

Announcement

To: All Correspondent Sellers

August 8, 2006

Expanded Review of Truth-in-Lending Disclosures

As part of the loan purchase process, we audit loans to ensure compliance with applicable federal and state laws and regulations. These audits may include reviews of loan-related costs to ensure compliance with all high-cost and Truth-in-Lending (TIL) disclosure requirements.

In the past, our review of the TIL has been limited. However, in response to increased scrutiny by secondary marketing investors, we will immediately begin performing more comprehensive reviews of the TIL, with particular attention paid to higher risk loans such as Alt-A and Subprime.

To help our Sellers understand our more comprehensive review process, we are now republishing our list of fees (shown on page 2), which gives examples of finance charges that are not excluded by Regulation Z, Section 226.4(c), (d), or (e). These fees, if charged, must be included in the disclosed finance charges and annual percentage rate (APR) calculation on all loans we purchase.

The fees are grouped into three categories: (1) broker and lender fees, (2) third-party fees, and (3) settlement agent fees. Because of the many names used to describe the same fees and services, a fee is not necessarily excluded if its specific name is missing from the list.

You may use credits given by the property seller, lender, realtor, or broker to reduce a finance charge only if the credit is specifically designated for a particular fee or fees. For example, a property seller credit toward closing costs must be applied to non-finance charges, unless the HUD-1 specifically states that the credit is to pay for a specific finance charge, such as points. **However, please note that at no time may an interest credit be used to reduce finance charges, as this is a credit toward the first payment.**

If our review shows that certain fees and charges were not disclosed as finance charges and the disclosure amount varies from the actual finance charge by more than \$100 (as stated in Section 226.23(g)(2) of Regulation Z), you must refund to the borrower the fees plus any interest the borrower may have paid on the amount not disclosed. In addition, if the loan was rescindable, you must provide the borrower a new NRTC. The new NRTC must have the same consummation date (date the borrower became obligated for the debt), but the expiration date must be set at three days from the date the borrower receives the new NRTC.

Additionally, and again due to secondary market investor requirements, loans determined to be of higher risk will be considered accurate only if the disclosure varies from the actual finance charge by no more than \$35 (refer to Section 226.23(h)(2) of Regulation Z). To be eligible for purchase, higher risk loans that exceed this tolerance must first be brought into compliance with the refund requirements described in the paragraph above.

If you have any questions, contact your Operations Account Manager.

*By providing this information, we are neither providing legal advice nor interpreting the Truth-in-Lending Act or Regulation Z.

Examples of Fees Countrywide Considers To Be Finance Charges

Broker/Lender Fees	Third Party Fees	Settlement Agent Fees
Origination fee/supplemental origination fee	FHA MIP	Closing, escrow or settlement fee
Processing fee	VA funding fee	Attorney fee for conducting the closing
Discount fee or points	RHA guarantee fee	Courier fee
Points	Private mortgage insurance	Tie-in fee
Loan fee	Courier fee	Sub-escrow fee
Lock-in or rate lock fee	Agency fee (FNMA, FHLMC and GNMA)	Signing fee
Underwriting fee	Automated underwriting fee (DU TM , LP or CLUES SM)	Mobile notary fee (if the fee is in addition to the fee to notarize the documents)
Warehouse fee	Bond authorities or special mortgage program administrator fee	Document printing or electronic document delivery fee
Application fee	Flood check/flood certification fee (unless the fee covers only the up-front determination)	Copy or fax fee
Commitment fee	Tax service/tax contract fee	After hours fee
Wire fee	Recording fee for a concurrent assignment to funding lender or investor	Service fee
Administration fee	Post-closing services on construction loans (i.e. inspections, title endorsements, etc)	Rush recording fee
Assumption fee	MERS fees	Administration fee
Subordination fee		Storage fee
Closing/funding fee		
Broker fee		
Computer loan origination fee		
Escrow waiver fee		
Condo/PUD approval fee		
Amortization Schedule fee		
Appraisal desk review if paid to the lender		
Per diem interest/odd days interest		
Courier fee		

The information provided herein is intended for use by mortgage professionals and financial institutions regarding secondary transactions only. Rates and programs are subject to change without notice.

Copyright © 2006, Countrywide Home Loans, Inc. All Rights Reserved.
Trade/Service marks are the property of Countrywide Financial Corporation and/or its subsidiaries.