



State of North Carolina

Office of the Commissioner of Banks

Beverly E. Perdue
Governor

Joseph A. Smith, Jr.
Commissioner of Banks

DELIVERED VIA CERTIFIED MAIL ELECTRONIC MAIL

Date

Contact Name
Company Name
Address
City, State, ZIP

Re: Examination of (Company Name), (License number)
Period Examined: (month, day, year) to (month, day, year)

Dear (Contact Name):

An examination has been scheduled to review your company's compliance with the North Carolina Secure and Fair Enforcement Mortgage Licensing Act (formally known as the North Carolina Mortgage Licensing Act). Additionally, this examination will review the overall condition and performance of your company taking into consideration all significant compliance, operational, and financial factors.

The enclosed **Managers' Questionnaire and Document Request List** requests information and materials essential to the examination. This request is made early in the examination process to minimize the disruption of your company's daily routine. Furnishing requested material for off-site review will enhance the efficiency of the examination and reduce the examiner's time spent in your office.

I. **Application Register**

Provide data for all North Carolina real estate loan applications originated by your company within the examination period. Submit the loan information in Excel spreadsheet format. Attachment 1 contains the required data fields and file delivery instructions. We request that your company provide the application register within fifteen days (15) of receipt of this letter.

Within five (5) days of receipt of the application register, the Examiner-in-Charge (EIC) will request a sample of closed loan files and adverse action application files. We request that your company provide the files in an electronic format within thirty days (30) of this request.

II. Managers' Questionnaire and Document Information Request (MQ)

Please complete the MQ and return it with all supporting documentation to the North Carolina Office of the Commissioner of Banks' (NCCOB) Edenton Street address within forty-five (45) days of receipt of this letter. The MQ and supporting documentation are designated to be reviewed prior to the NCCOB's visit. Unless otherwise specified, the "review period" referred to in the MQ is from [enter date] until the date the questionnaire is completed.

III. Electronic Delivery

Questionnaires and supporting documentation may be submitted in Excel format or other electronic format. Encrypted data diskettes can be mailed to the NCCOB or contact Examiner-in-Charge (EIC) [enter EIC name] at [enter EIC e-mail] to obtain information regarding transmitting electronic data.

To protect non-public sensitive information from unauthorized access, the NCCOB does not send, receive, or request the transmission of unencrypted electronic non-public sensitive information. When transmitting non-public sensitive data you should follow your own data encryption procedures. If you follow your own encryption procedures, make certain that the encrypted files are "self-extracting." "Self-extracting" means that the file(s) can be opened without proprietary software.

IV. On-Site Examination

Upon receipt and review of the completed questionnaire and supplements, the EIC will contact you to schedule a mutually agreeable date for an on-site examination. The EIC will request that your company provide the paper version for a portion of the electronic file review sample. In addition, the EIC may request additional information based on the preliminary review of examination material.

V. Record Retention and Disposal

We request that the destruction of all records cease until written notification is received from the NCCOB that your companies' record disposal policies may be reinstated. If records exist in electronic formats (such as e-mail, digital images, word processed documents, databases, backup tapes, etc.), we recommend that the licensee notify its information technology staff of this record retention request. Failure to cease the destruction of records subjects the company to license revocation and civil money penalties.

VI. Examination Fees

Under the authority of N.C. Gen. Stat. § 53-244.115(a), the NCCOB may, at the expense of the licensee, conduct routine examinations of the books and records of any licensee in order to determine compliance with Federal and North Carolina Mortgage Lending laws.

Examination fees shall include the actual cost of additional expenses and the hourly rate for examiners' time as mandated by Title 4, Chapter 3, Rule 03C .1601 of the North Carolina

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Administrative Code.

VII. Obligation to Cooperate and Respond

Please be aware, that the Commissioner is authorized to take action, including summary suspension of a license, if the licensee fails, within 20 days, or a lesser time if specifically requested for good cause, to respond and cooperate fully with notices from the Commissioner or the Commissioner's designee relating to the scheduling and conducting of an examination or investigation under the North Carolina Secure and Fair Enforcement Act of 2009. See N.C. Gen. Stat. 53-244.115(g)(2) (Sec. 2 of Session Law 2009-374, effective July 31, 2009).

As stated above, we are requesting that application register be delivered within fifteen 15 days of receipt of this letter and the MQ be delivered within forty-five (45) of receipt of this letter. In addition, we request that the closed loan files and adverse action application files be delivered in an electronic format within thirty (30) days of the request of such files.

VIII. Conclusion

If you have any questions or would like clarification on any of the above, please contact me at (919) xxx-xxxx or xxxxxxxx@nccob.gov.

Thank you in advance for your cooperation and assistance.

Sincerely,

Financial Program Manager
Mortgage Examinations

Enclosures

Attachment 1

Required Data Fields –Mortgage Application Register

Data Requested

Provide data for all North Carolina real estate loan applications originated by your company within the examination period.

If requested data is not readily available, enter “N/A” in the respective data field.

File Delivery

Email file to (EIC)@nccob.org.

File Compression

Compressed and encrypted files must be Winzip™ compatible.

File Format

Provide the loan information in Excel spreadsheet format using data fields listed below. Each single distinct horizontal row should contain requested data for each loan. Do not wrap data for a single loan into two or more rows or combine data from more than one loan into a single row.

Row #	Data Field Name <i>(Column Heading)</i>	Data Field Description
1.	Loan Number	Primary key identifier for each note
2.	Borrower Name	Borrower name
3.	Property Address	Collateral property address
4.	Property City	Collateral property city
5.	Origination Date	Date the loan is originated
6.	Funding Date	Date the loan is funded
7.	Adverse Action Date	Date the loan was denied, if applicable
8.	Loan Source Channel	Field which indicates if loan sourced through retail, wholesale or correspondent lending channel
9.	Branch Identifier	Branch that originated the loan
10.	Loan Source Name	Name of Broker or Correspondent that originated loan
11.	Loan Officer	Name of individual that originated the loan
12.	Exception	Was the loan approved as an exception to written underwriting policies (yes/no)?
13.	Lien Position	The priority lien held (i.e., 1 st lien, 2 nd lien)

Attachment 1

Required Data Fields –Mortgage Application Register

Row #	Data Field Name <i>(Column Heading)</i>	Data Field Description
14.	Note Purpose	Description of what the proceeds will be used for (i.e. purchase or refinance)
15.	Loan Term	Number of months to note is contractually due
16.	Original Loan Amount	Principal amount of the loan
17.	Loan Type	FHA, VA, Conventional (Prime), Alt-A (Near Prime), Subprime (Non-Prime)
18.	Program Type	Fixed Rate or ARM
19.	Program Description / Name	Name of program (i.e. 2/28 ARM, 2/28 ARM IO, etc.)
20.	Prepayment Penalty Months	Number of months prepayment penalty covers
21.	Documentation Type	Documentation used to qualify borrower's capacity to repay the loan (full doc, stated-income, etc.)
22.	Escrowed Funds	Field that indicates if funds are escrowed for taxes and insurance (yes or no)
23.	APR	The APR reflected on the note
24.	Interest Rate	The contractual rate of interest reflected on the note
25.	Fully Indexed Interest Rate	The fully indexed interest rate at origination / settlement
26.	Contractual Payment Amount	Amount of contractual regularly scheduled monthly payment (do not reflect escrow funds)
27.	Fully Indexed P&I Payment	Amount of fully indexed and amortized monthly payment
28.	Total DTI Ratio	Ratio of total monthly obligations (including house expenses) as a percentage of total gross monthly income
29.	Total QDTI Ratio	Ratio of total monthly obligations (including house expenses calculated at fully indexed and amortized mortgage payment) as a percentage of total gross monthly income
30.	Purchase Price	Contractual sales amount for purchased transactions
31.	Appraised Amount	Collateral valuation
32.	Loan-to-Value (LTV)	Lower of sales price or appraised amount as a percentage of the loan amount
33.	Combo Loan	Indicator if simultaneous / piggyback second mortgage lien (yes or no)
34.	Combo Loan Number	Provide loan number if simultaneous second / piggyback mortgage
35.	Combo Loan Date	Date combo loan originated / settled
36.	Combo Loan Amount	Amount of second mortgage lien

Attachment 1

Required Data Fields –Mortgage Application Register

Row #	Data Field Name <i>(Column Heading)</i>	Data Field Description
37.	Combined Loan-to-Value (CLTV)	Lower of sales price or appraised amount as a percentage of the aggregate first and second lien loan amount
38.	Credit Score	Credit score obtained from a credit bureau that was used in the underwriting decision of the credit
39.	Total Lender Fees	Aggregate Lender Fees paid at settlement
40.	Total Points	Loan discount points paid at settlement
41.	Total Broker / Correspondent Compensation	Aggregate Broker / Correspondent Compensation before YSP paid at settlement
42.	Yield Spread Premium	Yield Spread Premium paid by Lender