

CANONS OF ETHICS

PREAMBLE: WHEREAS, the purposes of the Massachusetts Mortgage Bankers Association are:

To promote the welfare of the mortgage lending system in the Commonwealth of Massachusetts; to encourage among its members sound and ethical business practices; to inform its members of changes in laws and regulations and coordinate legislative and regulatory initiatives beneficial to its members and the mortgage lending industry; to sponsor educational programs to ensure its members are knowledgeable concerning mortgage lending; to work with public and private agencies and the public at large to promote home ownership, financial literacy, affordable housing and real estate finance, and,

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

NOW, 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 interest 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 is 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, handicaps, religion, marital status, national origin, age or any other basis prohibited by law 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 to be realized.

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 to discharge effectively their obligations to both investor and borrower in a responsive manner.

CANON 13: Members shall take all reasonable steps to assure that both investors and the member's transfer of servicing does not unduly inconvenience borrowers.

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 purpose 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 Committee.

STATEMENT OF POLICY

The Board of Directors of the Massachusetts Mortgage Bankers Association reaffirms the policies enunciated in the Association's Canons of Ethics and Standards of Business Practice. It also adopts the following interpretation of those same Canons and Standards:

Canons 2 and 7 address the issue of discrimination in mortgage lending. Such discrimination relates to race, color, religion, national origin, sex, marital status, age, and other characteristics addressed by equal credit opportunity laws. The Board of the Association views discrimination as not only a violation of law but also a breach of ethical and moral standards as well.

Accordingly, the Board believes that Canons 2 and 7, taken together, mandate against discrimination in any facet of the mortgage lending process. This includes the underwriting and disposition of any mortgage loan on a basis that is prohibited under equal credit opportunity laws. It also includes the issuance or reliance on a property appraisal, which is based on the racial, ethnic or similar characteristics of the neighborhood in which the property is located or anything other than objective factors affecting market value. It further includes the responsiveness to inquiries and general handling of information and application requests from all applicants.

A number of the Canons deal, of course, with integrity. The Board agrees that the issue of integrity is of paramount importance to the mortgage lending industry, in both how the public perceives it, and how relationships are managed within the industry. Canons 3, 4, 5, and 8 address issues of integrity when dealing with loan applicants or customers. They are viewed by the Board as being broad in scope and clear in intent. They prohibit practices such as taking applications under false pretenses, failing to honor commitments whether oral or written, and generally not performing as represented.

Canons 3, 4, 5, and 10 address the issue of integrity as it relates to how relationships within the industry are handled. This includes, but is not limited to, relationships between loan seller and investor, underwriter and appraiser, underwriter and originator, and servicer and investor. The Board believes that no segment of the mortgage industry acts in isolation, that each segment of the industry is dependent upon the honesty and good faith of other segments, and that the success of the industry and its service to the public are wholly dependent on maintaining integrity and confidence among industry participants.

BY-LAWS

ARTICLE I: NAME AND PURPOSE

Section 1. Name. The name of this Association shall be MASSACHUSETTS MORTGAGE BANKERS ASSOCIATION, INC.

Section 2. Purposes. This Association is organized for the purpose of:

- 2.1. Promoting the mortgage lending system in the Commonwealth of Massachusetts;
- 2.2. Encouraging sound and ethical business practices among its members;
- 2.3. Informing its members of changes in laws and regulations and coordinating legislative and regulatory initiatives beneficial to its members and the mortgage lending industry;
- 2.4. Sponsoring educational programs to ensure its members are knowledgeable concerning mortgage lending;
- 2.5. Working with public and private agencies and the public at large to promote home ownership, financial literacy, affordable housing and real estate finance.

Section 3. Limitations on Activities. Notwithstanding any other provision of these by-laws, the Association shall not carry on any other activities not permitted, (a) by a corporation exempt from Federal Income Tax under Section 501 (c) (6) of the Internal Revenue Code or the corresponding provision of any future United States Revenue Law.

ARTICLE II: MEMBERSHIP

Section 1. The membership of the Association shall consist of the persons named in the Articles of Organization as Incorporators and such other entities as may be duly elected to membership in the manner specified in these by-laws. There shall be two classes of members, Regular Members and Affiliate Members.

Section 2. Classes of Members, Regular Members. The qualifications for eligibility for membership as a Regular Member are as follows: Any person, firm, or corporation engaged regularly in the business of originating and/or servicing first mortgage loans, in Massachusetts or which invests a significant portion of its assets in first mortgage loans, in Massachusetts, is eligible for membership as a Regular Member.

- 2.1. For the purposes of these by-laws, the following type of entities will be eligible as Regular Members: Commercial Banks, Co-operative Banks, Federal Savings Banks, Life Insurance Companies, Credit Unions, Mortgage Bankers which are approved mortgagees by FNMA, FHLMC, FHA or VA, Mortgage Lenders and Mortgage Brokers as licensed by the Commonwealth of Massachusetts, Pension Funds, Public or Private Investment Funds, Real Estate Investment Trusts, Savings Banks, Savings and Loan Associations or any other generally recognized state or federally chartered banking institution.

Section 3. Classes of Membership, Affiliate Members. The qualifications for eligibility for membership as an Affiliate Member are as follows: any person, firm, or corporation not eligible for Regular Membership, but which is one of the following, shall be eligible for membership in the Association as an Affiliate Member:

- 3.1. Title insurance company, private mortgage insurance company, attorney, appraiser, accounting organization, credit reporting agency, consultant or any person or firm who provides services or products to Regular members.
- 3.2. Any person, firm or corporation engaged in the business of originating or servicing subordinate mortgage loans in Massachusetts.
- 3.3. Agency of the Federal, State or Local Government which is involved in real estate and real estate finance.
- 3.4. Any person, firm or corporation engaged regularly in the business of originating and/or servicing second mortgage loans, home equity loans or commercial mortgage loans in Massachusetts.

Section 4. Membership Committee. The Chair of the Association shall designate a membership committee and its Chair, who shall be a Member and a Director of the Association. The Chair of the membership committee shall appoint members to the committee subject to approval of the Chair of the Association.

Section 5. Applications. Applicants for membership shall file an application on a form approved by the Board of Directors and furnish such additional information as may be requested by the Membership Committee or the Board of Directors. The application form may require information, documentation or letters of recommendation as determined by the Membership Committee and approved by the Board of Directors.

- 5.1 Notice of admission shall be sent by the Secretary to the applicant together with a statement of dues, payment of which shall be held as acceptance of membership and agreement to be bound by the by-laws of this Association. Failure to make such payment within thirty (30) days shall void such election. An application not approved may be resubmitted after a period of six (6) months.

Section 6. Termination of Membership. The membership of any Regular Member shall be terminated automatically three months after the sale or transfer of its majority ownership interest, unless prior to the expiration of the three month period information regarding the new ownership shall have been furnished in writing to the Board of Directors and the new ownership shall have been approved by the Board of Directors. Membership as a Regular or an Affiliate Member shall not be transferable.

- 6.1 Resignation-Any member may resign from membership in the Association by filing a letter of resignation with the Secretary. Resignation shall not relieve such member from the obligations to pay in full all dues, assessments or other indebtedness to the association.
- 6.2 Revocation of Membership ÿ The membership of any member may be revoked by the Board of Directors with or without cause by a majority vote of the Board.

Section 7. Voting Privileges. Only Regular Members shall be entitled to voting privileges and each Regular Member shall be entitled to one vote provided however that any member (Regular or Affiliate) serving on a Committee or as a Director or an Officer is entitled to vote on any action pending before that Committee or the Board. The Regular Member shall designate the voting delegate of each Regular Member in writing to the Secretary of the Association.

ARTICLE III: ETHICS AND STANDARDS OF PRACTICE

Section 1. Canons of Ethics. The Association shall adopt and maintain Canons of Ethics governing business practices in the mortgage lending industry. Each member, regardless of membership type, by accepting membership agrees to operate its business and conduct its affairs in accordance with the Canons of Ethics. The Ethics Committee and the Board of Directors shall recommend the Canons. They may be amended as provided for in Article X.

Section 2. Ethics and Standards of Practice Committee. There shall be an Ethics and Standards of Practice Committee. The Committee shall consist of the immediate past Chair of the Board of the Association, who shall serve as Chair of the Committee, and at least four (4) other members or former members of the Board of Directors appointed by the then current Chair of the Board. Each member of the Committee shall be a member of the Association.

Section 3. Duties. The Committee shall:

- 3.1. Formulate and recommend methods for the effective enforcement of high standards of ethics and conduct in the practice of mortgage banking as a profession, consider the Canons of Ethics and the observance thereof, and make recommendations for amendments to or clarifications of the Canons of Ethics when the same may appear to be advisable.
- 3.2. Make such investigations of professional conduct and abuses in connection with the practice of mortgage banking as may be requested by the Board of Directors; furnish information and make recommendations on the foregoing subject to the Board of Directors.
- 3.3. Be authorized, when consulted by any member of the Association or by any Officer or Committee of the Association, to express its opinion in accordance with Section 4.4 concerning proper professional conduct and the applicability of the Canons of Ethics. Such opinions shall not be given until considered by the Committee and approved by a majority thereof.
- 3.4. Be authorized to consider all information on the professional conduct of any member of the Association and to proceed, as the Committee deems appropriate upon its own motion pursuant to Section 4.3 or upon complaint submitted in writing pursuant to Section 4.2. . After hearing thereon, the Committee may recommend to the Board of Directors the public or private censure, suspension or expulsion of such member; and such censure, suspension or expulsion shall become effective on the Board of Directors approval of such recommendation.
- 3.5. Be authorized to adopt such rules as it may deem desirable concerning the methods and procedures to be used in expressing opinion, in making investigations, in the hearing of complaints and taking of testimony. Such rules shall not become effective until approved by the Board of Directors and published for review by the membership.

Section 4. Rules of Procedure. The Committee shall:

- 4.1. Not entertain complaints against non-members of the Association.
- 4.2. Entertain written complaints against members of the Association by anyone allegedly adversely affected by the conduct of such member in violation of the Canons of Ethics and Standards of Practice. Complaints in writing need not be in any specified form, but must set forth the facts in detail. The Canons of Ethics and Standards of Practice alleged to have been violated must be specified. Where any matter of local custom is involved, the facts relative thereto shall be fully stated.

- 4.3. Upon its own motion, investigate the professional conduct of any member of the Association, provided that before forwarding any recommendation to the Board of Directors, the Committee shall cause a complaint to be prepared and filed. If the Chair of the Committee considers the written complaint to involve alleged professional conduct in violation of a Canon, a copy of the complaint will be furnished to the member who will be given a reasonable time to respond. When the complaint is at issue, the parties will be heard and given the opportunity to present testimony either at a meeting of the Committee, or before one or more members thereof, who shall report their findings to the Committee. If the Committee decides to recommend to the Board of Directors that the member be expelled, suspended, or censured, a copy of the Committee's proposed recommendation would be mailed to the member's address ten (10) days prior to its transmittal to the Board of Directors.
- 4.4. Advise any member of the Association of its opinions as to whether any course of professional conduct proposed by it in writing under stated circumstances comply with the Canons of Ethics and Standards of Practice.

ARTICLE IV: OFFICERS AND BOARD OF DIRECTORS

- Section 1. Enumeration. The affairs of the Association shall be managed by an elected Board of Directors, and a Chair, Chair-elect, Treasurer, Secretary, and an appointed Executive Director. At the discretion of the Board (and subsequent election by the membership) the role of the treasurer and secretary may be combined into the role of Secretary/Treasurer with all duties of both roles performed by the so titled officer. The number of elected Officers and Directors shall be determined at the times and in the manner prescribed herein and in Article V hereof. The elected Officers and Directors of the Association shall be the designated representative of a member firm.
- Section 2.1. Board of Directors. The Board of Directors shall have the duty and power to control and manage all affairs of the Association; shall approve all contracts and purchases; shall provide for an annual audit; shall adopt a financial management policy; and shall direct and supervise all business necessary for the Association to carry out its objectives and purposes. The Board shall meet at least once in each half of the fiscal year of the Association, and may hold, in addition, such other meetings as the Board may from time to time determine. At the call of the Chair, or at the request of four Regular Members, and with ten (10) days written notice, the Board shall meet on such day and at such hour and place as the Chair shall decide. The vote of a majority of those present shall be sufficient to adopt any measure or take any action provided that a quorum is present. A minimum of 50% of the Directors of the Board shall constitute a quorum. The Board of Directors may act in any manner permitted boards of directors of business corporations by Massachusetts law.
- Section 2.2. Action by Consent; Meetings by Telephone. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if a majority of the Board consent to the action in writing and the written consents are filed with the records of the meetings of the Board. Such consents shall be treated for all purposes as a vote at a meeting. Members of the Board may participate in a meeting of such Board by means of a conference call or similar communications equipment by means of which all persons participating in the meeting can communicate with each other at the same time and participation by such means shall constitute presence in person at a meeting.
- Section 3. Executive Committee. There shall be an Executive Committee of the Board of Directors whose duties shall include, but not be limited to, long-range planning; approval of the annual budget and evaluation of staff performance and such other duties as may be assigned by the Board of Directors. The Executive Committee may act on matters that may arise between meetings of the Board of Directors provided, however, its action shall be reported to the Board of Directors at the meeting occurring next after the action is taken. The Executive Committee shall be composed of the Officers and the Immediate Past Chair.

- Section 4. The Chair. The Chair shall be the Chief Executive Officer of the Association and preside at all meetings of the Association, Board of Directors and Executive Committee. The Chair shall be an ex-officio member of all committees, countersign all certificates of membership, enforce the by-laws, designate the number and purpose of standing and special committees and appoint the Chair and members of all committees. The Chair shall serve a one-year term.
- Section 5. Chair-elect. In the case of the temporary absence or the disability to act of the Chair, the Chair-elect shall perform the duties of the Chair. In the event that neither the Chair nor Chair-elect shall be able to act, the Board of Directors shall appoint one of its members to act as Chair pro tempore. The Chair-elect shall perform such other duties as the Board of Directors and/or the Chair may direct. The Chair-elect shall serve a one-year term.
- Section 6.1 Secretary. The Secretary shall keep an accurate list of the members of the Association, keep minutes of the proceedings of the Association and the Board of Directors which shall at all reasonable times be open for inspection by members of the Association. The Secretary shall notify applicants of their election to membership and issue certificates thereof, have charge of all files and records and be custodian of the seal of the Association. The Secretary may delegate all ministerial duties to the paid employees of the Association with the consent of the Board of Directors. All funds shall be deposited in the name of the Association as the Board of Directors shall direct. The Secretary shall serve a one-year term.
- Section 6. Treasurer. The Treasurer shall have charge of the general books of accounts for the Association, shall send notices to members of dues and accounts payable, receive and receipt for all monies belonging to or receivable by the Association, and disburse the same in such manner as shall be designated by the Board of Directors. The Treasurer may delegate all ministerial duties to the paid employees of the Association with the consent of the Board of Directors. All funds shall be deposited in the name of the Association as the Board of Directors shall direct. The Treasurer shall serve a one-year term.
- Section 7. The Immediate Past Chair. The Immediate Past Chair shall serve as a member of the Board of Directors and as a member of the Executive Committee. The Immediate Past Chair shall serve a one-year term. At the conclusion of his/her term, the Immediate Past Chair will rotate off the Board.
- Section 8. Vacancies. The Board of Directors shall fill any vacancy on the Board or in the offices of the Chair, Chair-elect, Secretary, Treasurer, or Executive Director by a vote of the majority of those present at a meeting of Board of Directors, provided that a quorum is present. Any director or elected officer so elected shall hold office until the next Annual Meeting and the election of his successor is elected.
- Section 9. Executive Director. The Board of Directors shall, from time to time, appoint an Executive Director of the Association. The Executive Director shall be the Chief Operating Officer of the Association and shall devote his or her time and effort to conducting the business of the Association in accordance with these by-laws and the policies and objectives established by the Board of Directors. The Executive Director shall perform such duties and exercise such powers as may from time to time be delegated by the Chair, the Executive Committee or the Board of Directors.

ARTICLE V: ANNUAL ELECTIONS AND TERMS OF OFFICE

Section 1. Elections. The elected Officers and up to sixteen (16) members of the Board of Directors, as set by vote of the Regular Members, shall be elected for a term of two years by a majority vote at the Annual Meeting of the Association, subject to any limitations imposed by these By-Laws. Any Regular or Affiliate Member will be eligible for a position as a Director or Officer in the Association, except that no more than twenty-five percent (25%) of the Directors may be Affiliate Members and no Director may be elected to a fourth consecutive two-year term. No more than one (1) representative of any member firm may be elected, or appointed by the Board, as an Officer or Director at the same time.

Section 2. Nominations. At least sixty (60) days prior to the Annual Meeting of the Association, the Chair shall appoint a Nominating Committee consisting of at least three (3) Regular Members who are also Directors. The committee shall forward to the Secretary within thirty (30) days from the time it is formed, a report of the number of elected Officers and Directors and persons nominated for Director(s) and Officer(s). Additional nominations may be made in writing if submitted to the Board of Directors and endorsed by ten (10) Regular Members not later than thirty (30) days prior to the Annual Meeting. The Secretary shall mail to each Regular Member of the Association the report of the nominating committee and the names of additional nominations submitted to the Board at least fifteen (15) days prior to the Annual Meeting of the Association.

ARTICLE VI: DUES

Section 1. Dues, Payment. The annual dues of the Association for each fiscal year for all members shall be determined by the Board of Directors and shall be due and payable on or before January 31st of each year. Any member whose dues are not paid by that time shall be declared delinquent and a member not in good standing and, in the case of Regular Members, shall be denied the privilege of voting. If said delinquency shall continue for a further period of thirty (30) days, said member shall be dropped from the rolls and any further continuation of membership shall be at the discretion of the Board of Directors.

ARTICLE VII: INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Indemnification. Each Director or Officer, present or former, of the Association, shall be indemnified by the Association against all costs and expenses reasonably incurred by or imposed upon the individual in connection with or arising out of any action, suit, or proceeding in which the individual may be involved by reason of being or having been such Director or Officer, such expenses to include the cost of reasonable settlements (other than amounts paid to the Association itself) made with a view to curtailing costs of litigation. The Association shall not, however, indemnify any Director or Officer with respect to matters as to which the individual shall be finally adjudged in any such action, suit, or proceeding to have been derelict in the performance of his or her duty as such Director or Officer, nor in respect of any matter on which any settlement or compromise is effected, if the total expense, including the cost of such settlement, shall substantially exceed the expense which might reasonably be incurred by such Director or Officer in conducting such litigation to a final conclusion. The foregoing right of indemnification shall not be exclusive of other rights to which any Director or Officer may be entitled as a matter of law. In determining the reasonableness of any settlement, the judgment of the Board of Directors shall be final.

ARTICLE VIII: FISCAL YEAR AND MEETINGS OF THE ASSOCIATION

Section 1. Fiscal Year. The fiscal year of the Association shall be the calendar year. The Annual Meeting of the Association shall be held at such time and place as the Board of Directors shall decide each year at which time officers for the ensuing year shall be installed. If the meeting cannot be held on this date, the Board of Directors shall call a special meeting in lieu of the Annual Meeting. At least fifteen (15) days written notice of the date and place of the Annual Meeting or special meeting in lieu thereof shall be given by the Secretary-Treasurer to all members of the Association.

Section 2. Meetings. In addition to the Annual Meeting, special meetings of the Association may be called by order of a majority of the Board of Directors. At least fifteen (15) days written notice of the date and place of any special meeting so called shall be given by the Secretary-Treasurer to all members of the Association.

Section 3. Quorum. Delegates representing twenty percent (20%) or more of the Regular Members shall constitute a quorum for all purposes at Annual Meetings of the Association. A vote of the majority of those present shall be sufficient to act on any matter considered at the meeting.

ARTICLE IX: AMENDMENTS

Section 1. Method of Amendment. These By-Laws and Canons of Ethics may be amended or repealed in whole or in part by majority vote of the Regular Members at any regular or special meeting, provided that a quorum is present and provided further, that at least fifteen (15) days notice, in writing, of such proposed amendment, together with a copy of the proposed amendment, has been mailed to each Regular Member of the Association by the Secretary-Treasurer.

A true copy.

Attest: Ruth Dillingham

Chair By-Laws Review Committee

Revised through January 2012