

TOWNE FAMILY OF COMPANIES

BULLETIN

TO: Our Valued Clients

Date: November 30, 2017

SUBJECT: **Higher-Priced Mortgage Loans**

BULLETIN 17-23

***** IMPORTANT NOTICE *****

Higher-Priced Mortgage Loans (HPML) is mortgage loans where the APR exceeds the APOR +1.5%. Wholesale loans that are HPML will become eligible for origination with Towne Family of Companies upon conversion to Encompass and so long as the following criteria are satisfied prior to closing the HPML loan:

- Residual Income worksheet will be completed while the loan is in Underwriting. This will support our determination of whether the borrower(s) have the ability to repay the loan.
 - Towne will utilize the VA residual income guidelines for determination of Borrower's ability to repay.
- The loan must have escrows established for all taxes and insurance. The escrow account must remain open on HPML loans for at least 5 years from the date of consummation.
- Appraisals cannot be waived on HPMLs

The following loan types are not to be originated as HPML loans:

- VA IRRRL
- FHA Streamline without an appraisal
- Conventional Streamline without an appraisal

This means, if a loan is one of the above products, the APR will need to be reduced below the Section 35 threshold in order for the loan to be originated with a Towne company.

Any questions, please feel free to reach out to your Account Executive with any questions.

Thank you,
Wholesale Group
Towne Family of Companies