



## Anti-Predatory Lending Policy

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### SECTION 1 – INTRODUCTION

#### A. Purpose

CITADEL SERVICING CORPORATION (CSC) has adopted this policy against predatory lending practices, as well numerous other safeguards and procedures, including Best Practices as recommended by the Mortgage Bankers Association of America and further in conformance with the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") signed into law on July 21, 2010. We do this in order to insure that our customers receive fair and equitable treatment in the origination of their mortgage.

#### B. General Policy

CSC prohibits abusive or predatory lending practices by any of its employees or agents, and requires its employees to receive training to spot predatory lending practices in an effort to prevent them. CSC complies with all applicable state and federal laws and regulations, including, but not limited to the Equal Credit Opportunity Act, the Fair Housing Act, the Fair Credit Reporting Act, the Truth in Lending Act, and the Real Estate Settlement Procedures Act as well as the aforementioned Dodd-Frank Act.

### SECTION 2 – BEST PRACTICES

#### A. Products

Borrowers shall not be steered to inappropriate products. Borrowers should be offered the best available products for which the borrower would qualify based on his / her creditworthiness.

#### B. Ability To Repay

CSC shall determine that all borrowers have the ability to repay their loans. A lender's credit decision should be based primarily on the repayment ability of the borrower. CSC has established a policy that restricts origination of a loan solely on the basis of the borrower's equity, without regard to proper underwriting. CSC underwriting utilizes, among other things, income, assets, as well as mortgage and credit histories. CSC requires that all borrowers meet prescribed debt-to-income ratios as specified in CSC's underwriting guidelines. Currently, the maximum debt-to-income ratio is 50% rounded down. CSC qualifies Adjustable Rate Mortgage ("ARM") loans at the maximum calculated loan payment that can be achieved in the first 84 months of the mortgage. Non-owner occupied loans require that the property should debt service at a one to one ratio if the borrower chooses not to provide personal income statements that justify a maximum debt to income ratio of 50%.

#### C. "Flipping"

Lenders should not "flip" customers / loans. "Flipping" refers to the practice where a lender refinances a loan with a larger loan where the additional proceeds are largely used for fees and charges, and resulting in the borrower's equity being stripped from the property. CSC requires a 12-month listing history as well as the sales history that must be validated by the Appraiser to detect artificially inflated values. CSC also requires a 12-month chain of title on all transactions. Loan transactions for properties with multiple refinances in the last 24 months must also demonstrate an economic value to the borrower.



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### **D. Terms And Conditions**

All borrowers should be fully informed of all loan terms and conditions, including the risks and benefits of the loan transaction. Applicable disclosures should comply with legal requirements and should provide adequate explanation of all pertinent loan terms and conditions. In addition, marketing practices and materials should not be deceptive or exploitative. In addition, CSC provides its own Good Faith Estimate in all brokered transactions. Where appropriate, CSC personnel will endeavor to call the borrower before processing to validate all terms and conditions of the loan request.

### **E. Fees, Rates, & Cost Of The Loan**

Reasonable and disclosed fees, rates, and costs are required. Fees and rates should be representative of the associated credit risks and / or costs and services associated with origination of the loan and properly disclosed. Loan fees must be proportionate to the costs of origination and the credit risk presented to the borrower.

### **F. Insurance Bundling**

Insurance bundling is prohibited. Lump-sum insurance products, such as credit life insurance, disability insurance, home warranties, etc. should not be a condition of the loan. CSC does not engage in the practice of financing lump sum or single-premium credit life insurance or similar products and prohibits such practices in any transaction in which it is involved.

### **G. Prepayment Penalties**

There is no prepayment penalty charge on any loan offered by CSC. CSC does not restrict the Borrower's ability to prepay is loan in whole or part at any time.

### **H. Credit History Reporting**

Lenders should report borrowers' payment history to credit bureaus as in compliance with and required by the Fair Credit and Reporting Act ("FCRA"). Reporting such information enables consumers to improve their credit profile and have access to more favorable financing. However, while CSC's does adhere to the FCRA, it will not report to the Credit Bureaus until so required to do so based on the number loans in its servicing portfolio.

### **I. Beneficial Refinancing**

Only loans that offer real benefit to the borrower shall be made. All loans must be made based on a bona fide and documented benefit to the consumer. CSC requires employees to evaluate the benefit of each loan to the borrower. Examples of benefits include, without limitation, reduction of rate below borrower's current rate, reduction in monthly PITI, reduction in overall monthly payments through debt consolidation, conversion of mortgage from ARM to fixed rate, conversion of a mortgage from a longer term to a shorter term, cash out / cash in hand greater than all fees connected with loan (any payoff of a prepayment penalty is considered must be considered in this evaluation).



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### **J. Up-charging Of Third Party Fees**

Bad faith up-charging is prohibited. The assessment of extra charges above an actual third party fee is prohibited. CSC will not collect any excess fees above an actual third party fee.

### **K. Fair Lending/Non-Discrimination**

No borrower should be subject to unfair lending or discrimination. CSC is an equal housing lender and, in accordance with the Federal Equal Credit Opportunity Act, CSC employs business practices that promote fair lending and will not tolerate discrimination relative to borrower race, color, religion, sex, handicap, familial status, age, national origin, or ancestry. CSC fully supports the letter and spirit of these laws and does not condone discrimination in any mortgage transaction.

### **L. Industry And Community Involvement**

Industry & community involvement is key. CSC is committed to involvement with trade organizations, community groups, national associations, mortgage bankers, as well as state and local associations to continually develop and implement practices and disclosures that respond to the needs of consumers, and to scan and respond to new potential legislation that creates the need for consumer disclosures and protections.

### **M. Employee Training**

Employees must be well versed in CSC policies and procedures. All CSC Employees are required to undergo training on CSC's Best Practices and how to spot and prevent abusive or predatory lending. Brokers and correspondents submitting applications or loans to CSC are required to acknowledge and agree to abide by CSC's Best Practices and Anti-Predatory Lending Policies.



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