COMMUNITY
Home Lenders Association, Inc.

CHLA IMB REPORT

The Importance of Community Independent Mortgage Bankers (IMBs)

- Leading the Way on Access to Mortgage Credit
- A Focus on Minorities, Underserved Borrowers
- Community-Oriented; Consumer Facing
- Small Businesses with No Taxpayer Backstop

Community Home Lenders Association (CHLA)

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IMBs in General

• IMBs originate a majority of new mortgage loans.
• IMBs have a much stronger record than banks of originating mortgage loans to minorities, lower-income, and other underserved borrowers.
• IMBs have much stronger consumer protection requirements than banks.
• IMBs are not backstopped by taxpayers - unlike banks and Wall Street.
• IMBs have broad financial regulation – by states, FHA, Ginnie Mae, GSEs.

Small and Mid-sized IMBs

• Smaller IMBs are true small businesses - with "skin in the game."
• Smaller IMBs provide more personalized service than large banks & IMBs.
• Smaller IMBs pose little or no financial or systemic risk.

CHLA Advocacy and Education

The Community Home Lenders Association (CHLA) is the distinctive national voice and advocate for small and mid-sized independent mortgage bankers (IMBs). CHLA is the only national association that exclusively represents IMBs.

CHLA educates Congress and federal agencies on how small & mid- sized IMBs

(1) Lead in access to mortgage credit for minorities & underserved borrowers.
(2) Are consumer-focused on mortgage loans - not on cross-selling products.
(3) Provide more personalized mortgage loan servicing than mega- servicers.

CHLA Policy Priorities

This report highlights CHLA federal policy priorities - which are designed to:

(1) Preserve equitable secondary market access for smaller IMBs.
(2) Ensure competition and consumer choice by preserving smaller IMBs.
(3) Foster appropriate regulatory streamlining for smaller IMBs.
(4) Promote homeownership through affordable mortgage loan options.

What are Independent Mortgage Bankers (IMBs)

IMBs are non-bank firms that underwrite, originate, and close mortgage loans, which are then sold to aggregators or securitized as Mortgage-Backed-Securities (with or without retaining servicing).

IMBs Are Not Taxpayer Insured or Otherwise Backstopped

- Banks deposits are insured by federal taxpayers through the FDIC. ***IMBs ARE NOT***
- Banks access government sponsored Federal Home Loan Bank advances. ***IMBs DO NOT***
- Banks have access to cheap federal funds through the Federal Reserve. ***IMBs DO NOT***

IMBs rely on their own capital, along with loans from warehouse banks. IMB owners – particularly owners of small and mid-sized IMBs – have "skin in the game" – with their own net worth at risk.

IMBs Lend Through All Market Cycles - Focus on Minorities/Underserved Borrowers

IMBs' sole business is mortgage lending and servicing - not cross selling financial products to well- heeled customers, a bank priority. When many banks left the mortgage business after the 2008 housing crisis, IMBs ramped up lending, focusing on minorities and underserved borrowers.

IMB Servicers Protected Distressed Borrowers During the COVID-19 Crisis

IMBs – particularly smaller IMBs – provided more personalized servicing to distressed borrowers during the COVID crisis. Because they overwhelmingly service federal agency loans, IMB servicers offered distressed borrowers a forbearance option and rigorous loss mitigation options to keep them in their home – neither of which were required for bank portfolio loans or PLS loans.

Small/Mid-sized IMBs Pose no Financial/Systemic Risk & Are Extensively Regulated

Small and mid-sized IMBs pose little or no financial or systemic risk. All IMBs are: (1) regulated by each state they do business in, (2) regulated by the CFPB (unlike 97% of banks), (3) subject to SAFE Act licensing requirements (unlike banks), (4) subject to net worth & Quality Control requirements (if an FHA lender), (5) subject to supervision, net worth, and liquidity requirements (if a Ginnie Mae issuer or Fannie/Freddie seller-servicer), and (6) subject to all federal mortgage regulations.

What IMBs are Not

- IMBs are not Wall Street. It was large Wall Street banks that created the risky mortgage- backed securities (MBS) that caused the 2008 housing crisis – not small or mid-sized IMBs.
- IMBs are generally not portfolio lenders. The great majority of mortgage loans that IMBs originate are federal agency mortgage loans (FHA, RHS, VA, Fannie Mae, and Freddie Mac).
- IMBs are not mortgage brokers. IMBs close loans with their own funds - and are financially accountable for underwriting errors through FHA indemnification and GSE reps and warrants.

Significant Differences Exist between Smaller and Larger IMBs

Smaller, community oriented IMBs differ from large IMBs (and large banks) in critical ways:
(1) Smaller IMBs pose little or no financial or systemic risk if they go out of business.
(2) Smaller IMBs tend to grow organically and have less complex financial structures.
(3) Smaller IMBs have a more personalized relationship with their mortgage borrowers.
(4) Smaller IMBs are the true small businesses in the mortgage loan/servicing business.

CHLA advocates for federal policies and regulation reflecting these key differences between smaller community-based IMBs and large IMB or bank mortgage lenders.

CHLA 2021 Federal Policy Priorities

Federal Housing Administration

- Cut annual premiums from .85% to .55%. Enhance homeownership affordability by reverting to pre 2008 Crisis annual levels, now that FHA's net worth is 3 times + the statutory minimum.
- End Life of Loan Premiums. Revert to pre-2013 policy of ending premiums when a loan hits 78% LTV. Life of Loan fee overcharging hurts minorities and underserved borrowers the most.
- Adopt the CHLA/NAR/NAMB/CAI proposal to streamline FHA condo approvals. Improve FHA condo approval process by granting DE-type approval authority and improving transparency.
- End disproportionate servicing penalties for missed servicing deadlines. 100% debenture interest loss - even for missing deadlines by only one day - discourages participation in FHA.
- Raise permissible lender fees for FHA loan assumptions. Allowable fee levels do not cover costs, discouraging loan assumptions. This will increase in importance as mortgage rates rise.

Fannie Mae and Freddie Mac

- Suspend PSPA Restrictions. Treasury and FHFA should suspend the January 2021 PSPA percentage caps on purchases of: (1) so-called "higher risk" loans that facilitate access to credit to minorities and other under served borrowers and (2) investor loans and second home loans.
- Cash Window. The January 2021 PSPA $1.5 billion cap on cash window loan sales to Fannie and Freddie should be raised to $5 billion – to protect small IMB access to the cash window.
- Mortgage Insurance. The PSPA G Fee parity requirement to protect small lenders should be extended to mortgage insurance (MI). The Imagin and EPMI pilots should be made permanent.
- Adopt a Utility Model. After the GSEs exit from conservatorship, FHFA should monitor and control excessive risk, ensure G Fees are related to risk, and enforce G Fee parity. Congress should NOT approve new guarantors, particularly vertically integrated Wall Street banks.

Regulatory Balance / Small Business Streamlining

- Extend SAFE Act licensing requirements to banks. All mortgage loan originators should:
  (1) Be required to pass the SAFE Act exam.
  (2) Be required to pass an independent criminal background check.
  (3) Be required to complete 20 hours of SAFE Act pre-licensing requirements.
  (4) Be required to complete 8 hours of SAFE Act continuing education courses each year.
- Streamline CFPB enforcement for smaller IMBs. The CFPB should not take enforcement action or conduct investigations or exams of a smaller IMB unless asked to do so by a state regulator.
- Reject calls to extend CRA to IMBs. CRA for IMBs makes no sense, as IMBs don't take deposits out of communities, don't have FDIC insurance, and are already subject to Fair Housing laws.

IMBs Originate a Majority of Mortgage Loans

Statistics show IMBs are now the dominant force in mortgage lending:

All Mortgage Loans [61% Market Share]

• "The share of mortgages originated by non-depository, independent mortgage companies has increased in recent years. In 2020, this group of lenders accounted for 60.7 percent of first lien, 1-4 family, site-built, owner-occupied home-purchase loans, up from 56.4 percent in 2019" ***[Federal Financial Institutions Examination Council (FFIEF) 2020 HMDA Data"]***

FHA Mortgage Loans [90% Market Share]

• The nonbank (IMB) share of FHA increased from 57% in 2010 to 90% in 2020. ***[See chart on page 10]***.

• "FHA is designed to encourage lenders to make credit available to borrowers whom the conventional market does not adequately serve, including first-time homebuyers, minorities, lower-income families, and residents of under-served areas (central cities)." ***[Source: FY 2022 Administration HUD Budget Appendix]***

VA Mortgage Loans [90% Market Share]

• The nonbank (IMB) share of VA mortgage loan origination stood at 91% at the end of 2020. ***[Source: Ginnie Mae January 2021 "Global Markets Analysis Report"]***

• VA loans are zero percent down mortgage loans for our nation's veterans.

Ginnie Mae Securities Issuance [90% Market Share]

• The nonbank (IMB) share of Ginnie Mae issuance increased from 12% in 2010 to 87% in 2020. ***[See chart on page 11]***

• To some extent, this reflects the strong growth in the non-bank share of FHA, VA, and RHS loans over the last decade. But the closing of the gap between the nonbank share of FHA and Ginnie Mae is the result of many banks abandoning the correspondent loan business after the 2008 Housing Crisis and IMBs significantly increasing their participation as Ginnie Mae issuers.

• Ginnie Mae facilitates a secondary market for FHA, Rural Housing Service (RHS) and Veterans Administration (VA) mortgage loans through the issuance of Ginnie Mae securities.

Fannie Mae and Freddie Mac Loans [70% Market Share]

• Fannie Mae: Nonbanks (IMBs) originated 72% of Fannie Mae loans in January 2021. ***[Source: March 2021 Urban Institute Monthly Chartbook].***

• Freddie Mac: Nonbanks (IMBs) originated 73% of Fannie Mae loans in January 2021. ***[Source: March 2021 Urban Institute Monthly Chartbook].***

IMBs Lead the Way in Access to Mortgage Credit

IMBs lead the way on loans to minorities, lower-income, other underserved borrowers:

Greenlighting Institute November 2020 Report

A Greenlighting Institute report "Home Lending to Communities of Color in California concluded:

- "Women of color . . . are more likely to access a loan from a non-bank lender than from a mainstream bank."
- "When Black, Asian and Latino low-income households do access home purchase loans, it is more likely to be from a non-bank lender"
- "Non-bank lenders make twice as many home purchase loans to low-income borrowers as mainstream banks."

Urban Institute Mortgage Report

- An August 2017 Urban Institute Report ("Housing Finance at a Glance") found that ". . . the median FICO score for nonbank originations has been consistently less than the median FICO for bank originations for all three agencies" (Fannie, Freddie and GNMA].
- The report also noted that "the median DTIs of non-bank loans are higher, indicating the nonbanks are more accommodating in the DTI dimension as well as the FICO dimension."
- Urban Institute Monthly Chartbook statistics consistently show IMBs do a better job than banks of serving underserved borrowers, as measured by metrics like FICO scores and DTI.

Federal Housing Administration (FHA) Loans

- Nonbanks (IMBs) now originate 90% of FHA loans, the program focused on "first-time homebuyers, minorities, lower-income families, and residents of under-served areas."

IMBs Picked up Slack from 12-Year Bank Retreat from Mortgage Lending

- Following the 2008 Housing Crisis, many banks exited or reduced their mortgage business. Many banks imposed credit overlays (even for FHA-insured loans with limited lender risk) - to limit mortgage loans to borrowers with higher FICO scores or no credit blemishes. Many large banks terminated their correspondent lending business for smaller originators. Many banks sold off mortgage servicing portfolios and scaled back their loan servicing.
- IMBs picked up the slack in the mortgage access to credit gap created by the banks' retreat. The 2017 Urban Institute report cited above confirmed that IMBs filled the access to credit gap resulting from the broad bank retreat from mortgage origination and servicing. ***"Nonbank financial institutions have played an increasingly important and growing role in servicing and originating mortgages in the post-crisis years."***

IMBs Lead Access to Mortgage Credit – Since Mortgages Are All They Do

An important factor in understanding the 12-year trend of IMBs' increasing dominance of mortgage lending as banks retreated from the business is that mortgage loan origination and servicing is all that IMBs do. Unlike big banks, which prioritize cross-selling other products and meeting Internal Rate of Return targets, IMBs originate loans in both good markets and bad.

IMBs Protected Borrowers During the COVID Crisis

The COVID-19 crisis significantly increased the number of distressed home borrowers – through shutdowns, surging unemployment, and a rise in small business failures. IMBs - particularly small and mid-sized IMBs - played a critical role in protecting consumers during the crisis – refinancing borrowers into lower rates, executing forbearance requests, and implementing loss mitigation.

IMBs Led in Refinancing Homeowners to Improve Their Cash Flow

- "With mortgage rates reaching historical lows in 2020, mortgage refinancing activity reached its highest annual total since 2003. . . For full-year 2020, there were about $2.6 trillion in inflation-adjusted refinance origi nations, more than double the volume in the prior year." ***[Source:"Freddie Mac: "Refinance Trends in 2020"]***
- Nonbanks (IMBs) made 80% of mortgage refinance loans at year end 2020, a much higher percentage than their mortgage market share – demonstrating IMB leadership in helping financially strapped borrowers. ***[Statistics Source: Urban Institute February Monthly Chart]***

IMBs Led in Implementing Forbearance Option for Distressed Borrowers

- In March 2020, Congress enacted a "forbearance" option for borrowers stressed by COVID – allowing nonpayment of mortgage loans without penalties. However, this forbearance right only existed for federal agency loans; for bank portfolio and PLS loans, it was only optional.
- Since the great majority of mortgage loans that IMBs service are federal agency loans, IMBs were the de facto leaders in carrying out this distressed homeowner forbearance option.

IMBs Led in Loss Mitigation Homeowner Retention Actions

- The 2008 Housing Crisis was characterized by a wave of borrower complaints about bank servicer non-responsiveness and the lack of loan modifications to keep people in their homes.
- The servicer response to the COVID crisis has been demonstrably better for 2 basic reasons: (1) IMBs – not banks – now service a majority of mortgage loans, and (2) the federal agency loan programs they serve have strong proven partial claims and loan modification programs.
- Notably, community-oriented small and mid-sized IMB mortgage servicers service loans in a more personalized manner than the large, national, more impersonal mega-servicers.

COVID-19 Stress Test Demonstrated IMBs' Financial Durability

Early warnings were that IMBs that acted as servicers would not survive the tsunami of Ginnie Mae (and GSE) advances arising from the surge in mortgage delinquencies and the forbearance option. In practice, IMB financial assistance was not necessary, and bankruptcies or required MSR takeovers were virtually non-existent. Instead, IMBs stood tall, helping homeowners per above.

IMBs Have Stronger Consumer Protections than Banks

IMB Loan Originators (LOs) Have Much Stronger Requirements than Bank LOs

In order to be licensed as a mortgage loan originator (LO) at a non-bank (IMB), every LO must:
(1) pass the SAFE Act Test
(2) pass an independent background check
(3) complete 20 hours of pre-licensing SAFE Act courses.
In order to maintain that mortgage license, every LO at a non- bank (IMB) must complete at least 8 hours of SAFE Act continuing education courses each year. All bank loan originators are exempt from all four requirements. ***Thousands of registered bank LOs failed the SAFE Act test – and their customers don't even know it!***

IMBs Are subject to Regulation by the CFPB – Unlike 97% of Banks

IMBs are subject to regulation and supervision by every state in which they do business. All IMBs are also subject to duplicative supervision and enforcement by the CFPB – while 97% of banks are below $10 billion in assets and thus exempt from CFPB supervision and enforcement. Commenting on this discrepancy, the June 2017 Treasury Report on regulation stated that ***"The CFPB's supervisory authority is duplicative and unnecessary" – calling it "unjustified as applied to non-banks" - noting that before Dodd-Frank, these companies were regulated by the states which continue to license and supervise them.***

IMB Loans Have Stronger Distressed Borrower Protections than Bank, PLS Loans

The great majority of mortgage loans that small and mid-sized IMBs originate are federal agency mortgage loans (FHA, VA, RHS, Fannie Mae, Freddie Mac). These loans require use of effective loss mitigation options (e.g., partial claims and loan modifications) to keep people in their home. The 2008 housing crisis showed the severe harm to borrowers of non-regulated Private Securitization Loans (PLS), with no real loss mitigation requirements and borrowers' well-being taking second priority to bank protection of second lien mortgage loan interests. Some 13 years later, only limited progress has been made in protecting distressed borrowers in PLS loans. Banks do a somewhat better job in serving distressed borrowers – but generally have don't have required application of standardized loss mitigation options that exist for federal agency loans. Notably, the Congressional COVID-19 requirement to offer a forbearance option to borrowers only applied to federal agency loans; for bank portfolio loans it was optional.

IMBs Subject to All Federal Consumer Mortgage Rules – Plus State Requirements

IMBs are subject to all the same federal consumer protection requirements that apply to banks – Fair Housing, RESPA-TILA, QM, LO Comp, Anti-Steering, TRID, HOEPA, and others. IMBs are also subject to consumer protection laws in every state in which they originate loans.

Puncturing the Myth that IMBs are Risky

The 2008 Housing Crisis highlighted the financial risk of the nation's largest mortgage participants, such as Lehman Brothers, Bear Stearns, AIG, Countrywide, WAMU, Fannie Mae, and Freddie Mac. This culminated in trillions of dollars in federal financial assistance or bailouts for these entities. In contrast, virtually no federal bailout funds went to small or mid-sized IMBs during this crisis.Yet, various players in Washington continue to propagate the myth that IMBs are very risky. There may be some legitimate concern that the largest IMB servicers are systemically significant. However, the reality is that small and mid-sized IMBs pose little or no financial or systemic risk.

Taxpayer Risk

Unlike banks, IMBs:
(1) do not have access to FDIC-insured, taxpayer backed deposits
(2) are not eligible for Federal Home Loan Bank (FHLB) advances
(3) do not have access to the Federal Reserve window.
Like banks, IMBs do underwrite mortgage loans directly or indirectly backed by taxpayers (FHA, RHS, VA, Fannie/Freddie) - but these programs have strict underwriting guidelines and lender net worth requirements, with penalties for faulty underwriting.

Systemic Risk

While dissolution or bankruptcy of one or a few large banks or IMBs could have market-wide consequences, the demise of a number of smaller IMBs poses no real systemic risk. The consequences of a smaller IMB going out of busines is minimal: the IMB is no longer a loan source going forward and it is relatively easy to find a servicer to take over its servicing portfolio.

Consumer Risk

IMBs are subject to all federal mortgage rules, and objectively are subject to more extensive consumer protections than banks (see page 11), since unlike banks: (1) every mortgage loan originator at an IMB must meet stringent SAFE Act testing and licensing requirements, and (2) all IMBs (no matter how small) are subject to CFPB supervision, exams and enforcement.

IMBs are Heavily Regulated and Supervised

One claim feeding the myth that IMBs pose a major financial risk is the related myth that IMBs are not subject to any real financial regulation or supervision. This claim is demonstrably false. The great majority of loans by small and mid-sized IMBs are federal agency loans (FHA, RHS, VA, Fannie Mae and Freddie Mac – with FHA, RHS, and VA loans securitized through Ginnie Mae. These programs have strong net worth and liquidity requirements and ongoing supervision. ***[See the 4-page Chart on page 13 of this Report (Regulatory Comparison – Non-Bank Mortgage Lenders and Banks) that compares IMB and bank financial, supervisory, and regulatory requirements with respect to mortgage lending]***.

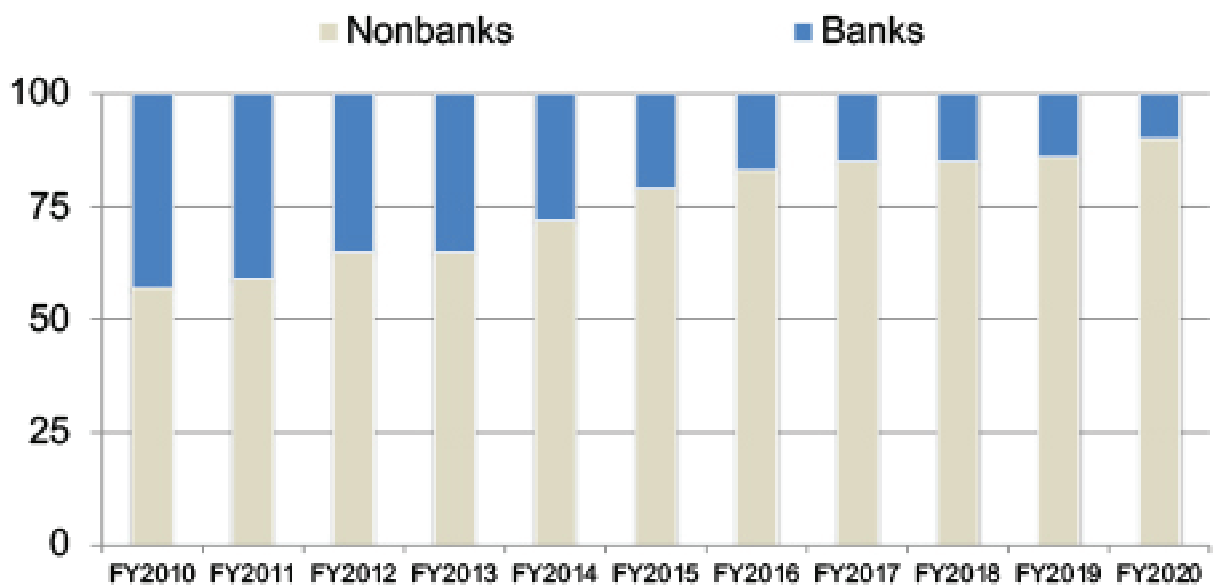
IMB Supervision Differs from Banks -- Because no Taxpayer Backstop

IMBs are subject to regulations and supervision in every state they do business in. Fannie/Freddie have net worth and liquidity requirements for seller servicers. Ginnie Mae has net worth, liquidity requirements, and supervisory authority for issuers. FHA has Quality Control (CQ) requirements. IMBs are also subject to financial scrutiny and discipline by the warehouse lenders that fund them. ***There is a simple reason banks are subject to federal safety and soundness regulation and IMBs are not. Taxpayers backstop banks through FDIC-insured deposits, FHLB advances, and Federal reserve advances - while IMBs have no taxpayer backstop***. Banks also engage in risky commercial loans and investments – while IMBs only originate and generally sell or securitize mortgage loans.

IMB Share of the FHA Market

Nonbank Share of FHA Mortgages Rose From 57% to 90% Over Past Decade, As Banks Left the Market

% Share of FHA Forward Endorsed Mortgages FY2010-FY2020

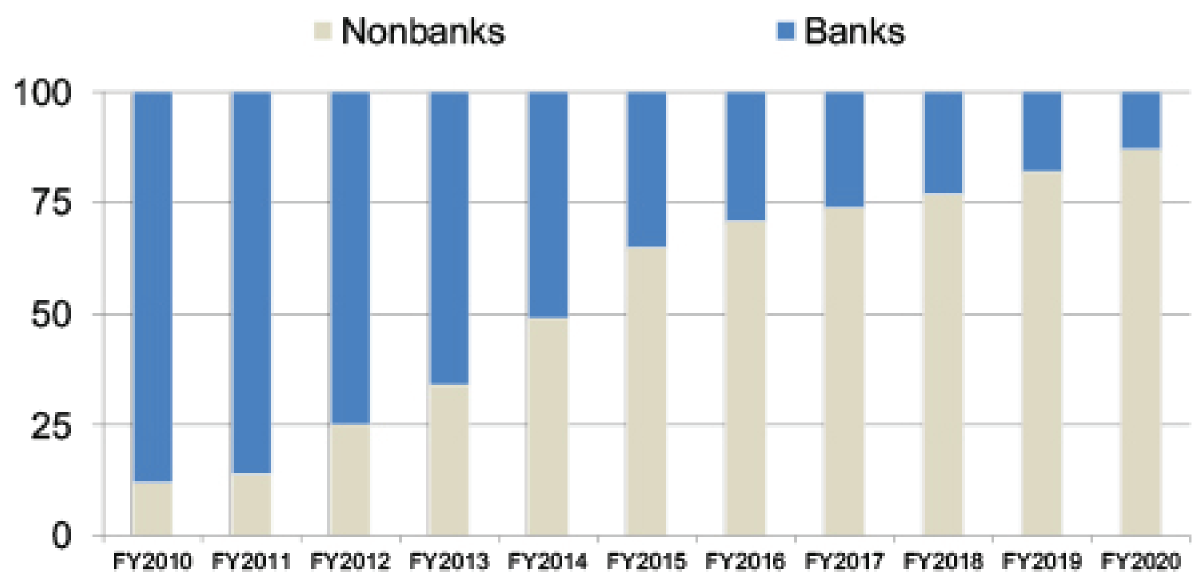


Source: 2020 FHA Annual Report

IMB Share of the Ginnie Mae Market

Ginnie Mae Issuances by Nonbanks Have Skyrocketed from 12% to 87% of Total During Past Decade

% Share of Ginnie Mae Issuances FY2010-FY2020



Source: Ginnie Mae

REGULATORY COMPARISON ---
NON-BANK MORTGAGE LENDERS AND BANKS -
Single Family Mortgage Loans

Community Home Lenders Association
[First Released September 2015]
[Updated June 2021]

CONSUMER REGULATION

	NON-BANKS	BANKS
SAFE ACT: Mortgage Loan Originator Requirements	Every individual Mortgage Loan Originator at a non-bank must: * Must be licensed under state law * Complete SAFE Act Mortgage Test * Complete 20 hours SAFE Act Pre-licensing Courses * Complete 8 hours/year of SAFE Act Continuing Education * Pass an Independent Background check * Additional state requirements	Loan originators working at a bank: * Must be registered as a loan originator * EXEMPT from SAFE Act Test * EXEMPT from Pre-Licensing Requirement [training required commensurate with job] * EXEMPT from Continuing Education *EXEMPT from independent background check; the bank must conduct its own background check
CFPB Supervision, Enforcement and Exams	All non-bank mortgage lender/servicers are subject to CFPB supervision, enforcement and exams– for compliance with RESPA, LO Comp, servicing, and all other statutory mortgage requirements	EXEMPTION: 97% of all banks are exempt from CFPB enforcement [i.e. all banks with under $10 billion in assets are exempt]
Consumer Compliance by Primary Regulator	Non-bank lender/servicers are subject to supervision and periodic consumer compliance exams for federal mortgage regulations in every state they do business in.	IDENTICAL – except this supervision and exams are conducted by their banking regulator.
Dodd/Frank Provisions	Non-bank servicers are subject to all Dodd-Frank consumer protections – RESPA, TILA, LO Comp rules, QM, predatory lending prohibitions, and Reg Z and X servicing requirements (except that some exemptions exist for servicers servicing fewer than 5,000 loans)	IDENTICAL

FINANCIAL REGULATION

Servicing Net Worth/Liquidity Requirements

	NON-BANKS	BANKS
GINNIE MAE (GNMA)	* Net Worth Requirement - $2.5 million, plus .35% (35 basis points) of GNMA combined securities obligations and commitment authority * Liquidity Requirement: Liquid assets of at least the greater of $1 million or .1% (10 basis points) of GNMA securities obligations * Capital Requirement: 6% Net Worth/Total Assets Ratio * Quality Control (QC): Required QC plan - underwriting, origination, servicing and secondary marketing * Must meet GNMA requirements for bond administration, delinquency guidelines, and others	* Generally have to be "Well Capitalized," in accordance with bank regulatory standards * SIMILAR * SIMILAR

Fannie/ Freddie/ FHFA	* Net Worth Requirement: $2.5 million, PLUS a dollar amount that represents .25% of the unpaid principal balance (UPB) of the seller/servicers' total portfolio of 1-4 unit residential mortgage loans for which the entity is obligated to service. * Liquidity Requirement: .035% (3.5 basis points on total agency (combined Fannie, Freddie, and GNMA) serviced loans PLUS 2% (200 basis points) of non-performing agency loans that exceed a 6% default ratio * Seller-servicer Agreement spells out origination and servicing responsibilities, including Quality Control * Extensive audits of loan files * Repurchase Obligation if underwriting rules not followed	* SUBSTANTIALLY SIMILAR, except banks are permitted to use assets and capital from their banking operations to qualify
Non-Agency	* There is no national standard; each state can set forth its own requirements. * CSBS has proposed new model prudential servicing standards for non-bank lender/servicers, comparable to FHFA standards.	*Federal banks are not subject to state regulations regarding servicing net worth or liquidity requirements. * State banking requirements vary by state

Loan Origination Net Worth and Operational Requirements

	NON-BANKS	BANKS
FHA	* Net Worth Requirement of $1 million + 1% of FHA loans > $25m [up to max of $2.5 m] * FHA approval of a Quality Control (QC) Plan * Credit Watch – loan default performance must be within reasonable numerical bands * Individualized loan (PETR) reviews * Audits of FHA loans; and HUD IG audit authority * Indemnification of losses where lender did not follow FHA loan underwriting guidelines *Enforcement authority over FHA requirements	* SIMILAR
RHS	* Must be approved for loan origination or servicing by FHA, VA, Fannie Mae, Freddie Mac, or the Farm Credit System * Must have a quality control (CQ) plan * Periodic compliance reviews	* IDENTICAL. Banks also deemed approved if supervised by the FDIC, Federal Reserve, OCC, or Federal Housing Finance Board. * IDENTICAL * IDENTICAL
VA	"Non-supervised" VA approved lenders must have a minimum net worth of $250,000 and have unrestricted credit lines of at least $1 million	* SAME
Fannie/ Freddie/ FHFA	* See previous Servicing section for their requirements	* See previous Servicing section for requirements
Non-Agency	* PORTFOLIO – No mortgage specific regulations – except few non-banks originate mortgages for portfolio *MBS – Subject to securities regulation	* PORTFOLIO – no mortgage specific regulations * MBS – Subject to securities regulation

	NON-BANKS	BANKS
Net Worth & Liquidity Requirements and Examinations	*** Non-bank mortgage lenders are subject to net worth, liquidity, and bonding requirements set by the states in which they do business, and periodic state exams** **These requirements are appropriate in light of their risk, and the fact that unlike banks, their deposits are not guaranteed by the FDIC, and ultimately federal taxpayers** **Moreover, non-bank mortgage lenders have a single product line – mortgage origination and servicing – and many predominately originate federally guaranteed loans** *** Impact of non-bank lender going out of business:** **1. Servicing advance obligations and MSR transfers–** Per above, GNMA, FHFA/GSE, and state regulations protect consumers and the agencies with respect to these obligations **2. Indemnification/repurchase obligations–** Per above, GNMA and FHFA/GSE regulations protect agencies from counterparty risk, and aggregators and securitizers set standards for non-agency loans to address their counterparty risk **3. Other Impacts:** All losses are absorbed by private parties – the owner(s) of the firm (who may also have other assets at risk through a personal guarantee) and other parties (warehouse lenders, counterparty entities). There is no federal taxpayer impact Thus, the main impact of a non-bank mortgage lender failure is that they will no longer be able to originate mortgage loans	*** Banks are subject to net worth and safety and soundness regulations, and periodic bank examinations by their respective bank regulator** **These are driven by federal taxpayer exposure through a guarantee of their deposits by the FDIC** **Regulation also addresses risk of other products and activities that banks engage in, such as construction lending, small business loans, etc.** *** Impact of bank going out of business:** **1. IDENTICAL** **2. IDENTICAL** **3. Other Impacts of bank failure:** FDIC resolution kicks in, to protect taxpayers in conjunction with the FDIC guarantee of bank deposits