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ASPIRE NON-QM

Program Eligibility Supplement

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1. GENERAL INFORMATION

This document outlines program eligibility and underwriting guidelines for EPM Residential Acquisition Corporation (RRAC) and RWT Financial, LLC, both herein referred to as “EPM.” In addition to program eligibility and prudent underwriting, EPM requires that all loans meet the Ability to Repay (ATR) rule established by the Consumer Financial Protection Bureau (CFPB).

The ATR rules require that the originator make a reasonable, good-faith determination before or when the loan is consummated, and that the consumer has a reasonable ability to repay the loan. The originating lender must consider the eight (8) underwriting factors established by the CFPB and the loan file must be documented accordingly.

1. The borrower’s current or reasonably expected income or assets.
2. The borrower’s current employment status.
3. The borrower’s monthly payment on the covered transaction.
4. The borrower’s monthly payment on any simultaneous loan.
5. The borrower’s monthly payment for mortgage-related obligations.
6. The borrower’s current debt obligations, alimony, and child support.
7. The borrower’s monthly debt-to-income ratio or residual income and
8. The borrower’s credit history.

By submitting a loan for purchase, Seller certifies that: (i) Seller has made, or is making, its own credit decision with respect to the loan to the borrower, regardless of whether EPM Residential Acquisition Corporation purchases or declines to purchase the loan; (ii) none of EPM Residential Acquisition Corporation, its directors, officers, employees, agents, or contractors, or any of its affiliates has influenced, or will influence, Seller’s credit decision with respect to the loan to the borrower by (a) indicating whether it will purchase the loan if Seller originates and closes the loan, or (b) any other action or statement; and (iii) if Seller has closed, or in the future does close, the loan to the borrower, Seller did, or will, fund the closing of the loan with funds from a source other than EPM Residential Acquisition Corporation or any of its affiliates.

2. GENERAL BORROWER REQUIREMENTS

EPM will only purchase loans made to applicants (borrowers). An applicant is defined as one who applies for a loan secured by real property with the obligation of repaying the loan in full with interest. To be eligible, applicants must conform to certain eligibility requirements.

Loans with title or interest held in various forms/legal entities such as Life Estates, Non-Revocable Trusts, Guardianships, are not eligible. EPM EPM DSCR will allow for business entities.

A. ELIGIBLE BORROWERS

1. Borrower

The borrower is the individual obligated to repay the loan secured by the mortgaged premises. The borrower should be of legal age per local/state jurisdiction. He/she should be able to enter into a binding contract.

2. Co-Borrower

The co-borrower, or joint applicant, who has applied with the borrower for joint credit. The co-borrower will take title to the mortgaged premises and will sign the Note and security instrument.

3. Non-Occupant Co-Borrower

The non-occupant co-borrower applies with the borrower for joint credit and will take title to the mortgage premises but will not occupy the property. The non-occupant co-borrower will be required to sign the Note and security instrument. Please refer to specific program guidelines for requirements for borrowers qualifying with non-occupant co-borrowers.

4. Non-Borrowing Spouse

When a married borrower applies in their name alone, the spouse is referred to as the non-borrowing spouse. A non-borrowing spouse may have rights as a co-owner of the mortgage premises or due to state community property or marital rights. Non-borrowing spouse must sign the security instrument and if applicable, Right to Cancel. See Section 6(C)(4)(c) for TRID requirements relative to a non-borrowing spouse. See Section 2(D)(5) for additional information relative to Texas 50(a)(6) refinances.

2. GENERAL BORROWER REQUIREMENTS

5. Co-Signers

Borrowers applying for a loan that will not take title are considered guarantors or co-signers. Guarantors or co-signers are eligible borrowers.

6. Inter Vivos Revocable Trust

An inter vivos revocable trust is a trust that an individual creates during their lifetime, becomes effective during their lifetime, and can be changed or canceled at any time for any reason, during their lifetime.

EPM will accept inter vivos revocable trusts as an eligible borrower for 1-2 unit owner-occupied primary residences, 1-unit second homes and 1-4 unit investment properties. The subject property can be a single-family residence, condominium, PUD, or co-op if documentation and eligibility requirements are met. Title insurance must provide full title insurance coverage without exceptions for the trust or trustees for the inter vivos revocable trust in that state.

For inter vivos revocable trust signature requirements, please refer to section 4E.

To determine whether the trust meets all the criteria required by State and investor standards, one (1) of the following will be required:

- A copy of the trust agreement
- An attorney's opinion stating the trust meets all Secondary Marketing requirements as set forth by Freddie Mac (FHLMC) or Fannie Mae (FNMA), as applicable, and any applicable State requirements
- Certification from a title company evidencing compliance with all Secondary Marketing requirements as set forth by FHLMC/FNMA and any applicable State requirements
- Certification from an individual trustee evidencing compliance with all Secondary Marketing requirements as set forth by FHLMC/FNMA, and any applicable State requirements. Additionally, the following requirements must be met:
 - Certifications completed by an individual trustee must be notarized.

2. GENERAL BORROWER REQUIREMENTS

NOTE: Trust certifications must confirm the following:

- The existence and date of the trust.
- The Settlers and the current trustees.
- The powers of the trustees.
- Whether the trust is revocable; and, if revocable, who holds the right to revoke.
- The names and number of the trustees required to sign on behalf of the trust.
- The trust identification number, whether that is a Social Security number, or an IRS issued Tax Identification Number.
- How title to the trust assets should be taken.
- A statement that the trust has not been revoked, modified or amended in any manner.
- The trust agreement must state the following:
 - The trustee is authorized to borrow money for the purpose of purchase or refinance.
 - The beneficiary does not need to grant written consent for the trust to borrow money. If consent is required, consent has been granted in writing for purposes of the mortgage.
 - There is no unusual risk or impairment to the lenders' rights.
 - Holding title in the trust does not diminish the lenders' rights as a creditor.

7. Illinois Land Trust

a) Parties to the Trust

- Beneficiary: The beneficiary is the person(s) who benefit from the trust and must be an individual and the mortgage applicant. The beneficiary must be the recipient of the trusts benefits, is considered to have beneficial title (ownership of the property). The land trust beneficiaries must execute the Note and guarantee payment of the Mortgage.
- Trustee: The trustee has the authority to mortgage the property and to administer the trust. The trustee can only be an institutional trustee that customarily performs trust functions and who is authorized under state law to act as trustee.
- Trustor/Settlor/Grantor: Typically called the "grantor," this is the party or parties who created the trust and contributed the property to the trust.

2. GENERAL BORROWER REQUIREMENTS

b) Eligibility Requirements

- At least one (1) individual establishing the trust must be a borrower on the loan.
- The title insurance policy must ensure full title protection and must indicate that title to the subject property is vested in the name of the trustee(s). The policy may not list any exceptions arising from the trust ownership of the property.
- Full title to the property must be vested either:
 - Solely in the trustees, or
 - Jointly in the trustees and in the name of an individual borrower

c) Trust Agreement Requirements

- The trust is established by a written document during the lifetime of the individual establishing the trust, to be effective during his/her lifetime.
- The individual establishing the trust has reserved the right to revoke or alter the trust during his/her lifetime.
- The trustee has the power to mortgage the subject property for the purpose of securing a loan at the instruction of the beneficiary(s).
- The primary beneficiary of the trust is the individual establishing the trust. If more than one (1) individual establishes the trust jointly, there may be more than one (1) primary beneficiary.
- The beneficiary(s) must have the sole power of direction over the trust and trustee.

8. Permanent Resident Alien (Immigrant)

A Permanent Resident Alien is a non-US citizen who is legally eligible to maintain permanent residency in the US and holds a Permanent Resident card. Document legal residency with one (1) of the following:

- A valid and current Permanent Resident Alien card (form I-551) also known as a green card.
- A passport stamped “processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until _____.” Employment authorized. This evidences the holder has been approved for, but not issued, a Permanent Resident Alien card.

9. Non-Permanent Resident Alien (Non-Immigrant)

A Non-Permanent Resident Alien is a non-US citizen who lawfully enters the US for a specific time period under the terms of a Visa. A Non-Permanent Resident Alien status may or may not permit employment.

2. GENERAL BORROWER REQUIREMENTS

Verification of a valid and eligible visa that allows the Non-Permanent Resident Alien the right to work and live in the US issued by the USCIS is required.

G Series Visas must not allow for diplomatic immunity. Unexpired VISAs only.

10. Business Entities Requirements - EPM EPM DSCR program only

When property is purchased and or titled in the name of an entity (in addition to all otherwise applicable under writing requirements)

- Corporations, Limited/General Partnerships and Limited Liability Corporations
- The entity must be domestic (i.e. - formed in and governed by the laws of the United States)
- Guarantor:
 - All loans are required to have a full recourse personal guaranty by all material owners.
 - All loans must have full recourse guaranties by at least 51% of the owners.
 - The borrower is a legal entity, all members of the entity with 20% or more controlling interest are considered material owners and must provide a full recourse guarantee.

B. OCCUPANCY

1. Primary Residence

A primary residence is where the borrower lives the majority of the year. It is in a location relatively convenient to the principal place of employment; and it is the address of record for items such as voter registration, federal income tax reporting, licensing and similar functions.

Purchase - The borrower must occupy the subject within sixty (60) days of closing. If there are multiple borrowers, at least one (1) must occupy and take title to the property.

Refinance - The borrower must occupy the subject property at the time of the transaction for existing properties. For construction-to-permanent transactions, borrower must occupy within sixty (60) days of closing.

2. GENERAL BORROWER REQUIREMENTS

2. Second Home

A second home is a 1-unit property, including condominiums, co-ops, and PUDs, that the borrower will occupy for a portion of the year.

The property generally is in a vacation or resort area, but not always, and must be suitable for year-round use. A second home should not be in the same local market as the borrower's primary residence. There can be exceptions such as properties that are in a metropolitan area that are used to minimize the commute to work.

There are no specific mileage requirements regarding the distance between a second home and primary residence, but it should make sense that the subject is a second home. Additionally, 2-4 unit properties are not eligible. The borrower should retain exclusive control over the property and not give the management company control.

3. Investment Property

An investment property is an income-producing property that the borrower does not occupy. The subject can be a 1-4 unit property, condominium or PUD. Co-ops are not eligible.

C. TRANSACTION TYPES

1. Purchase

A purchase transaction allows the borrower to use the proceeds of the loan to finance the purchase of a property. The borrower should not be on title to the property prior to the loan closing. The transaction must follow minimum down payment and interested party contribution requirements.

2. Refinance

- The applicant must have taken title to the subject property more than 180 days prior to the Note date for any cash-out refinance transactions.
- Refer to Seller's Guide for refinance transactions in which the existing loan was sold to EPM.
- Increased values as a result of improvements to the subject property by the current owner may be acceptable with adequate documentation regarding the improvements.
- A new appraisal will be required for all transactions regardless of the date of the original appraisal.
- Evidence of required seasoning must be submitted in the underwriting file. Underwriters must verify borrower is the owner of record.

2. GENERAL BORROWER REQUIREMENTS

3. Construction-to-Permanent Financing

The conversion of Construction-to-Permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. The borrower must hold title to the lot, which may have been previously acquired or purchased as part of this transaction.

D. TEXAS – OWNER OCCUPIED HOMESTEAD PROPERTY

General Overview Refinance Loans

The three types of refinances in the state of Texas include standard refinance, loans covered under Section 50 (a)(6), and loans covered under Section 50 (f)(2). Refinance loans subject to Section 50 are subject to additional restrictions. EPM follows Fannie Mae requirements related to Section 50 (a)(6) loans and 50 (f)(2) loans. Failure to follow these requirements will result in the loan being ineligible for purchase. A transaction may be considered rate and term under Texas regulatory law but may be considered a cash out refinance under EPM program guidelines. Please consult program guidelines.

1. Standard Refinance Loan

If the existing loan was a purchase money first or a rate and term refinance not subject to Section 50, the new loan will be considered a standard refinance loan.

- a) New loan is less than or equal to the existing UPB.
- b) New loan equals UPB plus prepaids and closing costs.
- c) New loan pays down or pays off a purchase money second.
- d) New loan pays down or pays off an existing Secured Home improvement Loan (mechanics lien)*.
- e) New loan provides funds necessary to satisfy a court ordered divorce equity buyout.

*A transaction may be considered rate and term under Texas regulatory law but may be considered a cash out refinance under EPM program guidelines. Please consult program guidelines.

2. General Restrictions and Requirements for Section 50 (a)(6) (Texas Equity Loans)

The following outlines the restrictions and requirements applicable to Texas Equity Loans. Failure to originate these loans within these guidelines can potentially invalidate the loan and lien.

- a) Eligible Programs – 20, 25 and 30-Year Fixed Rate Only
- b) Maximum LTV/CLTV – 80% or EPM program maximum (lesser of)

2. GENERAL BORROWER REQUIREMENTS

- c) Eligible Property Type - Single-unit principal residence designated as the borrower's homestead under Texas law. Eligible property types are limited to an attached or detached dwelling, a unit in a PUD project, or a unit in a condominium project. Owner occupied primary residences only. Documented proof of Homestead Designation is required.

NOTE: 2-4-unit properties not allowed.

- d) Non-borrowing spouse - The owner of the homestead and their spouse must consent to the extension of credit by executing the Deed of Trust. A non-borrowing spouse, regardless of their ownership interest in the homestead property, has the right to cancel. EPM will accept either the appropriate federal "Notice of Right to Cancel" or a Texas specific "Notice of Right to Cancel."
- e) Property Valuation - To determine current value lenders must obtain a new full appraisal on either a Uniform Residential Appraisal Report, or Individual Condominium Unit Appraisal Report. The appraisal for the property and the acknowledgment of fair market value must not include any property other than the homestead.
- f) Survey (or other acceptable evidence) is required and must demonstrate that:
- I. Homestead property and any adjacent land are separate parcels, and
 - II. Homestead property is a separately platted and subdivided lot for which full ingress and egress is available.
- g) Additional Restrictions and Requirements
- I. Fees and charges to make the loan may not exceed 2% of the loan amount. The following fees and charges can be excluded from the testing:
 - a. Bona Fide Discounts to lower the rate selected
 - b. Appraisal Fee
 - c. Survey Fee
 - d. Lender's Title Policy
 - e. The borrower's first payment must be due no later than two (2) months after closing.
 - f. The lender must provide the title company with a detailed closing instruction letter and require acknowledgment of its receipt.
 - g. If this loan is being used to pay off a previous Texas Equity Loan, the loan may not close before twelve (12) months have passed from the closing date of the Texas Equity Loan being paid off. (See Section D.3 for additional information)
- h) If the new loan is a Texas Equity Loan originated to cure a failure in the original mortgage to comply with Section 50(a)(6), then the Texas law requirement that at least twelve (12) months have passed since any previous Texas Home Equity loan secured by a homestead property was closed does not apply.

2. GENERAL BORROWER REQUIREMENTS

- i. The loan may not close before twelve (12) days after the loan application was taken by the lender or the borrower receives the “NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION” disclosure, whichever date is later AND may not close, without the borrower’s consent, one (1) business day after the date on which the borrower receives a copy of the loan application, if not previously provided, and a final itemized disclosure of the actual fees, points, interest, costs and charges that will be charged at closing.
- j. The loan may only close at the office of the lender, title company or an attorney at law.
- k. Power of Attorney may not be used on a Texas Equity Loan.
- l. The use of FNMA approved Texas Equity legal documents (Note, Deed, Riders, etc.) is required.

If the new refinance loan is classified under Texas law as a Texas 50 (a) (6), the loan must be locked with EPM as a Cash-Out Refinance.

3. General Restrictions and Requirements for Section 50 (f)(2) (Texas Equity Loans)

Under certain circumstances a refinance of an existing Texas Equity loan may be considered as a standard refinance transaction, per Section 50 (f)(2). The following requirements must be met:

- a) At least one year has elapsed since the Texas Home Equity loan was closed.
- b) There can be no advance of new money except closing costs and when the funds advanced refinance a debt described by Sections 50(a)(1) through (a)(7).

Note: in certain cases, paying a divorce settlement, property tax lien or mechanics lien will require a EPM cash out lock while this would be considered a rate and term refinance per the regulatory text.

- c) The new principal loan balance may not exceed the lesser of 80% of the property’s fair market value on the day of the refinance or the maximum LTV under EPM program guidelines.
- d) The borrower must be provided a new 12-day disclosure within 3 business days of application and may not close until 12 days after the disclosure is received.
- e) The borrower(s) and borrower’s spouse (if applicable) must sign an Affidavit at closing acknowledging that the above four requirements have been met.

2. GENERAL BORROWER REQUIREMENTS

4. Seller Eligibility Requirements for Delivery of Texas Equity Loans

- Seller must qualify as an authorized lender under the Texas Constitution. NMLS record must confirm that Seller holds the necessary Texas registration.
- Seller has policy and procedures in place around the origination of Texas Home Equity loans that meet the provisions of the Texas Constitution applicable to mortgage loans authorized by Section 50 (a)(6), Article XVI of the Texas Constitution.
- The proceeds from a Texas Home Equity loan must not be used to acquire or improve the homestead if a mortgage for that purpose could have been made under a different provision of the Texas Constitution.

E. Tax Return and 4506-C / Form 8821 Requirements

1. Taxpayer Identification Theft

If the 4506-C transcripts do not match the borrower's income and the borrower is a victim of taxpayer identification theft, the following conditions must be met to validate the borrower's income:

- Proof of identification theft, as evidenced by one (1) of the following:
 - Proof ID theft was reported to and received by the IRS (IRS form 14039).
 - Copy of notification from the IRS alerting the taxpayer to possible identification theft.
- In addition to one (1) of the documents above, all applicable documents below must be provided:
 - Tax Transcript showing fraudulent information.
 - Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower's 1040s. Validation of prior tax year's income (income for current year must be in line with prior years).

2. IRS Rejection of 4506-C

If the IRS rejects a 4506-C request, and the reason for the rejection is either "Unable to Process" or "Limitation," the following conditions must be met to validate the borrower's income:

- Copy of the IRS rejection with a code of "Unable to Process" or "Limitation".
- Record of Account for two (2) years obtained by the borrower from the IRS. Adjusted Gross Income and Taxable Income on the Record of Account should match the borrower's 1040s.

-OR-

- Tax return transcripts for two (2) years obtained by the borrower via mail from the IRS.

2. GENERAL BORROWER REQUIREMENTS

3. Tax Transcripts / 4506-C

- A completed, signed, and dated IRS form 4506-C or a Form 8821 must be completed for all borrowers at closing whose income is used to qualify for the mortgage. IRS will require the latest form completed in full.
- A 4506-C or a Form 8821 must be processed and tax transcripts for personal income tax returns obtained (for each year requested) to validate all income used for qualifying.
- Transcripts must match documentation in the file.
- In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect “No Record Found.” In these cases, an additional prior year’s tax transcripts should be obtained and provided along with evidence of filing for most recent tax year and proof taxes have been paid if applicable. Where program guides require transcripts for income, qualifying income must be based on tax returns. Large increases in income that cannot be validated with a transcript will be considered on a case-by-case basis only.
- Transcripts that are pulled by the borrower from the IRS are acceptable to EPM.

4. Tax Returns and Extensions

The following standards apply when using Income Tax Returns to verify income:

- Personal Income Tax Returns
 - Must be complete with all schedules (W-2 forms, 1099 forms, K-1 schedules, etc.).
 - Tax returns must be signed and dated. In lieu of a signature, personal tax transcripts for the corresponding year may be provided. (See Program guidelines for specific requirements)
- Business Income Tax Returns
 - Must be complete with all schedules (K-1 schedules, Form 1065, etc.).
 - Tax returns must be signed. In lieu of a signature, business transcripts for the corresponding year may be provided. (See Program guidelines for specific requirements)
- Unfiled Tax Returns

The following guidelines apply for the prior year’s tax return:

2. GENERAL BORROWER REQUIREMENTS

- For loans closed between Jan 1 and the tax filing date (typically April 15), borrowers must provide:
 - IRS form 1099 and W-2 forms from the previous year.
 - Loan closing in January prior to receipt of W-2s may use the prior year year-end paystub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided.
- Personal 1040 tax returns – For loans closed between the tax filing due date (typically April 15), and the extension expiration date (typically October 15), borrowers must provide (as applicable):
 - Copy of the filed extension.
 - W-2 forms.
 - Form 1099, when applicable.
 - Year-end profit and loss for prior year, if self-employed.
- Partnership (1065) or S-Corporation (1120S) tax returns – For loans closed between the tax filing due date (typically March 15) and the extension expiration date (typically September 15), borrowers must provide (as applicable):
 - Copy of the filed extension.
 - Year-end profit and loss for prior year.
- Corporation (1120) tax returns (assuming calendar year) – For loans closed between the tax filing due date (typically April 15) and the extension expiration date (typically October 15), borrowers must provide (as applicable):
 - Copy of the filed extension.
 - Year-end profit and loss for prior year.
- After the extension expiration date, loan is not eligible without prior year tax returns.

F. UNDERWRITING DOCUMENTATION

All loans must be manually underwritten and fully documented. No documentation waivers based on Agency AUS recommendations are permitted. The more restrictive of either the Fannie Mae Selling Guide or EPM's Program Eligibility Guides should be followed. In some cases, exceptions to program guidelines or product eligibility may be acceptable when strong compensating factors exist to directly address the issue and offset the risk.

The application package must contain acceptable documentation to support the underwriting decision. When standard documentation does not provide sufficient information to support the decision, additional explanatory statements or documentation must be provided.

2. GENERAL BORROWER REQUIREMENTS

Full income and asset verification is required. In an effort to fully document the borrower's ability to meet their obligations, borrowers should disclose and verify all liquid assets (in addition to minimums required as specified by the program).

1. Direct Written Verifications

Written verifications for employment, deposit accounts and/or mortgage/rental history (VOE/VOD/VOM) must pass directly between the lender and employer, financial institution, mortgagor/landlord, as applicable, without being handled by any third party.

Documentation must not contain any alterations, erasures, and correction fluid or correction tape.

Certain loans require paystubs, W-2s or tax returns; standalone VOEs are not allowed but can be provided for additional information.

Certain loans require two (2) month bank statements or statements to cover sixty (60) days; standalone VODs are not allowed but can be provided for additional information.

The AUS and EPM Expanded product will allow for AUS recommendations as permitted subject to EPM Overlays.

2. Additional Documentation

Letters of explanation regarding financial circumstances must specifically address the financial or credit concern presented and must contain a complete explanation in the applicant's own words and be signed and dated by the applicant.

G. ALTERNATIVE DOCUMENTATION

1. Fax Copies

Fax copies in lieu of original documents or certified copies are acceptable subject to the following:

- Verification transmitted directly from the lender to an employer, depository institution, mortgagee or landlord. The employer, depository institution, mortgagee or landlord must transmit the verification directly back to the lender.

2. Internet Documentation

Internet documents/downloads of credit reports as well as income, employment and asset verification are acceptable. This allowance for Internet documents does not

2. GENERAL BORROWER REQUIREMENTS

change the required content or level of documentation needed. The information must be easy to read, under standable, and have no evidence of alterations, erasures or white-outs, and must make sense based on the borrower profile and transaction terms.

The following source validation criteria apply to all documents obtained via the Internet:

- Identify the borrower as the employee or owner of the applicable account.
- Identify the credit reporting agency, employer, or depository/investment firm's name and source of information.
- Headers, footers, and the banner portion of the printout of the downloaded web page(s) must reflect the appropriate firm.
- Display the Internet Uniform Resource Locator (URL) address and the date and time printed.
- If faxing an Internet download, make sure fax header does not cover URL information.

3. Re-verification Authorization

A borrower's consent must be evidenced by their signature on the appropriate form in order to allow subsequent re-verification as may be required. In lieu of borrower's signature directly on the re-verification form, a general consent form with signatures by all borrowers is acceptable.

4. Bank Statement Non-Sufficient Funds Policy:

Bank statements reflecting Non-Sufficient Funds (NSF) checks and overdraft protection transfers may indicate cash flow problems and each event or occurrence must be considered. In all cases, their financial strength of the self-employed borrower's business must be satisfactory. (EPM EPM Expanded Bank Statement)

- NSF's should be covered with deposits shortly after they are incurred.
- NSF's require and acceptable letter of explanation from the borrower to evaluate that they are not due to financial mishandling and/or indicative of insufficient income.
- The following tolerance for NSF's and overdrafts is allowed:
 - No occurrences in the most recent three (3) months
 - Each NSF is considered an occurrence (i.e. there may be multiple NSF's in each month that must be counted toward the cumulative total)

The NSF occurrences may only be excluded from the tolerances above if one of the following is met:

- Overdraft protection from another depository account (a personal account must be used when using personal bank statements and a business account must be used when using business bank statements) when the statements for the linked account confirm all of the following:

2. GENERAL BORROWER REQUIREMENTS

- The account balance at the time of the transfer exceeded the amount of the overdraft transfer.
- The accounts balance did not report as zero or negative at any point during the statement period of transfer.
- The account did not itself receive overdraft protection proceeds during the statement period of the transfer.
- Overdraft protection from a business line of credit (a personal line of credit cannot be used for overdraft protection) when the statements for the linked account confirm that the lines credit limit was not exceeded during the statement period of transfer.

H. CREDIT

1. Credit History

An individual's credit history is one of the strongest indicators of future credit performance. People who have maintained a long history of excellent credit can and do manage personal finances properly. Likewise, a borrower who has a history of slow payments or has defaulted in the repayment of debt generally does not change their credit habits.

Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

EPM will allow for Credit Score refreshes; however, the closed loan file must include all documentation to support the change in score and still meet sufficient assets as required by the program guidelines.

2. Credit Score Requirements

The three (3) major Credit Repositories ("Agencies") offer a product that scores each consumer's credit history using the Fair Isaac model. Trademark names include the Experian "Fair Isaac Credit Score" (FICO), Trans Union "Empirica Score" and Equifax "Beacon Score". All are acceptable and are referred to as the "Credit Score"

3. Credit Score Selection

The following criteria should be used to determine each individual borrower's credit score:

- If there are three (3) valid credit scores for a borrower, the middle score of the three (3) scores is used.
- If two (2) of three (3) scores are the same, choose the middle of the three (3) scores.

2. GENERAL BORROWER REQUIREMENTS

700, 680, 680 = 680

• 700, 700, 680 = 700

- If there are two (2) valid scores for a borrower, the lower of the two (2) scores is used.
- A minimum of two (2) credit scores for each borrower is required.
- The representative score for the loan transaction will be based on the lowest representative score for any borrower.

I. QUALIFYING RATIOS

Debt ratios are calculations used to determine whether the borrower will be able to meet expenses involved in home ownership. There are two (2) ratios to assess the borrower's eligibility: housing-to-income ratio and debt-to-income ratio.

1. Housing-To-Income Ratio

The monthly housing expense includes the following:

- Principal and interest for the mortgage that is secured by the borrower's principal residence.
- Monthly amounts for:
 - Subordinate financing on the subject.
 - Hazard Insurance.
 - Real Estate taxes.
 - Mortgage Insurance Premiums (MIP).
- When applicable:
 - Homeowners Association Dues.
 - Optional credit insurance.
 - Monthly cooperative fees.
 - Leasehold payments.
 - Special assessments.
 - Flood insurance fees.
 - Tax abatements.

2. Debt-To-Income Ratio

Monthly debt-to-income ratio is the sum of the monthly housing-to-income ratio plus the following:

- Payments on revolving debt.

2. GENERAL BORROWER REQUIREMENTS

- Installment debt with ten (10) or more months remaining.
- Lease payments, regardless of the number of payments remaining.
- Monthly PITIA for any additional properties owned by the borrower including second homes and investment properties with negative cash flow.
- Current real estate taxes and insurance on properties owned free and clear.
- Child support, alimony and separate maintenances with ten (10) or more months remaining.
 - Alimony payments may be deducted from income rather than included as a liability in the debt-to-income ratio—please see liability section of program guidelines to determine if alimony may be deducted from income.

3. APPRAISAL STANDARDSS

A. LENDER STANDARDS

All appraisals must comply with and conform to USPAP and the Appraiser Independence Requirements.

Appraiser must be state licensed or certified by the state in which the property to be appraised is located.

The Seller/Lender or any third party authorized by the Lender/Seller shall be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser. The Seller/Lender will not accept any appraisal report completed by an appraiser selected, retained or compensated in any manner by any other third party (including brokers or real estate agents).

No employee, director, officer or agent of the Seller/Lender or any other third party acting as joint venture partner, independent contractor appraisal company, appraisal management company or partner on behalf of Seller/Lender, shall influence or attempt to influence the appraisal outcome through coercion, extortion, collusion, compensation, inducement, intimidation, bribery or any other manner.

The appraiser must not have a direct or indirect interest, financial or otherwise, in the property or in the transaction. Selection criteria should ensure that the appraiser is independent of the transaction and is capable of rendering an unbiased opinion.

An appraisal prepared by an individual who was selected or engaged by a borrower, property seller, real estate agent or other interested party is not acceptable. "Re-addressed appraisals" or appraisal reports that are altered by the appraiser to replace any references to the original client with the lender's name are not acceptable. Additionally, the borrower, property seller, real estate agent or other interested party is not allowed to select an appraiser from an approved appraiser list.

Effective internal controls should require that only qualified and adequately trained underwriters, who are not involved in the loan production process, review appraisals. To maintain independence, the underwriter should not directly report to someone involved in loan production. EPM expects the underwriting review to include confirming the independence of the appraiser in addition to a comprehensive technical review of the appraiser's analysis prior to making a final credit decision. Any exceptions or red flags should be escalated accordingly.

3. APPRAISAL STANDARDSS

Any Seller/Lender that has a reasonable basis to believe an appraiser or appraisal management company is violating applicable laws or otherwise engaging in unethical conduct shall promptly refer the matter to the applicable State appraiser licensing agency or other relevant regulatory bodies.

A Seller/Lender must not order, obtain, use or pay for a second or subsequent appraisal in connection with a mortgage financing transaction unless

- (i) there is a reasonable basis to believe that the initial appraisal was flawed or tainted, and such basis is clearly and appropriately noted in the mortgage file or
- (ii) such appraisal is done pursuant to written, pre-established bona fide pre- or post-funding appraisal review or qualify control processors or underwriting guidelines, and so long as the Seller/Lender adheres to a policy of selecting the most reliable appraisal rather than the appraisal that states the highest value or
- (iii) a second appraisal is required by law or required per guidelines.

EPM will not purchase a loan where a transfer of an appraisal has occurred, regardless of any written assurance or certification.

Appraisals must be delivered to the applicant per Regulation B §1002.14: Rules on providing appraisal reports.

B. PROPERTIES AFFECTED BY DISASTERS

The FEMA Declared Disaster Area Policy applies to all areas eligible for Individual and or Public Assistance due to a federal government disaster declaration.

1. Effective Date of Disaster Policy

The disaster-area policy becomes effective as of the incident period end date for the disaster/event. FEMA publishes the incident period along with the declaration date once the area is presidentially declared.

For example, refer to the following dates to understand when property re-inspection requirements apply:

- Disaster Incident Period:
 - Begin Date: January 15
 - End Date: January 17
- Disaster Declaration Date: February 2
- Effective Date for Disaster Procedures: January 17

3. APPRAISAL STANDARDSS

Based on the dates noted in the above example, all appraisals performed on or before January 17 would require the appropriate re-inspection or review. Appraisals performed after January 17 would continue to require written certification by the appraiser that indicated whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage, the extent of that damage needs to be addressed.

The disaster policy will be in effect for transactions during an ongoing disaster and transactions with a Note date that is within ninety (90) days of the end date of the disaster incident period. The disaster policy is also in effect for loans with a post-closing disaster and prior to date of purchase by EPM.

2. Appraisal and Re-Inspection Requirements

To ensure the property value has not been impacted by the disaster, a post-disaster property inspection is required. The inspection may be performed by the original appraiser, another licensed appraiser, or licensed property inspection company.

3. Appraisal performed on or before disaster incident end date

The property inspection must identify the following:

- Property is free from damage and the disaster had no effect on value or marketability.
- If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, or other post-disaster inspection report, with photos of interior, exterior, and neighborhood.

4. Standard Appraisal Performed After Incident Period End Date for Disaster

Appraisal must include written certification by the appraiser that:

- Property is free from damage and the disaster had no effect on value or marketability.
- If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos of interior and exterior.

Please note that FEMA makes updates to their state lists. Sellers should closely monitor FEMA's online reference at <http://www.fema.gov/news/disasters.fema>.

4. TITLE AND CLOSING

In addition to the following, refer to Fannie Mae guidelines for requirements related to title, insurance, and mortgagee clauses.

A. TITLE VARIATIONS

1. Fee Simple

Fee Simple is the greatest possible interest a person can have in real estate. The lender must be recorded as the principal on the mortgagor's estate subject only to liens for taxes and special assessments that are not currently due and payable.

2. Leasehold Estate

A leasehold arrangement is one in which there is a separate owner of the land and the improvements on the land. The landowner grants a lease to the owner of the improvement that gives the right to use the land in exchange for a rental payment. The ownership interest in the improvements with the rights granted in the lease to use the loan is called the leasehold interest. The rental payment is called the leasehold payment.

The lease or sublease must be valid, in good standing, and in full force. The leasehold must be assignable and/or transferable. All rents must be current.

The lease is commonly for a term of ninety-nine (99) years or more and is usually renewable. The remaining term of the lease must extend a minimum of five (5) years beyond the maturity date of the mortgage.

B. TITLE POLICY FORMS

The title policy must be written on one (1) of the following forms:

- 2006 or 2021 American Land Title Association (ALTA) standard form
- ALTA form with amendments required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006/2021 ALTA forms have not yet been adopted, provided that those amendments do not materially impair protection to EPM.
- Closed End Seconds will allow for one of four (4) options:
 - Insurance Wrapper
 - Junior Loan Policy
 - Full Title Policy
 - Owner & Encumbrance Report for loan amounts < \$250,000

4. TITLE AND CLOSING

C. TITLE REQUIREMENTS

- Amount of Coverage
 - The amount of title insurance coverage must be \geq the original principal amount of the mortgage.
- Other Requirements
 - The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form provides the required coverage).
 - References are to the ALTA 2006/2021 form of endorsement, but state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006/2021 ALTA forms have not yet been adopted. However, if these forms are used the Seller/Originator must ensure that those amendments do not materially impair protection to EPM. As an alternative to endorsements, the requisite protections may be incorporated into the policy.
 - Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.
- Applicable Endorsements
 - Different property types (i.e. Condos, Co-ops, PUDs) as well as different mortgage types (i.e. leaseholds) may require additional title policy endorsements. It is the Seller's responsibility to ensure that EPM's lien is protected and therefore each Seller must obtain any endorsements that are necessary to provide that protection.

CI. TITLE EXCEPTIONS

The title to the subject property must be good, marketable, and free and clear of all encumbrances and prior liens. EPM will not purchase a mortgage secured by property that has an unacceptable title impediment, including unpaid real estate taxes and survey exceptions. If surveys are not commonly required jurisdictions, the lender must provide an ALTA 9 Endorsement. If it is not customary in an area to supply either the survey or an endorsement, the title policy must not have a survey exception.

E. INTER VIVOS REVOCABLE TRUST CLOSING INSTRUCTIONS

1. Note

Each trustee and each individual establishing an inter vivos revocable trust whose income and assets are used to qualify for the mortgage must separately execute the Note and any necessary addendum.

4. TITLE AND CLOSING

2. Security Instrument

The trustee(s) of the inter vivos revocable trust also must execute the security instrument and any applicable rider (if used).

Each individual establishing the trust whose income and assets are used to qualify for the mortgage must acknowledge all of the terms and covenants in the security instrument and any necessary rider (if used), and must agree to be bound thereby, by placing his or her signature after a statement of acknowledgment on such documents.

Any other party that Fannie Mae requires to sign either the Promissory Note or the security instrument also must execute the applicable document(s).

3. Revocable Trust Rider

The use of a revocable trust rider avoids ambiguities for mortgages made to inter vivos revocable trusts by clarifying who is considered to be “the borrower” with respect to any given covenant in the security instrument. If the mortgage is secured by a California property, the Seller should use Fannie Mae’s sample rider. If the mortgage is secured by property located in another state, the Seller should use a rider that has been appropriately modified to reflect the requirements of that state (unless the Seller determines that use of Fannie Mae’s sample Revocable Trust Rider is appropriate for the specific state).

In lieu of a Revocable Trust Rider the Seller may either:

- Amend the security instrument to include appropriate definitions and language similar in substance to Fannie Mae’s sample rider, or
- Use the standard security instrument without such an amendment or the rider.

4. Hold Harmless

For a mortgage secured by a property located in a state other than California, or in the case of a California property where the rider was not used, the Seller must hold EPM harmless should foreclosure proceedings later have to be initiated to acquire the property and EPM suffers a loss that relates either to the modifications the Seller made (or the inappropriate use of the FNMA sample rider) or to any ambiguity in the application of the covenants in the security instrument. In such cases, the Seller must either repurchase the mortgage or the acquired property or make EPM whole.

5. Signature Requirements

Signature Requirements for Notes and Mortgages involving inter vivos revocable trusts can be found in the FNMA or FHLMC Seller Guides. These include the form of signature for the trustee(s) and the statement of acknowledgment for each individual establishing the trust whose income or assets are used to qualify for the mortgage.

4. TITLE AND CLOSING

F. ILLINOIS LAND TRUST DOCUMENTATION REQUIREMENTS

The loan documents must be executed by all required parties and in a prescribed manner, per the outline below. Except for those listed below, all other loan documents can be signed as individual borrower(s).

The loan file must contain the following documents specific to the trust:

- Trust: A copy of the executed trust agreement that has been certified by the borrower as being complete and accurate.
- Agreement to Notify Lender of a Sale or Transfer of Interest: Executed copies of this agreement, which notifies the Seller and/or owner of the loan of any transfer of title or assignment of beneficial interest.
- Assignment of Beneficial Interest: This assignment of beneficial interest in the land trust must be fully completed, signed and filed in the appropriate jurisdiction. A completed, unfiled assignment of this recorded interest from the Seller must be in the file.
- Land Trust Rider to Security Instrument: Signed copies of the document which identifies the mortgaged property as being held by an Illinois Land Trust must be recorded with the security instrument.
- Land Trust Rider to the Mortgage Note: Signed copies of this document must be delivered in the loan file.

Illinois Land Trust Documentation Requirements	
Documents	Signature Requirements
Note and Note Riders	<ul style="list-style-type: none"> • Each beneficiary must execute the Note and all riders as an individual. • The trustee must execute the Note and all riders. • Riders to the Note or Mortgage must be dated and executed the same day as the Note or Mortgage.
Deed of Trust/Mortgage and all Riders	<ul style="list-style-type: none"> • The trustee must execute the document. • The Mortgage must specifically identify the trust for the property by date and number. • The notary acknowledgement must be to the effect that an officer of the trustee has executed the Mortgage.
Land Trust Rider to Note	<ul style="list-style-type: none"> • Must be executed by each beneficiary and by the trustee.
Land Trust Rider to Deed of Trust/Mortgage	<ul style="list-style-type: none"> • Must be executed by the trustee.

4. TITLE AND CLOSING

Illinois Land Trust Documentation Requirements	
Documents	Signature Requirements
Agreement to Notify Lender of a Sale or Transfer of Beneficial Interest	• Must be executed by each beneficiary and by the trustee.
Assignment of Beneficial Interest	• Must be executed by the beneficiary and filed in the appropriate local jurisdiction.

G. NOTICE OF RIGHT TO CANCEL FORMS

Regulation Z (Appendix H) provides two (2) model “Notice of Right to Cancel” forms for closed-end mortgage transactions. Form H-8 is designed for refinances with a different creditor and Form H-9 is designed for refinances with the same creditor when additional funds are advanced. The language in the H-8 form provides for the rescission of the new transaction and security interest, while the H-9 form is designed to preserve the security interest of the original transaction and only allow rescission of the new credit extended.

In general EPM does not have issues with the use of an H-8 form when the H-9 form is appropriate. However, due to current case law made by the 3rd Circuit Court of Appeals, loan transactions from the states of Delaware, New Jersey and Pennsylvania will require the proper use of the model form given the circumstances of the transaction. This will also apply to loans secured in the State of Illinois.

EPM interprets the regulation to mean that the H-8 form is the appropriate form for refinance transactions involving different creditors and the H-9 form is the appropriate form for same creditor transactions when additional advances are made. The following chart of examples clarifies EPM's interpretation of same creditor versus different creditor transactions.

Illinois Land Trust Documentation Requirements					
Example	Original Creditor	Sold or Assigned To	New Originator /Creditor	New Loan > UPB Earned Finance Charge + Costs of New Refinance	Model Form
1	A	NA	B	NA	H-8
2	A	B	B	NA	H-8

4. TITLE AND CLOSING

Illinois Land Trust Documentation Requirements					
Example	Original Creditor	Sold or Assigned To	New Originator /Creditor	New Loan > UPB Earned Finance Charge + Costs of New Refinance	Model Form
3	A	B	C	NA	H-8
4	A	NA	A	No	H-8
5	A	B	A	No	H-8
6	A	NA	A	Yes	H-9
7	A	B	A	Yes	H-9

NOTE: For Texas Equity loans, EPM will accept either the appropriate federal “Notice of Right to Cancel” form, or a Texas specific “Notice of Right to Cancel” form.

H. POWER OF ATTORNEY (POA)

Subject to the restrictions and requirements listed below, EPM will allow the use of a Power of Attorney (POA) to execute the security instrument, Note and other closing documents on behalf of the borrower(s).

1. Requirements

- POA to be recorded along with security instrument in those states requiring recordation.
- The person(s) name(s) granting the power of attorney must match the name on the security instrument.
- The form, signatures and recording requirements of the applicable state must be followed.
- The POA must be valid at the time the affected loan documents were signed.
- The POA must be notarized and unless otherwise required by applicable law, must reference the address of the subject property.
- Only relatives (as defined by FNMA), fiancé, fiancée or domestic partners of the borrower may be named to act as an attorney-in-fact.

2. Restrictions on the Use of a Power of Attorney

Except as required by applicable law, the following restrictions apply:

- Borrower(s) must sign at least the initial or final 1003.
- POAs not allowed on Cash-Out transactions.
- POAs not allowed on Texas Section 50 (a) (6) transactions.

4. TITLE AND CLOSING

5. NOTE AND RIDER FORMS

A. FIXED RATE LOANS

Fixed Rate Loans (Fannie Mae/Freddie Mac forms):

- Uniform Security Instrument, 3000 series (Multi-State or as applicable State specific)
- Multi-state Fixed Rate Note, 3200 series

Interest Only 10 Year IO Fixed Rate Loans (Discontinued Fannie Mae/Freddie Mac forms*)

- Uniform Security Instrument, 3000 Series (Multi-State or as applicable State specific)
- Interest Only Fixed Rate Note 10 Year IO, Form 3271 01/01 (rev. 9/06)

B. ADJUSTABLE RATE LOANS (FANNIE MAE/FREDDIE MAC FORMS)

Adjustable Rate Loans (Fannie Mae/Freddie Mac forms):

- Uniform Security Instrument, 3000 series (Multi-State or as applicable State specific)
- Adjustable Rate Note, Form 3442 30 day average SOFR
- Adjustable Rate Rider, Form 3142 30 day average SOFR

C. OTHER FORMS

If applicable (Fannie Mae/Freddie Mac forms):

- Multi-state Condo Rider, Form 3140
- Multi-state PUD Rider, Form 3150
- Multi-state 1-4 Family Rider, Form 3170
- Multi-state Second Home Rider, Form 3890

NOTE: Lost Note Affidavits are not allowed.

*Check with your Document Vendor for help with these forms. EPM allows the discontinued Fannie Mae/Freddie Mac forms for IO as indicated.

6. REGULATORY COMPLIANCE

A. OVERVIEW

The Seller must ensure that each loan has been originated, closed, serviced and transferred in compliance with all applicable federal, state, and local laws, regulations and orders. Our compliance due diligence review will analyze each loan to determine compliance with the following requirements.

NOTE: Unless otherwise noted, all regulation citations are based on CFPB number convention.

B. REGULATORY RESOURCES

CFPB Regulations

- TILA/RESPA Integrated Disclosure Rule (TRID)
- Regulation X – RESPA
- Regulation Z – Truth in Lending
- Regulation G – S.A.F.E. Act – Federal Licensing & Registration
- Regulation H – S.A.F.E. Act – State Licensing & Registration
- Regulation V – Fair Credit Reporting
- Regulation B – Equal Credit Opportunity
- Regulation P – Privacy of Consumer Financial Information (GLB)

C. TILA/RESPA INTEGRATED DISCLOSURE RULE (TRID)

1. Scope

Included;

- Loan applications taken on or after 10.3.2015
- Primary Residence, Second Homes and Investment Properties
- Detached SFR, Attached SFR, PUDs, 2-4 Units, Condos, Co-ops

Excluded;

- Loans for business purposes.
 - EPM will still purchase business purpose loans if the lender elects to disclose under TRID. However, in this event, EPM will require compliance with TRID.

6. REGULATORY COMPLIANCE

- If the lender elects to treat business purpose loans as exempt, EPM will require compliance with the definition of business purpose loans as addressed per §1026.3.
- In Non-Owner Occupied (NOO) cash out transactions, 100% of cash proceeds must be used for acceptable business purposes.

Please note that existing requirements related to QM Points and Fees testing and Higher Priced Covered Transaction testing are not being replaced by the following TRID requirements. Please refer to specific eligibility guides for additional documentation requirements on business purpose loans.

2. Key Definitions and Other Considerations

a. General Business Day

Previously defined within RESPA. A day in which the lender's offices are open to the public for carrying on substantially all of its business functions. Generally applied to delivery or placed in the mail requirements. Also applies to the number of days estimated fees on Loan Estimate (LE) are available to the consumer, and the delivery of a Revised LE after a Change of Circumstance event.

b. Specific Business Day

All calendar days except Sundays and the legal public holidays specified in 5 U.S.C 6103(a). Generally applied to Waiting Periods and Right of Rescission.

c. Calendar Day

All calendar days. Used for post-consummation corrections and cures.

d. Delivery (delivered)

Handed to, placed in the mail, or emailed to the consumer.

e. Received

Handed to the consumer, received in the mail, or received and opened via email. If the disclosure is mailed or emailed, the consumer is considered to have received the disclosure three (3) Specific Business Days after it is mailed. Refer to §1026.19(e)(1)(iv). EPM accepts documented proof that the consumer received the disclosure prior to the default assumption.

f. Complete Application

An application is considered complete when the following six (6) pieces of information are obtained; consumer's name, consumer's income, consumer's social security number, the property address, estimated property value and requested loan amount.

6. REGULATORY COMPLIANCE

g. Consummation

Consummation is defined under 1026.2 (a)(13) as the time that a consumer becomes contractually obligated on a credit transaction. Per EPM's interpretation of the definition, consummation is considered to be the date the Note and security instrument are executed by the consumer.

h. Application Receipt

When a complete application is received as defined in 1026.2(a)(3)(ii), EPM accepts the following to determine the application date:

- Signature date of the initial 1003 by the Loan Officer
- Screen shot of the lender's system identifying the application date
- Federal Disclosures identifying the application date (HOEPA/HMDA)

i. E-mail Delivery of Disclosures - ESIGN

If a lender uses e-mail to deliver disclosures to the consumer, the lender must be in compliance with ESIGN requirements. Specifically, the lender must have the consumer's consent prior to delivering the disclosures electronically. EPM requires a copy of the consumer's electronically signed consent or other satisfactory evidence that the borrower consented to electronic delivery in the loan package delivered for Purchase Review.

j. Mail Receipt Rule

If the LE or Closing Disclosure (CD) is placed in the mail or emailed, it is assumed that the consumer received the LE or CD three (3) Specific Business Days after the LE or CD was placed in the mail or emailed.

k. Satisfactory Evidence of Receipt

EPM will require satisfactory evidence that all individuals required to receive the LE and/or CD received the disclosure(s) and the date the disclosure(s) was received by that individual. This can be evidence in a number of ways:

- Consumer signed and dated the Acknowledgement of Receipt, LE or CD
- Evidence that the disclosure delivered via email was received and opened.

The date of receipt must be evident.

- Consumer e-consent must be provided in the loan file with adherence to the e-sign act.
- Following the Mail Receipt Rule outlined above if evidence of earlier receipt is not documented in the loan file.

l. APR Accuracy

EPM will continue to test for APR and Finance Charge accuracy. If accuracy issues are identified, EPM will require itemization of fees included in the APR and Finance Charge.

The following accuracy thresholds apply:

6. REGULATORY COMPLIANCE

- Regular transactions:
 - Fixed Rate – APR increases by more than .125%.
 - ARM when initial rate is based on the index and margin used to make later interest rate adjustments – APR increases by more than .125%.
- Irregular transactions:
 - ARM when initial rate is not determined by the index or formula used to make later interest rate adjustments – APR increases by more than .250%.
- Decreases In APR:
 - In some cases, a decrease in the APR will result in an inaccuracy and trigger a new 3 day waiting period. Refer to section 6.4.b

The federally required ARM Disclosure will be reviewed to determine the applicable ARM tolerance. The loan file should contain the index value used and the date of index value for ARM transactions.

m. Buydown Agreement and LE/CD Disclosures

The manner in which the buydown agreement is disclosed on the LE/CD is determined based off the structure of the buydown agreement, Below is the regulatory guidance under 1026.17(c)(1)-3 for proper disclosures on the LE/CD depending on how the buydown agreement is structured.

- For buydown agreements that are reflected in the credit contract (note) the buydown terms must be reflected on the LE/CD (1026.17)(c)(1)-3.i).
 - The buydown is reflected on the LE/CD through the payment table on page 1.
 - The buydown credit will be disclosed on page 3 in the summaries of transaction (1026.17)(c)(1)-3.i).
 - In addition to the buydown agreement being reflected on the LE/CD the APR, finance charge and other disclosures must take into account the buydown terms.
 - The buydown agreement must contain similar language to “This Agreement amends and is made part of the credit agreement...” To ensure it is reflected within the credit contract.
- For buydown agreements that are NOT reflected in the credit contract (note) the buydown terms WILL NOT be reflected on the LE/CD page 1 (1026.17)(c)(1)-3.ii).

6. REGULATORY COMPLIANCE

- If the buydown agreement is not reflected within the credit contract the LE/CD's will be disclosed as the agreed upon terms and all applicable calculations i.e. APR, Finance Charge will be based off of those terms.
- The buydown credit will be disclosed on page 3 in the summaries of transaction (1026.17)(c)(1)-3.ii).

3. Loan Estimate (LE)

a. Delivery, Waiting Period and Imposition of Fees

Loan Estimates must be delivered or placed in the mail no later than the third (3rd) General Business Day after receiving the consumer's complete application. When a transaction involves a broker, the three (3) General Business Day period begins when the broker was in receipt of a consumer's complete application. EPM requires satisfactory evidence of the date the LE was delivered or placed in the mail.

The LE must also be delivered or placed in the mail no later than the seventh (7th) Specific Business Day before consummation.

EPM does not accept loans where the seven (7) Specific Business Day waiting period has been waived.

Neither a lender nor broker may impose a fee on the consumer (other than a fee for a credit report) until the LE has been received by the consumer and the consumer has indicated an intent to proceed. EPM requires satisfactory evidence of the consumer's intent to proceed.

b. LE Signature and Date Lines

EPM does not require that the consumer sign and date the LE. However, as indicated above EPM requires satisfactory evidence of delivery and/or receipt. Please note that States may have specific requirements for signature lines on the LE and CD, i.e. this may be required on loans originated under a California DRE license. Consult State specific guidelines.

c. Accuracy of Fees Disclosed

Fees disclosed on the LE and CD should be made in good faith and consistent with the best information available at the time they were disclosed.

There are specific circumstances where the amount charged to the consumer may exceed the amount disclosed on the previous LE or CD. The following tolerance thresholds apply;

6. REGULATORY COMPLIANCE

Fees subject to zero percent (0%) tolerance:

- Fees paid to the creditor, mortgage broker or an affiliate of either
- Fees paid to an unaffiliated third party if the creditor did not permit the consumer to shop for a third-party settlement service provider (e.g. appraisals)
- Transfer taxes

Fees subject to the ten percent (10%) cumulative tolerance:

- Recording fees
- When the consumer is permitted to shop for the third-party service and the consumer selects a service provider included in the Written List of Service Providers
- If a creditor fails to disclose a specific settlement service on the written list of providers or fails to provide the list, the 10 percent aggregate standard for determining good faith continues to apply to a required third-party, non-affiliate settlement service charge that otherwise complies with 1026.19(e)(3)(ii).

Fees not subject to a tolerance:

- When a consumer is permitted to shop for the third-party service and the consumer selects a service provider that is not a service provider included on the Written List of Service Providers
- Prepaid interest, property insurance premiums, amounts placed in an escrow impound account
 - In adherence with the CFPB TRID 2.0 update effective 10/01/2018 property taxes and HOI may be subject to 0% tolerance if the initial disclosures to the borrower is not based off the best information reasonably available. Please refer to 1026.19(e)(3)(iii)-comment 1 and the CFPB Detailed Summary of Changes page 5 published 8/30/2017.
- Charges paid to a third-party service provider not required by the creditor

d. Written List of Service Providers

EPM requires that the Written List of Service Providers be included with the LE, along with evidence that it was also delivered within three (3) General Business Days of a complete application. The list must:

- Identify at least one (1) available provider for each service.
- State that the consumer may choose a different provider for that service.

EPM does not require inclusion of services that the consumer cannot shop for. If a Written List of Service Providers is not provided to the consumer, all applicable fees will be held to the 10% tolerance threshold.

6. REGULATORY COMPLIANCE

e. Estimated Charges for a Service Not Performed

When calculating a tolerance threshold, EPM requires that only those services actually charged be included in the calculation. If a service is not provided, the estimated charge should be excluded from the threshold calculation.

f. Revised Loan Estimates

A revised LE can be provided under the following circumstances:

- Changed of Circumstance.
- Revisions to the credit terms or the settlement requested by the consumer.
- The interest rate was not locked when the LE was provided and is subsequently locked.
- The consumer indicates an intent to proceed more than ten (10) General Business Days after the LE was originally delivered or placed in the mail.

Refer to §1026.19(e)(3)(iv)(A) for a list of events that constitute a Change of Circumstance.

- If a change of circumstance does not result in a fee increase greater than the applicable threshold, a revised LE is not required. (Scenario 1)
- If a change of circumstance results in fee increases that exceed the threshold, a revised LE is required.
- If a creditor elected not to provide a revised LE as in Scenario 1, and a subsequent change of circumstance occurs that increases the aggregate fees above the threshold, the creditor may include the previously undisclosed fee increase in the revised LE.

The revised LE must be delivered within three (3) General Business Days from the date the change circumstance event caused the aggregate fees to exceed either the 10% or 0% tolerance threshold.

If the consumer indicates an intent to proceed more than ten (10) General Business Days after the initial LE was delivered or placed in the mail, a revised LE may be provided with no justification required for changes to the fee amounts on the original LE.

Note: In counting the ten (10) General Business Day periods, EPM assumes that a creditor's office is closed for business on Saturdays unless satisfactory evidence is provided which indicates that the creditor is open for business on Saturdays.

The creditor may not provide a revised LE on or after the date it provides a Closing Disclosure (CD). The creditor must ensure that the consumer receives the revised LE no later than four (4) Specific Business Days prior to consummation. If mailing, the revised LE must be placed in the mail seven (7) Specific Business Days before consummation.

6. REGULATORY COMPLIANCE

If a creditor has evidence that the consumer receives the revised LE earlier than three (3) Specific Business Days after it is mailed or delivered, it may rely on that evidence and consider the revised LE to be received on that date. EPM requires satisfactory evidence of early receipt.

g. Delivery and Receipt of Final LE

The Final LE must be delivered and received prior to the delivery of the Initial CD. The Initial CD must be delivered at least one (1) business day after the receipt of the Final LE. Additionally, the final LE must be received at least four (4) specific business days prior to consummation.

h. Lender Credits on LE

Lender credits appear on page 1 of the LE in the Cost at Closing Section (see 1026.37(d)(1)) and on page 2 under Total Closing Costs in Section J (see 1026.37(g)(6)).

A credit for the interest rate selected is included as a Lender Credit. With the exception of credit for the interest rate selected, lender credits cannot be lowered once disclosed. Lender credits for the interest rate selected can increase or decrease as the result of a rate lock or valid change of circumstance. This is consistent with current RESPA guidelines.

In order to distinguish between interest rate related lender credits and other lender credits, EPM will require itemizations of these lender credits.

i. Servicing Disclosure Statement

The Servicing Disclosure Statement previously required under RESPA §1024.33(a) is addressed in the LE in the “Other Considerations” section. Under TRID it is not a required stand-alone disclosure.

j. Loan Estimate Content

EPM will review the contents of the LE to confirm completeness, accuracy and format. Refer to §1026.37 for specific content requirements.

4. Closing Disclosure (CD)

a. Receipt and Waiting Period

The CD must be received by the consumer at least three (3) Specific Business Days prior to consummation. EPM requires satisfactory evidence that this requirement is met.

6. REGULATORY COMPLIANCE

b. Receipt and Waiting Period for a Revised Closing Disclosure

In certain circumstances, a corrected CD is subject to the three (3) Specific Business Day waiting period:

- The APR is no longer accurate if it changes by more than .125% (regular transaction) .250 (irregular transaction). When an APR increases and is no longer considered accurate, a new 3 day waiting period is required.
- In some cases, a decrease in the APR will also result in an inaccurate APR and require a new 3 day waiting period. This can occur, for example, when an APR declines as a result of a rate reduction, but there is an increase in the loan amount. Please see the CFPB FAQ's issued in January 2016.
- A prepayment penalty is added.
- The loan product changes, such as a switch from a fixed rate to an adjustable rate. (EPM does not consider a change in a fixed rate loan term or the fixed period of a hybrid arm, to be a loan product change).

EPM will not accept loans where the three (3) Specific Business Day waiting period has been waived or not satisfied. Note: Pandemic events, such as COVID-19, are considered acceptable Change of Circumstance events and can be considered a “bona-fide personal emergency” as it pertains to the waiver of TILA waiting periods.

c. Rescindable Transactions

All consumers that have a vested interest in the secured property must receive separate CDs that require at least a three (3) specific business days waiting period prior to consummation.

In community property states, a non-borrowing spouse must also receive the CD no later than the third (3rd) Specific Business Day prior to consummation even if they do not have a vested interest in the secured property.

In adherence with 1026.17(d), the table below outlines the requirements when a Non-Borrowing Vested individual who has the right to rescind (typically spouse) must receive the initial CD three (3) specific business days prior to consummation. 1026.19(f)(1)(ii)(A).

6. REGULATORY COMPLIANCE

Transaction Type	Borrower	Non-Borrower (Spouse or Other)
Purchase Primary Residence	Must receive CDs that require receipt at least three (3) specific business days prior to consummation	No Requirement
Purchase 2nd Home or Investment Property	Must receive CDs that require receipt at least three (3) specific business days prior to consummation. Exclude loans for Business Purpose	No Requirement
Refinance of Primary Residence	Must receive CDs that require receipt at least three (3) specific business days prior to consummation	Must receive separate CDs that require at least a three (3) specific business days waiting period prior to consummation *
Refinance of 2nd Home or Investment Property	Must receive CDs that require receipt at least three (3) specific business days prior to consummation. Exclude loans for Business Purpose	No Requirement

* If the property is located within a community property state than the NBS must receive the initial CD regardless if they are taking title to the property.

All CDs must be provided with evidence of receipt for the scenarios above.

d. Revised Closing Disclosures Not Subject to a New Waiting Period

Changes to loan terms and/or charges that do not cause the disclosed APR to become inaccurate or are not related to the addition of a prepayment penalty or a product change, must still be re-disclosed to the consumer and seller, however, a three (3) Specific Business Day waiting period is not required. EPM requires satisfactory evidence that a revised CD, not subject to a new waiting period, was received at or before consummation. Although not subject to a new three (3) day waiting period, a revised CD must be provided under the following circumstances:

- Changes of circumstance that do not cause the APR to increase or decrease by more than 125% (Regular Transaction) or .250% (Irregular Transaction).
- Revisions to the credit terms (other than product type) or the settlement requested by the consumer.

6. REGULATORY COMPLIANCE

e. CD Signature and Date Lines

EPM will not require that the consumer sign and date the final CD at consummation. However, it is a best practice from EPM's perspective to have the final CD signed by the borrowers at consummation acknowledging the final terms. If a post-consummation CD is disclosed to the consumer, as a result of a change in terms, or increase in finance charges or APR, EPM will not require the consumer to sign the CD acknowledging receipt.

f. Changed Circumstance Occurring after Final LE

If acceptable change of circumstance requirements exists, the Initial CD and/or subsequent CDs may be used to re-disclose fees and reset tolerance amounts. See tolerance testing in 6(C)(2)(I). EPM tests for accuracy of pre-consummation tolerance cures and tolerance violations.

g. Home Seller's Closing Disclosure

The settlement agent is required to provide the CD to a seller in a purchase transaction. The settlement agent can provide the seller with a copy of the CD provided to the buyer if it also contains information relating to the seller's transaction. The settlement agent can also provide the seller a separate CD including only information applicable to the seller's transaction. If prepared separately for the seller, EPM will require a copy of the CD.

Seller credits must match on both the borrowers and seller CD as follows:

- a) If a seller credit is attributed to a specific borrower-imposed fee than that fee must be disclosed on both the seller and borrower CDs on page 2 in the Seller Paid column
- b) General seller credits must match as disclosed on page 1 of the seller CD and page 3 of the borrower CD in the summaries of transaction table
- c) All real estate related fees (sales commission, inspection fees, etc.) must be disclosed on both the seller and borrower CDs in Section H

The seller must receive the CD and any revised CDs (either combined or separate) prior to consummation. EPM requires satisfactory evidence that the seller received the CD at or before consummation. The three (3) day waiting period requirement does not apply.

h. Lender Credits on CD

On the CD, lender credits and charges paid by the lender are handled in the following manner:

- If the lender credit is a general credit given to the consumer, then it will be disclosed on page 1 in the Costs at Closing section (this is the same as above for the LE). EPM ensures that the credit did not decrease from the final LE to the CD as this would result in a 0% tolerance violation.

6. REGULATORY COMPLIANCE

- If the lender pays a specific fee on behalf of the consumer, the charge will appear on page 2 in the Closing Cost Details section in the Paid by Others column.
- A credit for the interest rate selected should be included on page 1 under the Lender Credits in the Costs at Closing section and should also be included on page 2 in Section J under Total Closing Costs.

- i. Seller and/or Third-Party Credits

If the consumer receives credit(s) from either the seller or third party that is not itemized in the Closing Cost Details section of the CD, EPM requires an itemization to provide evidence of how the credits were applied. EPM will require an itemization for all Lender Credits to provide evidence of how the credits were applied.

- j. Title and Endorsement Fees

Title charges must be itemized, and each line item description should be prefaced with “Title”. As with all charges listed on the CD, these charges should be listed in alphabetical order.

EPM does not require endorsement fees be individually itemized as long as the aggregate fee is being paid by one party in the transaction. If the endorsement fees are being paid by multiple parties, then all component fees must be listed in the appropriate column to illustrate which party is paying all, or a portion, of the endorsement fee.

- k. Corrected Post-Consummation CD

A corrected CD must be provided if an event in connection with the settlement occurs during the thirty (30) calendar day period after consummation that causes the CD to become inaccurate and results in a change to an amount paid by the consumer from what was previously disclosed. In such an event the creditor must deliver or place in the mail a an updated CD not later than thirty (30) calendar days after receiving information sufficient to establish that such an even has occurred.

The same policy applies to events affecting an amount paid by the seller. The settlement agent would be required to provide an updated CD.

EPM requires proof of delivery, letter of explanation and post-consummation closing disclosure (CD) be provided to the borrower to cure/correct a defect called out during the pre-purchase review. Additionally, if the post-consummation CD is being issued due to a change in the fee disclosed pursuant to 1026.19(f)(2)(iii), a final ALTA/settlement statement will also need to be provided to ensure the fees disclosed are accurate.

6. REGULATORY COMPLIANCE

Transaction Type	Non-Borrower (Spouse or Other)
Must be identified within thirty (30) calendar days of consummation	Corrected CD must be delivered within thirty (30) calendar days after event identified

I. Post-Consummation Tolerance Cure

EPM will review all LEs and CDs delivered to the consumer to validate that all increases in charges were the result of a valid change circumstance and meet the appropriate tolerance threshold.

m. Closing Disclosure Content

EPM will review contents of the CD to confirm completeness, accuracy and format. Refer to §1026.38 for specific content requirements.

n. Calculating Cash to Close Table

On purchase transactions in which borrowers are paying off existing debt to qualify for the loan those amounts will be included in the Down Payment/Funds from borrower calculation. The additional debts being paid off will be disclosed in section K. For additional review refer to 1026.37(h)(1)(v) for the rule effective 10/01/2018.

D. DODD-FRANK RELATED RESPA REQUIREMENTS

The Homeownership Counseling List disclosure per §1024.20 (revised as of 1/10/2014) must be provided to applicants within three (3) business days of receiving a loan application. EPM will require evidence that this disclosure was provided within the time frame required.

- Effective on loan applications taken on or after 1/10/2014.
- The disclosure must provide a clear and conspicuous written list of homeownership counseling organizations that provide relevant services in the loan applicant's location (zip code).
- The list provided to each loan applicant must be obtained no earlier than thirty (30) days prior to the date the list is provided.
- The list must be obtained from either: the website maintained by the CFPB for lenders to use in complying with the requirement or data made available by the CFPB, or HUD for lenders to use in complying with the requirement.
- Lenders that are currently programming their systems to generate the required list may, on a temporary basis, satisfy the requirement by providing the applicant a link to

6. REGULATORY COMPLIANCE

the Bureau's Homeownership Counseling page. For specifics on this temporary disclosure option please refer to CFPB Bulletin 2013-13 issued 11/8/2013.

E. TILA

1. Qualified Mortgage (QM) Points and Fees Test (effective with loan applications taken on or after 1/10/2014)

QM points and fees include amounts that are known at or before consummation, even if the consumer pays for them after consummation by rolling them into the loan amount. EPM will require itemized lists of all points and fees charged. The itemization should identify who paid the points or fees and who it was paid to. If paid to the creditor or an affiliate the documentation should evidence the amount retained by the creditor or affiliate. As defined in §1026.32(b)(1) the following categories of charges are included in the QM points and fees test;

- Finance Charges (with exceptions, see below)
- Loan originator compensation (with exceptions, see below)
- Real estate related fees (with exceptions, see below)
- Premiums for certain credit life, accident, health, loss-of –income coverage (see below for specific requirements)
- Prepayment penalties applicable to new loan (see below for specific requirements)
- Prepayment penalties charged on a same creditor refinance transaction. (see below for specific requirements)

2. What is included and what can be excluded:

- Finance Charges as defined in §1026.4(a) and (b), excluding the following:
 - Interest
 - Monthly Mortgage Insurance Premium (MI)
 - Upfront Mortgage Insurance Premium if premium is refundable on a prorated basis and a refund is automatically issued upon loan satisfaction. However, any amount that exceeds the current FHA Upfront Mortgage Insurance Premium must be included.
 - Bona fide third-party charges not retained by the creditor, loan originator or an affiliate of either as defined in §1026.32(b)(1)(i)(D)
 - Bona fide discount point(s) up to the following limit:

6. REGULATORY COMPLIANCE

- Up to two (2) bona fide discount points if the interest rate before discount does not exceed the Average Prime Offer Rate (APOR) for a comparable transaction by more than 1%

--OR--

- Up to one (1) bona fide discount point if the interest rate before discount does not exceed the APOR for a comparable transaction by more than 2%.
- Use the APOR from the week that the loan was locked with the consumer.
- A discount point is considered bona fide if it reduces a consumer's interest rate by an amount that reflects established industry practices, such as secondary mortgage market norms.
- EPM utilizes a 20-basis point reduction standard to determine if the discount points are bona fide.
- Exceptions to the testing will be reviewed on case-by-case basis if the rate reduction does not meet the 20-basis point reduction above
- If bona fide discounts are excluded from the points and fees test, EPM will require all lock information necessary to determine if a discount charged was bona fide and to what extent that bona fide discount can be excluded.
- Loan Originator Compensation paid directly or indirectly by a consumer or creditor to a loan originator other than an employee of a creditor or a mortgage broker. Refer to §1026.32(b)(1)(ii).
- Real Estate-related fees as defined in §1026.32(b)(1)(iii) provided they are reasonable and, the creditor receives no direct or indirect compensation in connection with the charge and the charge is not paid to an affiliate of the creditor as defined in §1026.32(b)(1)(i)(D). If one or more of these conditions is not satisfied you must include the following charges* even if they would be excluded from the finance charge:
 - Fees for title examination, abstract of title, title insurance, property survey.
 - Fees for preparing loan –related documents, such as deeds or mortgages.
 - Notary and credit report fees.
 - Property appraisal fees or inspection fees to assess the value or condition of the property if the service is provided prior to consummation, including fees related to pest-infestation or flood-hazard determinations.

* Only the portion of the charge retained by the creditor or affiliate of the creditor must be included.

6. REGULATORY COMPLIANCE

- Amounts paid into escrow or trustee accounts that are not otherwise included in the finance charge (except amounts held for future payment of taxes).
- Premiums for credit insurance; credit property insurance, other life, accident, health or loss-of-income insurance where the creditor is the beneficiary. Exclude premiums paid after consummation. Refer to §1026.32(b)(1)(iv).
- If a loan has a prepayment penalty include the maximum prepayment penalty that a consumer could be charged for prepaying the loan,
- If a creditor is refinancing a loan that they or an affiliate currently hold or is currently servicing, then include any penalties you charge consumers for prepaying their previous loan.
- For annual loan amount adjustments refer to 1026.43(e)(3)(ii). The total loan amount for a closed-end credit transaction is calculated by taking the amount financed, as determined according to § 1026.18(b), and deducting any cost listed in § 1026.32(b)(1)(iii), (iv), or (vi) that is both included as points and fees under § 1026.32(b)(1) and financed by the creditor. For loan amounts less than \$100,000*, refer to §1026.43(e)(3) for maximum points and fees allowed.

* Annual adjustments for loan amounts (1026.43(e)(2)(vi)) and points and fee (1026.43(e)(3)(ii)) testing must be adhered.

2. Qualified Mortgage (QM) Points and Fees Cure Provision (Sunset Provision)

If after consummation the creditor or EPM determines that the total points and fees payable in connection with a qualified mortgage loan exceeded the applicable limit as set forth in TILA sections 1026.32 (b)(1) and 1026.43(e)(3), the creditor may have an opportunity to cure the overage and maintain the qualified mortgage status of the loan it otherwise would have had. The following is an overview of the regulation specific to the cure of points and fees overages:

- Cures are only allowed on loans originated on or after 11/3/2014 and before 1/10/2021.
- Cures must be completed within 210 days post consummation (the date the Note and security instrument are signed).
- No points and fee violation cures will be accepted on loans on or after 08/08/2021 (210 days after 1/10/2021) for loans originated on or before 01/10/2021. All cures on loans with an origination date prior to 01/10/2021 will be accepted if they meet the criteria below.
- The creditor must pay interest on the amount that exceeds the applicable limit from consummation to the issuance of the cure payment at the contract interest rate (the rate on the Note) in effect during the cure period.
- The creditor must maintain and follow policies and procedures for post-consummation review of points and fees and for making payments to consumers in accordance with sections 1026.43(e)(3)(iii)(B) and 1026.43(e)(3)(iv).

6. REGULATORY COMPLIANCE

In addition to the requirements outlined above, the following documents must be provided prior to EPM's purchase of the loan:

- Copy of the refund check dated within 210 days of consummation
 - Proof of delivery
 - An attestation from the creditor/lender that includes reference to the following four (4) points:
 - As required pursuant to section 1026.43(e)(3)(iii)(C), we maintain and follow policies and procedures for post-consummation review of points and fees and for making payments to consumers in accordance with 1026.43(e)(3)(iii)(B) and 1026.43(e)(3)(iv).
 - The loan was not sixty (60) days past due at time of cure, (If the cure occurs more than sixty (60) days after the first payment date).
 - The Consumer has not sent notice that fees exceeded the applicable limit.
 - The Consumer has not initiated an action against the creditor/lender.
- RESPA tolerance cures, if applied to fees included in the qualified mortgage points and fees calculation, can qualify as the cure, or as a portion of the cure, so long as the other requirements are met. To be considered for this purpose, the lender needs to identify the specific fees being refunded for general RESPA tolerance block cures.

3. QM Safe Harbor and QM Rebuttable Presumption (Higher-Priced QM) (effective with loan applications taken on or after 1/10/2014 & subsequently amended on 03/01/2021)

Per §1026.43(e)(1), QM Safe Harbor provides a presumption of compliance with the Ability to Repay (ATR) requirements listed in §1026.43(c). A QM loan meets the requirements of Safe Harbor if it is not a higher-priced covered transaction as defined in §1026.43(b)(4). QM loans that are considered higher-priced covered transactions also provide a presumption of compliance with the ATR requirements, however, this presumption can be rebutted by the consumer if they can prove that the lender did not make a reasonable and good faith determination of the consumer's repayment ability at the time of consummation, by showing that they lacked sufficient residual income to cover all of their monthly living expenses.

- On a first-lien covered transaction with a loan amount greater than or equal to amount disclosed in 1026.43(E)(2)(vi) annual adjustment, 1.5 or more percentage points; QM designation is QM/SH APOR or similar

6. REGULATORY COMPLIANCE

- On a first-lien covered transaction with a loan amount greater than or equal to \$66,156 (indexed for inflation) but less than \$110,260 (indexed for inflation), 3.5 or more percentage points; QM designation is QM/SH APOR or similar. Per §1026.43(b)(4), a higher priced covered transaction means a covered transaction with an APR that exceeds the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by 1.50% or more but less than 2.25% for first lien transaction.

On secondary lien transaction with loan amounts below §1026.43(e)(2)(vi) annual adjustment where the APR exceeds the average prime offer rate (APOR) for a comparable transaction as of the date the interest rate is set by 3.50% or more but less than 6.5%

4. Dodd–Frank Related TILA Requirements (effective with loan applications taken on or after 1/10/2014) **Mortgage Loan Originator identification. Per §1026.36 (g), the following information must be included on the loan application, Note and security instrument:**

- Mortgage Loan Originator (MLO) name and NMLS unique identifier
- MLO's Company name and NMLS unique identifier and/or
- MLO Creditor name and NMLS unique identifier
- Required information should be provided on the Note and security instrument just below the signature lines or, as applicable, the Notary acknowledgement; state regulations supersede this requirement. Refer to FNMA legal Documents policy.

F. SAFE ACT

- The license status of each Mortgage Loan Originator, Mortgage Lender, Mortgage Broker and Federally Chartered Bank or Credit Union will be confirmed per Reg G and Reg H, as applicable.
- Loan applications will be checked to confirm proper inclusion of NMLS Unique Identifiers.

G. NATIONAL FLOOD INSURANCE ACT

Originated loans must demonstrate compliance with National Flood Insurance Act of 1968 as regulated by FDIC §339. In particular loans will be reviewed for:

- Acceptable Flood Certifications
- Timely borrower notification when property located in flood zone.

6. REGULATORY COMPLIANCE

H. OTHER FEDERAL REGULATIONS

Seller's loan files must demonstrate proper disclosure and adherence to the following Federal regulations.

I. Fair Credit Reporting Act

J. Equal Credit Opportunity Act (effective with applications taken on or after 1/18/2014)

- EPM will require evidence that the applicant was provided a disclosure advising them of their right to receive a copy of the appraisals. Satisfactory evidence that this disclosure was delivered within three (3) business days of application will be required. Upon request Seller must also provide evidence that appraisals and other written valuations were provided to the applicant in a timely manner. Refer to ECOA §1002.14 for rules on providing appraisals and other valuations.
- If EPM reviews an appraisal prior to origination, EPM will deliver to the Seller, for delivery to the applicant, any written valuations that EPM may obtain as a result of the appraisal review.
- Privacy of Consumer Financial Information (Gramm-Leach-Bliley Act)
- Fair Housing Act
- USA PATRIOT Act

I. OTHER STATE AND LOCAL REGULATIONS

Seller's loan files must be compliant with all State and Local regulations.

- State high cost loan limits
- State usury laws
- Local regulations

J. RESPONSIBLE LENDING POLICY

EPM will not purchase loans that are:

- Mortgage loans meeting the definition of a High-Cost Mortgage Loan as defined in §1026.32(a) (revised as of 1/10/2014)
- In addition to the above restrictions, EPM will not purchase mortgage loans that are classified and/or defined as a "high cost," "threshold," "predatory high-risk home loan" or "covered" loan (or similarly classified loan using different terminology under a law imposing additional legal liability for mortgage loans having high interest rates, points, and/or fees) under any applicable federal, state or local law.

6. REGULATORY COMPLIANCE

- If the lender pays a specific fee on behalf of the consumer, the charge will appear on page 2 in the Closing Cost Details section in the Paid by Others column.
- A credit for the interest rate selected should be included on page 1 under the Lender Credits in the Costs at Closing section and should also be included on page 2 in Section J under Total Closing Costs.

- i. Seller and/or Third-Party Credits

If the consumer receives credit(s) from either the seller or third party that is not itemized in the Closing Cost Details section of the CD, EPM requires an itemization to provide evidence of how the credits were applied. EPM will require an itemization for all Lender Credits to provide evidence of how the credits were applied.

- j. Title and Endorsement Fees

Title charges must be itemized, and each line item description should be prefaced with “Title”. As with all charges listed on the CD, these charges should be listed in alphabetical order.

EPM does not require endorsement fees be individually itemized as long as the aggregate fee is being paid by one party in the transaction. If the endorsement fees are being paid by multiple parties, then all component fees must be listed in the appropriate column to illustrate which party is paying all, or a portion, of the endorsement fee.

- k. Corrected Post-Consummation CD

A corrected CD must be provided if an event in connection with the settlement occurs during the thirty (30) calendar day period after consummation that causes the CD to become inaccurate and results in a change to an amount paid by the consumer from what was previously disclosed. In such an event the creditor must deliver or place in the mail a an updated CD not later than thirty (30) calendar days after receiving information sufficient to establish that such an even has occurred.

The same policy applies to events affecting an amount paid by the seller. The settlement agent would be required to provide an updated CD.

EPM requires proof of delivery, letter of explanation and post-consummation closing disclosure (CD) be provided to the borrower to cure/correct a defect called out during the pre-purchase review. Additionally, if the post-consummation CD is being issued due to a change in the fee disclosed pursuant to 1026.19(f)(2)(iii), a final ALTA/settlement statement will also need to be provided to ensure the fees disclosed are accurate.