



CREDA A Code of Honor For The Commercial Real Estate Industry

CREDA A Members Are Committed in the development of innovative solutions and Financing Practices that help rebuild our Commercial real estate markets

This document is intended to serve as a sound foundation for CREDA A's code of honor for its members. CREDA A is at a point in history where the current CRE market conditions calls out for us to take an affirmative stance to assist our nation's ailing Commercial Real Estate markets by committing to work together towards developing innovative solutions for the holders of distressed commercial real estate assets and as supporters in the development of sensible lending programs, and as professional liaisons for investors seeking sound investments.

We believe that promoting investments into commercial properties will ultimately help cure our current commercial crisis, but more importantly will significantly aid in rebuilding our communities by increasing building occupancies through opening of new businesses, business enterprise expansions, new job creation, overall community enhancement, and the development of quality life styles that benefit all Americans.

Our members understand how valuable this effort can be to our nation and they overwhelmingly support it. A June 2010 poll of CREDA A members affirms that professionals working within the commercial real Estate markets are overwhelmingly in favor of setting standards that include:

- Federal programs that assist business owners who are suffering from the current economic conditions.
- Fair Lending programs or intervention that assists in the preservation of ownership for the holders of distressed assets.
- Stricter sanctions and standards that help safeguard the sustainability of Commercial Real Estate investments.
- Common sense lending programs that encourage the timely investment into commercial real estate.
- Educational programs that assist the lender, servicer, asset manager, broker, and investor working with distressed commercial real estate assets.
- Industry changes that strike a fair and reasonable balance of responsibility between lenders, mortgage professionals and consumers.

The Will exists among CREDA A members to define ourselves as *the* organization that will lead the way on industry best practices.

Preamble to CREDA A Code of Honor

This is the Land of opportunity built on the backs of immigrants. At a time of intense economic pressure, failed federal reforms, immigrants continue to arrive by the millions, attracted for reasons as varied as their nationalities- to pursue a dream, reunite with family, and find a better job- or simply to live in a country where dialogue is encouraged, freedom from persecution and greater opportunities.

Today both small and large business owners, prospective investors, lenders, realtors and everyone else involved in the real estate industry face a crisis we have not seen in many decades in the United States. From the investor to the owner user of commercial type properties in nearly all communities across America, a "perfect storm" of

dropping values brought on by a weak U.S. economy suffering from double digit unemployment caused by business closures and cutbacks have resulted in increased building vacancies that translate into shrinking scheduled income that is necessary to pay the existing mortgage debt. And finally tightened underwriting in which the borrower is unable to borrow a large enough sum to pay off an expiring loan all threaten to undermine the development gains communities have made in the past 20 years.

For some who bought buildings thru relaxed commercial lending programs that offered high leverage and loosened underwriting constraints, the American Dream of Building wealth through investment into income producing properties may now be a nightmare.

But with this crisis indeed comes opportunity – especially an opportunity for CREDAA. What is demanded by the current lending environment is leadership, steady and firmly grounded in the conviction that we have the knowledge, skills and will to rebuild. CREDAA is poised to lead in helping the Holders of distressed commercial assets and all Americans see their way through this cycle of reduced commercial property values and limited access to capital. We need only the courage to confront these current lending challenges head-on and dedicate ourselves to their ethical resolution.

Where should we begin? We must rebuild Trust. On one end of the spectrum we must rebuild the trust of the financial markets in the system's ability to produce investment grade financing opportunities that perform to stated expectations. On the other end, we must engender the trust of the consumer with real estate professionals that have the integrity to use their talents and skills to truly benefit the consumer. The fundamental building block is in the basic transaction of helping an investor to search, acquire and keep an asset for as long as they wish. The balance of the edifice, the financing mechanisms, guarantees, national and international securities markets, hinges on that fundamental building block.

Nothing builds trust better than integrity – integrity in achieving the end goal of rebuilding our communities by helping investors make sound commercial real estate investments that create living spaces, jobs, business centers, and leisure centers for all Americans. That is the core of CREDAA's mission, and toward that end we commit ourselves to promoting the highest ethical standards and best practices in the real estate and lending industries.

Our members are real estate and lending professionals who will always put the customer's needs first and ensure they have everything they need to make informed decisions about their Investments. We will require our members to adhere to our Code of Honor when it comes to issues such as fair pricing, responsible underwriting, proper disclosures and fair servicing of loans. We will strive to provide consumers with the best, most accurate information possible to help them make informed decisions about investing in commercial real estate. We will ensure that our members can explain this information in the clearest, simplest terms.

CREDAA members believe that customers deserve to deal with real estate and lending professionals who are experts in their field and are genuinely committed to promoting sound real estate investments with all the consumers they serve. Our members will set the standard for quality service within the real estate and lending industries. Set forth below is our "Code of Honor" for all CREDAA members. By committing ourselves to conduct all business by the principles in our code, CREDAA members will cultivate the fundamental building block that is needed to rebuild the trust of the consumers and the markets, thereby demonstrating the leadership needed to help all Americans and foreigners investing in America to find a way through the current crisis so it is never repeated. Let us move forward together, confronting the problems, finding solutions and demonstrating that the commercial real estate professional community in the United States is prepared to work tirelessly to resolve this crisis and enable the American Dream of building wealth through sound investments into income producing properties to be realized and preserved for generations of all Americans to come.



CREDA A Certified Professional Mortgage Originators - “Code of Honor”

CREDA A Believes in Ethical & Responsible Lending

To ensure that real estate professionals promote responsible lending, CREDA A supports the following principles as minimum standards for “CREDA A Certified Professionals” serving Investor customers:

- CREDA A certified professionals will always use actual rent rolls, lease summaries or operating history statements of subject property to ensure that consumers, who are qualifying for a commercial loan, are offered realistic financing.
- CREDA A Certified Professionals will only recommend lending products when the ability to repay is made clear by the consumer’s credit, assets, liquid reserves, experience, subject property income & expenses, and financial literacy that enables sound Investments.
- CREDA A Certified Professionals will review each refinance customer’s credit profile and apply a net benefit test to prevent equity stripping, and ensure that any loans proposed will provide a demonstrable net benefit to the consumer.
- Many commercial lenders qualify loans at the start rate to enable greater leverage for the customer. CREDA A believes this is a sound underwriting principle when it allows the consumer to achieve their goals and adjustment caps are fully disclosed and explained to consumers to limit payment shock. CREDA A understands that the utilization of a stress level rate for underwriting is required by some lenders.
- CREDA A endorses the use of commonsense debt service ratios requirements to be used in underwriting.
- CREDA A Certified Professionals believe consumers are better served when LTV offerings are adjusted based on the borrower’s credit, reserves, management experience, property type, property location, and whether for a purchase, refinance or refinance with cash out.
- CREDA A Certified Professionals will educate consumers about the potentially harmful outcomes of products with “negative amortization”. Loan products with negative amortization will not be recommended for first time Investors. All customer options will be fully disclosed by the CREDA A certified professional.
- CREDA A Certified Professionals will explain to customers the type of prepayment programs that are associated with the proposed new loan; to include disclosing the maximum overpayment allowed annually toward principal reduction without triggering the prepayment penalty. All customer options will be fully disclosed by the CREDA A certified professional
- CREDA A Certified Professionals will **not** support or recommend private money or bridge financing unless there is no other alternative and this becomes the best solution.
- CREDA A Certified Professionals do not endorse the charging of upfront broker fees for consumer loan request.

CREDAА Believes in Protecting Consumer Choice

In order to protect consumer choice and ensure that consumers can make educated, fully informed decisions about their investment into income properties, CREDAА Certified Professionals are committed to:

- Providing a simple, information guide to educate consumers on basic terminology that every Investor should be aware of when investing into commercial income type properties.
- Explaining to the investor available loan alternatives and how they affect the borrower's rate and terms before determining their final product choice.
- A list of lenders that adhere to the "CREDAА Code of Honor."

CREDAА Believes in Full Disclosure

Full disclosure is an important part of helping consumers make the right decision. CREDAА Certified Professionals will ensure the following disclosure steps to ensure that consumers can make informed decisions when it comes to their loans:

- Consumers receive all relevant information they need to make the right choice for their loan.
- Consumers in this case Investors should receive a guarantee that the final cost/fees could not exceed more than a "reasonable" percent (10%) over the original "Good Faith Estimate and Truth In Lending disclosures" unless there is a change in fees imposed by government agencies (originators can not control increased recording fees or intangible taxes or documentary stamps). The only exceptions would be if after issuance of the good faith estimate additional 3rd party expenses incurred, such as Environmental Phase 1 Reports, Termite Inspection & work, or a borrower requested to pay additional points to waive a portion of the prepayment penalty period. (nonetheless as the transaction proceeds and changes occur a new GFE should be issued)
- CREDAА believes in a level playing field for all originators. All originators should be required to disclose *all* fees and consumer choices within the good faith estimate time period. In the "Good Faith Estimate and Truth In Lending disclosures," mortgage originators should reflect all fees and charges in the loan. There should be a second disclosure that informs the investor of the potential to rate lock when the program allows for rate lock that would include the rate to be locked, for how long, and any fees.
- CREDAА requires members to fully disclose Affiliated Business Arrangements.
- CREDAА Believes in full Disclosure on the subject property. Because when investing in income properties the subject income and expenses are crucial to a borrower making a correct and realistic choice all originators should be required to collect accurate source documents.

CREDAА Believes in Accountability

Accountability is important for our customers and our industry. CREDAА Certified Professionals support the following steps to ensure accountability in our industry:

- CREDAА strongly endorses all mortgage originators be licensed, ensuring enforcement by the appropriate state or federal regulatory entities. All real estate professionals must comply with applicable state and local licensing, and submit to legal background checks.
- CREDAА Strongly endorses mandatory that all mortgage brokerage operations carry minimum errors and omissions insurance of 1 million dollars per occurrence.
- CREDAА endorses that all real estate professionals have a thorough understanding of applicable state and federal laws—including marketing and privacy laws.
- CREDAА endorses that lender and origination fees should be capped at 3% and reviewed to maintain pricing that is competitive in the marketplace and reflective of the buyer’s financial qualifications. (Except when Private money or Bridge financing is the program of choice)
- CREDAА endorses that commercial lenders make available opportunities limited to a few select approved Brokers in market regions granting them the ability to represent the lenders commercial loan products as approved correspondents responsible in the originating and packaging of commercial loans. If qualified these brokers would receive better pricing and in some instances earn additional basis points determined by total overall volume.
- CREDAА agrees that Commercial lending falls outside normal residential lending and therefore, many of the regulations that are in affect for residential lending do not apply, but care, due diligence, and honesty are required by all loan originators.



CREDA Certified Professional Real Estate Licensees and Realtors “Code of Honor”

Obligation to Protect the Consumer

CREDA Certified Professional Real Estate Licensees and Realtors are committed to protecting and promoting the financial interests of their customers in all aspects of the real estate sales process. Their obligation to serve their customers is their first priority. Equally important is an obligation to treat all parties in the real estate transaction with honesty and respect when assisting in the sale or purchase of a Commercial property.

- CREDA Certified Professional Real Estate Licensees and Realtors pledge to protect and promote the financial interest of their client above their own personal financial interest. Investors are in themselves considered by the department of real estate as a seasoned consumer who should be savvy to the inherent risk that can be present in a commercial real estate transaction, CREDA Certified Professional Real Estate Licensees pledge to use their experience and understanding of commercial real estate to best guide the consumer into making sound real estate investments.
- CREDA Certified Professional Real Estate Licensees and Realtors will ensure that properties being purchased by the investor meet the customer’s stated “intended use” related to the properties zoning and other regulations required by law.
- CREDA Certified Professional Real Estate Licensees and Realtors will ensure all consumers fully understand their rights as it relates to appropriate property inspections, what they should anticipate in a professional appraisal and other factors they should expect from these professional services before the contingency period has been exhausted.
- CREDA Certified Professional Real Estate Licensees and Realtors will ensure that all consumers understand their rights to ask the seller to make repairs during the buyers due diligence period and are informed that the seller does not have to agree to make repairs and thus the transaction can be cancelled if within the set due diligence time frames.

CREDA Believes in Professional and Responsible Service Quality

To ensure that real estate professionals promote responsible lending, CREDA supports the following principles as minimum standards for CREDA Certified Professional Real Estate Licensees and Realtors serving all customers selling or purchasing commercial real estate:

- CREDA Certified Professional Real Estate Licensees and Realtors will consult with each customer to determine their individual commercial real estate needs, and ensure that proposed properties meet that consumer’s individual need.

- CREDAAs Certified Professional Real Estate Licensees and Realtors will make a “good faith effort” to recommend properties for purchase only where the ability to repay is made clear by the consumer.

CREDAAs Believes in Protecting Consumer Choice

In order to protect consumer choice and ensure that consumers can make educated, fully informed decisions about their commercial real estate loan, CREDAAs Certified Professional Real Estate Licensees and Realtors are committed to providing the following:

- A simple information guide to educate consumers on basic commercial real estate terminology that they should be aware of.
- A basic guide (could be a rate sheet) informing the borrower of commercial lending products available to borrowers.
- Available loan alternatives and how they affect the borrower’s rate and terms.
- A list of lenders that adhere to the “CREDAAs Code of Honor.”

CREDAAs Believes in Full Disclosure

Full disclosures are important parts in helping consumers make the right decision. CREDAAs Certified Professional Real Estate Licensees and Realtors will ensure the following informational disclosures to ensure that consumers can make informed decisions when it comes to selling or purchasing a commercial property:

- Consumers receive all relevant information including comparable building prices, and any known potential risks such as, but not limited to, flood, zoning, lead paint, asbestos, nonconforming uses, Crime, market rental rates, market cap rates, market gross rent multipliers, absorption rates or any other applicable information that when disclosed assists the investor to make the right building choice for their personal and financial needs.
- CREDAAs Certified Professional Real Estate Licensees and Realtors pledge to honor the letter and the intended spirit of the Real Estate Services Procedures Act (RESPA) to provide full and forthright disclosure of any financial relationships with any 3rd party where the customer is paying the fee.
- CREDAAs Certified Professional Real Estate Licensees and Realtors should be required to disclose customer choices such as title and insurance with enough time for the consumer to exercise that choice realistically. These must comply within the regulatory and customary practices applicable in their state or region. The timeframe should generally occur during the contingency period of their purchase contract.
- CREDAAs Certified Professional Real Estate Licensees and Realtors will fully disclose all Affiliated Business Arrangements that may or may not result in compensation of any sort being paid to the Realtor or Real Estate brokerage.
- When available, federal documents and disclosures should be provided in Spanish upon request. Any additional state and local documents and disclosures should be provided at the customers request as available.

CREDAА Believes in Accountability

Accountability is important for our customers and our industry. CREDAА Certified Professional Real Estate Licensees and Realtors support the following steps to ensure accountability in our industry:

- CREDAА strongly endorses all Professional Real Estate Licensees and Realtors be licensed in the state or jurisdiction where they do business, ensuring appropriate enforcement by state regulatory entities for all Real Estate Licensees and Realtors.
- CREDAА Strongly endorses mandatory that all Commercial Real Estate brokerage operations carry minimum errors and omissions insurance of 1 million dollars per occurrence.
- All CREDAА Certified Professional Real Estate Licensees and Realtors commit to having a thorough understanding of applicable state and federal laws—including marketing and privacy laws.
- CREDAА Certified Professional Real Estate Licensees and Realtors commit to abide by our code of honor and will require that seller clientele provide true and accurate books and records on subject properties disclosing to the purchaser true and correct numbers.



CREDA Certified Professional Title, Escrow, Home Inspection and other Loan Closing Services “Code of Honor”

CREDA Believes in Full Disclosure

Full disclosures are important parts of helping consumers make the right decision. CREDA Certified Professionals will ensure the following disclosure steps to ensure that consumers can make informed decisions when it comes to their loans:

- Consumers receive all relevant information they need to make the right choice for their loan and closing service products and service alternatives available to them, and how they affect their rate and terms before determining their final product choices.
- CREDA Certified Professionals will ensure all consumers fully understand their rights as they relate to appropriate property inspections, what they should anticipate in a professional appraisal, and other factors they should expect from these professional services before the contingency period has been exhausted.
- Consumers in this case Investors should receive a guarantee that the final cost/fees could not exceed more than a “reasonable” percent (10%) over the original “Good Faith Estimate and Truth In Lending disclosures” unless there is a change in fees imposed by government agencies (originators can not control increased recording fees or intangible taxes or documentary stamps). The only exceptions would be if after issuance of the good faith estimate additional 3rd party expenses incurred, such as Environmental Phase 1 Reports, Termite Inspection & work, or a borrower requested to pay additional points to waive a portion of the prepayment penalty period. (Nonetheless as the transaction proceeds and changes occur a new GFE should be issued)
- CREDA believes in a level playing field for all originators. All originators should be required to disclose *all* fees and consumer choices within the good faith estimate time period. In the “Good Faith Estimate and Truth In Lending disclosures,” mortgage originators should reflect all fees and charges in the loan. There should be a second disclosure that informs the investor of the potential to rate lock when the program allows for rate lock that would include the rate to be locked, for how long, and any fees.
- CREDA requires members to fully disclose Affiliated Business Arrangements.
- Where available, Federal documents and disclosures should be available in Spanish upon request. Additionally, where available state and local documents and disclosures should be provided in Spanish upon request.
- CREDA endorses that all real estate professionals have a thorough understanding of applicable state and federal laws—including marketing and privacy laws.

CREDAА Believes in Protecting Consumer Choice

In order to protect consumer choice and ensure that consumers can make educated, fully informed decisions about their Commercial Real Estate loan, CREDAА certified professionals are committed to providing the following:

- A simple information guide to educate consumers on basic commercial real estate terminology that they should be aware of.
- Borrowers will be made aware of available loan and closing service products and service alternatives available to them, and how they affect their rate and terms before determining their final product choices.
- CREDAА will make available a list of lenders that adhere to the “CREDAА Code of Honor.”

Appraisals

- CREDAА certified professionals will comply with FIRREA and USPAP policies for appraisals. These policies dictate only state licensed or certified appraisers will be used to perform appraisals. CREDAА also stipulates that no one with a financial interest in the transaction may order or influence the selection of the appraiser, or attempt to influence the property valuation. CREDAА Certified Professionals should make access available to the published USPAP guidelines.
- CREDAА Certified Professionals should ensure that its consumers fully understand their rights as it relates to appropriate property inspections, what they should anticipate in a professional appraisal and other factors they should expect from these professional services.
- CREDAА Certified Professionals will advise customers that no one with a financial interest in the transaction may order or influence the ordering of an appraisal or the selection of the appraiser.

Closing Services

- CREDAА Certified Professionals believe consumers are better served when they have escrow accounts, especially when their Combined Loan to Value exceeds 80%. Therefore they will require lenders provide escrow options for all mortgage loans. If consumers choose to decline, they will still receive information on the possible consequences of foregoing an escrow. Information provided must include all fees and taxes associated with the transaction. (In commercial lending some instances impounds are a requirement to the loan)
- CREDAА Certified Professionals will not support or recommend Single Premium Credit Life or Disability Insurance.
- CREDAА Certified Professionals will ensure all consumers fully understand their rights as they relate to appropriate property inspections, what they should anticipate in professional appraisal, and other factors they should expect from these professional services before the contingency period has been exhausted.
- CREDAА Certified Professional Real Estate Licensees and Realtors will ensure that all consumers understand their rights to ask the seller to make repairs during the buyers due diligence period and are informed that the seller does not have to agree to make repairs and thus the transaction can be cancelled if within the set due diligence time frames.

CREDAAs Supports Community-Based Commercial Real Estate Counseling and Regulatory Enforcement

- Working with the Conference of State Bank Regulators CREDAAs Certified Professionals support the establishment of a “whistle blower hotline” for industry professionals and consumers to report allegations of misconduct or warn authorities about predatory lenders and practitioners. An industry based “peer review with due process” including the opportunity for response from individuals reported to the hotline is recommended.
- CREDAAs Certified Professional support partnerships with counseling providers to educate borrowers on commercial real estate ownership for consumers in need of assistance during the lending process.
- CREDAAs Certified Professionals support the establishment of a borrowers’ hotline to provide counseling and support services for consumers in need of assistance when they are at risk of default or foreclosure, and are committed to counseling customers to “call their lender” as soon as possible when they are faced with the potential of payment default.

Builders

- CREDAAs believes in a level playing field amongst lenders and closing agents. Currently, on transactions where there is a builder involved who is offering financing through a “preferred lender”, there is little or no protection for the borrower. Borrowers should be provided with a fully completed HUD 1 & 2 from the “preferred closing agent” no later than 30 days prior to the expected closing date. This should include an option to lock the loan in at the rate and price quoted for this pre-closing statement. The lock period should be for 60 days to allow for any unexpected delay in the closing. In this manner, the borrower can fully and completely assess if the “preferred financing” will be a benefit or if the borrower would be better served by closing through a different broker and/or title agent. (common in condo projects, even seen in office condos)

I have read and agree to all the terms stated in this document. By electronically signing below, I will abide by the terms stated.

Signature

Enter Today’s Date (mm/dd/yy)

Enter First & Last Name