



# **Board of Directors**

## **Agenda Item #8**

**Resolution for the Louisiana Housing  
Corporation Loan Originations**

**April 12, 2017**

## **Table of Contents**

Resolution for LHC Loan Originations .....	3
Resolution for LHC Loan Originations – Exhibit A .....	6

## LOUISIANA HOUSING CORPORATION

The following resolution was offered by \_\_\_\_\_ and seconded by \_\_\_\_\_ :

### **RESOLUTION**

**A resolution to authorize and direct the Single Family Staff of Louisiana Housing Corporation to obtain the necessary training and certifications to provide for Louisiana Housing Corporation Loan Originations including but not limited to first mortgages and providing homeownership financing and/or refinancing programs; and providing for other matters in connection therewith.**

**WHEREAS**, the Louisiana Housing Corporation's (LHC) homeownership loan products financed with assistance from Federal or State program funds (Program Funds) will allow the corporation to originate first and/or second mortgage loans statewide;

**WHEREAS**, it has been that the Corporation explore origination options to finance or to refinance mortgage loans throughout the State by providing the similar services the Corporation's network of Lenders (Lenders) offer and to make such lending practices available to underserved areas of the state; to take the necessary steps required to originate loans;

**WHEREAS**, the Corporation desires to originate, process, close, fund, and service these first and/or second mortgage loans and intend to retain in their own portfolio or contract through a sub-servicer to handle the servicing of these loans;

**NOW, THEREFORE, BE IT RESOLVED** by the Board, acting as the governing authority of the Corporation, that:

**SECTION 1.** The Corporation's Finance Team is hereby authorized and directed to request approval for LHC Loan Originations providing homeownership financing and/or refinancing program (described in Exhibit A hereto) that permits the Corporation to maintain a continuous homeownership financing program in all market interest rate environments or conditions.

**SECTION 2.** The Corporation's staff and Financing Team are authorized and directed to prepare any documents, agreements and take appropriate actions, as may be necessary, to obtain approval for LHC Loan Originations (described in Exhibit A hereto).

**SECTION 3.** The Chairman, Vice Chairman, Appointing Authority, and/or Secretary of the Corporation be and they are hereby authorized, empowered, and directed to execute any forms and/or documents required to be executed on behalf of and in the name of the Corporation, the terms of which are to be consistent with the provisions of this resolution as approved by the Corporation's Executive Counsel.

This resolution having been submitted to a vote, the vote thereon was as follows:

**YEAS:**

**NAYS:**

**ABSTAIN:**

**ABSENT:**

And the resolution was declared adopted on this, the 12<sup>th</sup> of April 2017.

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Chairman

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Secretary

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

I, the undersigned Secretary of the Board of Directors of the Louisiana Housing Corporation (Board), do hereby certify that the foregoing 2 pages constitutes a true and correct copy of a resolution adopted by said Board on April 12, 2017 titled: “A resolution to authorize and direct the Single Family Staff of Louisiana Housing Corporation to obtain the necessary training and certifications to provide for Louisiana Housing Corporation Loan Originations including but not limited to first mortgages and providing homeownership financing and/or refinancing programs; and providing for other matters in connection therewith.”

IN FAITH WHEREOF, witness my official signature and the impress of the official seal of the Corporation on this, the 12<sup>th</sup> of April 2017.

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Secretary

## **STEP BY STEP REQUIREMENTS FOR LOAN ORIGATION**

Steps to LHC Loan Origination:

1. Board approval to originate loans. Will involve APA process.
2. RFP process for all the vendors:
  - a. Origination System;
  - b. Closing Documents System;
  - c. Appraisal Management Company;
  - d. Tax Service Fee Company;
  - e. National Flood Company;
  - f. Credit Agency; and,
  - g. PMI Companies, if applicable.
3. LHC would need a license for the main office from Louisiana Office of Financial Institute.
  - Cost \$650 and \$36.50 for each employee's background search = \$869.
4. Staff assigned to originate loans would require state licensing through Louisiana Office of Financial Institutions:

Mortgage Loan Originator License\* – \$230 license, \$15 c/r and \$36.50 for background check. Each originator must have 20 hours pre-licensing education, give permission to pull their credit, submit fingerprints, criminal history report, register for tests; employer must provide surety bond or coverage on the originator and must have Louisiana SAFE Residential Mortgage Lending Act authorization.

  - Cost per person \$392 for staff of 6 = total licensing and test cost of \$2,352.
5. Education source recommended through Mortgage Educators – Online via pre-recorded videos, downloadable textbook and worksheets.
  - Cost through *Mortgage Educators* \$219/person = \$1,314.

6. As part of implementation, training on any new systems would be necessary.

- **Total start-up costs without systems - \$4,535 approximate 6 month term**

\* Below is detail of what the education will need to entail for testing.

#### Part I – Federal Mortgage-Related Laws (23%)

- a. Real Estate Settlement Procedures Act (RESPA), Regulation X
- b. Equal Credit Opportunity Act (ECOA), Regulation B
- c. Truth-in-Lending Act (TILA), Regulation Z
  - i. Home Ownership and Equity Protection Act (HOEPA Section 32)
  - ii. High Price Mortgage Law (HPML Section 35)
  - iii. Loan Originator Compensation
- d. TILA-RESPA Integrated Disclosure Rule (TRID)
- e. Other Federal laws and guidelines
  - i. Home Mortgage Disclosure Act (HMDA)
  - ii. Fair Credit Reporting Act (FCRA) Fair and Accurate Credit Transactions Act (FACTA)
  - iii. Privacy protection / Do No Call
  - iv. FTC Red Flag rules
  - v. Dodd-Frank
  - vi. Bank Secrecy Act/Anti Money Laundering (BSA/AML)
  - vii. Gramm-Leach-Bliley Act – Privacy and FTC Safeguard Rules
  - viii. Mortgage Acts and Practices – Advertising (Regulation N)
  - ix. Electronic Signature in Global and National Commerce Act (E-Sign Act)
  - x. USA Patriot Act
  - xi. Homeowners Protection Act
- f. Regulatory Authority
  - i. Consumer Financial Protection Bureau (CFPB)
  - ii. Department of Housing and Urban Development (i.e., HUD, related to fair lending and fair housing)

#### Part II – General Mortgage Knowledge (23%)

- A. Qualified and Non-Qualified Mortgage programs

- Conventional/conforming (e.g., Fannie Mae, Freddie Mac)
  - Government (e.g., FHA, VA, USDA)
  - Conventional/non-conforming (e.g., Jumbo, Alt-A)
    - State on Subprime lending
    - Guidance on Nontraditional Mortgage Product Risk
    - Non-qualified mortgage (Non-QM)
- B. Mortgage loan products
1. Fixed
  2. Adjustable
  3. Balloon
  4. Reverse mortgage
  5. Home equity (fixed and line of credit)
  6. Construction mortgage
  7. Interest-only
- C. Terms used in the mortgage industry
1. Loan terms
  2. Disclosure terms
  3. Financial terms
  4. General terms

### Part III – Mortgage Loan Origination Activities (25%)

- A. Application information and requirements
1. Application accuracy and required information (e.g., 1003)
    - a. Borrower
    - b. Loan originator
    - c. Verification and documentation
  2. Suitability of products and programs
  3. Disclosures
    - a. Accuracy (e.g., tolerances)
    - b. Timing (e.g., Loan Estimate, Closing Disclosure, Homeownership Counseling Disclosure)
    - c. Delivery method (e.g., electronic, mail, face to face)
- B. Qualification: processing and underwriting
1. Borrower Analysis
    - a. Assets
    - b. Liabilities
    - c. Income



- d. Credit Report
  - e. Qualifying ratio (e.g., housing, debt-to-income, loan to value)
  - f. Ability to repay
  - g. Tangible net benefit
- 2. Appraisals
- 3. Title report
- 4. Insurance: hazard, flood, and mortgage insurance (PMI, MIP)
- C. Closing
  - 1. Title and title insurance
  - 2. Settlement/Closing agent
  - 3. Explanation of fees
  - 4. Explanation of documents
  - 5. Funding
- D. Financial calculation used in mortgage lending
  - 2. Periodic interest
  - 2. Payments (principal, interest, taxes, and insurance; mortgage insurance, if applicable)
  - 3. Down payment
  - 4. Loan to value ratios
  - 5. Debt to income ratios
  - 6. Temporary and fixed interest rate buy-down (discount points)
  - 7. Closing costs and prepaid items
  - 8. ARM's (e.g., fully indexed rate)
  - 9. Qualified Mortgage monthly payment calculations

#### IV – Ethics (16%)

- A. Ethical issues related to federal laws
  - 1. Violations of federal law
  - 2. Prohibited acts
  - 3. Fairness in lending
  - 4. Fraud detection
  - 5. Advertising
  - 6. Predatory lending and steering
- B. Ethical behavior related to loan origination activities
  - 1. Financial responsibility
  - 2. Handling consumer complaints
  - 3. Company compliance
  - 4. Relationship with consumers
  - 5. Truth in marketing and advertising
  - 6. Consumer education

7. General business ethics

V – Uniform State Content (13%)

A. SAFE Act and CSBS/AARMR Model State Law

1. Department of Financial Institutions or Mortgage Regulatory Commission
  - a. Regulatory authority
  - b. Responsibilities and limitations
2. State Law and Regulation Definitions
3. License Law and Regulation
  - a. Persons required to be licensed
  - b. Licensee qualifications and application process
  - c. Grounds for denying a license
  - d. License maintenance
  - e. NMLS requirements
4. Compliance
  - a. Prohibited conduct and practices
  - b. Required conduct
  - c. Advertising