

## **National Association of Alternative Funding Professionals (NAAFP)**

Alternative Funding Professionals is a National Association of alternative, hard-money and private lenders, brokers and servicers; real estate investment hedge funds; and similar or related entities. The Association exists:

- To facilitate member networking for the sharing and expansion of knowledge and common interests about alternative funding;
- To maintain and increase alternative funding options, creativity and availability;
- To foster professionalism in the members services encourage pride in the members financial products; and
- To establish and promote adherence to a professional Code of Conduct. This Code is intended to discourage unscrupulous lending practices; define standards for honest and adequate disclosure; and promote fair practice in dealings with clients, consumers, the general public and each other.

## **National Association of Alternative Funding Professionals** **Code of Conduct**

**In consideration of the fact that alternative funding activities are largely unregulated; and in furtherance of our desire to be professional, fair and honest, the ethical statement and promise of NAAFP members is:**

1. To discourage mortgage fraud as defined by law, including accepting, forwarding or assisting in the fabrication of, knowingly fraudulent documents, or information, in regard to any funding request;
2. To establish and encourage fair and adequate disclosure that meets, or exceeds, the "letter of the law", in regard to fees and obligations of all parties in a funding arrangement, the right to receive a copy of any appraisal or third-party report paid for by the applicant; the right of the applicant to choose their own provider of insurance, etc;
3. To encourage that such disclosure is made, as appropriate, at the time the funding request is to be formalized, or sufficiently prior to settlement to allow appropriate financial and other planning, by consumers or clients, and minimize the chances for untenable agreements or "settlement surprises";
4. To discourage discrimination; "red-lining"; "steering" or other illegal practices in regard to the extension of credit, or in the application, approval or underwriting process;
5. To refrain from: unsupported or unconditional guarantees of funding approval in advertising, or in statements to clients or consumers, prior to full underwriting or issuance of a formal approval; or exaggerations about the members proficiency, experience or capacity to provide funding services;
6. To avoid fraud, misrepresentation, dishonesty or knowingly making untrue or misleading material statements to consumers, clients, fellow members, investors, lenders or others;
7. To be honest about the anticipated time-frame of the application, approval and funding process;
8. To avoid unduly pressuring a consumer or client to proceed with an application for funding; to refrain from encouraging an applicant to sign blank or incomplete documents; to encourage careful review of documents before executing them; and to refrain from discouraging such review by an attorney, accountant or other legal or financial advisor;
9. To encourage the execution of fair, clear and unambiguous fee agreements, between the parties in a funding arrangement, at the time the member is formally engaged to seek or provide funding;
10. To encourage prompt approval, or disapproval, of formal (written and executed) funding requests;
11. To issue a formal written denial, when disapproval is appropriate, for any formal funding request; and to list the specific reasons for the denial;
12. To encourage the preparation, and/or review, of all legal/financial documents by qualified legal and/or financial experts; and to observe applicable real estate, mortgage, licensing, securities or other law;
13. To respect and maintain the confidentiality of documents and privacy of financial information;
14. To discourage the demand for large, unjustified, unexplained or non-refundable advance fees prior to funding approval and settlement, and honestly disclose the refundability of advance fees;
15. To discourage the charging of fees that exceed the actual cost of third-party reports or services, except for reasonable fees for inspections, or for the review of those reports or services or when procuring those reports or services involves an inordinate amount of attention by the member ordering them;
16. To encourage moderation in the size of fees that are due and payable prior to approval and settlement, for inspections, reviews, processing or underwriting; or are mandatory regardless of approval/denial;
17. To defer the charging or collection of actual origination compensation that is subject to, and contingent upon, funding approval and settlement, except for the, above, justified, advance fees;
18. To encourage, when such fees are legal, the full disclosure of all parties who are owed, or will receive, referral or finders fees, and the amount of those fees, at or prior to settlement;
19. To encourage forthrightness in the disclosure of which parties are the clients or fiduciaries of the other parties, as well as the true relationship of the parties, including the existence of business arrangements with third-parties in the funding process, at or prior to settlement;
20. To encourage inter-cooperation of members and discourage circumvention of members by other members.
21. To promote the understanding that the alternate funding field involves transaction with widely varying risks and, thus, to encourage competition by not advocating industry-wide, fixed compensation rates;
22. To lobby against the legislative prohibition or limitation of creative financing or the imposition of underwriting standards defined those who are unfamiliar with the industry or mandated by law;
23. To encourage servicing accuracy, professionalism and timeliness; to encourage prompt responses to consumer requests for information; and to honestly attempt to resolve consumer complaints/disputes;
24. To encourage compassion regarding unanticipated or sudden consumer, borrower or client hardships, and flexibility in regard to the remediation thereof;
25. To encourage use of a viable (Association or third party) non-judicial mechanism to facilitate resolution of disputes between members; or between members and consumers, clients or the Association.