



BULLETIN C-04-1

TO: All Residential Lending Brokers and Servicers

SUBJECT: Examination of Mortgage Professionals

DATE: March 17, 2004

The Department has recently received requests from the industry to better clarify the mortgage examination process. This bulletin is provided to act as a guide in preparing for pending examinations.

The Department is authorized under Tennessee Code Annotated, § 45-13-112 to conduct periodic examinations of all companies licensed or registered with this Department. Special examinations are generated stemming from either complaints or from information received alleging unlicensed activities. Prior to any examination you will be given an Officer's questionnaire requesting information as to the lenders, brokers, title companies, and appraisers currently being used. This questionnaire may also request certain information from your company regarding employees, financial statements, the type loans closed and the lien positions.

An examination by the Department is conducted with at least two examiners. A loan register of all applications taken for the previous twenty-five (25) months, including loans that have been closed, withdrawn or rejected, will be requested. This register should also contain the customer's name, amount of loan, date of application, date of funding, the broker's name if applicable, and the lender of record and lien position. The Department's examiners will make a selection of loans to review from this register. A copy of your bond and any and all current financial records compiled in accordance with generally accepted accounting principles, including but not limited to, the business account checkbook, balance sheet, and income statement will also be requested.

All files should be centrally located and easily accessible to the Department's examiners. Files should contain certain documentation, including but not limited to the original application, good faith estimate, truth in lending disclosures, promissory note, appraisal, title policy, HUD-1 or HUD-1(a) documents, right of rescission, affiliated business arrangement (if applicable), loan servicing disclosure, servicing transfer disclosure, section 32 disclosure (if applicable), lock-in agreement (if applicable), required service provider, and copies of all checks issued by the title attorney or the title company. If the loan has been either withdrawn or rejected, a copy of the Equal Credit Opportunity Act ("ECOA") adverse action notice should be attached.

This bulletin is meant for informational purposes only and is not meant to be exhaustive in nature. While the Department vigorously seeks to ensure that all regulated institutions are in full compliance with state law under the Department's jurisdiction, we also seek to establish a fertile business environment in Tennessee for those compliant institutions to serve the public's financial needs.

Additional information may be requested from the Department. Any questions should be directed to the Department's Compliance Division in care of Nita Taylor, Director of Examinations or Mike Igney, Program Administrator at (615) 741-2236.

Fred R. Lawson
Commissioner