

SOUTH SHORE MORTGAGE FAIR LENDING PLAN

INTRODUCTION

South Shore Mortgage (SSM) is committed to providing loan finance services to applicants and borrowers on an equal basis. It is SSM's policy to treat all of its applicants and borrowers consistently and in compliance with fair lending laws, throughout the loan process, from application to satisfaction, including collection and foreclosure, as applicable.

SSM's employees offer assistance and services in a fair and consistent manner during the performance of their jobs to all potential applicants and borrowers without regard to race, color, religion, national origin, sex, marital status, disability, familial status, age, receipt of public assistance, or the exercise of legal rights under the federal Consumer Credit Protection Act (15 U.S.C. §§ 1601 et seq.).

SSM is committed to informing its employees of and implementing policies that ensure compliance with all fair lending laws, including New York Executive Law § 296-a.

FAIR LENDING OVERVIEW

The legal aspects of fair lending are contained in several federal and state laws. The purpose of these laws is to ensure that fair and equal treatment is provided to individuals seeking financing.

The Federal Equal Credit Opportunity Act (ECOA) (15 U.S.C. §§ 1691 et seq.) and its implementing regulation, Regulation B (12 C.F.R. Part 202), prohibit discrimination in any aspect of a credit transaction. The prohibited bases of discrimination under the ECOA are the following: race; religion; national origin; sex; marital status; age; the applicant's receipt of income through a public assistance program; and the good faith exercise of the applicant of a right under the federal Consumer Credit Protection Act (15 U.S.C. §§ 1601 et seq.).

Various state laws also govern fair lending, including New York Executive Law § 296-a, which makes it an unlawful discriminatory practice for any creditor to discriminate on the basis of race, creed, color, national origin, age, sex, marital status, disability, sexual orientation, or military status; to use any form of application for credit or use or make any record or inquiry which expresses, directly or indirectly, any limitation, specification, or discrimination as to a prohibited basis; to make any inquiry of an applicant concerning his or her capacity to reproduce, or his or her use or advocacy of any form of birth control or family planning; to refuse to consider sources of an applicant's income or to subject an applicant's income to discounting, in whole or in part, because of a prohibited basis or childbearing potential; or to discriminate against a married person because such person neither uses nor is known by the surname of his or her spouse.

STRUCTURAL ORGANIZATION

SSM's commitment to fair lending is reflected in its belief in the shared responsibility for compliance with fair lending laws at every level of the organization.

Management is responsible for approving, adopting, and implementing the Fair Lending Plan. SSM's Management is responsible for ensuring that SSM's business practices comply with its Fair Lending Plan in the following ways: (i) communicating SSM's fair lending policies to the applicable business unit management; (ii) allocating, on an ongoing basis, sufficient resources to ensure the successful implementation of this Plan; (iii) obtaining input and guidance from the Compliance Department on significant business decisions that have potential fair lending impact; and (iv) Monitoring results and recommending corrective action where necessary.

Our Compliance Department, implements the policies outlined in this Plan in the following ways: (i) monitoring implementation of and adherence to the fair lending policies and procedures; (ii) reviewing and addressing fair lending complaints; (iii) monitoring, as appropriate, SSM's loan application and processing as well as its pricing policies; (iv) reviewing, on a regular basis, the Fair Lending Plan to determine that it

still accurately reflects the procedures followed by SSM and conforms to federal and state law; (v) maintaining training materials to keep current with changes in the law, regulation, and judicial interpretation; and (vi) providing, at least semi-annually, updates on fair lending issues to all SSM employees involved in the loan origination and loan processing.

SSM has no affiliated third party providers. If a relationship were to form in the future it would require all third party providers to have written agreements with SSM that they acknowledge their responsibility to comply with Executive Law 296-a and the policy and procedures contained in the plan.

TRAINING

SSM will provide adequate Fair Lending training for all new and current employees including senior management and other key personnel. All new employees will receive a copy of this Plan during that training. Training for all employees includes correctly and adequately describing prohibited bases under the Equal Credit Opportunity Act, Regulation B, and applicable state laws. All participants will certify that they understand and commit to upholding the principles of Executive Law 296-a and the policy and procedures of the plan.

MARKETING

The Compliance Department reviews and must approve, prior to distribution, all marketing strategies directed to any protected class applicants or minority communities to ensure compliance with fair lending laws. The Compliance Department also periodically reviews such existing marketing strategies to confirm that they remain in compliance with fair lending laws.

FAIR LENDING POLICY AND LOAN PROCESS

SSM is aware that the risk of unfair lending practices runs throughout the loan process. SSM is committed to implementing training and policies that protect against discriminatory practices at every level of the loan process, from application to loan satisfaction, and to taking immediate corrective action should fair lending discrimination occur. If fair lending deficiencies are observed or appear in an employee's job evaluation, the employee will receive additional training or counseling in an effort to correct the deficiency. If the deficiency persists, the employee will be subject to more severe action, including termination.

PROCESSING AND PRICING

Processing guidelines are established through written policy and procedure in order to promote and ensure consistency throughout all classes of applicants. The guidelines address all aspects of the loan processing, including collateral standards, credit, income, source of funds, debt ratios, income documentation and other factors relevant to the loan processing. SSM will offer borrowers the best available products for which the borrower would qualify based on his/her creditworthiness, ability to document income and combined loan-to-value. SSM has no affiliated lenders and will disclose to all applicants how a commitment was approved and under what conditions a commitment is made. Loan applications that are rejected by SSM are referred to management for a second review prior to formal denial of credit.

PROMT SERVICE

This plan's principles of fair lending policy apply throughout the loan process, and SSM is committed to implementing policies, procedures, employee training, and management oversight to ensure equitable treatment of all debtors. SSM's policies include responding to consumer inquiries, concerns, and complaints in a timely, fair, and consistent manner. Complaints of violations of Executive Law 296-a will be addressed immediately by upper management and not the initial reviewer. This will be conducted and resolved in an efficient manner without being unduly burdensome to the applicant.

MONITORING LOAN ORIGINATORS

SSM's commitment to complying with fair lending laws extends to its relationships with originators. SSM requires loan Originators doing business with SSM to comply with all applicable law, including all applicable federal and state fair lending laws. When an originator submits an application through SSM, the originator must agree to comply with SSM's policy with respect to fair lending:

SSM is in accordance with the Federal Equal Credit Opportunity Act, SSM employs business practices that promote fair lending and will not tolerate discrimination relative to borrower race, color, religion, sex, handicap, familial status, age, national origin or ancestry. SSM fully supports the letter and spirit of these laws and does not condone discrimination in any credit transaction.

SSM will also post a copy of this Plan on its web site and require originators submitting applications through the web site to comply with the Plan.

Originators will be notified of any fair lending deficiencies noted in the monitoring of their loan packages. They will be responsible for correcting any deficiencies. If deficiencies are not corrected, SSM will take appropriate corrective action.

MONITORING PERSONEL

SSM implements monitoring processes that review the lending practices of the institution as a whole as well its various departments, and individuals within the departments. SSM's monitoring program focuses on detecting deficiencies and ensuring that SSM's personnel understand their duties and responsibilities under this plan and are carrying them out.

The Compliance Department performs regular audits of loan files to monitor data integrity for funded and non-funded loans. SSM will review withdrawn applications and declined applications will undergo a timely review by management that holds a higher position than the initial reviewer.