



PROGRAM ANNOUNCEMENT

Number 03-074-- Wholesale

December 22, 2003

HMDA Data Collection Changes

Effective January 1, 2004

Changes have been made to Regulation C, which will affect the way in which HMDA data is collected and reported. These changes are effective with all applications taken on or after January 1, 2004, and include the following:

1. **Pre-approvals**—must now be reported. Pre-approvals are defined as **purchase money, owner-occupied properties** in which **no property has been identified** and is a request by a prospective applicant as to whether they would likely qualify for credit or on the amount of credit they would likely qualify for. In these loans the property address in Saxon's Automated Underwriting (AU) would be set to "To Be Determined" (TBD). Saxon's E-Z application (ez-App) and AU have been set up to identify pre-approvals contingent on the selection of the criteria noted above.
2. **Home Improvement Loans**—must now be reported. Home improvement loans are now defined as loans that are intended **in whole or in part for home improvement** and should be identified in AU with a purpose of home improvement.

Caution:

- If any of the proceeds from closing go for home improvement **AND** also go to buy a home, the loan would be considered a "Purchase" rather than home improvement.
- If any loan is for the purpose of refinance and **ANY** of the proceeds go to home improvement the loan must be considered a "Home Improvement" loan rather than a "refinance".

Note: Loans which would have formerly been reported as "refinances" but which now fall into the "home improvement" category will still be subject to rescission.

3. **Refinances**—change in definition. Refinances are now considered as any loan that satisfies and replaces an existing loan **AND** the existing and new

loans are secured by a lien on a dwelling. **Caution: Loans meeting this definition but which have any or all proceeds used for home improvement should not be considered as refinances (see #2 above).**

Note: As a result of the new definition for “refinances”, modifications, extensions and consolidation agreements (MECAs) are **not** considered refinances and are no longer reported.

4. **Ethnicity and Race**

a. **Ethnicity**—new data collection which is defined as persons of Cuban, Mexican, Puerto Rican, South or Central America or other Spanish culture or origin, regardless of race. Applicants must be **asked** (but are not required) to provide this information on all applications. Response choices are: “Hispanic or Latino” **OR** “Not Hispanic or Latino”.

Note: If the applicant does not wish to designate ethnicity then the “Do Not Wish to Furnish” designation should apply unless the application is taken face-to-face then a designation based on surname or visual observation should be made.

b. **Race**—changes in designations. Each applicant must be **asked** (but is not required) to provide race information. Additionally, each applicant can now choose up to 5 race designations as follows:

- **American Indian or Alaskan Native**—persons having origins in any of the original peoples of North or South America (including Central America), and who maintains tribal affiliation or community attachment.
- **Asian**—persons having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, Philippine Islands, Thailand and Vietnam.
- **Black or African American**—persons having origins in any of the black racial groups of Africa.
- **Native Hawaiian or Other Pacific Islander**—persons having origins in any of the original peoples of Hawaii, Guam, Samoa or other Pacific Islands.
- **White**—persons having origins in any of the original peoples of Europe, Middle East or North America.

Note: If the applicant wishes not to provide race information, “Do Not Wish to Furnish” should be selected unless the application is taken face-to-face, then a designation should be made based on surname or visual observation.

5. **Rate Spread**—new data collection. Defined as the difference between the APR and comparable Treasury yield using the securities as of the 15th of the prior month to the date the rate was locked. Loans that are purchased or not subject to Reg Z will be reported as “not applicable”.

6. **HOEPA Status**—new data collection. HOEPA loans are those that exceed Section 32 tolerances (APR +8% on 1st mortgages and +10% on 2nd mortgages OR in which points and fees exceed the greater of 8% of the “loan amount” or \$499 (effective 1/1/04). HOEPA status is reported on originations

and purchased loans that are subject to Reg Z (does not apply to purchase money transactions on owner occupied properties).

7. **Lien Status**—new data collection.

Revised 1003: Two of the data collection changes mentioned above (ethnicity and race codes) are mirrored in the revised 1003 (see Program Announcement No. 03-066 dated December 4, 2003 for reference).

This information is not to be considered as legal advice for our Broker. We encourage all Brokers to seek their own legal counsel on this and all matters regarding federal, state and local laws.

Please contact your Account Executive with any questions or visit our web site at www.esaxon.com or call the Broker Support Hotline.

East Coast Office
(800) 227-5838

West Coast Office
(800) 474-4202

In New York, Saxon Mortgage, Inc. does business as SMI Mortgage SM.

Should you wish not to receive unsolicited faxed information from the sender, you may notify the sender by calling toll free (800) 227-5838, or by writing to Saxon Mortgage, Inc., 4880 Cox Road, Glen Allen, VA 23060, Attn: Wholesale Administration