

DATE: January 7, 2014

TO: Impac Mortgage Approved Brokers

RE: Consumer Financial Protection Bureau (CFPB) Regulatory Changes

Effective Date: The requirements addressed in this announcement apply to all loan applications **submitted to Impac on or after January 10, 2014**, unless stated otherwise.

NOTE: Loan applications taken by the Broker on or before January 9, 2014 and **submitted to Impac on or after January 10, 2014** will be subject to the new Ability-to-Repay/QM and HOEPA requirements.

Brokers are encouraged to submit loan packages in process with application dates of January 9th or before, to Impac no later than January 9th to ensure those loan packages are not subject to the Ability-to-Repay/QM and HOEPA requirements.

In 2013, the Consumer Financial Protection Bureau (CFPB) issued a final rule that implements the Ability-to-Repay (ATR) and Qualified Mortgage (QM) provisions of the Dodd-Frank Act. Starting January 10, 2014, lenders must assess the borrower's ability to repay for virtually all closed-end residential mortgage loans.

Additionally, the CFPB issued final rules implementing amendments to the Equal Credit Opportunity Act (ECOA) and Truth in Lending Act (TILA) covering new requirements under HOEPA, Loan Originator Compensation, Higher-Priced Mortgage Loans (HPML) as well as amendments to RESPA and TILA for servicing requirements.

See the last page of this Announcement for a Qualified Mortgage Comparison Chart.

Disclaimer: This announcement provides general points of reference, but does not document all requirements under CFPB's 7 new rules (ATR/QM, HOEPA, ECOA Valuation, Loan Originator Rule, TILA HPML Appraisals, Escrows, TILA and RESPA Servicing) and the GSE's new QM requirements. This interpretation shall not be deemed legal advice and cannot be relied upon. It is simply advisory and does not absolve Brokers of their responsibility to ensure that all loans comply in all respects to state, federal and local rules and regulations regardless of the opinions stated within this document. Impac's interpretation is subject to change with and without notice.

Mortgage Brokers are responsible for reviewing and understanding the final rules issued by the CFPB to implement the Dodd-Frank Act, including but not limited to ATR-QM, ECOA Valuations, HOEPA and HPML Appraisals. Seeking legal and compliance

assistance to determine actions required to fully comply with the new CFPB rules is necessary.

The table below outlines topics addressed in this policy along with the applicable effective date:

Requirement	Effective Date
Ability to Repay – Qualified Mortgage (ATR-QM)	Applications submitted to Impac on or after January 10, 2014
Disclosure Notices	Applications taken on or after January 10, 2014
ECOA Valuations	Applications taken on or after January 18, 2014
Homeownership Counseling Amendments	Applications taken on or after January 10, 2014

Qualified Mortgage

Five types of Qualified Mortgages exist under the rule. Three types can be originated by all creditors: QM-General, QM-HPML, and QM-Temporary (GSE). Two other types can only be originated by small creditors: Small Creditor and Balloon-Payment QMs.

Impac will only originate loans at this time as follows:

- **QM General Loans (Jumbo loans only):** These loans must satisfy all requirements for points, fees, and APR threshold, as well as underwriting guidelines addressed in Appendix Q of the ATR/QM rule. Reference: Consumer Financial Protection Bureau
<http://www.consumerfinance.gov/mortgage-rules-at-a-glance/>
- **QM Temporary Loans:** Loans eligible for purchase by Fannie Mae or Freddie Mac or for insurance or guarantee by FHA/VA/USDA are deemed “Temporary QM” loans. This includes loans that exceed the HPML APR threshold. QM Temporary loans must meet the same requirements as General QM loans regarding prohibitions on risky features, points and fees, and APR thresholds; however, they are underwritten using the required guidelines of the entities previously identified, including any relevant DTI guidelines. These loans do not have to meet the 43% DTI ratio thresholds that apply to QM loans.

NOTE: The temporary provision expires, for loans eligible for purchase or guarantee by the GSEs, on the date that the GSEs exit federal conservatorship or receivership or on January 10, 2021, whichever occurs first.

Loans not currently eligible for origination by Impac are as follows:

- Loans with terms greater than 30 years, loans with mandatory arbitration clauses, loans with financed credit insurance.

- Loans with risky features, such as negative amortization, interest only or loans with a balloon payment.
- Loans that include fees paid to an affiliate of the broker.
- Non-QM loans, QM General Loans (with the exception of Jumbo loans), HOEPA, Small Creditor QM and Small Creditor Balloon-Payment QMs.

APR

All loans will have an APR threshold, and these thresholds vary dependent upon individual loan. Generally, the APR threshold is APOR + 1.50% or if an FHA loan, APOR + 2.50%. Impac will adhere to all applicable APR thresholds.

Products	APR	Points and Fees
Fannie Mae/Freddie Mac, QM (Jumbo's), VA and USDA	APR < APOR + 1.50%	<ul style="list-style-type: none"> • Loan Amount ≥ \$100K w/ Pts. & Fees ≤ 3% of total loan amt • Loan Amount <\$100K & ≥\$60K w/ Pts. & Fees ≤ \$3k • Loan Amount <\$60K & ≥\$20K w/ Pts. & Fees ≤5% of total loan
Fannie Mae/Freddie Mac ATR Exempt Mortgage (NOO)	APR ≥ APOR + 1.50%	<ul style="list-style-type: none"> • Loan Amount ≥ \$20K w/ Pts. & Fees > 5% of total loan
Fannie Mae/Freddie Mac ATR Covered Mortgage (HPML)	APR ≥ APOR + 1.50%	<ul style="list-style-type: none"> • Loan Amount ≥ \$100K w/ Pts. & Fees ≤ 3% of total loan amt • Loan Amount <\$100K & ≥\$60K w/ Pts. & Fees ≤ \$3k • Loan Amount <\$60K & ≥\$20K w/ Pts. & Fees ≤5% of total loan
FHA Loans	APR > APOR + 1.15% + 1.35% (2.50%)	<ul style="list-style-type: none"> • Loan Amount ≥ \$100K w/ Pts. & Fees ≤ 3% of total loan amt • Loan Amount <\$100K & ≥\$60K w/ Pts. & Fees ≤ \$3k • Loan Amount <\$60K & ≥\$20K w/ Pts. & Fees ≤5% of total loan

Points and Fees

In addition to current state high cost points and fees test, all loans will generally have a maximum three percent (3%) of the total loan amount, as defined, points and fees threshold. This includes any fee paid directly or indirectly to the lender or broker, including an affiliate of the lender or broker. This means any compensation paid to the broker by the borrower or lender will be included. To help ensure wholesale loans do not exceed this 3% threshold, Impac will no longer charge the following fees:

- Flood certificate fee
- Tax service fee
- Underwriting fee

The above fees will no longer be required to be disclosed on the GFE, fee worksheet or itemization of amount financed.

NOTE: The exception to the maximum 3% points and fees is on non-owner occupied Temporary QM loans with APR's exceeding the APOR + 1.5%. The maximum points and fees threshold will be five (5%) of the total loan amount, as defined.

Loan Origination Compensation

The new Loan Originator (LO) Compensation rule states no LO shall receive and no person shall pay to an LO (directly or *indirectly*) compensation in an amount that is based on a term of a transaction or a proxy for a term. Terms of the loan are defined as, but are not limited to, any promise to a borrower in any loan related document plus any fee, term or service disclosed in the GFE or HUD-1.

Due to the above requirement, Impac will require any Mortgage Broker who elects "Borrower Paid" compensation to ensure it equals the "Lender Paid Compensation" identified in the Broker's current Compensation Agreement with Impac.

In addition, effective with all loans locked on or after January 10, 2014, Impac has built in the Mortgage Broker's Lender Paid Compensation into the rate/pricing of the loan. This means the rate and premium/discounts points already include the Mortgage Broker compensation in effect as of January 10, 2014.

New Disclosure Notices

- **NMLS Identification:** The rule requires that certain identification information, such as the loan originator's name (as listed in the registry) and NMLS unique identifier (NMLS ID), and the name and NMLS ID of the originator's employer, if any, appear on the Uniform Residential Loan Application, the Note, and the Security Instrument.

- **Anti-Steering Disclosure (applies with applications taken on or after January 1, 2014):** The requirements for presenting loan options to a borrower have changed. The option showing the loan with the lowest total dollar amount of discount points, origination points or origination fees now requires that if two or more loans have the same total dollar amount of discount points, origination points or origination fees, the loan with the lowest interest rate that has the lowest total dollar amount of discount points, origination points or origination fees must be shown). See Impac's website www.impactwholesale.com Forms for Impac's updated form.
- **Appraisal disclosure on all loans (applies with applications taken on or after January 18, 2014):** Within three days of taking a loan application, provide the borrower with the following disclosure:

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

- **Homeownership Counseling Disclosure:** Within three days of taking a loan application, provide the borrower with a written list of homeownership counseling organizations. The list must contain ten HUD-approved housing counseling agencies near the borrower's current zip code, and can be acquired from HUD or CFPB's website which automatically generates the required list subject to the borrower's zip code:
<http://www.consumerfinance.gov/find-a-housing-counselor/>

At the time the loan is submitted, Brokers must include this disclosure in the loan package. If Broker has included the ten HUD-approved counseling agencies in its disclosures the disclosure is acceptable; however, if the Broker is unable to include the ten HUD-approved counseling agencies in its disclosure, pursuant to CFPB Bulletin 2013-13, the CFPB allows and Impac will accept the following Temporary Disclosure for the Homeownership Counseling Disclosure until May 1, 2014:

Housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) can offer independent advice about whether a particular set of mortgage loan terms is a good fit based on your objectives and circumstances, often at little or no cost.

If you are interested in contacting a HUD-approved housing counseling agency in your area, you can visit the Consumer Financial Protection Bureau's (CFPB) website, www.consumerfinance.gov/find-a-housing-counselor and enter your zip code.

You can also access HUD's housing counseling agency website:
www.consumerfinance.gov/mortgagehelp

For additional assistance with locating a housing counseling agency, call the CFPB at 1-855-411-CFPB (2372).

- **ECOA Valuations (applies with applications taken on or after January 18, 2014)**

The ECOA Valuation final rule requires creditors to promptly provide to all borrowers, free of charge, all appraisals **and** other written valuations developed in connection with a loan. Promptly means ‘promptly upon completion,’ or ‘no later than three business days before loan consummation’ (for closed-end credit) or account opening (for open-end credit), whichever is earlier. For example, if a loan will close on Friday, April 4, the valuation must be delivered no later than Tuesday, April 1. If the loan does not close, copies of the appraisals and other written valuations must be delivered “promptly upon completion,” or within 30 days after the loan is denied, withdrawn, closed for incompleteness, etc.

NOTE: Impac will not accept a waiver for the timing requirements of the ECOA Valuation Rule.

Investment Properties

- Impac will continue to originate and close conventional loans on investment properties; however, investment properties must adhere to all ATR/QM requirements, and are subject to the QM/HOEPA Points and Fees threshold.

A summary of each rule and the rules themselves are available on the Bureau’s website at: www.consumerfinance.gov/regulations

Submit questions to CFPB_reinquiries@cfpb.gov or call 202-435-7700.

CFPB Regulatory Changes

QUALIFIED MORTGAGE COMPARISON CHART

IMPAC Mortgage
a division of Excel Mortgage Servicing, Inc.

Effective Jan. 10, 2014	QM - General (Jumbo)	QM - HPML	FNMA/FHLMC ATR/Covered Mortgage	FNMA/FHLMC ATR Exempt Mortgage	FHA Safe Harbor QM	FHA Rebuttable Presumption QM	VA	USDA
Covered Transactions	Purchase, Refinance, MH (OO and NOO)	Purchase, Refinance, MH (OO and NOO)	Purchase, Refinance, MH (OO and NOO)	Reverse, HELOC, Timeshare, Initial Construction	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*
Risky Features Banned	No Balloons, NegAm, or IO	No Balloons, NegAm, or IO	No Balloons, NegAm, or IO	No Balloons, NegAm, or IO	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*
Term Limit	30 year max	Same as QM General	30 year max	30 year max	30 year max	30 year max	30 year max	30 year max
THRESHOLDS	THRESHOLDS	THRESHOLDS	THRESHOLDS	THRESHOLDS	THRESHOLDS	THRESHOLDS	THRESHOLDS	THRESHOLDS
A. Points and Fees	- Loan Amount \geq \$100K w/ Pts. & Fees \leq 3% of total loan amt as defined - Loan Amount $<$ \$100K & \geq \$60K w/ Pts. & Fees \leq \$3k - Loan Amount $<$ \$60K & \geq \$20K w/ Pts. & Fees \leq 5% of total loan amt as defined *More fees caps on loan amts \leq \$20K	Same as QM-General	Same as QM-General	Same as HOEPA	Same as QM -General	Same as QM -General	Same as QM - General	Same as QM - General
B. APR	APR $<$ APOR + 1.5% (1 st Lien) Calculate at time of lock	APR \geq APOR + 1.50% (1 st Lien) Calculate at time of lock	Same as QM - General	Same as QM - General	APR \leq APOR + 1.15 + annual MIP	APR $>$ APOR + 1.15 + annual MIP	Same as QM - General	Same as QM - General
C. Prepayment Penalty	None	None	Prohibited	Prohibited	Not Addressed	Not Addressed	Not Addressed	Not Addressed
D. ATR 8 Factors	Must make reasonable, good-faith determination before or at consummation that consumer has reasonable ability to repay loan		FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*
1. Income or Assets	Appendix Q	Appendix Q	FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines* Streamline Exempt	FHA Guidelines* Streamline exempt	VA Guidelines*	USDA Guidelines*
2. Employment Status	Appendix Q-Incl in UW DTI	Appendix Q-Incl in UW DTI	FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*
3. Mo Mortgage Payment	Max rate in first 5 years	Max rate in first 5 years	FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*
4. Mo Payment on simultaneous liens (same property)	Appendix Q-Incl in UW DTI	Appendix Q-Incl in UW DTI	FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*
5. Mortgage-Related Obligations (taxes, insurance, HOA fees, ground rents, etc.)	Appendix Q-Incl in UW monthly payment and DTI	Appendix Q-Incl in UW monthly payment and DTI	FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*
6. Debt, alimony, child support	Appendix Q	Appendix Q	FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*
7. DTI or Residual Income using total of all mortgage & non-mortgage obligations	Appendix Q-DTI \leq 43%	Appendix Q-DTI \leq 43%	FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines	FHA Guidelines	VA Guidelines*	USDA Guidelines*
8. Credit History	Appendix Q-Incl in UW DTI	Appendix Q-Incl in UW DTI	FNMA/FHLMC Guidelines*	FNMA/FHLMC Guidelines*	FHA Guidelines*	FHA Guidelines*	VA Guidelines*	USDA Guidelines*

DISCLAIMER: This document is provided as a general point of reference and does not document all requirements under CFPB ATR/QM and HOEPA rules and GSE QM Temp rules. All efforts are made to keep this document updated and accurate. This document does not address Small Creditor QM and Small Creditor Balloon Payment QM's. It also does not address Non-Standard to Standard Refi, nor the requirements pertaining to HOEPA loans that exceed the HOEPA thresholds. QM-Temp (GSE) just have to be eligible for purchase to FNMA/FHLMC/FHA/VA/USDA. *Refer to GSE's Guidelines for changes due to ATR/QM Rules. Excel Mortgage Servicing, Inc. d/b/a Impac Mortgage does not guarantee the accuracy of the contents of this document and further disallows any liability for damages incurred as the result of the use or dissemination of the information contained in this document. For any questions, suggestions, or comments, please contact Impac Mortgage at 800-597-4101. This document is not a consumer credit advertisement as defined by Regulation Z and is intended solely for mortgage bankers/brokers, & correspondent lenders. NMLS #128231. Equal Housing Lender. 12-23-13 V8