

# CANONS OF ETHICS AND STANDARDS OF PRACTICE

## PREAMBLE

**WHEREAS**, the purposes for which the Mortgage Bankers Association of America was organized as stated in the Corporate Charter are:

“Nurture the mortgage banking correspondent system;

“Improve and expand the performance of the secondary market for mortgages;

“Encourage sound and ethical business practices among its members;

“Conduct research in financing techniques that improve the effectiveness of the mortgage banker’s participation of the nationwide market for mortgages;

“Inform its members of changes in mortgage laws and lending practices as well as pending legislation that affects the secondary market for mortgages;

“Sponsor meetings and educational programs; and

“Cooperate with public and private agencies in the establishment of sound real estate appraisal practices.”

**WHEREAS**, the Members of this Association are mindful that the soundness, usefulness, prosperity, and future of Mortgage Banking depends upon the honor, integrity, and fidelity of all personnel engaged in this business.

**THEREFORE, BE IT RESOLVED**, that each member of this Association pledges to observe and maintain the following standards of conduct in dealing with the public and with other members.

## CANON 1

Members shall conduct their business in a professional manner, ensuring that their personnel are knowledgeable in the areas of mortgage banking in which they participate and are acting in compliance with sound industry practices.

## CANON 2

Members shall act in conformity with applicable laws and regulations and shall cooperate in every appropriate way with all governmental bodies in the interests of establishing and maintaining an efficient and fair framework for mortgage credit.

## CANON 3

Members shall act in a manner that recognizes that integrity and confidence are essential in the mortgage banking business.

## CANON 4

Members shall accord oral agreements the same sanctity given to written agreements.

## CANON 5

Members shall not breach or avoid an agreement or commitment.

## CANON 6

Members shall encourage healthy competition in the mortgage banking business.

## CANON 7

Members shall conduct their business without regard to the race, color, sex, religion, marital status, national origin, or age of the persons with whom they deal.

## CANON 8

Members shall not quote to a prospective borrower interest rates or other loan terms that are not likely of realization.

## CANON 9

Members shall make all reasonable efforts to process loan applications and advise applicants of approval or disapproval promptly and to close and disburse in a timely manner.

## CANON 10

Members shall preserve the integrity of all parts of a loan submission and appraisal report and make full disclosure of all pertinent facts, including any interest they may have in the loan project or property.

## CANON 11

Members shall consider a servicing contract to be an integral part of the mortgage banking correspondent system, and such a contract shall be terminated only with sufficient reason with the good faith nature of such a contract being recognized by both parties.

## CANON 12

Members shall use all efforts available in servicing investments entrusted to their care effectively to discharge their obligations to both investor and debtor in a responsive manner.

### **CANON 13**

Members shall take all reasonable steps to assure that both investors and debtors are not unduly inconvenienced by the member's transfer of servicing.

### **CANON 14**

Members shall maintain all monies that are received as escrow, reserve, or impound accounts in a prudent and identifiable manner and shall disburse these funds for the purposes for which they were received.

### **CANON 15**

Members shall cooperate with the Ethics and Standards of Practice Committee in furnishing information relative to any investigation of a possible violation of the Canons of Ethics and Standards of Practice.

Violations of and complaints concerning the Code of Ethics shall be filed with the Ethics and Standards of Practice Committee as provided in Article VII, Section 7.40 of the By-Laws.

Statement of Policy adopted by the Board of Governors, September 7, 1979.

The Board of Governors of the Mortgage Bankers Association of America reaffirms the policy position enunciated in the Canons of Ethics and Standards of Practice.

The public and the members are reminded that the preamble to the Canon provides among other items, that one of the purposes of the Association is to "cooperate with public and private agencies in the establishment of sound real estate appraisal practices." This statement specifically includes the requirement that any appraiser chosen by the mortgage banker observe all residential appraisal practices mandated by a Government agency or instrumentality by which the loan is to be insured or purchased. Such appraisal standards include the condition that the value attributed to the property is not dependent upon the homogeneity of racial,

religious, or ethnic characteristics of the neighborhood and the lack of such homogeneity in a neighborhood does not cause a diminution of value.

Canon 2 provides that "members shall act in conformity with applicable laws and regulations and shall cooperate in every appropriate way with all Governmental bodies in the interest of establishing and maintaining an efficient and fair framework for mortgage credit. "Specifically, this means, among other things, that the members of the Mortgage Bankers Association shall not discriminate in the underwriting of loans by granting or withholding credit on the basis of religious, racial, or ethnic characteristics of the applicants or the neighborhood in which the property is located or on the basis that the area in which the property is located is in a transitional stage from one racial, religious, or ethnic group to another. Only by objective factors affecting the market value of the property and the credit standing of the borrower shall be considered.

Canon 7 provides that "members shall conduct their business without regard to the race, color, sex, religion, marital status, national origin, or age of the persons with whom they deal." This means precisely that the origination of loans by mortgage bankers should not be predicated in any manner on any of the factors mentioned in this Canon and should be free from any such considerations. Taken together, the Canons exclude any investment decisions based on an appraisal that is biased and not supported by empirical data.

As it has in the past, the Mortgage Bankers Association of America supports the concept of Federal, state, and local fair housing laws that prohibit discrimination on the basis of racial, ethnic, or religious characteristics of the borrower or the neighborhood in which the property is located.