

MPF Announcement

January 16, 2019 2019-08

Alert

Policy Update ■

New Policy
Reminder
Clarification
Training Information

Audience

Program Management ■

Origination ■
Quality Control ■
Servicing ■
Underwriting ■
Compliance/Legal ■

Product

MPF Xtra®
MPF® Direct ■
MPF Government MBS
MPF Traditional

Effective Date:

Immediately

MPF Announces Policy Impact for Mortgage Loans Sold under the MPF Direct Product

Effective immediately, the Investor under the MPF Direct product, Redwood Trust, has updated their TRID scope of review utilized in their purchase review process.

Refer to the attached Redwood Trust Announcement 2019.01-04 published on January 10, 2019 for additional information.

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Contact: MPF Service Center, 877-FHLB-MPF or 877-345-2673 or your MPF Bank Representative



Redwood Compliance Announcement

Redwood has updated our TRID scope of review utilized in our purchase review process. The change is consistent with the Bureau's ongoing comments and updates and the recent Structured Finance Industry Group's (SFIG) RMBS 3.0 Initiative. The updated scope of review is based off the CFPB's updated guidance of TRID 2.0 that went into effect on 10/01/2018. The updated guidance from the CFPB was published on 10/10/2017 with an optional adherence to the updated regulation from 10/10/2017-10/01/2018 with mandatory adherence beginning on 10/01/2018. Below is a summary of the updated testing for loans originated on or after 10/01/2018.

Good Faith Requirements

In the publication, clarification was added that fees disclosed in sections F, G and H will be subject to 0% tolerance if the information disclosed on the initial LE was omitted or was unreasonably low. If a valid change of circumstance is present to justify the addition or increase of the fee, then the tolerance testing will be based off the re-disclosure.

Under the SFIG 3.0 scope of review a 20% threshold test will be applied to the property taxes and HOI fees listed in sections F and G. If the fee charged to the borrower in comparison to the initial disclosure exceeds 20%, the initial disclosure will be considered unreasonably low and the seller will need to document that the fee initially disclosed was based on the best information reasonably available. If the fee charged to the borrower exceeds the 20% threshold than the 0% tolerance testing (1026.19(e)(3)(i)) will be applied to the fee on the final CD in comparison to the fee on the initial LE. Along with the tolerance cure, a PCCD, LOE and proof of delivery will be required to clear the exception.

*In early testing, Redwood has identified that the updated scope can impact property taxes and HOI fees in particular.

TOP Tolerance

The CFPB provided additional updates to the TRID 2.0 regulatory update. The Total of Payments (TOP) will be held to the same testing as the finance charge. TOP variance on a purchase transaction is \$100 and \$35 on rescindable transactions. Remediation will be a cure to the borrower, PCCD, LOE and proof of delivery. In a rescindable transaction a new 3 day right of rescission period will need to be given to the borrower.

If you have any questions regarding this compliance announcement, please reach out to Jim Ferrol at james.ferrol@redwoodtrust.com with your comments or questions.