



**Business and Customer support hours: 6:00 AM to 5:30 PM PST (Mon. – Fri.)
Web Entry & Web Delivery - Computers on-line 24/7**

NEWSLETTER

Money rates for end of month May, 2002 as reported in the Wall Street Journal

Prime	4.75%
6 month Libor	2.0800%

Federal Reserve Statistical release H.15 for May 15, 2002 (For Section 32 purpose)

Treasury Securities	
5 Yr.	4.59%
10 Yr.	5.28%
15 Yr.	5.28%
20 Yrs.	5.92%

OCTOBER 1st COMPLIANCE CHECK – FRB REVISIONS TO SECTION 32

The nicest summary of the key changes made to section 32 has been authored by Tim Meredith, a founding partner at the law firm of Hudson Cook, LLP based in Maryland. He can be reached at (410) 865-5404. A more complete discussion of the provisions can be found in Tim's article "I Fought The Law – A look at the recent changes in HOPEA," which can be found on MortgageDaily.com

- 1st Lien APR Test Lowered. The APR test for first lien loans has been lowered from 10 points over the equivalent Treasury yield to 8 points over the equivalent Treasury yield.
- Optional Credit Insurance Added to "Points and Fees" Test. Any amount paid at or before closing for credit insurance or related products is now part of the "points and fees" test, even if it is not a finance charge.
- Optional Credit Insurance Deducted to Get "Total Loan Amount." Any amount paid at or before closing for optional credit insurance or related products must be deducted from the Amount Financed to arrive at the "Total Loan Amount," even if it is not a finance charge.
- New Disclosure: "Amount Borrowed." The "Amount Borrowed" is the face amount of the Note. You must include the "Amount Borrowed" in the Section 32 notice.
- New Disclosure: Optional Credit Insurance. If the "Amount Borrowed" includes an amount for optional credit insurance or related products, you

must include a statement to that effect in the Section 32 notice.

- Prohibited Acts: New "Flipping" Test. Neither the original creditor nor an assignee may refinance a Section 32 loan into a new Section 32 loan during the first year unless the new transaction is in the borrower's interest.
- Prohibited Acts: Underwriting Presumption. If you make loans without verifying and documenting the borrower's ability to repay, the law now "presumes" that you make loans without regard for the borrower's ability to repay.

We strongly suggest that you review your current document sets with Lori in our customer service department.

MORE ROBUST CALYX/POINT INTERFACE AVAILABLE

Many of ICC's customers wanted to go beyond the simple data contained in the FannieMae export and utilize a more robust interface. Therefore, starting on June 15th we will be placing this new interface in production. If the data is anywhere in Point, we can extract it and use it in our system. Please contact ICC Tech Support for setup instructions. There will be three Point exports available: Point for DOS, FannieMae 3.0 and Custom.

TALKING TRASH: GLBA & DOCUMENT HANDLING

One of the eight areas of concern in the GLBA (Gramm-Leach-Bliley Act) is secure document disposal. Here at ICC all of our waste paper is secured in padlocked bins provided by Recall Secure Destruction Services. On a regular schedule, these bins are wheeled out, opened by ICC personnel and transferred to Recall's security truck for secure destruction at their state-of-the-art facility

Documents are destroyed in this secure environment by bonded employees with additional closed-circuit camera and other security surveillance. After destruction, the remaining paper is recycled. If you are like most of us in the mortgage industry, this is an area, which is often ignored.

REALTORS vs. BANKERS; BANKERS vs. ATTORNEYS

A recent American Bankers Association "ACTION ALERT" is asking those in the financial services arena to write their Senators and Representatives to oppose efforts by the National Association of Realtors to block a proposal which allows banking institutions to engage in real estate brokerage and management activities.

In the spirit of open competition, we also suggest that lawyers not be allowed to control the document preparation business by imposing additional fees for the review of standardized mortgage documents. To our way of thinking this is a form of double dipping. The lawyers set the compliance standards, draft the original documents and now want a piece of the action when the documents are drawn. While we believe in the necessity for good legal representation in compliance review and drafting original documents, there is no place for a "click charge" imposed for merely filling the documents with data.

Recently the Michigan Supreme Court decided that it will hear a doc prep fee case in which one of the allegations was that "it is illegal for anyone other than a licensed attorney to collect a fee for preparing loan documents." The basic assertions that:

- requiring an attorney to review documents and close loans would be anti-competitive
- there is no evidence showing that the public is harmed by a doc prep service run by someone other than attorneys
- the consumer is forced to pay more for attorney-provided services
- there is virtually no difference between attorney-prepared documents and those provided by other means

will be tested by the court. Hopefully this will impact rulings in other so-called "attorney states" such as Texas and Washington.

WHO IS HIDING BEHIND THE CURTAINS?

The Mortgage Bankers Association is asking members of Congress to vote against the Uniform Securities Disclosure Act (H.R. 4071 – Shays R-CT & Markey D-MA) which would repeal the exemption of FannieMae and FreddieMac from SEC registration and disclosure requirements. The MBA is worried about the "unknown consequences" of the act on the current housing finance system. On the flip side, there are those who claim that Fannie and Freddie, if fully privatized, would use their special government funding access to control the entire housing market within ten years. Since nobody really knows what would happen, perhaps the best course of action is to adopt a wait-and-see attitude and do nothing.

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COURT REJECTS HUD'S POSITION ON MARKUPS & OVERCHARGES

According to an MBA Alert: On May 22, 2002, the Fourth Circuit [issued an opinion](#), entitled Boulware v. Crossland Mortgage, holding that Section 8(b) of RESPA does not prohibit overcharges for real estate settlement services performed by third parties. The Boulware court counters recent HUD interpretations on this issue, and holds that "[t]he plain language of § 8(b) makes clear that it does not apply to every overcharge for a real estate settlement service and that § 8(b) only prohibits overcharges when a "portion" or "percentage" of the overcharge is kicked back to or "split" with a third party. The Court explicitly asserts that Section 8(b) does not apply even if "Crossland collected an overcharge and kept it as a 'windfall' for itself."

ICC OFFERS 1099 SERVICE

One of ICC's little known services is our 1099 Return Filing System. For those ICC customers who do not want to be bothered with reporting sales proceeds to the IRS, ICC maintains a system for filing 1099 returns directly to the IRS using the IRS "Fire" (File Information Returns Electronically). Pricing is extremely reasonable and return information can be provided throughout the year to ICC. For more information, contact Jenny in Customer Service.

LOOK BEFORE YOU FUND...

On each and every document set produced by ICC, there is an admonition that "you are the final inspector!" Since, some of our customers have asked us about the suitability of so-called "document insurance," we would like to take this opportunity to respond. Many of the insurance policies that are touted as protection only cover the legal construction of standard forms. There is often no provision covering custom forms and/or the filled-in data. Upon closer scrutiny, many of these policies aggregate claims on an annual basis and then provide a pro-rata distribution of funds to the maximum amount of the policy. True protection in the mortgage industry is available only with an "errors and omissions policy" and the use of an "error form" which notifies the borrower of the possibility of minor procedural mistakes and then mandates their cooperation in resolving the error. Since the great majority of errors involve things like using the wrong program, leaving out payoffs, changing APR/POC flags, the best protection is still a vigilant, knowledgeable employee who takes pride in their work.

At ICC, we appreciate and value your business. Feel free to call us toll-free at (888) 437-3627 or e-mail me at mike@iccdocs.com with your suggestions – Mike