

Introduction

Midwest Loan Solutions, Inc. (MLS) is committed to the highest standards of Federal and state borrower compliance. MLS requires all management, employees and third-party originators and vendors to follow these policies and to adhere to these standards.

The purpose of this policy is to ensure MLS and its third party originators are complying with the requirements of the provisions of Unfair, Deceptive or Abusive Acts or Practices (UDAAP) and to implement borrower protection mechanisms as is required by Federal regulation.

The standards set out in this policy represent minimum requirements based on applicable legal and regulatory guidance and apply throughout MLS's operations. In accordance with MLS's policy, the Unfair, Deceptive or Abusive Acts or Practices policy and procedures described herein shall apply to all residential mortgage transactions and represent the full scope of products, property types, branches and geographic locations.

Background

The Dodd-Frank Act mandates "fair, equitable and non-discriminatory access to credit" for consumers, and makes it illegal for mortgage lenders to engage in any unfair, deceptive or abusive acts or practices as it relates to the borrower. Rulemaking granted to the Consumer Financial Protection Bureau (CFPB) under the Dodd-Frank Act, in conjunction with revisions to the Truth-in-Lending Act (TILA), ensures that lenders are prohibited from engaging in what is considered to be abusive or unfair lending practices. This has resulted in multiple federal statutes compelling mortgage lenders to establish and adopt an Unfair, Deceptive, or Abusive Acts and Practices (UDAAP) policy in order to comply with regulatory requirements and demonstrate a commitment to the CFPB's expectation of borrower transparency.

Review Requirement

MLS requires this policy and procedure to be reviewed no less than annually or when Federal regulation is amended and such amendments apply to MLS and its third party originators.

Deceptive or Abusive Acts or Practices under the Dodd-Frank Act

Section 1036 of the Dodd-Frank Act prohibits unfair, deceptive or abusive acts or practices (UDAAP) in the United States. It is the intent of MLS to comply with the letter and spirit of UDAAP relating to accounts, communications and dealings with customers. Unfair, deceptive, or abusive acts or practices of banks are further described below.

1. Unfair Acts or Practices

An act or practice is unfair where it causes or is likely to cause substantial injury to consumers which cannot be reasonably avoided and is not outweighed by countervailing benefits to consumers or to competition. Unfair acts are triggered when material information is withheld regarding a product or service such that the consumer cannot make an informed choice or when the consumer is coerced into an unwanted product or service.

2. Deceptive Acts or Practices

An act or practice is deceptive where there is a representation, omission or practice that is likely to mislead consumers who are acting reasonably in the circumstances presented and the representation, omission, or practice is material. Deceptive acts include false statements, misleading claims, bait and switch situations or omitting material information that impacts product or service choice.

3. Abusive Acts or Practices

An act or practice is abusive if it materially interferes with the ability of a consumer to understand a term or condition of a product or service or takes unreasonable advantage of:

- A lack of understanding on the part of the consumer of the material risks, costs or conditions of the product or service;
- The inability of the consumer to protect their interests in selecting or using the financial product or service; or
- The reasonable reliance by the consumer on a covered person to act in the interests of the consumer.

MLS will not engage in acts or practices that are unfair, deceptive, or abusive.

All employees and third-party originators acting on MLS's behalf are responsible for ensuring compliance with all UDAAP policies, procedures and practices. Any violations to this procedure may be subject to disciplinary action, up to and including termination of third party origination approval.

Managing Risks Related to Unfair, Deceptive or Abusive Acts or Practices

UDAAP violations can present significant legal, reputational, and compliance risks for MLS. The Board directs management to include UDAAP considerations when conducting risk assessments for all products and services offered by MLS and to every stage and activity, from product development to the creation and rollout of marketing campaigns, and to servicing and collections. Particular focus should be paid to new or modified systems or products and third party arrangements. UDAAP applies to both consumer and commercial services.

1. Consumer Complaint Review

MLS will provide a mechanism by which all complaints from customers and non-customers are given prompt, courteous and fair attention. All departments of MLS and its third party originators are expected to handle complaints within a reasonable length of time. The Compliance Department will regularly review consumer complaints for trends indicating customers felt misled.

2. Disclosures

All disclosure revisions will be reviewed to ensure the revisions are clearly stated and communicated to customers.

3. Marketing Review

All new marketing material and other information provided to customers will be reviewed to ensure:

- The message is complete and accurate;
- The material could not mislead the average customer of the target market;

- There is no explanation missing, given our system and operational abilities;
- The overall impression of the ad is accurate, including:
 - The general message is big enough to attract attention.
 - Wording and formatting is understandable.
 - All information is in a location where consumers can be expected to look.

4. New Product/ Feature Review

All new products and account features will be reviewed to ensure fairness and transparency to the customer, including MLS's ability to deliver on its promises and determining any associated fees are appropriate based on costs.

5. Fees

MLS will regularly review its fees to ensure each is in relative proximity to costs and risks.

6. Vendor Management

MLS's Vendor Management Policy includes provisions regarding the review of the background, including lawsuits and negative news involving the potential vendor.

Relationship of UDAAP to Other Laws and Regulations

The laws listed below warrant particular attention in regard to unfair, deceptive, or abusive acts or practices as outlined.

1. Regulation AA

Under Regulation AA, financial institutions are prohibited from imposing certain terms in consumer credit contracts. These include a prohibition on confession of judgment clauses, limitations on waivers of a consumer's exemption of property from judgment, limitations on assignments of a consumer's wages, and limitations on security interests in a consumer's household goods. It also prohibits imposing late charges on loan payments when the only delinquency is due to unpaid late charges assessed on earlier payments. The regulation also requires that cosigners on a consumer loan be given a specific notice regarding their liability on the loan as a cosigner or guarantor.

2. Truth in Lending and Truth in Savings Acts

Pursuant to the Truth in Lending Act (TILA), creditors must "clearly and conspicuously" disclose the costs and terms of credit. The Truth in Savings Act (TISA) requires depository institutions to provide interest and fee disclosures for deposit accounts so that consumers may compare deposit products. TISA also provides that advertisements shall not be misleading or inaccurate, and cannot misrepresent an institution's deposit contract.

3. Equal Credit Opportunity and Fair Housing Acts

The Equal Credit Opportunity Act (ECOA) prohibits discrimination in any aspect of a credit transaction against persons on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to contract), the fact that an applicant's income derives from any public

assistance program, and the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act. Similarly, the Fair Housing Act (FHA) prohibits creditors involved in residential real estate transactions from discriminating against any person on the basis of race, color, religion, sex, handicap, familial status, or national origin. Practices that target or have a disparate impact on consumers who are members of these protected classes may violate the ECOA or the FHA, as well as UDAAP requirements.

4. Fair Debt Collection Practices Act

The Fair Debt Collection Practices Act prohibits unfair, deceptive, and abusive practices related to the collection of consumer debts. Although this statute does not by its terms apply to banks that collect their own debts, failure to adhere to the standards set by this act may support a claim of unfair or deceptive practices. Moreover, banks that either affirmatively or through lack of oversight, permit a third-party debt collector acting on their behalf to engage in deception, harassment, or threats in the collection of monies due may be exposed to liability for approving or assisting in an unfair or deceptive act or practice.