



MORTGAGE LOAN COMPLIANCE

FORENSIC COMPLIANCE™ AUDIT

Prepared for:

Borrower

123 Main Street

Any-Town, USA 10000

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Document Review

1. Uniform Residential Loan Application (1003)
2. Good Faith Estimate
3. Mortgage Statement/ Coupon
4. Adjustable Rate Note
5. Adjustable Rate Note Rider
6. Deed of Trust
7. U.S. HUD-1 Settlement Statement
8. Federal Truth-In-Lending Disclosure Statement
9. Financial Analysis and Mortgage Questionnaire

Summary of Findings

This loan failed the TILA finance charge test. (12 CFR § 226.18(d)(1))

The finance charge is \$1,756,977.07. The disclosed finance charge of \$1,719,678.61 is not considered accurate because it is understated by more than \$100.

This loan failed the initial TIL disclosure date test due to one of the following: (12 CFR §226.17(b)), (12 CFR §226.19(a))

The application date of the loan is before July 30, 2009, and:

The loan is a "residential mortgage transaction" subject to the Real Estate Settlement Procedures Act (12 U.S.C. §2601 et seq.); and

The initial TIL disclosure date is on or after consummation or three business days after the creditor receives the consumer's written application, whichever is earlier.

Calculations take into account a submitted preference that this test treat the creditor's office as being open to the public on Saturdays for carrying on substantially all of its business functions, as described in §226.2(a)(6) and as it relates to §226.19(a)(1)(i) (early disclosures three business days after application).

This loan failed the Insurance Administrative Fee Test.

The lender charged a Mortgage Insurance Application Fee or an Assignment Endorsement Fee. A lender cannot charge a borrower a fee for handling, servicing, processing the insurance policy, or endorsement thereon or cancellation thereof when the lender's interest is insured under the policy paid for by the borrower. NRS § 686A.210.

This loan failed the Good Faith Estimate disclosure date test. (24 CFR §3500.7)

The loan has a Good Faith Estimate disclosure date that is not within three business days after the application date, or is after the closing date.

The lender shall provide all applicants for a federally related mortgage loan with a good faith estimate of the amount of or range of charges for the specific settlement services the borrower is likely to incur in connection with the settlement. The lender shall provide the good faith estimate required under this section either by delivering the good faith estimate or by placing it in the mail to the loan applicant, not later than three business days after the application is received or prepared. Calculations take into account a submitted preference that this test treat the creditor's office as being open to the public on Saturdays for carrying on substantially all of its business functions, as described in 24 CFR §3500.2.

Based on the information contained in the documents provided in the file it is evident the lender, New Century Mortgage via NSF Loans, failed in its due diligence to ensure and document the borrower had an ability to repay this loan beyond the 2 year "Teaser" rate. According to interviews and file documents the Borrower noted a business income of \$39,000 per month. As an inducement to procure this loan the lender never verified the income or expenditures of the business to determine an actual nor reasonable personal income. The lender was fully aware that the borrowers would not qualify for the loan given the true fully indexed interest rate of 14.825%. New Century Mortgage used Income or Employment information that was erroneous or incomplete and Debt To Income Ratio had to be dramatically expanded as the loan scenario provided was a limited or no ratio loan thus causing a payment shock to the borrower once the true fully indexed and amortized interest rate was realized.

Compliance Review

Federal HOEPA (Section 32)

	Result	Loan Data	Comparison Data	Variance
HOEPA Higher-Priced Mortgage Loan:	N/A			
HOEPA Higher-Priced Mortgage Loan Prepayment Term Test:	N/A			
HOEPA High Cost Mortgage APR Threshold Test:	PASS	7.045%	12.810%	-5.765%
HOEPA Points and Fees High Cost Mortgage Threshold Test:	PASS	\$5,430.16	\$39,715.62	- \$34,285.46
HOEPA High Cost Mortgage:	NO			
HOEPA High Cost Mortgage Timing of Disclosure Test:	N/A			
HOEPA High Cost Mortgage Balloon Payment Test:	N/A			
HOEPA High Cost Mortgage Negative Amortization Test:	N/A			
HOEPA High Cost Mortgage Prepayment Term Test:	N/A			

Federal TILA

	Result	Loan Data	Comparison Data	Variance
TILA Finance Charge Test:	PASS	\$787,314.66	\$783,915.29	+\$3,399.37
TILA Foreclosure Rescission Finance Charge Test:	PASS	\$787,314.66	\$783,915.29	+\$3,399.37
TILA APR Test:	PASS	7.127%	7.045%	+0.082%
TILA Right of Rescission Test:	PASS			
Initial TIL Disclosure Date Test:	N/A			

Federal RESPA

	Result	Loan Data	Comparison Data	Variance
RESPA GFE Disclosure Date Test:	FAIL			

Standard & Poor's

	Result	Loan Data	Comparison Data	Variance
S&P High Cost Loan:	NO			
S&P Covered Loan:	NO			
S&P Home Loan:	NO			
S&P Requires Exclusion From Rated Transactions:	NO			
S&P Requires Additional Credit Enhancement:	NO			

GSE Guidance

Compliance Details

Federal HOEPA (Section 32)

<p>The HOEPA higher-priced mortgage loan threshold is not applicable to this loan for one of the following reasons: (12 CFR §226.35(a)(3) as enacted in 2008)</p> <p>The loan has an application date before the effective date of October 1, 2009; or</p> <p>The loan is a transaction to finance the initial construction of a dwelling; or</p> <p>The loan is a temporary or "bridge" loan with a term of 12 months or less, such as a loan to purchase a new dwelling where the consumer plans to sell a current dwelling within 12 months.</p>	<p>N/A</p>
<p>The HOEPA higher-priced mortgage loan prepayment term test is not applicable to this loan. (12 CFR §226.35(a)(3), (b)(2) as enacted in 2008)</p> <p>The loan is not a higher-priced mortgage loan.</p>	<p>N/A</p>
<p>This loan passed the HOEPA high cost mortgage APR threshold test. (12 CFR §226.32(a)(1)(i) as enacted in 1995, and amended in 2001)</p> <p>The annual percentage rate (APR) at consummation is 7.045%, which does not exceed the yield of 4.810%, as of February 15, 2007 on 30 year Treasury securities (the Treasury securities having comparable periods of maturity), plus 8.000 percentage points. The yield is as of the fifteenth day of the month immediately preceding the month of the application for extension of credit, which was received by the creditor on March 2, 2007.</p>	<p>PASS</p>
<p>This loan passed the HOEPA high cost mortgage points and fees threshold test. (12 CFR §226.32(a)(1)(ii) as enacted in 1995, and amended in 2001)</p> <p>The total points and fees payable by the consumer at or before loan closing is \$5,430.16, which does not exceed the greater of 8 percent of the "total loan amount" (as defined in the official commentary to paragraph 32(a)(1)(ii)), or \$547.00.</p>	<p>PASS</p>
<p>High Cost Mortgage (12 CFR §226.32(a)(1)(i), (ii) as enacted in 1995, and amended in 2001) (12 CFR §226.2 as enacted in 1995)</p> <p>The loan is not a high cost mortgage due to one of the following findings:</p> <p>The loan passed both the high cost mortgage APR threshold test and the high cost mortgage points and fees threshold test; or</p> <p>The loan is a residential mortgage transaction.</p>	<p>NO</p>
<p>The timing of disclosure test is not applicable to this loan due to one or more of the following findings: (12 CFR §226.31(c) as enacted in 1995) (12 CFR §226.32(a) as enacted in 1995)</p> <p>Pre-close audits do not pertain to the consummation of a loan.</p> <p>The loan is not a high cost mortgage.</p>	<p>N/A</p>
<p>The balloon payment test is not applicable to this loan. (12 CFR §226.32(a) as enacted in 1995)</p> <p>The loan is not a high cost mortgage.</p>	<p>N/A</p>
<p>The negative amortization test is not applicable to this loan. (12 CFR §226.32(a) as</p>	<p>N/A</p>

Loan Details

Client

Audit ID:	409F00000	User Name:	0000	Client Name:	Borrower
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Lender

Lender Name:	Chase Home Finance	:	
Lender Loan Number:	100000000	:	
Originator Name:	Loan Link Financial Services	:	
MIN:	10000000000000000	:	

Borrower

First Name:	Borrower	Last Name:	Borrower
Total Income:	\$11,555.00 / month	DTI Ratio:	45.000 %

Property

Address:

Number	Street Name	Type (St, Ave, etc.)	Direction	Unit #
123	Main	Street		
City	County	State	Zip	
Anytown		US	10000	
Type:	Detached SFD		Number of Units:	1
Occupancy:	Primary Residence			

Loan Information

Loan Amount: (exclude PMI, MIP, Funding Fee financed)	\$500,000.00	Loan Amount: (with Finance Charge)	\$500,000.00
Program Type:	Fixed	Interest Rate:	7.000 %
Loan Purpose:	Refinance	Undiscounted Rate:	%
Purpose of Refinance:	Cash-Out/Other	Disclosed APR:	7.127 %
Refinancing Portfolio Loan:	No	Disclosed Finance Charge:	\$787,314.66
LTV Ratio:	65.000 %	Irregular Payment Transaction:	No
CLTV Ratio:	90.000 %	Maturity Term:	360 months

Loan Review

Please be aware that as part of our forensic audit process – errors and potential fraud violations may have been discovered from many different parts of your loan.

There are many different types of Loans – the most common are:

- Fixed rate 30 year mortgage fully amortized
- Fixed rate 30 year mortgage amortized but partially negative – i.e. borrower pays less than the full payment and the balance owed on the note goes up
- Fixed rate mortgage interest only, negative amortization. Clear TILA violation in most cases
- Adjustable rate mortgage fully amortized. First adjustment after teaser rate in 1, 3, 6, 12 or more months. Borrower “qualifies” for mortgage because income amount supports paying the teaser rate. After the first or second adjustment borrower no longer qualify and the lender knows this by definition
- Adjustable rate interest only, negative amortization – Option Arms, Teaser Rates, Sub Prime 2/28, 3/27 etc.

According to the Interagency Guidance Final Decision on Nontraditional Mortgage Products for all nontraditional mortgage loan products, a lending institution’s analysis of a borrower’s repayment capacity should include an evaluation of their ability to repay the debt by final maturity at the fully indexed rate, assuming a fully amortizing repayment schedule.

The agency further believes that lending institutions should maintain qualification standards that include a credible analysis of a borrower’s capacity to repay the full amount of credit that may be extended. That analysis should consider both principal and interest at the fully indexed rate. This particular mortgage used an Interest Only program for 10 years with a fixed interest rate ignoring the fully indexed rate at which the borrower could not qualify.

At a fully indexed interest rate of 7.000% your required income for a \$500,000 mortgage is \$167,399.

An income of \$167,399 provides for a maximum Principal, Interest, Taxes and Insurance (PITI) payment of \$3,565.67. After taxes and insurance your principal and interest payment (PI) of \$3,326.51 would pay for a \$500,000 mortgage, with an interest rate of 7.000% and a term of 30 years.

Mortgage Required Income Results

Truth In Lending Act

CONSUMER PROTECTION

CONSUMER CREDIT PROTECTION ACT

§ 1. Short title of entire Act

[Codified to 15 U.S.C. 1601 note]

[Source: Section 1 of title I of the Act of May 29, 1968 (Pub. L. No. 90--321; 82 Stat. 146), effective May 29, 1968]

TITLE I—CONSUMER CREDIT COST DISCLOSURE

Chapter	Section
1.	GENERAL PROVISIONS 101
2.	CREDIT TRANSACTIONS 121
3.	CREDIT ADVERTISING 141
4.	CREDIT BILLING 161
5.	CONSUMER LEASES 181

CHAPTER 1—GENERAL PROVISIONS

Sec.

101. Short title.
102. Findings and declaration of purpose.
103. Definitions and rules of construction.
104. Exempted transactions.
105. Regulations.
106. Determination of finance charge.
107. Determination of annual percentage rate.
108. Administrative enforcement.
109. Views of other agencies.
110. [Repealed.]
111. Effect on other laws.
112. Criminal liability for willful and knowing violation.
113. Effect on governmental agencies.
114. Reports by Board and Attorney General.
115. [Repealed.]

§ 101. Short title

This title may be cited as the Truth in Lending Act.

RESPA – Real Estate Settlement Procedures Act

Introduction

The **Real Estate Settlement Procedures Act (RESPA)** is a consumer protection statute, first passed in 1974. The purposes of RESPA are

1. to help consumers become better shoppers for settlement services and
2. to eliminate kickbacks and referral fees that unnecessarily increase the costs of certain settlement services.

Details about RESPA

Corresponding with the above purposes:

1. RESPA requires that borrowers receive disclosures at various times. Some disclosures spell out the costs associated with the settlement, outline lender servicing and escrow account practices and describe business relationships between settlement service providers.
2. RESPA also prohibits certain practices that increase the cost of settlement services. **Section 8** of RESPA prohibits a person from giving or accepting any thing of value for referrals of settlement service business related to a federally related mortgage loan. It also prohibits a person from giving or accepting any part of a charge for services that are not performed. **Section 9** of RESPA prohibits home sellers from requiring home buyers to purchase title insurance from a particular company.

RESPA in general

RESPA covers loans secured with a mortgage placed on a one-to-four family residential property. These include most purchase loans, assumptions, refinances, property improvement loans, and equity lines of credit. HUD's Office of RESPA and Interstate Land Sales is responsible for enforcing RESPA.

RESPA required disclosures:

At the time of loan application

When borrowers apply for a mortgage loan, mortgage brokers and/or lenders must give the borrowers:

- a Special Information Booklet, which contains consumer information regarding various real estate settlement services. (Required for purchase transactions only) and
- a Good Faith Estimate (GFE) of settlement costs, which lists the charges the buyer is likely to pay at settlement. This is only an estimate and the actual charges may differ. If a lender requires the borrower to use a particular settlement provider, then the lender must disclose this requirement on the GFE.
- a Mortgage Servicing Disclosure Statement, which discloses to the borrower whether the lender intends to service the loan or transfer it to another lender. It also provides information about complaint resolution.

If the borrowers don't get these documents at the time of application, the lender must mail them within three business days of receiving the loan application.

If the lender turns down the loan within three days, however, then RESPA does not require the lender to provide these documents.

The RESPA statute does **not** provide an explicit penalty for the failure to provide the Special Information Booklet, Good Faith Estimate or Mortgage Servicing Statement. However, bank regulators may choose to

Demand Letters - Qualified Written Request

Included in your Forensic Audit is a Qualified Written Request. This is a formal request for documentation and answers to questions that have been raised as part of this audit process. Please follow these instructions for mailing your QWR.

1. Carefully Review the document for your understanding and Sign
2. Make 4 to 5 copies (you will need to keep a copy for your records)
3. Mail additional copies to the address below- Mail registered certified mail and keep all receipts.

Original Signature – Chase Home Finance LLC
3415 Vision Drive
Columbus, OH 43219
Attn: Account Manager

Copied QWR - Federal Trade Commission
600 Pennsylvania Avenue NW
Washington, DC 20580

Office of Housing Enterprise Oversight (OFHEO)
1700 G Street, NW, Fourth Floor
Washington, DC 20552

Office of RESPA and Interstate Land Sales
Office of Housing, Room 9146
Department of Housing and Urban Development
451 Seventh Street, SW
Washington, DC 20410

Government National Mortgage Association
451 Seventh Street, SW
Washington DC 20410

According to RESPA 12 USC Section 2605(e) your lender has 20 days to acknowledge receipt of your Qualified Written Request and 60 Days to provide you with answers to your question.

Borrower
123 Main Street, Any-Town, USA 10000

Chase Home Finance LLC
3415 Vision Drive
Columbus, OH 43219
Attn: Account Manager

August 31, 2010

**RESPA QUALIFIED WRITTEN REQUEST, COMPLAINT,
DISPUTE OF DEBT & VALIDATION OF DEBT LETTER, TILA REQUEST**

This letter is a “qualified written request” in compliance with and under the Real Estate Settlement Procedures Act, 12 U.S.C. Section 2605 (e) and Regulation X 24 C.F.R. 3500, and The Gramm Leach Bliley Act.

REF: Alleged Account # 10000000
123 Main Street, Anytown US 10000

Dear Madam or Sir:

Please be advised of your legal obligation to answer this Qualified Written Request and to obtain all records and documents pertaining to the above-mentioned Loan No. This request is made pursuant to the Real Estate Settlement and Procedures Act (RESPA). I have reason to believe that certain disclosures and documentation have been withheld in violation of the Truth

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Property Details

Property

Primary Owner:

Secondary Owner:

Borrower

Mail Address:

123 MAIN ST ANYTOWN US 10000

Site Address:

123 MAIN ST ANYTOWN US 10000

APN : XXXXXXXX

Lot Number : Page Grid : 598-F7

Housing Tract Number:

Legal Description : Abbreviated Description: SEC/TWN/RNG/MER:

PROPERTY DETAILS

Bedrooms : 3	Year Built : 1960	Square Feet : 996 SF
Bathrooms : 1	Garage : Attached 2	Lot Size : 7,405 SF
Total Rooms :	Fireplace : 1	Number of Units : 0
Zoning : LR7	Pool :	Use Code : Single Family Residential

SALE & LOAN

Transfer Date : 05/03/2007	Seller : R BORROWER	
Transfer Value : \$216,000	Document # : XXXXX	Cost/Sq Feet : \$216

ASSESSMENT & TAXES

Assessed Value : \$108,090	Percent Improvement :	Homeowner Exemption :
Land Value :	Tax Amount : \$2,246.33	Tax Rate Area : 406
Improvement Value :	Tax Status : Current	Tax Account ID : R119269
Market Improvement Value : \$83,310	Market Land Value : \$92,500	Market Value : \$175,810

COMPARABLES

1	124 MAIN ST	08/27/2010	\$156,700	\$144	1,088	/3/2	1956	6,970 SF
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Transaction History

Mortgage Record

Recording Date	05/03/2007	Document #	XXXXXXXX
Loan Amount:	\$43,200	Loan Type	Credit Line (Revolving)
TD Due Date	05/15/2022	Type of Financing	
Lender Name	WELLS FARGO BANK NA		
Lender Type	Bank	Vesting	
Borrowers Name	BORROWER		
Legal Description : Lot: 9			

Prior Transfer

Recording Date	05/03/2007	Document #	XXXXXX
Price	\$216,000	Document Type	Warranty Deed
First TD	\$172,800	Type of Sale	Full Amount on Deed
Mortgage Doc #	2007-079322	Interest Rate	
Lender Name	WELLS FARGO BANK NA		
Buyer Name	BORROWER	Seller Name	BORROWER
Buyer Vesting	N/A		
Legal Description : Lot: 9			

Prior Transfer

Recording Date	04/18/2007	Document #	BK-PG: -
Price	\$216,000	Document Type	N/A
First TD	N/A	Type of Sale	Per Assessor Transaction History
Mortgage Doc #		Interest Rate	

Glossary

Banks will often shower you with confusing terms and legal language. It's important that you be an informed consumer. Listed below are commonly used terms that you should be familiar with when dealing with your lender.

Acceleration Clause

A provision that allows the lender to demand the entire balance of the mortgage loan when the borrower fails to make some installment payments.

Affidavit

A written statement, usually given while under oath or in the presence of a notary.

Amortization Schedule

(Payment Schedule, Monthly Schedule) The dollar figures in the Payment Schedule represent principal, interest, plus Private Mortgage Insurance (if applicable) over the life of the loan. These figures will not reflect taxes, insurance, escrows, or any temporary buy down payment contributed by the seller.

Amortize

Loan payment by equal periodic payment calculated to pay off the debt at the end of a fixed period, including accrued interest on the outstanding balance.

Amount Financed

The loan amount applied for less the prepaid finance charges (found on the Good Faith Estimate). For example, if the borrower's note is for \$100,000 and the Prepaid Finance Charges total \$5,000, the amount financed would be \$95,000. The Amount Financed is the figure on which the Annual Percentage Rate is based.

APR (Annual Percentage Rate)

This is not the Note rate for which the borrower applied. The Annual Percentage Rate (APR) is the cost of the loan in percentage terms, taking into account various loan charges of which interest is only one. Other charges used to calculate the Annual Percentage Rate are Private Mortgage Insurance or FHA Mortgage Insurance Premium (when applicable) and Prepaid Finance Charges (loan discount, origination fees, prepaid interest, and other credit costs). The APR is calculated by spreading these charges over the life of the loan, which results in a rate higher than the interest rate shown on your Mortgage/Deed of Trust Note. If interest were the only Finance Charge, the interest rate and Annual Percentage Rate would be the same.

APPENDIX



Process Loans, Not Paperwork™

MERS® Servicer Identification System

Search for servicer information

No MINs can be located that match the search criteria entered

Assignment of Beneficiary

MERS does not record the assignment of beneficiary as required by law, until the foreclosure process starts and the Notice of Default has been filed, and apparently, only when it appears that the borrower will not be able to reinstate the loan and then foreclosure is inevitable. It maintains itself as the beneficiary throughout the entire process up to foreclosure.

MERS has represented in Florida Courts that its sole purpose is as a system to track mortgages. It has stated that it does not do the entries itself, but the lenders and servicers do. When an Assignment of Beneficiary is executed, it is the member servicer or lender that goes to the website, downloads the necessary forms, completes the forms and then takes it to the designated "MERS officer" to sign.

MERS agreements state that MERS and the Member agree that: (i) the MERS System is not a vehicle for creating or transferring beneficial interest in mortgage loans, (ii) transfer of servicing interests reflecting on MERS System are subject to the consent of the beneficial owner.

Since neither MERS nor the servicer have a beneficial interest in the note, nor do they receive the income from the payments, and since it is actually an employee of the servicer signing the Assignment in the name of MERS, this begs the question:

Is the assignment executed by the MERS employee even legal, since the actual owner of the note has not executed the assignment to the new party?

A good indicator might be in *Sobel v Mutual Development, Inc*, 313 So 2d 77 (1st DCA Fla 1975). An assignment of a mortgage in the absence of the assignment and physical delivery of the note in question is a nullity.