FAIR LENDING PLAN

(Fair Housing Act/Equal Credit Opportunity Act/Home Mortgage Disclosure Act)

March 2013

CMG Mortgage, Inc. is committed to making high quality mortgage services available to diverse communities and customers on an equal opportunity basis. Our commitment is evident in our procedures and systems designed to assure compliance with fair lending laws and in our corporate investment of resources directed to maintaining awareness and vigilance of associates. Our success at serving a wide range of customers is essential to the economic welfare of the communities we serve and to the continued growth and long term vitality of our company.
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I. Fair Lending - an Overview

Several federal statutes aim to ensure that mortgage lenders practice fair lending.

The Home Mortgage Disclosure Act (“HMDA”) requires certain lenders to disclose information about loan applicants on an annual basis. The purpose of the Act is to prevent lending discrimination, including “redlining”, by making certain applicant information available to the public.

The Fair Housing Act (“FH Act”) and the Equal Credit Opportunity Act (“ECOA”) each make lending discrimination unlawful. Under ECOA, it is illegal to discriminate in any aspect of a credit transaction. ECOA prohibits discrimination on the basis of:

- Race;
- Religion;
- National Origin;
- Sex;
- Marital Status;
- Age (provided the applicant has the capacity to contract);
- The fact that the applicant receives income derived from any public assistance program;
- The fact that the applicant has exercised, in good faith, any right under the Consumer Credit Protection Act.

The Fair Housing Act prohibits discrimination in any aspect of a real estate transaction. Prohibited bases under the FH Act include:

- Race or color;
- National origin;
- Religion;
- Sex;
- Familial Status;
- Handicap

States have also added protected factors to their anti-discrimination lending laws. These factors include:

- Sexual orientation
- Military status
II. Fair Lending Policy Statement

CMG Mortgage, Inc. (herein referred to as “CMG”) is committed to making high quality mortgage services available to diverse communities and customers on an equal opportunity basis. Our commitment is evident in our procedures and systems designed to assure compliance with fair lending laws and in our corporate investment of resources directed to maintaining awareness and vigilance of our associates. Our success at serving a wide range of customers is essential to the economic welfare of the communities we serve and to the continued growth and long term vitality of our company.

- **Corporate Commitment to Compliance with Fair Lending Laws.** CMG makes a corporate commitment to compliance with all fair lending laws and regulations. Loan products are available to all individuals who meet our lending criteria without regard to race, color, religion, national origin or ancestry, sex, sexual orientation, handicap, marital status, familial status, military status, age (provided the applicant has the capacity to enter into a binding contract), receipt of public assistance, or the exercise of legal rights under the Consumer Credit Protection Act.

- **Corporate Commitment to Informed and Aware Associates.** CMG does not tolerate discrimination of any kind by any of its associates against any existing or potential customer. CMG ensures that its operations fully incorporate fair lending principles and that its staff is trained and kept aware of this commitment. Fair lending is integrated into policies, procedures and practices in all areas of operations, including, without limitation, marketing, loan origination, underwriting and customer service.

- **Corporate Commitment to Individual Responsibility.** All CMG associates are responsible for preventing, identifying, reporting, and eliminating unlawful and discriminatory acts and practices in connection with all CMG business activities. To assist associates, CMG commits to provide training sufficient to maintain associate information and awareness. CMG expects each of its associates to do his or her best to accept fair lending as a basic responsibility and to commit to making fair lending and quality service a reality.

- **Corporate Commitment to Oversight of Third Party Service Providers.** CMG does not tolerate discrimination of any kind by any of its vendors against any potential or existing CMG customer. CMG requires all service providers to have and maintain a commitment to compliance with fair lending principles in the consumer services they provide on CMG’s behalf. Through initial and ongoing due diligence and written contracts, CMG does its best to ensure their vendors perform their contracted services without regard to consumers’ prohibited factors.

III. Fair Lending Committee

CMG’s Fair Lending Committee was formed to carry out the following objectives:

- To assist in the implementation of fair lending initiatives.
- To review results of fair lending initiatives, monitor their effectiveness and determine the next course of action.
- To provide a forum to discuss and resolve issues related to fair lending.
To initiate policy, procedures, and systems that will ensure compliance with fair lending regulations and the fair lending policy.

The Fair Lending Committee meets at least quarterly. The Committee includes, without limitation, associates from the following departments: Legal, Compliance, Marketing, Operations, Training, and Executive Management. Committee membership is periodically assessed to ensure that appropriate business units and corporate departments are adequately represented.

Meeting minutes are distributed to all committee members.

IV. Fair Lending Training for Associates

Staff training is an essential component in the Fair Lending Plan. Through the new hire orientation program, the Compliance Department and/or the Training Department conducts a Fair Lending Awareness class for all new hires, including management personnel. All customer service, sales and credit decision associates must take an annual Fair Lending refresher class. Records of training attendance and materials are kept.

The CMG Training Department or the Compliance Department further offers Fair Lending Compliance Training through the AllRegs Academy. Through such sessions, both production and operation staffs are informed of recent fair lending developments and trends, and are given the opportunity to raise concerns and ask questions.

CMG’s intranet is used as an ongoing forum to post articles and other communications regarding fair lending developments and awareness for associates.

V. Marketing/Advertising/Websites

All advertising and public relations efforts are centralized in CMG’s Marketing Department. The centralization of such efforts is essential to maintaining both regulatory compliance and consistency of message.

By policy, all advertising material, including websites, are reviewed prior to distribution by the Legal Department. This review ensures that advertisements comply with federal and state regulations including Fair Lending Laws. Any changes to already approved marketing materials must go through another legal review prior to distribution.

Additionally, criteria for pre-screening under the Fair Credit Reporting Act are reviewed prior to implementation by the Legal and/or Compliance Departments. This review ensures that discriminatory criteria are not used in marketing to potential customers.

Annual company website reviews are performed by the Legal and Marketing Departments to ensure authorized websites meet all federal and state requirements for licensing and advertising, along with reviewing all content for possible fair lending concerns. Through the Marketing Department, name web searches are also done to detect the existence of any unauthorized websites. These searches may identify complaints against the company that were not discovered through established customer complaint processes.
VI. Loan Products

CMG specializes in Conventional (Fannie Mae, Freddie Mac) and Government (FHA, VA, USDA) mortgage loan programs. CMG also holds the patent on a proprietary first lien open end line of credit, the All-In-One Loan program that is sold to private institutional investors. Procedures exist to ensure that customers obtain the best programs to meet their mortgage needs and credit qualifications.

The Compliance Department is involved in CMG discussions regarding new and/or changes to loan programs offered. Program availability and/or limitations are reviewed for possible disparate impact issues. A quarterly review of Home Mortgage Disclosure Act (HMDA) data is run through TRUPOINT Partners analytics systems to monitor any discrepancies. Analytics reviewed include a look at loan program offerings across protected classes and multiple demographic breakdowns. Results of these reviews are discussed at Fair Lending Committee meetings and any policy changes or other corrective action is taken if necessary.

VII. Loan Application Taking

The Compliance Department monitors CMG’s application taking process on a statistically significant basis or as needed, especially when process changes are being considered. Since the time of application establishes a borrower’s relationship with CMG and triggers numerous regulatory requirements, it is essential the entire loan application process from first contact to formal application be reviewed for compliance. Results of this monitoring are discussed at Fair Lending Committee meetings and any policy, process changes or other corrective action is taken if necessary.

VIII. Pricing

CMG has a pricing/product committee made up of representatives from the Compliance Department, Legal Department, Corporate Underwriting, Finance, Secondary Marketing Department and Sales that meets monthly to discuss proposed products, the performance of existing products, and pricing trends. Pricing guidelines are established through written policy and procedure in order to promote and ensure consistency between all classes of applicants.

All aspects of loan pricing are reviewed for possible disparate impact issues. A semi-annual review of Home Mortgage Disclosure Act (HMDA) data is done to look at loan pricing across protected classes and multiple demographic breakdowns. Results of these reviews are discussed at Fair Lending Committee meetings and any policy changes or other corrective action is taken if necessary.

IX. Underwriting

Underwriting guidelines are established through written policy and procedure in order to promote and ensure consistency between all classes of applicants. The guidelines address all aspects of the underwriting process including collateral standards, credit, income, source of funds, debt ratios and other factors relevant to the underwriting decision. Separate CMG guidelines exist for each business division (wholesale, retail, and correspondent) and by loan type. Underwriters use CMG guidelines provided in arriving at loan approval/denial decisions.
The work of the underwriters is reviewed on a sample basis through the Quality Control Department and/or CMG’s third party service providers, Cross Check Compliance (pre-funding QC audits) and by The Compliance Group (post-funding QC audits). The reviews may reveal deficiencies, which are used as training opportunities by the corporate underwriting manager. Any indication of a possible fair lending issue is immediately brought to the attention of the Compliance Manager for review. A quarterly semi-annual review of Home Mortgage Disclosure Act (HMDA) data is done to look at loan decisions across protected classes and multiple demographic breakdowns. Results of these reviews are discussed at Fair Lending Committee meetings and any policy changes or other corrective action is taken if necessary.

X. Second Look Underwriting Program

To ensure that all reasonable efforts have been exhausted in approving a loan, a Second Look underwriting process is implemented by policy. Under the policy, a senior level underwriter must review each and every denial rendered prior to an adverse action notice being sent to the borrower. CMG expects to expand this program from FHA loans exclusively to all loan programs in 2013.

The purpose of the review is to determine whether the original underwriter made the proper decision, whether there is a possibility of a counter-offer not recognized by the original underwriter and, if not, that the correct denial reasons were noted.

If the decision is reversed or altered, the borrower is presented with an approval or counter-offer. If the original decision is confirmed, the reasons for denial are noted and signed off in the loan file by the senior level underwriter and returned to the appropriate associate for adverse action processing. Any indication of a possible fair lending issue is immediately brought to the attention of the Compliance Manager for review.

XI. Complaint Tracking and Resolution

CMG takes fair lending seriously and will take swift and immediate action when faced with a challenge to its fair lending policies, procedures and practices. Formal policies and procedures are in place to give guidance to all associates relative to Consumer Complaints. Depending on the portal used to lodge their complaint. All consumer complaints dealing with unfair/predatory lending, legal, state or federal regulatory ramifications are to be directed to the Customer Advocacy, Legal and HR Departments.

To ensure the process is not unduly burdensome to the applicant, the complaints are then routed to the manager of the responsible department for investigation and formal response. Each allegation is thoroughly reviewed by examining any related loan origination files and servicing records and by interviewing any associates potentially involved in the alleged violation.

Complaints are monitored and trended on a monthly basis to assess the effectiveness of the system and make note of any ongoing issues. The results of this monitoring are used to make needed changes to the policy and procedures to improve compliance, as well as customer service and satisfaction.

CMG employs a customer advocacy department to monitor its loan application process. This department will contact the customer prior to the loan closing, Customers are given an opportunity to discuss their loan process regardless of loan status. On a monthly basis, the customer advocacy department compiles the information and forwards the results in a written report to Legal and Compliance department for
XII. Compliance Monitoring

**Home Mortgage Disclosure Act.**
CMG HMDA reports are prepared on a monthly basis by the combined efforts of CMG Quality Control Manager and outside vendor, QuestSoft. To prepare the reports in compliance with Regulation C, we follow “A Guide to HMDA Reporting: Getting it Right,” and the FFIEC FAQs to HMDA reporting.

CMG’s Compliance Department performs monthly audits on the Home Mortgage Disclosure Act data to ensure data integrity. Results are distributed to the managers of affected departments and senior management for corrective action.

The Compliance Department conducts specialized HMDA training for associates, depending upon the training opportunities that are apparent from the audits. Additionally, the new hire orientation program includes a HMDA training session for those associates primarily responsible for HMDA data integrity.

**Equal Credit Opportunity Act.**
CMG’s Compliance Department performs various audits, which assess compliance with the Equal Credit Opportunity Act. Audits are geared toward assessing compliance with the following areas of ECOA:

- Action taken timing
- Adverse action notice timing and accuracy
- Application taking requirements
- Timely delivery of appraisal disclosure

By policy, underwriting managers are required to review their pipelines monthly for aging of loans to ensure that ECOA time lines are followed. Managers are required to maintain evidence of their pipeline reviews for 90 days.

**Pricing and Underwriting Exceptions Monitoring.**
Through deployment of the ACES® quality control automation system in 2013, the Compliance Department will have the capability of pulling system or manual pricing and underwriting exception reports on a quarterly basis. These reports will be reviewed for patterns of exceptions which could indicate individual, system or policy issues that may need to be addressed. The goal is to have pricing and underwriting standards that are applied consistently and limit the need for exceptions.

**Fair Lending Monitoring.**
CMG’s Fair Lending Committee has been authorized to evaluate methods of compiling and analyzing meaningful data, with respect to pricing and underwriting decisions in light of Fair Lending concerns. If at any time, the Company’s monitoring reveals any fair lending concerns, the Committee is authorized to launch a through investigation into the nature of the incident and to submit recommendations for curing the matter. These recommendations shall be submitted to the Executive Committee for review, consideration and possible implementation. The Fair lending analytics data is reviewed on a quarterly
basis to confirm any issues or concerns. The Compliance Manager provides a narrative to Executive Management on any research completed or reviewed.

XIII. Fair Servicing

CMG currently does not service mortgage loans. That is, CMG currently acts as a Master Servicer, and contracts with CENLAR, FSB to subservice. CMG understands the concepts of Fair Lending apply to the entire life of the loan and thus must also be applied to all contact with the borrower and processes involved during mortgage loan servicing. CMG will implement an annual audit and recertification protocol of its subservicer in 2013.

XII. Periodic Review of this Plan

This Fair Lending Plan shall be reviewed at least annually by CMG’s Fair Lending Committee to ensure that the Plan adequately addresses fair lending issues, specifically new legal or regulatory developments. Changes to the plan must meet the approval of the Fair Lending Committee.

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