The Fair Mortgage Collaborative
Lending Standards

(Adopted August, 2008 Revised October, 2008 Revised May, 2009)

The Fair Mortgage Collaborative, the parent organization of Fair Loan Certification, Inc. was created to educate borrowers and provide them with reliable information about how to find a fairly-priced mortgage loan. The Standards list the principles that lenders and brokers should follow, the practices they should employ when making loans, and the products that they should and should not offer. All organizations — lenders, brokers and counselors — seeking Mortgage Collaborative certification must agree to meet these standards, and to be audited to ensure ongoing compliance.

Standards

1. FMC certified lending organizations will show the customer the loan products for which the customer is eligible without regard to the revenues that would accrue to the member making the loan.

2. FMC certified lending organizations will not shop the customer's information to secure the best return to the broker/lender.

3. All certified lending organizations will put forth their best effort to qualify customers for fixed rate prime loan products first.

4. If the customer is not eligible for a fixed rate prime loan product, they will be offered the next best loan product for which they qualify. "Best product" is defined as the most affordable loan that meets the applicant's current income and credit criteria at the highest scheduled payment in the first seven years of the loan.

5. The customer will select from among the best available loan product(s) for which they are eligible.

6. FMC certified lending organizations support qualified consumer counseling services programs by advising applicants of the availability of geographically appropriate organizations offering these services. The toll-free number and location of this or these counseling services must be provided. For those customers who select products with features included on FMC's "Nonstandard Product" list, this offer must be evidenced by the customer's signature on the counseling list provided.

7. Any loan carrying features included on FMC's "Nonstandard Products" list must have clear, compensating, verifiable, applicant benefits. These benefits must be evidenced by a demonstration of loan results with and without the use of non-traditional loan features prior to loan closing with all results signed by the borrower to indicate their informed decision before acceptance. These products

and features will be used with extreme caution by the certified lending organization and will be subject to careful review by FMC.

Prohibited Products

FMC certified lending organizations will not participate in origination or marketing of any loans with the following features:

1. First mortgage loans with balloon payments of less than 10 years;

2. Loans with prepayment penalties other than FHA loans or loans funded by public agencies;

3. Negatively amortizing loans other than reverse mortgages;

4. No documentation loans;

5. Stated income loans;

6. Credit insurance offered by an institution affiliated with loan broker or lender;

7. Credit insurance for which the borrower has not separately signed a disclosure stating that such insurance is optional;

8. Credit Insurance for more than the principal amount of the loan.

Nonstandard Products

From time to time, nonstandard loan products may be in the best interest of consumers. However, these products have frequently been abused or pushed on consumers inappropriately. If a certified lending organization for any reason participates in counseling, brokering making or purchasing a mortgage loan, the certified lending organization must document the specific benefit to the consumer in question and provide the borrower with information about the cost and features of more standard loan products and retain documentation of such disclosure in the permanent loan files. Nonstandard products include the following features:

1. Subprime or Alt. A loans;

2. Interest only loans whose interest-only feature is greater than 5 years;

3. Loans where broker earns a yield spread premium;

4. Adjustable rate loans with artificially low initial interest rates;

5. Closing costs on HUD-1/-1A differ from GFE by more than 20%;
6. Two or more months prepaid from loan proceeds;
7. Loans that require monthly payments likely to exceed 35% of buyers documented monthly income;
8. Loans that allow borrowers to finance closing costs for home purchase (refinance loans with financed closing costs are allowed);
9. Loans with closing costs paid to third party service providers affiliated with the broker or lender;
10. Adjustable rate loans for which the monthly payments calculated based on the maximum potential interest rate would exceed 45% of the borrower's documented monthly income.