COMPLIANCE MEMO

RE: Anti-Steering Disclosure (ASD)

TILA requires the mortgage loan originator (MLO) to provide a customer with quotes for the three programs on the attached SAMPLE disclosure. An accurate ASD will provide greater against law suits because of the ability to prove that safe harbor requirements under the Truth-in-Lending Act were followed. An early review process will identify disclosure defects that would be misleading to the customer and defects that would compromise the safe harbor described above.

Effective Immediately: We will not accept a form that simply states that the customer was provided with the three options. The format is required to be similar in content to the attached document.

Helpful-hints when reviewing the ASD:
- Retail originations that close in-house do not require the ASD.
- Retail loans brokered out to a third party will require an ASD and a copy with supporting documents must be maintained in the loan file.
- The wholesale form should be a compilation of data from all of the creditors the broker does business with. The broker must be prepared to provide documentation that supports the programs quoted if requested.
- The quoted programs must be programs for which the customer likely qualifies.
- The trade off table on the GFE *is not* a substitute for the ASD.
- The disclosure should be delivered up-front. Sierra must receive a copy of the initial ASD with the full-file submission. Any amendments to the ASD must be delivered / signed by the borrowers a minimum of one business day prior to the consummation of the loan (signing of loan documents).
- Every person signing the promissory note MUST SIGN the ASD.
- Disclosure must be accurate….
    1. And provide quotes to correspond with the program we are handling, i.e. if the loan is a 30-year fixed the ASD must quote programs that are 30-year fixed.
    2. If the loan is an ARM, the ASD should have ARM program information on it.
    3. If the loan starts off as fixed and switches to an ARM, a new disclosure is required.
    4. ARM and FIXED cannot be on the same disclosure. The law requires these to be separated.
    5. If the disclosure is inaccurate, the borrower(s) must receive and sign an ASD a minimum of one day prior to consummation. Remember all parties signing the promissory note must sign the ASD.
- The same loan terms CANNOT be listed for all three options. It is highly unlikely that the borrower will qualify for only one loan option.
- All three options must be completed – NA is not acceptable.
- Reminder, the loan with the lowest interest rate may be a loan with 6 discount points. If the customer would qualify for this type of loan, it better be the one quoted on the form. The form is NOT based on quotes for programs the customer is interested in per se; it is based on quotes for the lowest rate, lowest fees and lowest rate without risky features.
- The fees can be listed with a negative number for loans with rebate pricing or zero.
- If the loan originator quotes more than three options, the three that fit the legal requirements must be highlighted.
- Electronic signatures are not acceptable at this time.

In inaccurate ASD will render a loan unsalable and non-compliant with the law. An ASD is not required on borrower paid, seller paid or builder paid compensation loan types.

Anti-Steering Disclosure - SAMPLE

Prepared For: Provided By:

The loan program(s) quotes should be detailed, i.e.: 30 Year Fixed, 30 Year, FHA, etc.

Disclose one Program Type per form. i.e.: All Fixed Rate or all ARM loans, never mix on one disclosure.

	Lowest Interest Rate	Lowest Origination Costs	Lowest Interest Rate without Risky Features *
Loan Program			
Closing Cost Scenario			
Sales Price			
Down Payment			
Loan Amount			
Interest Rate			
Term			
Due			
Interest Only Period			
Monthly Payment			
Closing Costs			
Cash to Close			
Origination Fees			
Discount Points			
Pre-payment Penalties			
Balloon Payment			
APR			

The loan program(s) quoted for the "lowest rate" and the "lowest interest rate without risky features" can be the same program as long as this is a legitimate quote or if no "risky feature" program is available. Blank or N/A is not allowed.

"Risky features" refers to loan programs with PPP, Negative Amortization, Balloon, Interest Only payments, Balloon in the first seven years, Demand Feature, Shared Equity or Shared Appreciation, etc.

REMEMBER: It is the origination fees and discount points that are compared, not the closing costs from any other line.

* Risky features refers to loan features such as a prepayment penalty or negative amortization.

If the form has a "total", the totals must be accurate.

In compliance with the anti-steering prohibitions found in Regulation 12 CFR 226.36(e), we are providing you with this disclosure of loan options. These loan options represent the types of transactions for which you have expressed an interest and are from creditors with whom we regularly conduct business.

By signing below, I acknowledge that I have received a copy of this anti-steering disclosure and that the loan originator has explained these loan options to my satisfaction.

The form must be signed by ALL borrowers who will be signing the promissory note.

_____   _____
Borrower   **Date**   **Co-Borrower**   **Date**

Must be signed by the MLO.

There must be a delivery date to the customer.

Form should accurately reflect comparisons based on the program the customer is applying for. If there is a field that states "You are applying/ have selected a loan with the following terms", then those terms MUST match the loan being underwritten/closed.

_____
Loan Originator   **Date**

Calyx Form AntiSteer-Fixed.frm (04/2011)