an order of the governor or the President of the United States. Among other provisions, New York law provides that a servicemember may obtain a court order for a stay of proceedings (postponement) in a foreclosure action under certain circumstances.



## **cc. North Carolina**

N.C. GEN. STAT. § 127B-28 (2019).

North Carolina extends federal SCRA protections to state National Guard members – and their dependents – called into state active duty for a minimum of 30 consecutive days, but only if the member provides documentation (written or electronic) showing he/she is protected – no later than 30 days after service ends – and has met the minimum level of state active duty service<sup>2</sup>In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections, and work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

To the extent a servicemember's loan has been referred to foreclosure, the Servicing Department understands that the foreclosure hearing cannot proceed unless a certification is filed, acknowledging that the hearing will not take place during the military service and for a period of up to 90 days after military service ends<sup>3</sup>. The Servicing Department will work with outside counsel to ensure compliance with this requirement, where applicable.

## **dd. North Dakota**

N.D. Cent. Code § 37-01-43

North Dakota law fully adopts the provisions of the federal SCRA for members of the North Dakota National Guard who are called to active duty for at least 30 consecutive days.

## **ee. Ohio**

OHIO REV. CODE § 5919.29 (2010).

Ohio extends federal SCRA protections to state National Guard members when called by the governor into active duty or training. Ohio extends the 6% interest cap on all debts, not just those incurred prior to active duty.

## **ff. Oklahoma**

OKLA. STAT. tit. 44, § 208.1 (2017).

Oklahoma extends federal SCRA protections to state National Guard members who are called into state active duty or full-time National Guard duty service. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections, and work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

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<sup>2</sup> *Id.* at §§ 127B-27(3)(b); 127B-28.

<sup>3</sup> *Id.* at § 45-21.12A(a).

## **gg. Oregon**

ORG. REV. STAT. § 408.440 (2020).

Oregon extends federal SCRA protections to state National Guard members who are called into state active duty service but only to the extent the foreclosure process is through the courts. Oregon law prohibits lenders from initiating lawsuits to foreclose on a mortgage if the land covered by the mortgage is owned by a servicemember called into active service. Because Oregon's foreclosure process is primarily non-judicial, this protection will only be limited to instances where either UHM must bring the foreclosure through the courts or where the borrower challenges the proceeding in court. The Servicing Department will work with outside counsel to ensure compliance with this requirement, where applicable.

## **hh. Pennsylvania**

51 PA. CONS. STAT. § 4105 (1976).

Pennsylvania halts all legal foreclosure processes, including sale, during a state National Guard member's active service and for up to 30 days after service ends. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **ii. Rhode Island**

R.I. Gen. Laws § 30-7-10

Federal SCRA protections are extended to members of the National Guard who are on state active duty for a continuous period over 90 days. These protections include a prohibition on any interest rate over 6%, eviction protection, a continuation of life insurance policies, and a stay on civil proceedings.

## **jj. South Carolina**

S.C. Code Ann. §§ 25-1-4010 to 25-1-4080 In 2019, the South Carolina legislature passed the South Carolina Servicemembers Civil Relief Act. The Act provided expanded benefits to South Carolina service members, including those members of the army, navy, air force, marine corps, coast guard, and members of the South Carolina National Guard who are called upon for active duty for a period of more than 30 days by the Governor of the State of South Carolina, President of the United States or Secretary of Defense.

In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections, and work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **kk. South Dakota**

S.D. Cod. Laws Ann. § 33A-2-9

Federal SCRA protections are extended to members of the South Dakota National Guard who are ordered to active duty service by the Governor of the State of South Dakota or the President of the United States.

## **II. Tennessee**

TENN. CODE § 26-1-111 (2006).

Tennessee protects state National Guard members, who are called into state active duty service and stationed outside of the United States, by suspending any foreclosure action until 90 days after the individual returns to Tennessee. If a member of a reserve unit or of the Tennessee National Guard entered into a mortgage or deed of trust to purchase a home, and is subsequently called to active military service outside the U.S. during hostilities, the lender cannot foreclose until 90 days after the service member returns to the state. To exercise this right, the individual must deliver a written notice to UHM either before or during deployment. In those instances, the Servicing Department will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

### **mm. Texas**

Tex. Civ. Prac. & Rem. Code § 16.022

In addition to the provisions of the federal SCRA, Texas law tolls the statutes of limitation for those under a “legal disability” who are entitled to sue for the recovery of real property or entitled to make a defense based on the title to real property (The definition of “legal disability” includes those serving in the armed forces during wartime).

### **nn. Utah**

Utah Code Ann. §§ 39-7-102, 39-7-115

In Utah, federal SCRA protections are extended to National Guard members serving full-time with a recognized military unit called into service by the governor for at least 30 days.

### **oo. Vermont**

Vt. Stat. Ann. tit. 12, § 553

Vermont law tolls the statutes of limitation for those who are in the military or naval service of the U.S. or Vermont National Guard who are ordered to state active duty, and at the time of entering such service or duty, had a cause of action against another person, or another person had a cause of action against them. The statute of limitations is tolled for the duration of active duty, plus an additional 60 days.

### **pp. Virginia**

VA. CODE § 44-102.1(A) (2017).

Virginia’s state SCRA protections, which mirror the federal SCRA, cover National Guard members called to full-time active duty service by either the Governor or the President for at least 30 consecutive days. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections and will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **qq. Washington**

Wash. Rev. Code §§ 38.42.010 to 38.42.904

Federal SCRA protections are extended to members of the Washington National Guard or members of a military reserve component. These protections include staying fines and penalties for failing to comply with contractual obligations, honoring a service member's request to restructure a business loan interest rate, protection against the entry of a default judgment against a service member.

## **rr. West Virginia**

W. Va. Code Ann. §15-1F-11

West Virginia law incorporates the protections contained in the federal SCRA. In addition, West Virginia extends those protections to members of the West Virginia National Guard who are called to state active duty by the Governor of West Virginia for a period of thirty days or more.

## **ss. Wisconsin**

WIS. STAT. § 321.62 (2015).

Wisconsin law extends protections against foreclosure to members of the Wisconsin National Guard and state defense force who are ordered into state active duty for 30 days or more. Foreclosure sales cannot occur during or within 90 days after the servicemember's period of state active duty unless pursuant to a court order approving of such action was entered before the servicemember went on active duty and after the foreclosure, sale, or seizure occurs. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections and will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## **tt. Wyoming**

WYO. STAT. § 19-11-122 (2020).

Wyoming's state SCRA protections, which mirror the federal SCRA, cover National Guard members called to full-time active duty service for at least 30 consecutive days. In those instances, the Servicing Department will comply with Interest Rate Cap and Foreclosure protections and will work with outside counsel to provide information as needed and to document the file for investor reporting and claims.

## Section 27 Telephone Consumer Protection Act (TCPA) Policy

Policy Name	Telephone Consumer Protection Act (TCPA) Policy
Version	4.0 (6-10-2024)
Committee Review: ACT	6-26-2024
Last Reviewed by Compliance	6-10-2024

### 27.1 Introduction

The Telephone Consumer Protection Act (TCPA) was enacted by Congress in 1991 (codified at 47 U.S.C. 227) in response to the problems created by the proliferating practices of unsolicited telemarketing calls and faxes that were believed to be an invasion of consumer privacy and a risk to public safety. This law restricts the use of automated dialing systems, artificial or prerecorded messages, short message services (SMS), text messages and fax machines. This law also contains technical requirements for fax machines, automatic telephone dialing systems and voice messaging systems. The TCPA is enforced by the Federal Communications Commission (FCC) which has implemented rules and regulations thereunder.

Subsequent rule changes and Supreme Court rulings have provided additional guidance in establishing the scope of various TCPA provisions and definitions including the definition of an auto dialer

Not all Union Home Mortgage Corp. (UHM) calls made to consumers for personal, family and household purposes are covered by the TCPA. The TCPA applies to autodialed calls, if any, made by UHM to the wireless (cell) phone numbers of its consumers, customers and borrowers. Calls to wireless numbers that are not auto dialed and calls to landlines (hard wired) even if autodialed, may both be permissible.

Similarly, UHM's business and commercial calls without regard to the method, except for FAX transmissions, are likewise exempt from the TCPA.

UHM at times may choose one or more of the following types of communication with existing customers in the servicing portfolio as non-telemarketing, informational calls:

- send text messages to a wireless telephone,
- use software to automatically dial existing customer land lines or cell phone numbers, and/or,
- use an artificial or prerecorded voice message when calling or leaving a message.

### 27.2 Purpose

Policy is to establish UHM policies for use of automation when dialing a consumer, use of an Automatic Telephone Dialing System (ATDS) as defined in the regulation and sending of text messages to wireless telephones of existing UHM customers for non- telemarketing, information calls.

## 27.3 Definitions

**Automated Telephone Dialing System:** The [Supreme court ruling April 1, 2021](#) held the definition as follows: To qualify as an “automatic telephone dialing system” under the TCPA, a device must have the capacity either to store a telephone number using a random or sequential number generator, or to produce a telephone number using a random or sequential number generator. The ruling narrowed the scope to “*ensure the definition of an autodialer does not encompass any equipment that merely stores and dials telephone numbers.*”

**Unsolicited advertising:** “Unsolicited advertisement” means any material advertising the commercial availability or quality of any property, goods, or services which is transmitted to any person without that person's prior express invitation or permission, in writing or otherwise.

**Telephone Solicitation:** “Telephone solicitation” means the initiation of a telephone call or message for the purpose of encouraging the purchase or rental of, or investment in, property, goods, or services, which is transmitted to any person, but such term does not include a call or message (A) to any person with that person's prior express invitation or permission, (B) to any person with whom the caller has an established business relationship, or (C) by a tax exempt nonprofit organization.

## 27.4 Facsimile (FAX) Machines

UHM does not utilize, and specifically prohibits employees from, advertising or soliciting any products or services by utilization of or sending from a FAX machine.

## 27.5 Prohibitions

*UHM will not initiate any telephone call to any residential line using an artificial or prerecorded voice to deliver a message without the prior express written consent of the called party, unless the call:*

- (i) Is made for emergency purposes,*
- (ii) Is not made for a commercial purpose,*
- (iii) Is made for a commercial purpose but does not include or introduce an advertisement or constitute telemarketing*

### **Call Limit**

**UHM will make no more than three calls within any consecutive 30-day period to the residential line and honors the called party's request to opt out of future calls as required in paragraphs (b) and (d) of this section.**

### **Expressed Consent**

Collection calls to cell phones can be made with mere presumed express consent anytime a number is provided by the debtor to UHM absent contrary instructions.

## **TCPA Violations**

UHM does not engage in any of the following activities in violation of the TCPA:

- Telemarketing calls or texts to a residential land line or cellular phone that are not made to a consumer, customer and/or borrower which run afoul of the receiver's rights and requests not to receive calls by being placed on or included within either the National Do Not Call Registry (DNC Registry), or UHM's internal in-house do not call list or records, as the case may be. UHM utilizes the most current version of the DNC Registry available from the Administrator of the Registry but in no event aged greater than 31 days prior to the date the call is placed.
- Telemarketing calls or texts to a consumer from whom UHM has received a specific verbal or written do-not-call request. All requests are recorded and transcribed in the UHM internal in-house do not call list or records as the case may be with the caller's full name and 10-digit phone number (must include the area code) and processed and honored within a reasonable time, which should not exceed 30 days. Records of each DNC request shall be maintained and preserved for a period of 5 years from receipt of the request.
- Telemarketing calls before 8 a.m. or after 9 p.m., based on the recipient's time zone. Telemarketing calls and texts using artificial or prerecorded voice recordings without the recipient's express written consent.
- Telemarketing calls and texts using artificial or prerecorded voice recordings without the recipient's express written consent.
- Informational or telemarketing calls to landlines using a pre-recorded voice message after the call limit is exceeded.
- Identification blocking technology or spoofing technology to disguise the phone number used to call or text customers.

## **27.6 Third Parties and Vendors**

The FCC has determined that UHM may be vicariously liable for violations of the TCPA made by a 3<sup>rd</sup> Party under common law agency principles. UHM requires that all vendors have sufficient and adequate policies, controls, safeguards and training in place at all times to ensure adherence with the TCPA and state telemarketing laws.

## 27.7 TCPA Rule Quick Reference

### **Calls exempt from TCPA**

- Manually dialed calls that have no pre-recorded message.
- Calls made for emergency purposes.
- Calls not made for a commercial purpose.
- Calls made for commercial purposes but without telemarketing or advertising content, such as calls made to collect a debt.

### **Consent Rule For Landlines**

*Is the call initiated using artificial voice or prerecorded message?*

- If NO, the TCPA consent rule does not apply.
- If YES, determine if the call is exempt as applicable to UHM:
  - Not made for commercial purpose, OR
  - Has commercial purpose but does not include any unsolicited marketing, or is not telemarketing.

If the call is **not** exempt, PRIOR EXPRESS WRITTEN CONSENT IS REQUIRED.

### **Consent Rule For Cell Phone Calls**

*Is the call using an ATDS as defined in this policy or artificial voice or prerecorded message?*

- If NO, the TCPA consent rule does not apply.
- If YES, determine if the call is exempt as applicable to UHM:
  - Not made for commercial purpose OR
  - Has commercial purpose but does not include any unsolicited marketing or is not telemarketing.

If the call is **not** exempt, PRIOR EXPRESS WRITTEN CONSENT IS REQUIRED.

### **Consent Rule For Text Messages**

*Is the text message delivered using an ATDS as defined in this policy?*

- If NO, the TCPA consent rule does not apply.
- If YES, the customer must give prior express written consent and opt into the program.