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3.2 Borrower Eligibility Requirements

[Sample Client] exercises due diligence in confirming each applicant's identity to determine borrower eligibility in compliance with the Department of Treasury's Office of Foreign Assets Control (OFAC) regulations and the US Patriot Act.

[Sample Client] requires the validation of each applicant's Social Security number with the Social Security Administration. Upon positive validation, [Sample Client] resolves any discrepancy prior to clearing a loan to close. If an applicant's Social Security number or other approved documentation cannot be validated per the requirements within these policies and procedures, the applicant is not an eligible borrower, and the loan is unable to close.

3.2.1 Borrower Taxpayer Identification

[Sample Client] requires the borrower, co-borrower, non-occupant co-borrower, non-borrowing spouse, and separated borrower, as applicable, to provide a valid and verifiable Social Security number. Other forms of taxpayer identification are prohibited. Any discrepancies involving a borrower SSN must be resolved prior to approval to close.

> The Social Security Administration has introduced a new service for validating Social Security numbers – the electronic Consent Based Social Security Number Verification (eCBSV) Service. With consent from the individual, [Sample Client] may verify if an individual's Social Security number, name, and date of birth combination matches Social Security records. If [Sample Client] utilizes the eCBSV service to validate Social Security numbers, evidence of the validation must be retained in the loan file.

3.2.2 Non-US Citizen

An applicant who is lawfully residing in the US as a permanent or a non-permanent resident alien, is eligible for a mortgage on the same terms as a US citizen.

[Sample Client] requires the applicant to provide current acceptable documentation from the Bureau of Citizenship and Immigration Services (BCIS), formerly the Immigration and Naturalization Service (INS), within the Department of Homeland Security, evidencing the person's legal residency status in the US. Other forms of documentation are prohibited. Any discrepancies identified must be resolved prior to approval to close.

In addition to the title requirement above, Fannie Mae requires that any existing first mortgage being paid off through the transaction be at least 12 months old as measured from the note date of the existing loan to the note date of the new loan.

3.4.3 Texas Owner-Occupied Homestead Property

Article XVI, Section 50(a)(6) of the Texas Constitution applies to a loan made by an authorized lender in Texas that is secured by a borrower's principal dwelling or homestead and made for home equity purposes. A mortgage originated under this Section is referred to as a Texas Home Equity Loan, or Texas Section 50(a)(6) Loan.

3.4.3.1 Texas Section 50(a)(6) Loan

The following two scenarios legally classify a mortgage as a Texas Section 50(a)(6) Loan:

- A new loan is originated for the purpose of taking equity out (Cash Out Refinance)
- An existing Texas Section 50(a)(6) first or second mortgage is paid off by a new 50(a)(6) first mortgage

A refinance of an 50(a)(6) must be identified as a 50(a)(6), unless an exception applies because all the following requirements are met:

- At least one year has passed since the filing date of the most recent 50(a)(6) loan.
- No additional money is being provided to the borrower other than to cover the cost of the refinance.
- The new loan does not exceed 80% fair market value of the property.
- An owner's affidavit acknowledging [Sample Client]'s compliance with constitutional requirements for the rate/term refinance is signed by the owner and the owners' spouse and recorded.

3.4.3.1.1 Restriction

There may only be one outstanding 50(a)(6) loan on a property at any given time. Additionally, the 50(a)(6) loan may not be used to acquire the property or to finance construction.

3.6.2.2 Property Data Collector Independence Requirements

For a transaction involving property data collection, [Sample Client] must a ensure not only compliance with AIR, but also with appropriate agency property data collector independence requirements—Fannie Mae PDCIR or Freddie Mac PDCIR—which impose requirements for property data collectors similar to those for appraisers.

[Sample Client] is responsible for complying with agency PDCIR which set forth the following standards to safeguard the independence, objectivity, and impartiality of property data collectors and other independent parties to the valuation process:

- General requirements dictate that no person is permitted to influence the observation, reporting, result, or review of a property data collection through bribery, coercion, collusion, compensation, extortion, inducement, intimidation, or any other manner.
- Subsequent property data collection assignment requirements include the prohibition on ordering, obtaining, using, and paying for a subsequent property data collection with a mortgage financing transaction unless at least one of the following applies:
  - Indicators exist that the initial property data collection was inaccurate, not credible, or violated legal or professional standards related to nondiscrimination.

[Sample Client] must clearly and appropriately note such indicators in the mortgage loan file.

  - A subsequent property data collection is done pursuant to written, pre-established bona fide pre- or post-funding review or quality control processes or underwriting guidelines.

[Sample Client] must adhere to a policy of selecting the most reliable results.

- Independent party engagement requirements include the following:
  - [Sample Client]'s sales and production functions must be separate from its property data collection functions and any agent or employee of [Sample Client] involved in [Sample Client]'s sales or production functions is prohibited from involvement in the operations of [Sample Client]'s property data collection functions.

If small size and limited staff prevent [Sample Client] from establishing absolute lines of independence between its property data collection process and its mortgage production process, [Sample Client]'s written policies must clearly demonstrate that [Sample Client] has prudent safeguards in place to isolate its property data collection process from influence or interference by its production process.

  - Restricted parties are prohibited from performing any of the following functions:

4.1.7 Rate Lock

At the time of application, the MLO, in consultation with the borrower, may lock the interest rate for the loan or may submit the loan to operations for processing in a floating status. [Sample Client] requires the MLO to lock the rate in accordance with internal pricing guidelines.

4.1.7.1 Pricing Discretion

Pricing discretions are limited. Any pricing discretion must be approved by an authorized manager who is adequately trained in the management of fair lending compliance and risk. Pricing discretions must be supported by valid business justification and the loan file must be documented sufficiently to explain the basis for, and the specific circumstances of, each pricing discretion.

Pricing discretions include, but are not limited to, the following:

- Any discretionary reductions or increases in interest rate or points
- Discretionary lender credits or fee waivers
- Discretionary rate lock extensions, roll-downs, or similar adjustments
- The terms “concession,” “exception,” “credit,” “waiver,” “overage,” or “underage”

Pricing discretions exclude the correction of pricing errors/misquotes, Good Faith Estimate fee tolerance cures, and bona fide discount points.