



Principles of Mortgage Banking Questions & Answers

Federal Regulations: Compliance in Action

April 2017

Laws Prohibiting Discrimination

1. Lenders must notify applicants of their lending decision within **30** days of a complete application.
2. When adverse action is taken, the Lender must provide the specific reasons for the decision within **30** days of the adverse action taken date.
3. If a borrower inquires about a loan application and states his or her credit score is 605, the Loan Officer can avoid discouraging them from applying by telling them to go to competitor. True or **False**?

Laws Prohibiting Discrimination

4. ECOA is implemented by:

- a. **Regulation B**
- b. Regulation C
- c. Regulation X
- d. Regulation Z



5. ECOA requires the collection of the Borrower's Race, Ethnicity and Sex. How is the information collected?

- a. By Visual Observation if the Borrower does not provide and it is a face to face application
- b. The Loan Application, Government Monitoring Section
- c. The Borrower does not have to provide it if they do not want to.
- d. **All of the above.**

Laws Prohibiting Discrimination

6. There is a formal Pre-Approval Program under HMDA and the loan file must be approved by an underwriter and not subject to any credit qualifying conditions. **True** or False?
7. TILA/RESPA (TRID) Requires full disclosure when you have an application. An application is defined as having what 6 data points?
1. **Address**
 2. **Loan Amount**
 3. **Income**
 4. **Estimate of Value**
 5. **Name**
 6. **Social Security Number**

Laws Prohibiting Discrimination

8. The Civil Rights Act of 1968 is also known as the Fair Housing Act.

True or False?

9. The Fair Housing Act prohibits discrimination on the basis of:

Race, Color, Religion, National Origin, Sex, Disability, Familial Status

True or False?

10. ECOA prohibits discrimination on the basis of:

Race, Color, Religion, National Origin, Sex, Marital Status, Age, the applicants income being derived from public assistance, applicant exercised rights under the Consumer Credit Protection Act

True or False?

Laws Prohibiting Discrimination

11. HMDA data Collection is important to determine if any protected class of applicants are being discriminated against. The data must be made available to the public. How would the public use this data? **To determine if discriminatory practices are taking place, or to determine if a financial institution is not fully serving the “underserved community” in their CRA area, - which could lead to protest of expansion of additional branches. (one of these answers is acceptable on the test)**



12. In the **initial** collection of the government monitoring information, who’s job is it to get the data right? **Answer may vary based on your company procedures, but LO would be the best answer.**

- a. The Loan Processor
- b. The Loan Underwriter
- c. The Loan Officer**
- d. The Compliance Department

Laws Prohibiting Discrimination

13. HMDA LARS must be kept up to date quarterly. **True** or False?

14. Blockbusting, Steering and Redlining are a form of **discriminatory practices**.



15. CRA stands for the **Community Reinvestment Act**.

16. CRA Laws require depository institutions to meet the depository and lending needs of their communities by defining their CRA **Assessment Area**.

Laws Prohibiting Predatory Lending

17. UDAAP: **Unfair Deceptive Abusive Acts and Practices**

18. In order to determine that you are not practicing UDAAP, you must monitor your **Complaints** and **Products**. (Also, **Services, Third Party Vendors, advertising, special programs and campaigns; two answers are OK**)

19. When advertising and creating new products and services, you should ensure they are not considered to be unfair, deceptive, abusive acts and practices. **True** or False?

Laws Prohibiting Predatory Lending

20. HOEPA: The Homeownership Equity Protection Act required stringent compliance when the points and fees exceed 5% of the loan amount. **True** or False?



21. What regulation was amended to include requirements for Loan Originator Compensation? **Regulation Z, Truth In Lending**

22. List at least two items that define the purpose of the SAFE Act.
NMLS ID, Track and Monitor LO Activity

Laws Prohibiting Predatory Lending

23. A Loan Officer's Unique Identifier must be displayed on any written communication with the consumer, before acting as an LO and upon written request by the consumer. It must appear on the LO's business cards and any advertising. **True** or False?



Laws Protecting Customer Identity & Info

24. Permissible Use of credit reports is defined in the Fair Credit Reporting Act. When a credit report is pulled outside of those parameters, it is a violation of FCRA. Provide one example of when accessing or “pulling” a credit report is prohibited. **Pulling your own credit or pulling a friend or family member’s credit.**
25. FCRA and FACTA give guidance on how to handle a fraud alert or active duty alert on a credit report. What should you do? **Follow the instructions within the credit report (usually a phone number to call the borrower) – Investigate and Resolve the Conflict**
26. FACTA set forth the Red Flags Rule. What are the 4 keys to the Red Flags Program? **Identify – Detect – Respond - Update**

Laws Protecting Customer Identity & Info

27. FCRA requires the Risk Based Pricing Disclosure. **True** or False?

28. FACTA requires the Credit Score Disclosure. **True** or False?



29. The GLBA Financial Privacy Rule requires that the Lender restrict when info is shared with affiliates and non affiliated third parties, requires a privacy notice and an **Opt Out** opportunity.

Laws Protecting Customer Identity & Info

30. A Lender must have a Safeguarding Privacy policy under the GLBA.

The policy must include and ensure:

- a. Security and confidentiality
- b. Protect against anticipated threats or hazards
- c. Protect against unauthorized access
- d. All of the above**

31. If a Lender violates the Do Not Call Rule, they could get fined up to **\$16,000** per incident!

Laws Protecting Customer Identity & Info

32. The USA PATRIOT Act is known as the “Know your customer” rule. The minimum information required is:

- a. Name
- b. Date of Birth
- c. Address
- d. Social Security Number (Tax ID or similar)
- e. All of the above**



33. BSA Programs are necessary in order to help eliminate **Fraud** and Money Laundering activities.

Laws Protecting Customer Identity & Info

34. Samples of mortgage fraud include:

- a) **Hiding Liabilities**
- b) **Fraudulent Income**
- c) **Lying about Occupancy**



(Other answers include: Appraisal Fraud, Income Fraud, Foreclosure Scams)

35. If you file a SAR it is OK to tell the LO so his feelings will not be hurt when the loan is declined. True or **False**?

Laws Requiring Financial Disclosure

36. The Homeownership Protection Act requires a loan servicer to **Eliminate** PMI when the loan to value (based on the closing amortization table) reaches **78%** (of the original loan amount).
37. RESPA Prohibits “kickbacks” for business referrals. A Loan Officer cannot pay for a real estate agents advertising costs for more than their own portion of the shared advertising piece. **True** or False?
38. RESPA prohibits unearned fees, therefore if there is a fee for recording the pay off in the pay off statement from the lender, then the closing agent may not also charge a release fee. **True** or False?

Laws Requiring Financial Disclosure

39. What is the name of the special information booklet that must be provided under RESPA? **Your Home Loan Toolkit**
40. What 6 data points trigger full application disclosure under TILA/RESPA?
- i. **Address**
 - ii. **Loan Amount**
 - iii. **Income**
 - iv. **Estimated Value**
 - v. **Name**
 - vi. **Social Security Number**

Laws Requiring Financial Disclosure

41. Under RESPA, if you allow the borrower to shop for required services, what must you provide? **Shopping List, at least one provider**



42. If using an affiliated attorney or title company, you must provide an affiliated business disclosure and inform the borrower they are not required to use that provider. **True** or False?

43. Under TILA you must determine the borrower's ability to repay the loan. **True** or False?

Laws Requiring Financial Disclosure

44. There are **8** basic underwriting factors when determining the ability to repay.
45. If a loan is not a Temporary Qualified Mortgage then you must use Appendix Q when underwriting the loan. **True** or False? **If it is not a temporary QM and if it is a General QM, Appendix Q is required.**
46. A compliance safe harbor is provided for loans that meet the definition of QM. **True** or False?

Laws Requiring Financial Disclosure

47. Higher Priced Mortgage Loans can be found in section 35 of Reg. Z. If the APR exceeds the APOR by 1.5% on a conforming loan you must require **Escrows** for a minimum of 5 years.



48. TILA requires in a refinance transaction, all title holders receive a Right of **Rescission**.

49. The APR is a measure of the total cost of credit expressed as a nominal yearly rate. **True** or False?

Laws Requiring Financial Disclosure

50. TRID is the new rule that was effective on October 3, 2015 and combines TILA and RESPA. It eliminates the old GFE, initial TIL, HUD1 Settlement Statement and final TIL, and combines them all into the Loan Estimate and the Closing Disclosure. **True** or False?



Laws Requiring Financial Disclosure

51. Triggering Terms in advertising include:

- a. Amount of Down Payment
- b. Period of Repayment
- c. Amount of Finance Charge
- d. **All of the Above**



Laws Requiring Financial Disclosure

52. Depositories use the equal housing lender logo, but generally, non-depositories use the equal housing opportunity logo. **True** or False?



Laws Requiring Financial Disclosure

53. A mortgage broker/banker distributes flyers offering mortgages at interest rates the mortgage broker/banker does not intend on honoring. This is an example of a TILA violation. **True** or False?



Laws Requiring Financial Disclosure

54. The Federal Financial Institutions Examination Council (FFIEC) is a formal interagency body empowered to proscribe uniform principals, standards, and report forms for the federal examination of financial institutions. **True or False?**



Laws Requiring Financial Disclosure

55. All Creditors are required by law to report information to all three repositories (Experian, Equifax and Transunion). True or **False**?



The End

Thank you for your participation!



For those of you taking the POMB Exam:

Good Luck on Your Exam!