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3-0 Introduction - The Loan Originator

In the vernacular of the business, "taking a loan application" is the loan application interview. The interview can be conducted in person, via mail, telefax, over the telephone or the internet. The purpose is to collect all of the information and documentation which will be required to obtain a loan approval. Note that a mortgage related application does not begin for disclosure timing purposes until there is a property.

3-0-1 The Role of the Loan Officer

The loan officer is the intermediary in the home financing process. The customer is introduced to the mortgage company by the loan officer. As such, the title of this position is also Originator, Representative, or Account Executive. More than anything else the loan officer is responsible for new business development. However, the loan officer is also the customer's advocate in the loan process and eventually is responsible for how the customer feels about their experience with Company Name.

3-01 – Mortgage Originator Position Description

Title - Mortgage Banker, Loan Officer, Loan Originator

3-01-01 Duties and Responsibilities

The Loan Officer is the primary company representative to real estate community. Objective is to develop referral relationships among the professional community including realtors, homebuilders, accountants, attorneys, home improvement contractors, other lenders, credit unions, and community development agencies. This position facilitates individual applications, and acts as liaison between processing, underwriting, closing and the borrower. Duties and responsibilities include:

- Developing a specific client base
- Weekly distribution of rates and programs to clients
- Meet with Sales Managers, Agents, referral sources to promote awareness of company products
- Prepare applicants for application by communicating company requirements *prior to* application interview.
- Assure complete application is submitted in compliance with company guidelines
- Correctly communicate lock-in of interest rates with borrower, company and investor/secondary marketing
- Perform weekly status checks on all cases in process and report progress to all interested parties
- Continuously update program specifications to maintain guidelines as current
- Participate in coordinating closings/settlements with borrowers/agents/title-escrow companies

3-01-02 Pre-requisite Experience

B.A., B.S. and/or related industry experience either in financial sales or real estate. Loan Origination is an intensive, competitive, direct customer contact related field. Good organizational and communication skills are required. The first 6 months to 2 years require a large commitment to attracting and maintaining a customer base. Markets vary, but there are generally numerous competing lenders within any area. Loan Originators should be able to manage intense competition for business as well as the cyclical nature of seasonal business and interest rate fluctuations.

3-02 - SAFE Act Policy

Introduction

In conformance with the Housing and Economic Recovery Act (HERA) of 2008 which authorized the Secure and Fair Enforcement of Mortgage Licensing Act (SAFE) Company Name requires that all mortgage loan originators comply with licensing or registration requirements.

Congress enacted the SAFE Act to enhance consumer protection and reduce fraud by setting minimum standards for the licensing and registration of Mortgage Loan Originators (MLOs). It implements rules establishing requirements for licensing and registration of all individuals who are considered to be MLOs under Federal and/or State law. MLOs who work for an insured depository institution must be registered. All licensing and registration information is maintained by the Nationwide Mortgage Licensing System (NMLS) ("Registry").

Compliance Enforcement Responsibility

Company Name's appoints its Human Resource Director or Compliance Manager as the designated SAFE Act Officer responsible for Company Name's compliance with the SAFE Act.

Licensing and Professional Education Requirements (SAFE Act)

MLO's (Loan originators) may be hired subject to obtaining appropriate licensing. Company Name acts as a "sponsor" for the originator. In this circumstance, the loan originator is not allowed to interact with the borrowing public but is employed on an interim basis pending receipt of the license or registration confirmation.

During this period time the mortgage originator may perform the following functions

- Assistance with direct mail marketing
- Processing mortgage applications of other loan originators
- Market analysis for professional third party sources of business such as real estate agents, homebuilders, certified public accountants and other intermediary sources of business
- Clerical duties such as answering phones, file copying, distribution of internal communications.
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If the new employee is not registered or licensed at the time of employment, he or she must provide a copy of his or her registration on the Nationwide Mortgage Licensing System (NMLS) Registry. At this time, the employee may affiliate with Company Name. Company Name will confirm affiliation. Employment is conditional upon satisfactory registration (after April, 2011) or licensing.

If required to be licensed (State Regulated or Affiliate/Subsidiary of Federal Supervised Institution):

- Register to take the National and State Examinations through NMLS
- Obtain fingerprint and background check
- Pass the National and State Examinations
- Take a NMLS approved 20 hour (or appropriate amount for the state) Pre-Licensing Education course
- Pay all applicable licensing and examination fees
- Upon receipt of license and confirmation in NMLS, the originator will be given business cards and is free to contact customers in fulfillment of prescribed originator duties.

If required to be registered (Federally Supervised Lender)

- Register with NMLS
- Obtain fingerprint and background checks
-

Mortgage Loan Originators (MLOs)

The SAFE Act defines a MLO as an individual who:

- Takes a residential mortgage loan application and/or
- Offers or negotiates terms of a residential mortgage loan for compensation or gain.

However, the term "Mortgage Loan Originator" does not include any of the following:

- An individual who performs purely administrative or clerical tasks on behalf of an individual who is a MLO.
- "Administrative or clerical tasks" is defined as:
- The receipt, collection and distribution of information common for the processing or underwriting of a loan in the mortgage industry; and
- Communication with a consumer to obtain information necessary for the processing or underwriting of a residential mortgage loan.

Company Name MLOs will work with the Human Resources Director to renew their registration annually as required.

Unique Identifier

Once registered or licensed employees will receive a unique identifier assigned by the NMLS. The employee will retain this for as long as he or she performs MLO activities and remains registered and/or licensed. The unique identifier must be disclosed/ displayed in accordance with the regulation. Management will make the unique identifiers of all of our MLOs available to consumers upon request. The request should be submitted in writing to the SAFE Act Officer and these unique identifiers will be kept with other personnel records

that show compliance with this rule by the Compliance Officer and Human Resources Manager.

MLOs must provide their unique identifier to a consumer:

- Upon request.
- Before acting as an MLO.
- Through their initial written communication with a consumer, if any, whether on paper or electronically.

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Potential Unlicensed Activity

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All personnel participate in SAFE Act Training, which informs each individual of their responsibilities for licensure or registration. Occasionally, an individual may come into contact with a customer in conjunction with a residential mortgage loan. In these cases, that individual may not perform MLO duties as listed above, and must refer the customer to a licensed MLO for consideration. Cases where this may occur include:

- A commercial loan officer considering taking a residential property as additional collateral
- A processor inadvertently initiating a 2nd application for a customer who already has an application in process.

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The SAFE Act Officer will implement a process that includes an annual review of all job descriptions for persons working in the mortgage loan area to ensure all appropriate personnel are registered accordingly. The S.A.F.E Act Officer, Chief Credit Officer, and Compliance Officer will work together to identify all employees who meet the definition of Mortgage Loan Originator (MLO). If management finds that an employee has failed to comply with the registration requirements or any other requirement, disciplinary action will be taken, up to and including termination.

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Continuing Verification of Licensing

Company Name continually monitors the loan originator's licensing status, as part of monthly licensing reviews and as part of every loan's pre-closing/pre-funding review.

Confirming the Adequacy and Accuracy of Employee Registrations/Licensing

Each MLO must make the following information available to the NMLS. Our policy will be to submit the required information to the NMLS to create a filing for the MLO. The MLO will then complete the required information and submit the MU4R form. The SAFE Act Officer is responsible for ensuring that information we send to the NMLS is accurate. To the extent possible we will verify the information supplied by the employee with information from personnel files and other appropriate internal records. We will submit the information electronically via the NMLS online system.

The employee's fingerprints will also be submitted, in digital form if practical, along with any appropriate identifying information, to the Federal Bureau of Investigation (FBI) and any governmental agency or entity authorized to receive such information, in connection with a state and national criminal history background check. Fingerprints provided to the NMLS that are less than 3 years old may be used to satisfy this requirement.

Additional Fingerprinting

Certain states require that fingerprints be obtained at least every 3 years. In this case, the SAFE Act Officer must document each licensed individual's records for compliance at the 3 year anniversary.

Employee Authorization and Attestation

Although the SAFE Act Officer may facilitate the transmission of this information to the NMLS, the employee must:

- Authorize the NMLS and the employing institution to obtain information related to sanctions or findings in any administrative, civil or criminal action, to which the employee is a party, made by any governmental jurisdiction.
- Attest to the correctness of all required information submitted on behalf of the employee.
- Authorize the NMLS to make available to the public information as required by the law.

Attestation

The SAFE Act Officer and/or their delegate(s) must comply with NMLS protocols to verify their identity and must attest that:

- They have the authority to enter data on Company Name's behalf.
- The information provided to the NMLS is correct.
- The required information will be maintained appropriately.
- All accurate supplementary information will be filed on a timely basis.

SAFE Act Employee Training

All new originators, even if he or she has registered or licensed elsewhere, receives SAFE Act training within 90 days of their employment. MLOs will be informed of the registration requirements of the SAFE Act and the registry rules and will be instructed on how to comply with these requirements and procedures upon implementing this program. Training will be conducted at least annually, or more often if the rule changes or if, based on internal or external audits, violations have occurred.

Monitoring Compliance with Registration and Renewal Requirements

MLOs are required to send any updates to the information originally provided to the NMLS to the SAFE Act Officer within 10 days of the change. The SAFE Act Officer will then transmit the updated information to the NMLS within 30 days of the date it is no longer accurate. The MLO, with assistance from the SAFE Act Officer, will also be responsible for the renewal of MLO registrations/licensing during the annual renewal period of November 1 through December 31 of each year.

The SAFE Act Officer will assist the MLO's in updating and renewing their information as long as they are employed with Company Name. All MLO's must:

- Renew the registration during the annual renewal period.
- Confirm that the information originally sent remains accurate and complete.
- Update the registration within 30 days of any of the following events:
- Notify of a name change.
- The information required becomes inaccurate, incomplete, or out-of-date.
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Termination

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If the MLO is no longer employed with Company Name, the exit interview checklist should indicate that the registration/licensing information has been updated.

Requirements for Employees Previously Licensed as MLOs

A new hire who already has registered or obtained a license, including a unique identifier from the NMLS, and has maintained this registration or license, may comply as long as:

- The employment information with the NMLS is updated.
- New fingerprints of the employee are sent to the NMLS for a background check, unless the employee has fingerprints on file with the NMLS that are less than 3 years old.
- Company Name has submitted its own information to the NMLS.

Employees Through Acquisitions, Mergers, or Reorganizations

When registered or licensed MLO's become Company Name employees as a result of an acquisition, merger, or reorganization, we must complete these registration or licensing procedures within 60 days of the effective date of the acquisition, merger, or reorganization.

Third Parties – Verifying SAFE Act Compliance

The SAFE Act Officer will establish procedures designed to ensure that any third party with which the Bank has arrangements related to mortgage loan origination has policies and procedures to comply with the SAFE Act, including appropriate licensing and/or registration of individuals acting as MLOs. The continuing absence of satisfactory SAFE ACT policies and procedures on the part of such third parties involved in mortgage loan originations shall be cause for discontinuance of the Bank's utilization of their services.

Examples of this include:

- Pre-closing checklist reviews loan officer license current prior to each closing
- Wholesale-Broker Approval verifies loan originator licensing and SAFE Act Policy of third party prior to approval and at annual renewal

Annual Independent Testing

The Compliance department will complete independent testing for compliance with the registry rules at least annually. The results of the audit will be presented to the Board of Directors along with management responses for any violations or exceptions.

3-04 Reviewing Employee Criminal History Background Reports

While Company Name verifies the criminal background of all new employees, we may receive additional data through the licensing or registration process.

Taking Appropriate Action

The SAFE Act Officer along with the appropriate management is directed to review all criminal history background reports on employees received from the FBI through the NMLS and take appropriate action, including termination of that employee, as long as it is consistent with federal and state law.

3-10 Loan Originator Compensation

Loan Originator compensation is strictly commission based. Commission schedules are based on loan volume. Overage, or exceeding the fee income requirement by charging more fees as a method of increasing competition, is no longer an acceptable practice.

Creditor vs. Originator

When we act as a Creditor, we are lending from our funds or warehouse facility regardless of who approves the loan. When we act as an originator, we are a mortgage broker/employer, and the funds for the closing come from the purchaser of the mortgage. We are originators if the loan is “table-funded” (closed in our name using the investor’s funds). Our policies are designed to address all of these environments.

Base Commission Schedule

Due to changes in the federal regulatory structure (Dodd-Frank Act) effective April 1, 2011 loan originators may no longer be compensated on the basis of loan terms. The same law eliminates “steering” borrowers to loans where the originator can make a higher commission. To eliminate “steering” allegations, loan originators must adhere to either a “flat fee structure” or be compensated based on loan volume.

Fee Structure	Commission Rate - Monthly
Loan originator must collect 1% (or other flat percentage) of the loan amount, plus all lender processing fees. The minimum origination fee is \$1,000.00 (or other amount)	40 basis points – first 1,000,000 45 basis points – next 500,000 50 basis points – next 500,000 55 basis points – next 500,000 60 basis points - remainder
Loan originator must collect \$3,500.00 inclusive of all lender processing fees.	50% of the fee.

Dual Compensation

Mortgage Originators may NEVER receive compensation directly from the borrower, seller, creditor or any other party (Fee Agreement or other income). All compensation must be paid by the borrower to the lender/employer, mortgage broker/employer or to the creditor and appropriately disclosed on the Loan Estimate or Good Faith Estimate of Closing Costs as required by RESPA. Compensation to the loan originator is then determined by the employer. Compensation to the loan originator is NEVER determined by the borrower payment to the lender/employer, the mortgage broker/employer or the creditor. In addition, loan originators are prohibited from receiving outside compensation from the creditor, borrower or referral source.

Outside income that is prohibited:

- Prizes or Contest winnings
- Gifts in any amount