#2 We ask actual categories under ECOA
#4 We ask actions NOT prohibited. What is acceptable between lender and appraiser.

1. Name one practice that is prohibited under Section 8 of RESPA.

Referrals and Fee-Splitting - Borrowers depend on a number of settlement service providers to prepare for closing. Mortgage brokers, real estate brokers, attorneys, appraisers, inspectors, credit reporting agencies, notaries, and title insurers are examples of professionals who offer settlement services. As industry partners, it is natural for these settlement service providers to exchange referrals. In fact, consumers rely on those who are in the lending industry to help them find the professionals they need to close a loan. One of the goals of RESPA is to ensure that these referrals are made without driving up settlement costs. Therefore, the law prohibits monetary and other rewards for making referrals.

2. List at least three categories under ECOA on which creditors may not base credit decisions.

ECOA and its regulations are intended to promote the availability of credit to all creditworthy applicants regardless of race, color, religion, national origin, sex, marital status, or age.

The law also prohibits credit decisions being based on the fact that the applicant has income from a public assistance program, or that the applicant has exercised his or her rights under the Consumer Credit Protection Act (e.g., participation in a consumer credit counseling program).

ECOA addresses specific discriminatory practices such as redlining, which occurs when creditors refuse to make loans in certain neighborhoods due to the personal characteristics of the residents, and the more recent practice of reverse redlining, which first occurred during the lending boom when predatory lenders targeted neighborhoods with elderly, immigrant, and minority populations to make risky loans that included oppressive lending terms.

3. Define rescission as it relates to a mortgage loan transaction.

Rescission - is a legal remedy that voids a contract between two parties, restoring each to the position held prior to the transaction. TILA includes two provisions that address the right to rescind certain types of mortgage loans:

▪ Three-business-day rescission period: the three-business-day rescission period creates a cooling-off interval after closing on a loan. This interval is intended to give a borrower the opportunity to reconsider whether he/she wants the loan, and the ability to cancel the loan by simply providing the lender with timely notice of the cancellation (15 U.S.C. §1635(a)).

▪ Three-year rescission period: the three-year rescission period is available to a borrower who did not receive a notice of the right to rescind or accurate Truth-in-Lending disclosures at the time that he/she entered an agreement for a mortgage loan (15 U.S.C. §1635(f)).

4. List at least two practices that are not prohibited with regard to appraiser

The regulations also include examples of actions that a creditor or settlement service provider can take without violating the prohibition against influencing the opinion of an appraiser:

▪ Asking an appraiser to consider additional information about a consumer’s principal dwelling or about comparable properties

▪ Requesting that an appraiser provide additional information about the basis for a valuation

▪ Requesting that an appraiser correct errors in a valuation

▪ Obtaining multiple appraisals of a consumer’s principal dwelling, so long as the creditor adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value

▪ Withholding compensation from an appraiser for breach of contract or substandard performance of services as provided by a contract

▪ Taking action permitted or required by applicable federal or state statute, regulation, or agency guidance