



WHITE PAPER

THE APPLICABILITY OF HMFAC TS' PRODUCTS AND TOOLS
AND THE EFFECTS OF H.R. 4173 DODD-FRANK WALL STREET
REFORM AND CONSUMER PROTECTION ACT ON INDUSTRY
PROFESSIONALS.

Presented By:
Decision Ready Data Solutions, Inc.



Decision Ready Data Solutions, Inc. (DRD), a California corporation, owns the domain to the website www.hmfacts.com (HMFacts™).

HMFacts™ was created as an engine to service three separate and distinct professions, in a single domain, by offering products and services unique in their field while leveraging each other to create a symbiotic relationship wherein each profession can locate and engage the other to utilize their services.

The three professions are comprised of Homeowners, Contractors and Industry Professionals (which include Appraisers, Banks, Government Agencies, Mortgage Bankers and others whose core competencies involve single or multi-family residences). These three professions are accessed by entering the appropriate Portal.

HMFacts™' services provided in the first two Portals are for (i) Homeowners wherein a contractor's network, that is zip code and trade based, is offered and (ii) Contractors wherein County and zip code specific advertising for general or specialty trades are inexpensively afforded. Contractors include Appraisers, Architects, Property Inspectors, Commercial Contractors, Residential Contractors, Union Contractors, Handyman and Specialist.

HMFacts™ Industry Professionals Portal is comprised of three tools specific to appraisal, banking, mortgage and asset management industries' needs that, cost effectively and efficiently, validate and maintain proper due diligence on a portfolio for the Lenders, Servicers and Investors and are as follows:

Insurance Valuation Tool (IVT): The IVT provides:

- **Loan Servicing and Underinsurance Portfolio Validation:** IVT can be used for examining loan portfolios against risks of underinsurance. This tool has proven to be an efficient and reliable due diligence “check” on the sufficiency of the dwelling coverage necessary to meet the loan requirements and to allow for sufficiency of transfer of risk to a third party.
- **Lenders with a due-diligence tool to validate that borrowers obtain sufficient hazard insurance to replace a home in the event of loss.** This ensures that Lenders meet their fiduciary obligations to its investors by confirming that the collateral is protected in accordance with underwriting guidelines.



Home Repair Estimate (HRE): HRE provides:

- An HRE report that has been specifically created to be an attachment in Section V. (Repairs) of the mandated Fannie Mae Broker Price Opinion Form and REO Addendum.
- A national "cost to repair and maintain" data standard and property solution for the preservation of bank owned and managed properties.
- Your vendors an easier way to facilitate repair estimates both in the field as well as in-house.
- A seamless delivery of detailed, itemized lists of repairs and maintenance costs to your client base on proven Nationwide Data standardized labor and materials cost data.
- A rapid generation of estimates even for the most difficult repair jobs
- Quality control check points for outside field inspectors and in-house bids.
- In addition, the HRE Meets the HUD requirements in ML2010-18 which states: "the mortgagee must upload all supporting documentation into P260, including a detailed description of what actions were taken, along with verifiable and auditable documentation which includes an itemized list of the repairs, materials used, and photographs." Additionally, HUD has informed all vendors that they are authorized to use any "commercially available, off-the-shelf" estimating tool.
- In today's volatile market, it is critical that institutional investors, lenders, real estate agents, servicers, and appraisers have a reliable & standardized way to estimate the cost of necessary repairs.

Appraiser Assisted Residential Cost Analysis (AARCA): AARCA provides:

- Appraisers with a solution that incorporates intricate math and individual line item detail, including mandated depreciation tables on each attribute of a home, and produces a detailed and line item breakout report that supports the 'cost approach to value' required on the Uniform Residential Appraisal Report (URAR) Form 1004.



Why Use HMFacts™:

1. Data: HMFacts™ utilizes Bluebook International’s data in its tools. Bluebook has been a reliable and trusted source of cost data since 1964 and has been called the “Bible” in determining replacement costs throughout the United States and Canada.

The reason Bluebook’s data is reliable and trusted as the key determinant in calculating replacement cost is Bluebook’s unique ability to assess and predetermine the quality of construction by neighborhood as opposed to zip code or broader areas which often uncovers significant errors in replacement costs.

2. Availability: Until now, the ability to have a web-enabled cost replacement tool with reliable data was non-existent and left no alternative but to utilize costly and cumbersome pricing guides which created ‘guesswork’ that was, and continues to be, incorrect. As a result, HMFacts™ tools allow industry professionals the ability to:
 - a. Streamline operations saving costs on man-hours
 - b. Print, email or save the PDF report for immediate inclusion into federally mandated forms wherein HMFacts™ reports are considered to be a “commercially available, off-the-shelf” estimating tool.
 - c. Maintain and exceed fiduciary and regulatory compliance by utilizing nationally recognized data.
 - d. HMFacts™ products are web based and requires no down time, no uploads, tutorials or implementation time and industry professionals can begin utilization immediately.
 - e. In that Property Preservation is vital to industry professionals, HMFacts™ products allow each user to edit their reports, at no charge and with no time limit, up to 5 times on each address inputted.



3. Infra-Structure:

- a. HMFacts™ has partnered with a nationally known server provider, with over 60,000 square feet of servers, and currently has server capacity to house millions of users simultaneously. In addition, our server provider has multiple redundancies in place with 24/7/365 support staff that all but ensure no down time.
- b. HMFacts™ has its own ‘800’ customer service number that is available 9 AM – 6 PM (PST) which is staffed by knowledgeable and courteous professionals.
- c. HMFacts™ has created industry professional Master Accounts for management account ability. More specifically, the designated manager(s) can create, maintain and edit sub-accounts for all industry professional employees who are utilizing HMFacts™’ tools. The manager, on a 24/7 basis, can review all ‘time-stamped’ reports created by its employees from inception providing the manager has internet capability.

4. Compliance with the H.R. 4173 Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

While HMFacts™’ reports are compliant with current Fannie Mae, Freddie Mac, HUD and VA regulations, the enactment of the Dodd-Frank law, in October, 2010, created new requirements that either have been mandated of the appraisal, banking, insurance, mortgage and asset management industries, Lenders and/or Servicers or, at a minimum, creates a proactive duty of these industry professionals to error on the side of disclosure to ensure compliance.

Toward that end, **HMFacts™’ tools are applicable to the following 7 Sections of the Dodd-Frank** (please revert to the White Paper Addendum below for the applicable Dodd-Frank Section excerpts being referenced):

Section 1411: Ability to Repay: Under the terms of this section, it is the law that a creditor may not make a residential loan unless the creditor makes a reasonable effort and good faith determination that the consumer has a reasonable ability to repay the loan according to its terms, and all applicable taxes, INSURANCE (*emphasis added*) and assessments.

HMFacts™’ IVT is an invaluable tool in determining the accurate insurance coverage needed on each single family residence sold including REO properties. Industry professionals’ ability to ascertain minimum coverage on an REO property being sold is an integral factor in adhering to this Dodd-Frank section.

Section 1450: Updating and Simplification of Mortgage Information Booklet: Under the terms of this section, a federally created ‘booklet’ shall be prepared every 5 years whereupon any lender, that makes a federally related mortgage loan, must disclose to a potential buyer that they received an explanation of a ‘consumer’s responsibilities, liabilities and obligations in a mortgage transaction.

While industry professional’s obligations will be to ‘handout’ this booklet, the ability to provide a prospective buyer a printout of IVT’s accurate insurance coverage, industry professionals would have exceeded their regulatory and fiduciary requirements of disclosing more than what is mandated by Dodd-Frank.

Section 1462: Disclosure Notice Required for Consumers Who Waive Escrow Services: Under this section, the disclosure requirements for consumers who waive escrow services must include a clear explanation of the consequences of any failure to pay non-escrowed items, including the possible requirement for the forced-placement of insurance by the creditor or servicer.

While some industry professionals act as a creditor or servicer of a property being sold wherein the consumer desires to waive the escrow services, it is of great import that these industry professionals disclose, to such a consumer, the amount of forced placed insurance that will be mandated. Such a disclosure can only be derived by the IVT which can be made part and parcel of the sell agreement in escrow.

Section 1463: Real Estate Settlement Procedures Act of 1974 Amendments: These amendments dictates how a servicer of a federally related mortgage cannot mandate force-placed insurance excepting when, among other things, there is a reasonable basis to believe the borrower has failed to comply with insurance coverage. When applicable, it is the responsibility of the servicer to understand the limitations related to forced-placed insurance imposed on the borrower, by or through the servicer, and it “shall be bona fide and reasonable”.

HM Facts™ IVT complies with and exceeds the requirement of this section by stating to the borrower that minimum forced-placed insurance was predicated upon the IVT included in the sell agreement escrow.

Section 1465: Escrows Included in Repayment Analysis: In a mortgage transaction where an impound trust, or other type of account will be established in connection with the payment of property taxes, hazard and flood insurance and etc., the information required to be provided must include, among other things, assessment value. Assessment value, as defined by Dodd-Frank, shall include, among other things, the reflection of the taxable assessed value of the real property including the value of any improvements on the property or to be constructed on the property, if known, and the replacement costs of the property for hazard insurance.



HM Facts™ HRE is the only replacement cost available today that will afford industry professionals the ability to satisfy this Dodd-Frank section while exceeding their fiduciary responsibilities to their lender clients through the preparation of a report of all replacement costs pre and post REO sale.

Section 1471: Property Appraisal Requirements: Requires that a creditor, willing to extend credit in the form of a higher-risk mortgage, must first obtain a written appraisal wherein a certified or licensed appraiser must conduct a physical visit of the property interior.

HM Facts™ HRE and AARCA will aid industry professionals by requiring the appraiser to complete the mandated depreciation tables on each attribute of the home utilizing the AARCA report while obtaining the replacement costs on each attribute of the home that needs repair prior to extending credit. This function will serve to demonstrate the industry professional's constant endeavor to provide the most accurate data to ensure compliance in a higher risk mortgage.

Section 1472: Appraisal Independence Requirements: Under this section, no mortgage-lender, mortgage broker, mortgage banker, or real estate broker may violate the independence of an appraiser unless they request the appraiser to consider additional and appropriate property information or to provide further detail and substantiation or explanation for the appraisers' value conclusion.

A mortgage lender, banker or real estate broker's management may create their own IVT, HRE and AARCA and, when the appraisal has been received, can request the appraiser to take into consideration those facts contained on HM Facts™ reports. This will ensure 'appraiser independence' compliance with this section while giving them the necessary ammunition to request an appraiser to realistically confront those additions and/or depreciations not included in the appraisal.

Conclusion:

The appraisal, banking, mortgage and asset management industries, other markets within the confines of Government Sponsored Agencies (GSA's) and other REO Lenders must meet certain mandated disclosure requirements. HM Facts™ reports are a necessary tool for industry professionals to demonstrate that they constantly strive to not only operate within legislated parameters but exceed the 'reasonableness' standard in disclosure and fiduciary responsibility while streamlining its operations and decreasing operating costs.



WHITE PAPER ADDENDUM

THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT

(H.R. 4173)

(applicable excerpts)

SEC. 1411 ABILITY TO REPAY

“§ 129C. Minimum standards for residential mortgage loans

“(a) ABILITY TO REPAY.—

“(1) IN GENERAL.—In accordance with regulations prescribed by the Board, no creditor may make a residential mortgage loan unless the creditor makes a reasonable and good faith determination based on verified and documented information that, at the time the loan is consummated, the consumer has a reasonable ability to repay the loan, according to its terms, and all applicable taxes, **insurance** (including mortgage guarantee insurance), and assessments.

SEC. 1450. UPDATING AND SIMPLIFICATION OF MORTGAGE INFORMATION BOOKLET.

“(a) PREPARATION AND DISTRIBUTION.—The Director of the Bureau of Consumer Financial Protection (hereafter in this section referred to as the ‘Director’) shall prepare, at least once every 5 years, a booklet to help consumers applying for federally related mortgage loans to understand the nature and costs of real estate settlement services. The Director shall prepare the booklet in various languages and cultural styles, as the Director determines to be appropriate, so that the booklet is understandable and accessible to homebuyers of different ethnic and cultural backgrounds. The Director shall distribute such booklets to all lenders that make federally related mortgage loans. The Director shall also distribute to such lenders lists, organized by location, of homeownership counselors certified under section 106(e) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(e)) for use in complying with the requirement under subsection (c) of this section.

(1)– (10) not applicable

“(11) An explanation of a consumer’s responsibilities, liabilities, and obligations in a mortgage transaction.

SEC. 1462. DISCLOSURE NOTICE REQUIRED FOR CONSUMERS WHO WAIVE ESCROW SERVICES.

Section 129D of the Truth in Lending Act (as added by section 1461) is amended by adding at the end the following new subsection:

“(j) DISCLOSURE NOTICE REQUIRED FOR CONSUMERS WHO WAIVE ESCROW SERVICES.—

“(1) IN GENERAL.—If—

“(A) an impound, trust, or other type of account for the payment of property taxes, insurance premiums, or other purposes relating to real property securing a consumer credit transaction is not established in connection with the transaction; or

“(B) a consumer chooses, and provides written notice to the creditor or servicer of such choice, at any time after such an account is established in connection with any such transaction and in accordance with any statute, regulation, or contractual agreement, to close such account, the creditor or servicer shall provide a timely and clearly written disclosure to the consumer that advises the consumer of the responsibilities of the consumer and implications for the consumer in the absence of any such account.

“(2) DISCLOSURE REQUIREMENTS.—Any disclosure provided to a consumer under paragraph (1) shall include the following:

“(A) Information concerning any applicable fees or costs associated with either the non-establishment of any such account at the time of the transaction, or any subsequent closure of any such account.

“(B) A clear and prominent statement that the consumer is responsible for personally and directly paying the non-escrowed items, in addition to paying the mortgage loan payment, in the absence of any such account, and the fact that the costs for taxes, insurance, and related fees can be substantial.

“(C) A clear explanation of the consequences of any failure to pay non-escrowed items, including the possible requirement for the forced placement of insurance by the creditor or servicer and the potentially higher cost (including any potential commission payments to the servicer) or reduced coverage for the consumer in the event of any such creditor-placed insurance.

“(D) Such other information as the Board determines necessary for the protection of the consumer.”.

SEC. 1463. REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974 AMENDMENTS.

(a) SERVICER PROHIBITIONS.—Section 6 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605) is amended by adding at the end the following new subsections:

“(k) SERVICER PROHIBITIONS.—

“(1) IN GENERAL.—A servicer of a federally related mortgage shall not—

“(A) obtain force-placed hazard insurance unless there is a reasonable basis to believe the borrower has failed to comply with the loan contract’s requirements to maintain property insurance;

(a) – (l) not applicable

“(m) LIMITATIONS ON FORCE-PLACED INSURANCE CHARGES.— All charges, apart from charges subject to State regulation as the business of insurance, related to force-placed insurance imposed on the borrower by or through the servicer shall be bona fide and reasonable.”.



SEC. 1465. ESCROWS INCLUDED IN REPAYMENT ANALYSIS.

Section 128(b) of the Truth in Lending Act (15 U.S.C. 1638(b)) is amended by adding at the end the following new paragraph:

“(4) REPAYMENT ANALYSIS REQUIRED TO INCLUDE ESCROW PAYMENTS.—

“(A) IN GENERAL.—In the case of any consumer credit transaction secured by a first mortgage or lien on the principal dwelling of the consumer, other than a consumer credit transaction under an open end credit plan or a reverse mortgage, for which an impound, trust, or other type of account has been or will be established in connection with the transaction for the payment of property taxes, hazard and flood (if any) insurance premiums, or other periodic payments or premiums with respect to the property, the information required to be provided under subsection (a) with respect to the number, amount, and due dates or period of payments scheduled to repay the total of payments shall take into account the amount of any monthly payment to such account for each such repayment in accordance with section 10(a)(2) of the Real Estate Settlement Procedures Act of 1974.

“(B) ASSESSMENT VALUE.—The amount taken into account under subparagraph (A) for the payment of property taxes, hazard and flood (if any) insurance premiums, or other periodic payments or premiums with respect to the property shall reflect the taxable assessed value of the real property securing the transaction after the consummation of the transaction, including the value of any improvements on the property or to be constructed on the property (whether or not such construction will be financed from the proceeds of the transaction), if known, and the replacement costs of the property for hazard insurance, in the initial year after the transaction.”.

SEC. 1471. PROPERTY APPRAISAL REQUIREMENTS.

“§ 129H. Property appraisal requirements

“(a) IN GENERAL.—A creditor may not extend credit in the form of a higher-risk mortgage to any consumer without first obtaining a written appraisal of the property to be mortgaged prepared in accordance with the requirements of this section.

“(b) APPRAISAL REQUIREMENTS.—

“(1) PHYSICAL PROPERTY VISIT.—Subject to the rules prescribed under paragraph (4), an appraisal of property to be secured by a higher-risk mortgage does not meet the requirement of this section unless it is performed by a certified or licensed appraiser who conducts a physical property visit of the interior of the mortgaged property.



SEC. 1472. APPRAISAL INDEPENDENCE REQUIREMENTS.

“§ 129E. Appraisal independence requirements

“(a) IN GENERAL.—It shall be unlawful, in extending credit or in providing any services for a consumer credit transaction secured by the principal dwelling of the consumer, to engage in any act or practice that violates appraisal independence as described in or pursuant to regulations prescribed under this section.

(b) Not applicable

“(c) EXCEPTIONS.—The requirements of subsection (b) shall not be construed as prohibiting a mortgage lender, mortgage broker, mortgage banker, real estate broker, appraisal management company, employee of an appraisal management company, consumer, or any other person with an interest in a real estate transaction from asking an appraiser to undertake 1 or more of the following:

“(1) Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support an appraisal.

“(2) Provide further detail, substantiation, or explanation for the appraiser’s value conclusion.

“(3) Correct errors in the appraisal report.