

FHLMC High Cost Rules

22.32: Predatory lending practices (02/20/08)

Freddie Mac actively opposes predatory lending and has implemented a number of policies designed to combat it. Freddie Mac-approved Seller/Service providers should have policies designed to identify and avoid predatory lending practices.

To further implement certain Freddie Mac anti-predatory lending policies, when selling a Mortgage to Freddie Mac, a Seller represents and warrants that:

- For Mortgages secured by a Primary Residence, points and fees charged in connection with the Mortgage sold to Freddie Mac do not exceed 5% of the original loan amount. For loans with a balance not exceeding \$20,000, a maximum of \$1,000 may be used in lieu of the 5% limitation.

For purposes of this representation and warranty, points and fees include:

- Origination fees
- Underwriting fees
- Broker fees
- Finder's fees
- Charges that a Seller imposes as a condition of making the loan, whether they are paid to the Seller or to a third party

For purposes of this representation and warranty, points and fees do not include:

- Bona fide discount points
- Fees paid for actual services rendered in connection with the Mortgage origination, such as attorney's fees, notary's fees, and fees paid for property appraisals, credit reports, surveys, title examinations and extracts, flood and tax certifications and home inspections
- The cost of mortgage insurance or credit-risk price adjustments
- The costs of title, hazard and flood insurance policies
- State and local transfer fees and taxes
- Escrow deposits for the future payment of taxes and insurance premiums, and
- Miscellaneous fees and charges that, in total, do not exceed one-quarter of 1% (0.25%) of the loan amount

In addition to the foregoing and in accordance with Guide requirements, for all Mortgages sold to Freddie Mac, Sellers must represent and warrant compliance with the requirements of Sections 6.2, 22.18.1, 22.28 and 22.34.

- For all Prepayment Penalty Mortgages eligible for sale to Freddie Mac, the Seller must represent and warrant compliance with the requirements of Section B33.4.1
- No Borrower who qualified for a lower-cost loan product has been "steered" to a higher-cost loan product. A Seller should offer or direct applicants who seek financing through the Seller's higher-priced subprime or non-prime lending channel toward its standard Mortgage line if the applicants qualify for one of the standard products.

22.18.1: State Anti-Predatory Lending Laws and Regulations (12/18/08)

Mortgages secured by Mortgaged Premises in the following States that are designated as "high-cost," "high-risk" or similar Mortgages are not eligible for purchase by Freddie Mac:

Such Mortgages are ineligible for purchase by Freddie Mac regardless of whether the lender and/or Seller/Servicer enjoys preemption based on its charter or whether the law provides for an exemption for particular lenders and/or Seller/Servicers based on their charters or for particular Mortgages based on their purchase by Freddie Mac or another entity.

- **Arkansas:** Mortgages with Note Dates on or after July 17, 2003 that are "high-cost home mortgages" under the Arkansas Home Loan Protection Act
- **Colorado:** Mortgages with Note Dates on or after January 1, 2003 that are "covered loans" under the Colorado Consumer Equity Protection Act
- **Georgia:** Mortgages with Note Dates between October 1, 2002 and March 7, 2003 that are governed by the Georgia Fair Lending Act, and Mortgages with Note Dates on and after March 7, 2003 that are "high-cost home mortgages"
- **Illinois:** Mortgages with Note Dates on or after January 1, 2004 that are "high-risk home mortgages" under the Illinois High-Risk Home Loan Act
- **Indiana:** Mortgages with Note Dates on or after January 1, 2005 that are "high cost home mortgages" under the Indiana Home Loan Practices Act
- **Kentucky:** Mortgages with Note Dates on or after June 25, 2003 that are "high-cost home loans" under the Kentucky Revised Statutes Chapter 360
- **Maine:** Mortgages with Note Dates on or after September 13, 2003 that are "high rate, high fee loans" under the Maine Consumer Credit Act
- **Massachusetts:** Mortgages with Note Dates on or after November 7, 2004 that are "high cost home Mortgages" under the Massachusetts Predatory Home Loan Practices Act
- **New Jersey:** Mortgages with Note Dates on or after November 27, 2003 that are "high-cost home Mortgages" under the New Jersey Home Ownership Security Act of 2002
- **New Mexico:** Mortgages with Note Dates on or after January 1, 2004 that are "high-cost home mortgages" under the New Mexico Home Loan Protection Act

- **New York:** Mortgages with initial application dates after April 1, 2003 that are "high-cost home loans" under the New York Banking Law. In addition, Mortgages with Note Dates on or after September 1, 2008 that are "subprime home loans" under the New York Banking Law.
- **Oklahoma:** Mortgages with Note Dates on or after January 1, 2004 that are "subsection 10 mortgages" under the Oklahoma Home Ownership Equity and Protection Act
- **Rhode Island:** Mortgages with Note Dates on or after December 31, 2006 that are "high cost home loans" under the Rhode Island Home Loan Protection Act
- **Tennessee:** Mortgages with Note Dates on or after January 1, 2007 that are "high cost home loans" under the Tennessee Home Loan Protection Act of 2006

In addition, the Seller/Servicer represents and warrants that:

- It has in place policies and procedures based on the requirements of each law identified above to ensure that it does not inadvertently deliver an ineligible Mortgage to Freddie Mac for purchase,
- It has received representations and warranties from any person or entity from which the Seller purchased the Mortgage that they are not "high-cost," "high-risk" or similar Mortgages under the laws identified above, and
- No person, with the intent to avoid the application or evade the provisions of one of the laws identified above, divided a loan transaction into separate parts (by creating a concurrent subordinate lien or other wise) or performed any other subterfuge.

The provisions of this section are Discretionary Provisions under Section 12.13 and Exhibit 26, Discretionary Provisions.