



21st MORTGAGE CORPORATION

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Regulatory Update

This Regulatory Update is to inform you, the manufactured housing retailer, of just some of the regulatory changes that are affecting our industry. Unfortunately we expect more from our law makers in 2010. However, it is important for you to be aware of those changes that will have to be implemented by us and will affect our relationship with the retailers.

TRUTH IN LENDING ACT (TILA)

A. Effective Date: October 1, 2009

B. Summary of Changes:

- Creates a new category of loans called “higher priced mortgage loans”, which includes an ability to repay determination (Virtually all chattel manufactured home loans meet the definition)
- Requires escrow for taxes and insurance for at least one year
- Early loan disclosures on annual percentage rate (APR)
- Requires a corrected disclosure to the borrower if the APR changes more than 1/8th of 1%

C. How 21st Mortgage is Addressing These Changes:

The revisions to the TILA have required 21st Mortgage to implement important new disclosure procedures. Perhaps the most drastic change is the requirement that a preliminary and very accurate TILA statement must be sent to the borrowers immediately after loan approval, and the actual loan cannot close for at least seven days after the disclosure is received by the borrower. Any significant changes to the loan terms (including changes in origination or closing fees or any charge that causes the APR to change by more than 1/8th percent) will trigger a new disclosure and additional delay in loan closing.

One area of significant concern is the early disclosure of insurance premiums. All loans meeting the test for “higher Priced Mortgage Loans” (virtually all home only loans meet the test), requires verification of borrowers ability to make the payments. The payment used in the debt to income ratio includes the insurance premium escrow payment, therefore it is essential to have a good estimate of the insurance premium. Also In a few states **financed** insurance premiums are included in the definition of finance charges, therefore the premium must be very accurate or it can trigger a new disclosure. In an earlier communication regarding the financing of insurance we set restrictions to only finance premiums where 21st is the agent, and we would therefore know the premium with certainty. We have reversed that course and will accept premiums from other insurance companies if the retailer is a licensed agent, but regardless who the agent is, we must have accurate premium information. Retailers who are presently agents for 21st Insurance will benefit from quick and accurate insurance quotes on their credit applications. While 21st Insurance no longer pays referral fees, it does offer a very lucrative commission structure. If you have not presently signed up with 21st Insurance as an Agent, please contact our Insurance Dealer Services Team at ext. 2810 for information.

REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)

A. Effective Date: January 1, 2010

B. Summary of Changes:

- New standard Good Faith Estimate (GFE) and HUD-1 Settlement Statement
- The initial GFE cannot change except within very specific tolerances as defined by the U.S. Department of Housing and Urban Development (HUD)
- Restricts the collection of fees until after the borrower has received the Good Faith Estimate (GFE)
- New Settlement Costs and Helpful Information booklet

C. How 21st Mortgage is Addressing These Changes:

HUD is requiring that lenders provide borrowers with a standard GFE that clearly discloses loan terms and very accurately estimates the closing costs, and is disclosed in a format comparable to the newly revised HUD-1 settlement statement. In order to make sure we have the correct information to estimate the fees and charges, 21st will be distributing a revised Land Home Calculation Worksheet with each approval. We urge our retailers to be very precise completing the worksheet so our land/home loan processors can confirm the correct charges with the closing agents. We want to do all that we can to close your loan as quickly as possible, yet remain in compliance. To do that, we need to work together and firm up all transaction details as early as possible. We will provide estimates for insurance, taxes, title company expenses, etc. We need you to provide all that you can early (preferable on the application) so that these estimates are accurate. Once we have received the New Open File checklist and all necessary documents and information requested, we will obtain accurate title and appraisal fees and create a revised GFE, if necessary, and send it out immediately. After this point if the sales price or improvement expenses change, or your insurance quote varies from the initial estimate, we will be required to resend subsequent disclosures.

SECURE AND FAIR ENFORCEMENT MORTGAGE LICENSING ACT of 2008 (SAFE Act)

A. Effective Date: July 30, 2009, but subject to state law and implementation dates.

B. Summary of Changes:

- Definition of a mortgage loan originator as “an individual who (1) takes a residential mortgage loan application; and (2) offers or negotiates terms of a residential mortgage loan for compensation or gain”
- Establishment of a Nationwide Mortgage Licensing System and Registry (NMLS)
- Requirement of 20 hours of pre-licensure education
- National and state wide testing
- Requirement of continuing education

C. How 21st Mortgage is Addressing These Changes:

The Housing and Economic Recovery Act (HERA) of 2008 is a major new housing law that includes the SAFE Act as a key component. The SAFE Act will affect retailers and lenders in the manufactured housing industry. The SAFE Act is designed to enhance consumer protection and reduce fraud by encouraging states to establish minimum standards for the licensing and registration of state-licensed mortgage loan originators. The SAFE Act requires states to have in place, by law or regulation, a system for licensing and registering loan originators. There are still some aspects of the SAFE Act that are being interpreted by HUD and state regulators. Some states have taken the position that the SAFE Act requires a retailer to hold a mortgage loan originator's license if the retailer assists customers in completing a credit application or communicates loan terms.

21st Mortgage is developing a strategy to provide a continued high level of customer service for our retailers and customers. First, all of our loan officers are obtaining required federal and state licenses to comply with individual state guidelines. 21st Mortgage loan officers will accept credit applications directly from applicants via facsimile or telephone. In the near future, enhancements to our computer system will allow a web-based application system that enables applicants to complete an online credit application at the retailer's location. In order to facilitate business in states who require only licensed mortgage loan originators communicate loan terms, 21st Mortgage loan officers will discuss and verify all aspects of the credit application contents directly with the applicant, including the details and terms of any credit approval given. In order to keep you the retailer informed, we will be circulating an authorization form you can have signed by your borrower authorizing 21st to discuss loan terms with you. Currently we will only require the form with North Carolina applications. Complying with the new guidelines is expensive; especially the licensing of increased numbers of credit staff to speak with each customer individually and communicate the credit terms of each approval. Our intent is to relieve some of the pressure that retailers face in complying with the new state and federal SAFE Act requirements.

As the leading National Lender, 21st Mortgage Corporation has served the manufactured home industry since 1995 and our expertise is unmatched. Manufactured Home Lending is our ONLY priority. By maintaining our commitment to provide exceptional customer service, strong industry leadership and unwavering business ethics, 21st Mortgage will continue to be the Industry's Lender of Choice. 21st Mortgage has a wide range of retail lending programs for both Chattel and Land / Home buyers.

21st Mortgage appreciates the opportunity to be your lender of choice and looks forward to continuing a long, beneficial relationship with you and your organization.

Sincerely,

Matt Kerlin
Marketing Manager
21st Mortgage Corporation