

ANTI-STEERING PROCEDURES

JOB AID



Anti-Steering Procedures

Revisions to Regulation Z effective April 1, 2011 provide that in connection with a consumer credit transaction secured by a dwelling, a loan originator shall not direct or “steer” a consumer to consummate a transaction based on the fact that the originator will receive greater compensation from the creditor in that transaction than in other transactions the originator offered or could have offered to the consumer, unless the consummated transaction is in the consumer’s best interest. Therefore, in order to remain compliant with these changes, the following procedures must be implemented and adopted immediately:

Summary Anti-Steering Procedures for Use with Mortgagebot

1. Present Options that Meet the Clients’ Request

At BBVA Compass, we always strive to match products with the client's needs. As a result, always present the client with rate and closing cost options that meet their requests. For example, if they state they will be in the home only a short time and want the lowest payment possible, present an ARM option among your alternatives.

2. Present the Lowest Fixed Rate and Lowest Cost Options in all Cases

All clients, regardless of their request, should always be presented a conventional product with the lowest rate and lowest closing cost option. Here is an illustration of the product options that must be quoted at a minimum.

Additional Options Always Required for Presentation

The screenshot displays the Mortgagebot interface with the following sections:

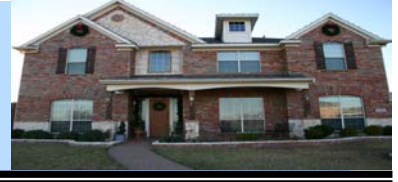
- 30 Year Fixed Rate:** A table with columns: Rate, Points, APR, Closing Fees, Payment, and Cash Summary. The lowest rate is 4.625% and the lowest closing fee is \$3,363.45.
- 20 Year Fixed Rate:** A table with columns: Rate, Points, APR, Closing Fees, Payment, and Cash Summary. The lowest rate is 4.625% and the lowest closing fee is \$1,175.95.
- 15 Year Fixed Rate:** A table with columns: Rate, Points, APR, Closing Fees, Payment, and Cash Summary. The lowest rate is 4.000% and the lowest closing fee is \$3,050.95.
- 10 Year Fixed Rate:** A table with columns: Rate, Points, APR, Closing Fees, Payment, and Cash Summary. The lowest rate is 4.000% and the lowest closing fee is \$2,738.45.

Callout 1: The lowest fixed rates corresponding to 10 and 30 year options.

Callout 2: The lowest closing cost options corresponding to 10 and 30 year fixed rates.

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- 3. Disclosures** - Note that additional disclosures are being created to remind the client that multiple options exist and state that if they were not presented these options including the lowest rate and closing costs above, they should call us for more information.

Detailed Anti-Steering Guidelines for your Reference

Below are additional details of the anti-steering provisions including key definitions such as what constitutes a transaction; what comprises the lowest dollar amount; and product features precluded from the lowest rate and cost options.

Responding to Features requested by the Client

In order to remain compliant with the Anti-Steering provisions of Reg Z, the loan originator must obtain loan options for each type of transaction in which the consumer expressed an interest. (IE. Fixed 15 year vs. 30 year, ARM etc.) **The term “type of transaction” refers to whether:**

1. A loan has an annual percentage rate that cannot increase after consummation (Fixed);
2. A loan has an annual percentage rate that may increase after consummation (ARM); or
3. A loan is a reverse mortgage

Present the Lowest Fixed Rate and Lowest Cost Options in all Cases

For each **type of transaction** the consumer expressed interest, you must present the consumer with loan options that include:

- (A) The loan with the **lowest interest rate**, (IE quoting discount points to buy down the rate); and
- (B) The loan with the lowest rate **without interest only payments and without a balloon payment in the first seven years of the loan.** The regulation includes other restrictions for this category. Most do not apply to our current product selection; however, need to be noted in the event product features change. Loan options for this category should not include negative amortization, prepayment penalty, demand feature and shared equity or shared appreciation; and
- (C) The loan with **the lowest total dollar amount** for origination points or fees and discount points. (IE quoting zero discount points)

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Depending on the types of transactions the consumer expressed interest in and in combination with the types of transactions the Loan Originator feels the customer will likely qualify, Loan Originators are required to present the consumer with at least three loan options as indicated in items A, B and C above. If more than three loan options are presented to the consumer, you must highlight the loans that satisfy the criteria outlined in A through C.

To identify the loan with the lowest interest rate, for any loan that has an initial rate that is fixed for at least five years, the loan originator shall use the initial rate that would be in effect at consummation. For a loan with an initial rate that is not fixed for at least five years: (i.) If the interest rate varies based on changes to an index, the originator shall use the fully indexed rate that would be in effect at consummation without regard to any initial discount or premium. (ii.) For a step-rate loan, the originator shall use the highest rate that would apply during the first five years.

To re-iterate the importance of the safe harbor provisions, the loan originator must have a good faith belief that the loan options presented to the consumer are transactions for which the consumer likely qualifies. The loan originator's belief that the consumer likely qualifies should be based on information reasonably available to the loan originator at the time the loan options are presented. In making this determination, the loan originator may rely on information provided by the consumer, even if it subsequently is determined to be inaccurate. A loan originator is not expected to know all aspects of each creditor's underwriting criteria. However, pricing or other information that is routinely communicated by the Secondary Marketing Department to loan originators is considered to be reasonably available to the loan originator. For example, rate sheets showing creditors' current pricing and the required minimum credit score or other eligibility criteria.