

Attention: Mortgage Brokers

Revised GFE and HUD-1 Requirements Effective 1/1/10

At this time, M&I Home Lending Solutions will not yet accept the new GFE and HUD-1 forms required for all new applications on or after January 1, 2010. As we prepare our systems for the new forms and requirements, please continue to use the existing GFE forms available from your technology or forms provider. Future communications will inform you of when we will begin accepting the new forms.

Federal Truth in Lending Requirements Effective 10/1/09

Here's a recap of requirements **effective Thursday, October 1, 2009**, for loans classified as **Higher-Priced Mortgage Loans (HPML) per Reg Z** (Truth-in-Lending).

A lender may not extend a higher-priced mortgage loan based on the value of the borrower's collateral without regard to the borrower's repayment ability after the loan is funded, including the borrower's current and reasonably expected income, employment, assets other than the collateral, current obligations, and mortgage-related obligations.

Higher Priced Mortgage Loans according to Reg Z are defined as:

- Spread between the APR on the loan and the Average Prime Offer Rates (APOR) for comparable transactions exceeds the following amounts:
 - 1.5 percentage points (150 bps) for first lien loans (first mortgages)
 - 3.5 percentage points (350 bps) for subordinate lien loans (second mortgages)
- Maryland Higher Priced Mortgage Loans are not allowed
- FHA Non-Credit Qualifying Streamline HPML loans are not allowed

Average Prime Offer Rate (APOR) is defined as:

- Derived from the Prime Mortgage Market Survey® (PMMS) published by Freddie Mac: <http://www.freddie.com/dlink/html/PMMS/display/PMMSOutputYr.jsp?year=2008>
- Based on average interest rates, points and other loan pricing terms currently offered to consumers by a representative sample of creditors for low risk mortgage transactions
- Published weekly by the Federal Reserve

Exceptions to Higher Priced Mortgage Loan Definition

Home Equity Lines of Credit (HELOC's) are not impacted by the HPML regulations. It is important to note that lenders may not structure a mortgage as an open-end transaction to evade the HPML Reg Z requirements.

Prepayment Penalties

This regulation also provides detailed restrictions related to prepayment penalties. There is no prepayment penalty on the HLS Portfolio First and Second Fixed Rate Products beginning Thursday, October 1, 2009. Broker Premium on these two programs is now limited to 1 point max.

FHA Appraisal Requirements Effective 10/1/09

Beginning October 1, 2009, all FHA-approved lenders must use state **certified** appraisers for FHA-insured mortgages. The appraiser assignment field within the Case Number Assignment screen in FHA Connection must be input with an appraiser who is listed as either **certified residential** or **certified general** on the FHA Roster for the state where the subject property is located. Effective October 1st, licensed appraisers will no longer be authorized to conduct appraisals of properties securing an FHA-insured mortgage.

If, on or after **October 1, 2009**, an FHA-approved lender enters an appraisal assignment into FHAC for a property from a FHA Roster Appraiser who is licensed but not certified, **the appraisal will be unacceptable for FHA-insured financing and a second appraisal, performed by a state certified appraiser, must be completed at the broker's expense.**

When appraisal assignments are given to licensed appraisers prior to October 1, 2009, but the appraisal is not completed until after that date, the appraisal will be acceptable. However, the lender must assure that the appraisal assignment date is entered accurately into FHA Connection which must be a date prior to October 1, 2009. Also, appraisals that were completed by licensed appraisers prior to the deadline, which are transferred to a new lender, may be used as long as the original assignment date occurred prior to October 1, 2009. **In these cases, the appraisal assignment must be submitted to M&I no later than October 30, 2009.**

The rate sheets and credit matrix effective 10/1/09 are updated to reflect these changes.

For more information, please contact your M&I Account Executive or call Broker Support at 1-800-827-2654, Option 4. Thank you.



Disclaimers: The above information highlights several ways in which the new requirements of the Truth-in-Lending Act (TILA) and implementation of the Mortgage Disclosure Improvement Act (MDIA) will impact how M&I Bank FSB processes this loan application.

The information listed is not intended to serve as legal advice or as a substitute for legal counsel. If you have a question about the TILA / MDIA regulations, you should contact your attorney.

Terms and program restrictions apply and subject to change without notice. All loans subject to creditor approval. Not inclusive of all lender requirements. For mortgage professionals only. Not for consumer distribution. If you prefer to not receive these flyers via fax and/or e-mail, please send your request to 1-800-277-2569 (fax), miHLS.BrokerSupport@micorp.com or M&I Home Lending Solutions, Attn: Opt Out, 4121 NW Urbandale Drive, Urbandale, IA 50322-7928. Include "Opt Out" in the subject line and your request in the body of the email or letter.