

# CAMB

CALIFORNIA ASSOCIATION OF MORTGAGE BROKERS



## BEST PRACTICES HANDBOOK

*A MANUAL OF ETHICAL GUIDELINES*

*& PROFESSIONAL STANDARDS*

*FOR MORTGAGE ORIGINATORS*

## ACKNOWLEDGEMENT

This Manual of Ethical Guidelines and Professional Standards for Mortgage Originators is the product of the combined energies and talents of the Best Practices Committee, 2003-2004, of the California Association of Mortgage Brokers:

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With the invaluable  
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# *A MANUAL OF ETHICAL GUIDELINES & PROFESSIONAL STANDARDS FOR MORTGAGE ORIGINATORS*

## CALIFORNIA ASSOCIATION OF MORTGAGE BROKERS BEST PRACTICES HANDBOOK

Published by

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of Mortgage Brokers  
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## CAMB MEMBER'S PLEDGE

By signing an application for membership in the California Association of Mortgage Brokers, every applicant signals his or her commitment to uphold CAMB's values as follows:

*"I pledge to conduct my business in accordance with the laws, rules, and regulations of the state of California, the federal government, and in accordance with the Code of Ethics, Standards of Practice, Bylaws, and Board policies of the California Association of Mortgage Brokers, and the National Association of Mortgage Brokers, as applicable. I understand that failure to do so may result in the termination of my membership without refund."*

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## **CAMB's MISSION**

The California Association of Mortgage Brokers promotes the highest standards of professional and ethical conduct, among which are expert knowledge, accountability, fair dealing, and service to our clients and our community. The Association provides education, legislative and regulatory representation, and public relations for its membership and the mortgage industry, while serving as a forum for the development of common business interests.

# CALIFORNIA ASSOCIATION OF MORTGAGE BROKERS

## CODE OF ETHICS

### HONESTY AND INTEGRITY

**CAMB members shall conduct business in a manner reflecting honesty, honor, and integrity.**

### PROFESSIONAL CONDUCT

**CAMB members shall conduct their business activities in a professional manner.**

### HONESTY IN ADVERTISING

**CAMB members shall endeavor to be accurate in all advertisements and solicitations.**

### CONFIDENTIALITY

**CAMB members shall avoid unauthorized disclosure of confidential information.**

### COMPLIANCE WITH LAW

**CAMB members shall conduct their business in compliance with all applicable laws and regulations.**

### DISCLOSURE OF FINANCIAL INTERESTS

**CAMB members shall disclose any financial interest they may have in a loan transaction.**

# CALIFORNIA ASSOCIATION OF MORTGAGE BROKERS STANDARDS OF PROFESSIONAL PRACTICE

Housing is one of the most basic of all human needs. Home ownership is an integral part of the fulfillment of the American Dream. Members of the California Association of Mortgage Brokers (CAMB) act as consumer advocates while obtaining the finest financing that is available for the achievement of this dream. The role of the CAMB member is an honor as well as a social responsibility. CAMB members adhere to the highest standards of ethical and professional conduct while fulfilling this responsibility.

The following Standards of Professional Practice are a model by which CAMB members can measure their performance. No Standards of Practice can prescribe actions covering all situations. Common sense and good moral judgment are required in applying ethical principles to the complex realities of the mortgage broker's duties. Adherence to these Standards will enhance professionalism in the Mortgage Brokerage industry and foster goodwill among those who do business with CAMB members.

## ARTICLE I HONESTY AND INTEGRITY

*CAMB members shall conduct business in a manner reflecting honesty, honor, and integrity.*

CAMB members, whether by law or by professional commitment, have a fiduciary duty to their clients, and strive to maintain absolute fidelity to their borrowers' best interests.

CAMB members support consumers' right to be treated fairly and honestly, to be given equal access and full disclosure, and to be subject to an objective evaluation of their creditworthiness.

CAMB members encourage borrower loan requests only when there will be a clear benefit to the borrower upon closing, such as realization of property ownership, improved financial situation, or achievement of one or more of borrower's stated financial goals.

CAMB members will never knowingly arrange a loan beyond the ability of the borrower to repay per the terms of the applicable promissory note, or which will place the borrower's ownership interest at such risk that its loss may be reasonably foreseen, based on the borrower's circumstances at the time the loan is made.

CAMB members make full disclosure of all pertinent facts to parties to a transaction, neither withholding relevant information nor being a party in any way to false representations.

CAMB members neither condone, nor engage in, nor allow themselves to be parties to unscrupulous appraisal practices.

CAMB members offer only those interest rates and other loan terms to prospective borrowers that are reasonably likely to be realized at closing.

CAMB members provide timely and accurate estimates of closing costs, and inform borrowers promptly if expenses change significantly, so that borrowers may look forward with confidence to closing without unanticipated surprises.

CAMB members will decline participation in transactions in which other parties, principals, agents, or service providers, are engaged in dishonest or fraudulent conduct.

CAMB members will never ask borrowers or employees to sign a document in blank.

## **ARTICLE II PROFESSIONAL CONDUCT**

*CAMB members shall conduct their business activities in a professional manner.*

CAMB members refrain from any practices that are contrary to the best interest of the public or that are not in keeping with the dignity and integrity of the Mortgage Brokerage profession.

CAMB members charge for services only such fees that are fair and reasonable and in accordance with general practice in the mortgage broker's market area.

CAMB members strive to stay in close communication with borrowers and lenders to ensure that questions are promptly answered and all significant events or problems in a loan transaction are conveyed in a timely manner.

CAMB members adopt policies and procedures that enable the broker to avoid errors, fulfill compliance requirements, and meet transaction deadlines.

CAMB members ensure that they and their employees are knowledgeable in the areas of Mortgage Brokerage in which they participate and are acting in accordance with sound industry practices.

CAMB members are committed to continuing education regarding industry principles and practices in order to bring the highest level of knowledge and expertise to their clients.

CAMB members stand for harmonious relations, founded on mutual respect among mortgage professionals, within the competitive brokerage industry. CAMB members refrain, therefore, from publicly criticizing colleagues or their business practices; however, if the opinion of the CAMB member is sought, it is rendered with integrity and a careful regard for the reputation of the industry.

CAMB members refrain from soliciting borrowers who have signed an application with another reputable broker, and whose loan is already in process, unless the borrower initiates the contact and clearly expresses dissatisfaction with the terms or service of the original broker.

CAMB members, for the protection of all parties, ensure that all agreements are in writing, accurately reflecting the agreement of the parties, and that each party, at the time of signing or initialing, receives a copy.

CAMB members provide the same high level of quality mortgage loan services to all borrowers regardless of education, level of sophistication, race, color, gender, marital status, religion, age, physical challenge, ancestry, or national origin.

## **ARTICLE III HONESTY IN ADVERTISING**

*CAMB members shall endeavor to be accurate in all advertisements and solicitations.*

CAMB members advertise only those loan terms and conditions available to qualified borrowers at the time of advertising, and likely to be available at closing.

CAMB members state clearly in advertising and solicitations that rates and terms are subject to change and include the date quoted rates were available.

CAMB members decline opportunities to participate in multi-broker charts for advertising purposes which require projection of rates and fees that may or may not be available to borrowers when the chart is published. If participation in such a chart is necessitated by business considerations, CAMB brokers will request consumers to call for rates, rather than advertise rates which may not materialize.

CAMB members are knowledgeable regarding laws and regulations affecting advertising of mortgage rates, terms, and conditions, and scrupulously strive to comply to the spirit, as well as the letter, of the law.

CAMB members who purchase loan leads from third parties take all necessary steps to ensure that the leads were originally obtained through advertising which meets CAMB standards for honesty and full disclosure, and complies with Federal, State, and local laws and regulations.

CAMB members disclose their membership in CAMB in oral and print advertising and include the CAMB logo, whenever possible, on stationery and business cards.

#### **ARTICLE IV CONFIDENTIALITY**

*CAMB members shall avoid unauthorized disclosure of confidential information.*

CAMB members recognize that the information provided by borrowers in the course of applying for a home loan is deeply personal and private and hold the information in the utmost confidentiality, releasing only what is required for the purposes of arranging the mortgage, and to comply with lawful requests of law enforcement agencies.

CAMB members refrain from divulging non-public borrower information in conversation with persons not directly involved in processing or funding a client's loan request, even with other professionals in the mortgage industry.

CAMB members ensure that borrower files, borrower lists, processing charts, and other materials containing private confidential information are maintained in locations and under conditions which protect that information from unauthorized view.

CAMB members are careful to dispose of daily waste material and trash featuring client information, generated in the course of loan processing, by shredding or an alternative destructive process, in order to prevent identity thieves or other unauthorized persons from obtaining client data from trash receptacles, or waste disposal sites.

CAMB members dispose of loan files, after the regulatory term for file retention has expired, by shredding or alternative destructive process, either by authorized staff or by hiring a professional document destruction firm whose integrity has been reviewed and assured.

CAMB members take all necessary steps to safeguard client confidential data stored on magnetic disks or tapes, and that, when such disks or tapes are to be discarded, they are electronically scrubbed or physically destroyed to eliminate any chance data may be recovered by unscrupulous persons.

#### **ARTICLE V COMPLIANCE WITH LAW**

*CAMB members shall conduct their business in compliance with all applicable laws and regulations.*

CAMB members are knowledgeable regarding rules, regulations, and laws pertaining to the mortgage industry, and maintain reference materials where such rules, regulations, and laws may be researched and confirmed.

CAMB member recognize the constantly changing regulatory environment in which the mortgage industry exists, and keep their knowledge current by being attentive to industry publication, and by participating in seminars, workshops, and classes created to assist them in maintaining compliance expertise.

CAMB members monitor the actions and policies of their employees and associates to ensure compliance with local, state, and federal laws pertaining to the industry.

CAMB members maintain strict quality control procedures to track compliance and prevent fraud by any of the parties involved in the loan process.

CAMB members refrain from engaging in activities beyond the scope of their expertise. If their clients require additional expertise, CAMB members may refer them to a professional who specializes in that field.

#### **ARTICLE VI DISCLOSURE OF FINANCIAL INTERESTS**

*CAMB members shall disclose any financial interest they may have in a loan transaction.*

CAMB members, when recommending or suggesting the use of services of other professionals or entities, disclose any direct interest they have in the professional's or entity's enterprise, or compensation they may realize from the recommendation or referral.

CAMB members, whenever they are principals in a transaction involving the purchase or refinance of property, scrupulously inform other parties in the transaction of their professional status, and whether they will be receiving financial gain.

CAMB members are fully knowledgeable regarding DRE regulations concerning trust accounts, advance fees, and collection of unearned compensation.

# CAMB's STAND ON PREDATORY LENDING

*Equal access, full disclosure and objective evaluation*

**The California Association of Mortgage Brokers supports consumers' right to be treated fairly and honestly, and to be given equal access, full disclosure, and be subject to an objective evaluation of their creditworthiness.**

Ethical mortgage brokers utilize recognized standards including work history, creditworthiness, down payment capacity and debt-to-income ratios to evaluate and process loan applications. They strive to provide consumers with a variety of options based on each consumer's individual financial situation and long-term goals. Professional loan originators explain all relevant loan information and give consumers the time necessary to make informed and considered decisions regarding their home financing choices. By contrast, predatory lending practices are based on fraud, deception, coercion and greed. The Association unconditionally denounces predatory lending practices.

PREDATORY LENDING is intentionally placing consumers in mortgage loans with significantly worse terms and higher costs than loans offered to similarly qualified consumers, by the majority of mortgage brokers or lenders in the region, for the primary purpose of enriching the loan originator, with little or no regard for the costs to the consumer.

**Predatory lending is not only unethical, predatory lending practices are often violations of State and Federal law! Examples include:**

- **Fraud:** Forged loan documents, falsified tax returns or other documents, overstating income or assets to qualify borrowers for loans they cannot afford, inflated appraisals.
- **Discrimination:** Charging higher rates and fees, with less favorable terms, to borrowers based on their race, national origin, age, marital status or neighborhood, than would be charged according to traditional factors such as employment history, credit record, and sufficient income to make required mortgage payments.

- **Misrepresentation:** The costs or loan terms at closing are not as advertised, or as presented at the time of application, and which are not properly disclosed prior to closing as mandated by law.
- **Bait and Switch:** Qualified borrowers are steered away from affordable options for the express purpose of increasing fee income to the unethical loan originator.
- **Non-Disclosure:** Key costs, fees, and terms are not disclosed, or inaccurately or only partially disclosed in violation of law and State and Federal lending regulations.

**To protect consumers from falling victim to predatory lending practices, the California Association of Mortgage Brokers encourages its members to advise borrowers to:**

- Never sign a blank document.
- Read all documents carefully and ask questions. Do not be hurried into signing anything you do not clearly understand. Stop the entire transaction if you feel you are not getting clear answers.
- Be wary of telephone, mail or e-mail solicitations, especially promises that seem "too good to be true." Experience shows they probably are.
- Do not be pressured into applying for more money than you can reasonably be expected to pay back according to the terms of your loan.
- Get copies of all loan documents, especially anything you have signed.
- Whenever possible, seek recommendations from friends, associates, and other trusted advisors, to assist in selecting a broker or lender.

**Consumer complaints may be directed to CAMB**, where CAMB staff and the Best Practices and Professional Standards Committee will attempt to resolve the issue, or refer the consumer to the regulatory agency with responsibility for, and authority over, the area of dispute.

A complaint checklist is shown on page 13 which may be used to collect information CAMB will need to be of assistance.

## **SUGGESTIONS FOR FURTHER READING:**

### **ETHICS IN BUSINESS**

- Business Ethics for the 21st Century;** David M. Adams, Edward L. Maine, Edward W. Maine
- The Power of Ethical Management;** Kenneth Blanchard, Norman Vincent Peale
- Ethics and the Conduct of Business;** John Raymond Boatright
- Morality and the Professional Life: Values at Work;** Cynthia A. Brincat, Victoria S. Wike
- Living Ethics: Developing Values in Mass Communication;** Michael J. Bugeja
- Ethics in Business: Faith at Work;** James M. Childs
- Greed: Economics and Ethics in Conflict;** James M. Childs
- Ethical Issues in Business: A Philosophical Approach;** Thomas Donaldson, et al
- Ethics Matters: How to Implement Values-Driven Management;** Dawn-Marie Driscoll, W. Michael Hoffman
- Corporate and Governmental Deviance: Problems of Organizational Behavior in Contemporary Society;** M. David Ermann
- Business Ethics: Ethical Decision Making and Cases;** John Fraedrich, Linda Ferrell, O. C. Ferrell
- American Business Values: With International Perspectives;** Charles T. Fisher, Gerald F. Cavanagh
- What Price the Moral High Ground?: Ethical Dilemmas in Competitive Environments;** Robert H. Frank
- Case Studies in Business Ethics;** Al Gini, Thomas Donaldson
- Manager's Guide to the Sarbanes-Oxley Act: Improving Internal Controls to Prevent Fraud;** Scott Green
- Perspectives in Business Ethics;** Laura P. Hartman
- Profits with Principles;** Ira Jackson, Jane Nelson
- An Introduction to Business Ethics;** Jennifer Jackson
- Business Its Legal, Ethical, and Global Environment;** Marianne Jennings
- How Good People Make Tough Choices: Resolving the Dilemmas of Ethical Living;** Rushworth M. Kidder

- Ethics in Real Estate;** Anthology; Kluwer Academic Publications
- Radical Business Ethics;** Richard L. Lippke
- Policies and Persons: A Casebook in Business Ethics;** John Bowers Matthews, Kenneth E. Goodpaster, Laura L. Nash
- There's No Such Thing As "Business" Ethics: There's Only One Rule for Making Decisions;** John C. Maxwell
- Contemporary Issues in Business Ethics;** John J. McCall, Joseph R. Desjardins
- Annual Editions Business Ethics;** Compilation; McGraw-Hill College
- Understanding Business;** James M. McHugh, Susan M. McHugh
- Managing Business Ethics;** Katherine A. Nelson, Linda Klebe Trevino
- Cases in Leadership, Ethics, and Organizational Integrity: A Strategic Perspective;** Lynn Sharp Paine
- Business and Society: Corporate Strategy, Public Policy and Ethics;** James E. Post, Anne T. Lawrence, James Weber
- Ethical Issues in Business: A Philosophical Approach;** Compilation; Prentice Hall
- Essentials of Organizational Behavior;** Stephen P. Robbins
- Ethics for the Professions;** John R. Rowan, John Rowan, Samuel Zinaich Jr.
- Business Ethics;** William H. Shaw
- On Value and Values: Thinking Differently About We in an Age of Me;** Douglas K. Smith
- Power Failure: The Inside Story of the Collapse of Enron;** Mimi Swartz, Sherron Watkins
- Managing Business Ethics : Straight Talk About How To Do It Right;** Linda K. Trevino, Katherine A. Nelson
- Business Ethics: Concepts and Cases;** Manuel G. Velasquez
- Business Ethics: A Stakeholder and Issues Management Approach;** Joseph W. Weiss
- The Civil Corporation: The New Economy of Corporate Citizenship;** Simon Zadek
- Details regarding the resources above, and where they may be purchased, are available online, or at most booksellers.

# AGENCIES REGULATING MORTGAGE BROKERAGE IN CALIFORNIA

California Department of Real Estate  
2201 Broadway  
P.O. Box 187000  
Sacramento, CA 95818-7000

Mortgage Loan Activities:  
(916) 227-0770

Consumer Information:  
(916) 227-0864

CA DRE License information:  
916-227-0931  
[www.dre.ca.gov](http://www.dre.ca.gov)

**DRE DISTRICT OFFICES:**  
2550 Mariposa Mall, Suite 3070  
**Fresno**, CA 93721-2273  
(559) 445-5009

1515 Clay Street, Suite 702  
**Oakland**, CA 94612-1462  
(510) 622-2552

2201 Broadway,  
P.O. Box 187000  
**Sacramento**, CA 95818-7000  
(916) 227-0864

320 W. 4th Street, Suite 350  
**Los Angeles**, CA 90013-1105  
(213) 620-2072

1350 Front Street, Suite 3064  
**San Diego**, CA 92101-3687  
(619) 525-4192

Calif. Dept. of Corporations  
Financial Services Division  
1390 Market Street  
San Francisco, CA 94102-5303  
415-557-3787

Calif. Dept. of Corporations  
Financial Services Division  
320 West 4th Street, Suite 750  
Los Angeles, CA 90013-2344  
800-347-6995

Federal Trade Commission  
Pennsylvania & 6th St. N.W.  
Washington, D.C. 20580  
(202) 326-2222  
[www.ftc.gov](http://www.ftc.gov)

FTC Consumer Response Line:  
877-FTC-HELP (382-4357)

Office of Thrift Supervision  
Pacific Plaza  
2001 Junipero Serra Blvd., Ste 650  
Daly City, CA 94014-1976  
(650) 746-7000

Office of Thrift Supervision  
Bentall Executive Center  
1551 No. Tustin Ave., Suite 1050  
Santa Ana, CA 92705-8635  
(714) 796-4700

U.S. Dept. of Housing & Urban  
Development (HUD)  
451 7th Street SW  
Washington, DC 20410  
(202) 708-1112  
[www.hud.gov](http://www.hud.gov)

# California Association of Mortgage Brokers Best Practices Inquiry Form

CAMB members are pledged to conduct business in accordance with the laws, rules and regulations of California and the United States, and in accordance with the Code of Ethics, Standards of Practice, bylaws, and policies of CAMB and the National Assoc. of Mortgage Brokers.

CAMB invites inquiries, comments, and complaints regarding apparent violations of these standards by email, fax, or letter to the addresses shown below. CAMB staff or a member of the CAMB Best Practices committee will contact you as soon as possible after your message is received.

Please provide the following information to CAMB regarding your inquiry:

**About yourself:**

Name: _____	Day Phone: (____) _____
Address: _____	Email: _____
City: _____	State: _____ ZIP: _____
Property Address, if different than above: _____	
Street: _____	City: _____ State: _____

**About the Loan Originator or Company:**

Company Name: _____	Phone: (____) _____
Address: _____	
City: _____	State: _____ ZIP: _____
Loan Officer/Consultant's Name: _____	
L.O. Phone: _____	L.O. Email: _____

**Enter your question or briefly describe your problem below:**


If your problem concerns a loan application, you may be asked to provide a copy of the application, Good Faith Estimate, Truth in Lending form, and other documentation.

Mail to: CAMB, 785 Orchard Drive, Suite 225, Folsom, CA 95630  
 Fax to: (916) 448-8237                      Email to: [info@cambweb.org](mailto:info@cambweb.org)

“We are the professionals of mortgage origination!”



**pro•fes•sion•al:** **a:** of, relating to, or characteristic of a profession **b:** engaged in one of the learned professions **c:** characterized by or conforming to the technical or ethical standards of a profession

**pro•fes•sion•al:** one that engages in a pursuit or activity professionally

**pro•fes•sion•al•ism:** 1: the conduct, aims, or qualities that characterize or mark a profession or professional person 2: the following of a profession for gain or livelihood