

# **Special Products Seller Guide**

**Delegated and Non-Delegated  
Underwriting**

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### **Chapter 1- Seller Contractual Obligations**

By signing the Mortgage Loan Purchase Agreement, or other relevant contract executed by the Seller that governs the sale of Mortgage Loans to either (1) Community Loan Servicing, LLC (“Community”) or (2) Bayview Acquisitions LLC (“Bayview” or “Bayview Acquisitions”), collectively or individually referred to as the Company herein, Seller is bound by the requirements of this Special Products Seller Guide as the same may be amended or supplemented from time to time (the “Guide”), which Guide is defined and incorporated into and made part of the Mortgage Loan Purchase Agreement. This Guide, the Mortgage Loan Purchase Agreement and any other Purchase Documents govern the sale of Mortgage Loans by Seller to Community or Bayview.

### **100 Descriptions of Underlying Chapter**

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Chapter 1A – Rules of Interpretation and Miscellaneous

Chapter 1B – Seller Eligibility

Chapter 1C – Representations, Warranties

Chapter 1D – Defaults, Remedies, and Early Pay Off

Chapter 1E – Terms of Use and Electronic Services

## **Chapter 1A Rules of Interpretation and Miscellaneous**

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### **A100 Rules of Interpretation**

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**A. Defined Terms; General Rules of Interpretation**

Defined terms may be used in the singular or plural, as the context requires. Unless the context in which it is used otherwise clearly requires, the word “or” has the inclusive meaning represented by the phrase “and/or”. The words “include”, “includes”, and “including” are deemed to be followed by the phrase “without limitation”.

**B. Headings for Convenience**

All captions or paragraph headings in the Purchase Documents are for convenience only and in no way define, limit or describe the scope or intent of any provision in the Purchase Documents.

**C. Company’s Sole Discretion**

Whenever any provision of this Guide or any Purchase Document requires or allows Company to act in its discretion or to make a determination of fact or a decision to act, or to permit, approve, or deny another a party’s action, such determination or decision shall be made in Company’s sole and absolute discretion.

**D. Company’s Sole Opinion**

Whenever any provision of this Guide or any Purchase Document requires or allows Company to make a determination in its opinion, such determination shall be made in Company’s sole and absolute opinion.

### **A101 Miscellaneous**

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**A. Consent to Credit References**

Seller consents to the disclosure of information regarding Seller and its subsidiaries and their relationship with Company to persons making credit inquires to Company about Seller.

**B. Use of Seller’s Name**

Company may, at its option, make the name of the Seller generally available, publicly associate the name of the Seller with the Mortgage Loan Programs, and refer business prospects to Seller. Upon Seller’s request, Company will waive its right to use Seller’s name in accordance with this paragraph.

**C. MARI Authorization**

Seller releases and agrees to hold harmless Company, MARI, all MIDEX subscribers and any trade associations that endorse the MIDEX system from any and all liability for damages, losses, costs and expenses that may arise from the reporting or use of any information submitted by Seller or any other MIDEX subscriber to MARI, recorded in the MIDEX system and used in any way by Company or any other MIDEX subscriber.

**D. Use of Company’s Name, Trade Names and Service Marks**

Seller must not use the trade name Community Loan Servicing, LLC, Lakeview Loan Servicing, LLC, Bayview Acquisitions, LLC or any of the trade names or service marks of any of the

foregoing in any of Seller's promotional or other materials without the prior written consent of Company.

### **E. Relationship of Parties Under this Guide**

Nothing in this Guide, any related marketing or other materials creates or may be construed as permitting or obligating Company to act as a financial or business advisor or consultant to Seller, as permitting or obligating Company to control Seller or to conduct Seller's operations, as creating any fiduciary duty on the part of Company, or as creating any joint venture, agency, partnership or other relationship between Company and Seller other than as explicitly and specifically set out in a formal writing, signed by both Parties, intended to create such a relationship. Seller acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of the Agreement and this Guide. Seller further acknowledges that it is experienced with respect to the transactions contemplated by this Guide and made its own independent decisions with respect to the Agreement, Guide, or Purchase Documents.

### **F. Seller's Responsibility**

Seller is responsible for the performance of requirements and obligations contained in this Guide, even if the requirement or obligation is performed by a third party.

### **G. Confidentiality**

As a result of its relationship with Company and access to this Guide and its incorporated references, Seller will have access to Confidential Information. Seller acknowledges that such Confidential Information is the exclusive property of Company. Seller shall not, at any time, regardless of if, when, and how its relationship with Company may terminate, directly or indirectly, disclose, publish, reveal, disseminate, or otherwise make available to anyone such Confidential Information, except to the extent required by applicable law.

### **H. Privacy of Consumer Financial Information**

All capitalized terms used in this section and not otherwise defined shall have the meanings set forth in the Privacy Regulation. Company and Seller acknowledge that the Privacy Regulation governs disclosures of nonpublic personal information about Consumers. Both Parties (i) agree to comply with any applicable laws and regulations regarding the privacy and security of the Consumer Information, (ii) agree to not use Consumer Information in any manner inconsistent with any applicable laws and regulations regarding the privacy and security of Consumer Information, (iii) agree to maintain adequate physical, technical and administrative safeguards to protect Consumer Information from unauthorized access.

### **I. Purchase of the Loan**

Notwithstanding anything contained herein to the contrary, with respect to certain Mortgage Loans, Company or Bayview Acquisitions may purchase such Mortgage Loans pursuant to the Mortgage Loan Purchase Agreement, at Company's sole discretion. To the extent that Bayview Acquisitions is the purchaser under the Mortgage Loan Purchase Agreement, any fee or payment due and owing to the purchaser of the Mortgage Loan subsequent to the loan closing will be paid to Bayview Acquisitions or its designee.

### J. Address Confidentiality Programs (ACP)

A Borrower may be a participant in a State sponsored Safe at Home or address confidentiality program that provides the borrower with an alternative mailing address that can be used instead of the Borrower's home address for all mail correspondence. Sellers must comply with the applicable Federal and State laws related to the Safe at Home/Address Confidentiality Programs.

Within five business days after the Purchase Date of the subject loan for which the Borrower is a participant in the Safe at Home/Address Confidentiality Program, the seller must notify Lakeview at [ACP@bayview.com](mailto:ACP@bayview.com). The following information must be included in that communication:

- Borrower Name
- Seller or Lakeview Loan Number
- The subject property address and a separate ACP mailing address
- Notice of program enrollment

### **Chapter 1B Seller Eligibility**

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#### **B100 Seller Eligibility**

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In order to become and remain a Seller, a Mortgage Loan lender must, among other requirements:

- A. Satisfy the Company Seller eligibility standards;
- B. Have its completed Prospect Application approved by Company;
- C. Enter into a Mortgage Loan Purchase Agreement;
- D. Deliver an executed Officer's Certificate; and
- E. Deliver three original Limited Power of Attorney documents to Company. The Limited Power of Attorney grants Company the authority to execute and/or correct documents for the purpose of assigning and transferring Mortgage Loans and related assets to Company. The use of the Limited Power of Attorney is restricted to those Mortgage Loans and related assets which Seller has sold to Company or Bayview Acquisitions.

In order to remain eligible to participate in Company's Mortgage Loan Programs, Seller must comply with all of the terms of the Mortgage Loan Purchase Agreement, including this Guide.

#### **B101 Underwriting Authority**

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Seller's underwriting authority is determined at Company's discretion based on net worth requirements, experience, Agency eligibility, Mortgage Loan Programs, and other criteria. The Seller has the authority to make the initial determination of whether the Mortgage Loan is eligible for sale to Company. Seller must make its own determination of whether to make the Mortgage Loan to the applicant. To learn more about underwriting authority requirements, contact your Director or VP of Business Development.

Refer to the Product Matrices for available underwriting authority and options.

#### **B102 Continuing Seller Obligations**

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In order to remain eligible, Seller must be active with Company, maintain the initial eligibility standards or eligibility standards currently in effect, and comply with the continuing obligations as defined in this Guide. In addition, at Company's discretion Company may amend any or all continuing eligibility standards for a Seller based upon factors including Seller's current financial strength, volume and performance, license and background checks. Even if Seller is eligible to sell Mortgage Loans to Company, Company is not obligated to purchase any Mortgage Loan from Seller except as may be expressly stated in this Guide or otherwise in writing from Company to Seller. Finally, Company may terminate the Mortgage Loan sale relationship as set out in this Guide, even if Seller is otherwise eligible.

##### **A. MERS Rules and Procedures**

On Mortgage Loans closed in Seller's name and sold to Company or Bayview Acquisitions, Seller must comply with the rules and procedures of MERS in connection with all Mortgage Loans registered with MERS (if applicable).

##### **B. Sanctions and Administrative Actions**

At the time of Mortgage Loan submission to Company, Seller and its sponsored third party originators (and any officer, partner, director, principal, manager, supervisor, Mortgage Loan processor, Mortgage

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Loan underwriter, or Mortgage Loan originator of Seller or of its sponsored third party originators) has not been subject to the following sanctions or administrative actions:

- Suspended, debarred, under a LDP, or otherwise restricted under 24 CFR part 24 or 24 CFR part 25, or under similar procedures of any other Federal agency;
- Indicted for, or have been convicted of, an offense that reflects adversely upon the integrity, competency, or fitness to meet the responsibilities of the lender to participate in Department of Housing and Urban Development (“HUD”) Title I or Title II programs;
- Subject to unresolved findings as a result of HUD or other governmental audit, investigation, or review;
- Engaged in business practices that do not conform to generally accepted practices of prudent mortgagees or that demonstrate irresponsibility;
- Convicted of, or have pled guilty or *nolo contendere* to, a felony related to participation in the real estate or mortgage loan industry:
  - A. During the 7-year period preceding the date of the application for licensing or registration; or
  - B. At any time preceding such date of application, if such felony involved an act of fraud, dishonesty, or a breach of trust or money laundering.
- In violation of provisions of the Secure and Fair Enforcement Act or any applicable provision of state law; or
- In violation of any other requirement established by the Secretary of HUD.

### **B103 Disqualification, Suspension or Inactivation**

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See Chapter 1D, Defaults and Remedies, Early Pay Off, of this Guide.

### **B104 Reporting Requirements**

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#### **A. Reporting Requirements**

##### 1. Interim Financial Statements

Upon Company’s request, Seller shall provide its monthly or quarterly un-audited financial statements, Form 10-Qs, or any other financial information pertaining to Seller.

##### 2. Fidelity Bond and Errors and Omissions Insurance

- Seller must notify Company if it receives notice from its insurer of intent to cancel, not renew, or otherwise modify Seller’s coverage. This notification must be sent to Company by registered mail at least 10 days before it becomes effective.
- Seller must report to Company all cases of material theft, embezzlement, or fraud and all claims made against the insurer within 10 days after the occurrence.
- If requested by Company, Seller must provide current certificates of insurance outlining its E&O and Fidelity Bond Insurance.

#### **B. Mailing Address**

Submit all information required under the Reporting Requirements section above to:  
Community Loan Servicing, LLC  
Counterparty Risk Management  
507 Prudential Rd  
Horsham, PA 19044



### C. Regulation AB Disclosures

1. General: The Seller acknowledge and agree that the purpose of this section is to facilitate compliance by Company or any Depositor with the provisions of Regulation AB and related rules and regulations of the Commission. Although Regulation AB is applicable by its terms only to offerings of asset-backed securities that are registered under the Securities Act, the Seller acknowledges that investors in privately offered securities may require that Company, Bayview Acquisitions or any Depositor provide comparable disclosure in unregistered offerings. References in this Guide to compliance with Regulation AB include provision of comparable disclosure in private offerings.
2. Originator Disclosure

As requested by Company or any Depositor in their sole discretion, within three Business Days, Seller will provide to Company:

- The disclosures required under Regulation AB or any successor regulation for inclusion in a prospectus or other disclosure document (Originator disclosure), regardless of whether Seller was the originator of the Mortgage Loan or acquired such Mortgage Loan from a Third Party Originator, and, if applicable
- A confirmation that previously provided disclosure does not require updating and remains true and correct in all respects.
- “Originator disclosure” required to be provided shall include:

(a) the originator’s form of organization;

(b) a description of the originator’s origination program and how long the originator has been engaged in originating mortgage loans, which description shall include a discussion of the originator’s experience in originating mortgage loans of a similar type as the Mortgage Loans; information regarding the size and composition of the originator’s origination portfolio; and information that may be material, in the good faith judgment of the Purchaser or any Depositor, to an analysis of the performance of the Mortgage Loans, including the originators’ credit-granting or underwriting criteria for mortgage loans of similar type(s) as the Mortgage Loans and such other information as the Purchaser or any Depositor may reasonably request for the purpose of compliance with Item 1110(b)(2) of Regulation AB;

(c) a description of any material legal or governmental proceedings pending (or known to be contemplated) against the Seller and each Third-Party Originator; and

(d) a description of any affiliation or relationship between the Seller, each Third-Party Originator and any of the following parties to a Securitization Transaction, as such parties are identified to the Seller by the Purchaser or any Depositor in writing in advance of such Securitization Transaction:

- (1) the sponsor;
- (2) the depositor;
- (3) the issuing entity;
- (4) any servicer;
- (5) any trustee;
- (6) any originator;

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- (7) any significant obligor;
- (8) any enhancement or support provider; and
- (9) any other material transaction party.

As requested by Company or any Depositor, in their sole discretion, within three Business Days, Seller shall provide in a specified electronic format the name of the originator of each Mortgage Loan if originated by an entity other than Seller.

### 3. Legal Proceedings for Prospectus Disclosure or Update of Periodic Reports

As requested by Company or any Depositor in their sole discretion, within three Business Days of request, Seller will provide to Company (a) Legal Proceedings Description, or (b) a written certification of an officer of Seller stating that the previously provided Legal Proceedings Description does not require updating and continues to be complete and accurate as of such date.

### 4. Updates Regarding Legal Proceedings

If at any time any previously provided Legal Proceedings Description is no longer current or requires updating, or if Seller is the subject of new legal proceedings that would require disclosure under Item 1117 of Regulation AB or any successor regulation, Seller will provide to Company or any Depositor, as the case may be, a revised Legal Proceedings Description.

### 5. Other Information Required under Regulation AB

Seller will provide to Company or any Depositor, as the case may be, such other information, including historical Mortgage Loan performance information and Static Pool Information, as they may reasonably request to enable any of them to comply with any applicable requirements of Regulation AB or any successor regulation. Such information shall be provided within 15 days of request from Company.

### 6. Mailing Address for Regulation AB Disclosures

When Company requests any Regulation AB disclosure or information under this Section, it will provide to Seller the address to which all such disclosure or information must be delivered.

## **B105 Audits and Inspections**

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Seller agrees to allow Company to conduct, from time to time, audits or inspections at one or more of Seller's offices during normal business hours. At that time, Seller must provide the assistance of a knowledgeable and responsible individual and will grant Company access to all books, records, and files pertaining to the following:

- A. The Mortgage Loans; and
- B. Seller's compliance with the terms and provisions of the Mortgage Loan Purchase Agreement, including this Guide.

Seller also agrees, upon the request of Company, to deliver the material described in the Maintenance of Records section in this chapter. From time to time, Company may conduct audits at Company offices using information and documents provided by Seller. During these audits, Seller must provide a person or persons to contact by telephone for additional information.

### **B106 Disclosure of Information**

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Upon the request of Company, Seller shall disclose information relating to Seller's origination or servicing experience. This information may include, but is not limited to, information required under Regulation AB or any successor regulation, information on losses, mortgage insurance claims, delinquency, and declination experience on Mortgage Loans originated or serviced by Seller, as well as related information. Seller also consents to the disclosure by Company of any such information to investors, rating agencies, credit enhancement providers, or any other entity that needs the information in connection with Company's secondary marketing operation. Seller releases and agrees to hold harmless Company and any insurer or other entity that discloses information as provided above from and against any claims or liabilities connected with such disclosure.

### **B107 Maintenance of Records**

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Seller shall maintain adequate records of all Mortgage Loans submitted to Company for purchase for such periods of time as may be necessary to comply with all applicable federal and state laws.

Company has the right to examine any and all records that pertain to Mortgage Loans governed by the Mortgage Loan Purchase Agreement and the Purchase Documents. The records must include the individual Mortgage Loan File, any and all accounting reports associated with the Mortgage Loan, and any other reports, data, information and documentation that Company in its discretion considers necessary to ensure that Seller is in compliance with Company's requirements. Seller must satisfy a request for records within 15 days of the request. Seller must reproduce all records at its own expense, regardless of whether these records are maintained in paper or other format.

State and federal law now recognize electronic images that meet certain standards as being equivalent to paper documents for legal purposes. Company's requirements for document accessibility and retention apply equally to paper and electronic documents. Generally, the only documents associated with the origination and servicing of a Mortgage Loan that must be retained in paper format are the Security Instrument (and any related riders), any other document that changes the terms of the Mortgage Loan, the assignment for a MERS registered mortgage (when MERS is not named as nominee for the beneficiary), the unrecorded Assignment of Mortgage to Company (if the Security Instrument is not registered with MERS), and the Mortgage Note and any related addenda. Seller is responsible for ensuring that any electronic documents it uses meet all legal standards and must have appropriate storage, retrieval, and back-up systems for such electronic documents. Upon request, Seller must provide Company with information about the methods it uses for document and records storage and must convert the documents and records to a different format if requested by Company.

Seller shall maintain an individual Mortgage Loan File for each Mortgage Loan, clearly marked with the Company Mortgage Loan number and, for Mortgage Loans registered with MERS, the MIN. The file must contain:

- a. Copies of all documents delivered in their original form to Company
- b. Originals of all documents, copies of which were delivered to Company; and
- c. All other Mortgage Loan and related documents not required to be sent to Company.

### **B108 Quality Control**

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#### **A. Recommended Program**

##### Quality Control Plan Requirements

It is necessary that the Seller maintain an internal quality control program that meets Company guidelines, as well as standard industry requirements.

The program must be documented and supported by a written plan that details the objectives and the scope of the review. The program must also include applicable policies and procedures. This written plan must be provided to Company upon request. Results of the quality control program must also be provided, upon request, in the form of a summary report that is distributed to the Seller's senior management.

Seller's internal quality control program, as documented, must at a minimum cover the following:

- Accuracy of legal and origination documents;
- Federal and State regulatory compliance;
- Soundness of underwriting decisions (if applicable)
- Evidence of monitoring for Red Flags, including any evidence of discovery of fraud and misrepresentation;
- Identification of any systemic issues, their root causes, and resolution;
- Monitoring of corrective action plans in place;
- Sound reporting procedures;
- Description of sampling methodology, which must include random and high-risk targeted samples and Mortgage Loans that have delinquencies;
- Seller maintains an active focus on preventive controls, such as pre-funding quality assurance, and document and appraisal procurement policies; and
- A post-closing review that monitors adherence to agency and investor requirements.

### **B109 Notification of Changes in Seller Status**

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#### **B. Notification**

Seller must notify Company prior to the occurrence of any of the following:

- Any change in Seller's business address and/or telephone number.
- Any material increases in capital, alteration of debt/equity ratios, or changes in management that are ordered or required by a regulatory authority supervising or licensing Seller.
- Loss of any senior management overseeing the origination, processing, underwriting, closing, and if applicable, secondary marketing operations of Seller. Resumes of replacement personnel must be furnished within 30 days of such replacement.
- Loss of any state mortgage banking license of Seller and any of its employees, including corporate, branch and loan originator approvals.
- Entry of any court judgment or regulatory order in which Seller is or may be required to pay a claim or claims which may have a material adverse effect on Seller's financial condition or regulatory status or which may call into question Seller's compliance with the requirements of this Guide.
- The winding down or dissolution of Seller's business.
- Termination, disqualification, or suspension of Seller by MERS. Seller must demonstrate to Company's satisfaction that it has taken corrective action to remedy such termination, disqualification, or suspension.

When Company receives this written notification, it will contact Seller if further documentation is required. Company reserves the right to suspend further business with Seller while determining the impact of the change on Seller's qualifications. Failure to notify Company of any such change may result in termination, disqualification, suspension, inactivation or other remedies available to Company under the Mortgage Loan Purchase Agreement.

### **Chapter 1C - Representations and Warranties & Covenants**

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#### **C100 Representations and Warranties Regarding the Seller**

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In addition to the representations and warranties made by Seller in the Mortgage Loan Purchase Agreement, Seller hereby makes the following representations and warranties as of the date of the Mortgage Loan Purchase Agreement and as of each Funding Date with respect to any Mortgage Loan sold by Seller to Company on such Funding Date (in each case, if the then applicable version of the Guide contained such representation and warranty as of the applicable date):

1. Truth and Accuracy

No representations, warranty or written statement made by the Seller or certificate furnished to Company by the Seller in connection with the Mortgage Loan Purchase Agreement or the Mortgage Loans sold thereunder, including, without limitation, the Prospect Application, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein true, accurate and complete and not misleading.

2. Ability to Perform

Seller does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in the Mortgage Loan Purchase Agreement.

3. Independent Decision

The Seller's decision to purchase or originate any Mortgage Loan or to deny any Mortgage Loan application is an independent decision and is in no way made as a result of Company's decision to purchase, or not to purchase, or the price Company may offer to pay for, any such Mortgage Loan, if originated.

4. No Government Actions

Except as disclosed in writing to Company, none of the Seller or any Affiliates of the Seller, nor any of their respective officers, directors or employees, is (or in the last five (5) years has been), a party to or is subject to any (a) suspension, debarment, limited denial of participation, exclusionary list, outstanding order, decree, agreement, finding, memorandum of understanding or similar supervisory arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, any Investor, Insurer or any Governmental Authority, including without limitation those charged with the supervision or regulation of residential mortgage lenders or the supervision or regulation of the Seller and its employees or (b) an indictment, arraignment, or conviction (or has been in the last five (5) years or currently is under investigation) for any fraudulent activity or any criminal offenses involving financial services, real estate or corporate governance. There is no unresolved violation by any Governmental Authority with respect to any report or statement relating to any examinations or investigation of the Seller or any of its officers, directors or employees.

### **C101 – Representations and Warranties Regarding Individual Mortgage Loans**

In addition to the representations and warranties made by Seller in the Mortgage Loan Purchase Agreement as of each Funding Date with respect to any Mortgage Loan sold by Seller to Company on such Funding Date, Seller makes the following representations and warranties as of the relevant Funding Date (if the then applicable version of the Guide contained such representation and warranty):

#### 1. Valid First Lien

Each Mortgage is properly recorded and is a valid, existing and enforceable First Lien and first priority security interest with respect to each Mortgage Loan which is indicated by the Seller to be a First Lien Mortgage Loan, on the Mortgaged Property, including all improvements on the Mortgaged Property, free and clear of all adverse claims, liens and encumbrances having priority over the lien of the Security Instrument, subject only to (i) the lien of current real property taxes and assessments not yet due and payable, (ii) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording being acceptable to mortgage lending institutions generally and specifically referred to in the lender's title insurance policy which do not adversely affect the Value of the Mortgaged Property, and (iii) other matters to which like properties are commonly subject which do not individually or in the aggregate materially interfere with the benefits of the security intended to be provided by the Security Instrument or the use, enjoyment, value or marketability of the related Mortgaged Property. Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the Mortgage Loan establishes and creates a valid, existing and enforceable First Lien and first priority security interest with respect to each Mortgage Loan which is indicated by the Seller to be a First Lien Mortgage Loan on the property described therein and the Seller has full right to sell and assign the same to Company. The Mortgaged Property was not, as of the date of origination of the Mortgage Loan, subject to a mortgage, deed of trust, deed to secure debt or other security instrument creating a lien subordinate to the lien of the Mortgage except to the extent (i) the preexisting lien is properly re-subordinated, or (ii) any concurrent subordinate lien is properly subordinated at time of origination, and (iii) in either case, is permissible per the applicable product guidelines and the Guide.

#### 2. Validity of Mortgage Documents

If any documents within the Mortgage Loan File is delivered in imaged format, such images are of sufficient quality to be readable and able to be copied and satisfy all requirements of imaged documents required by the Agency Guide and the Guide. The Mortgage Note (including any Allonges thereto) and the related Security Instrument are original and genuine and each is the legal, valid and binding obligation of the maker thereof, enforceable in all respects in accordance with its terms except as enforceability may be limited by (i) bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization or other similar laws affecting the enforcement of the rights of creditors, and (ii) general principles of equity, whether enforcement is sought in a proceeding in equity or at law and the Seller has taken all action necessary to transfer such rights of enforceability to Company. The Mortgage Loan File or the Funding Documents contain, and there only exists, one original Mortgage Note, with all original Borrower(s) signatures. Neither the operation of any of the terms of any Security Instrument or Mortgage Note, nor the exercise of any right there under, will render the Security Instrument or Mortgage Note unenforceable, in whole or in part, or subject to any right of rescission, setoff, counterclaim or defense, and no such right of rescission, setoff, counterclaim or defense has been asserted with respect thereto. All parties to the Mortgage Note and the Security Instrument had the legal capacity to enter into the Mortgage Loan and to execute and deliver the Mortgage Note and the Security Instrument, and the Mortgage Note and the Security Instrument have been duly and properly executed by such parties.

### 3. Customary Provisions

The Security Instrument and related Mortgage Note contain customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security provided thereby, including (i) in the case of a Security Instrument designated as a deed of trust by trustee's sale, and (ii) otherwise by judicial or non-judicial foreclosure. Upon default by a Mortgagor on a Mortgage Loan and foreclosure on, or trustee's sale of, the Mortgaged Property pursuant to the proper procedures, the holder of the Mortgage Loan will be able to deliver good and merchantable title to the Mortgaged Property. There is no homestead or other exemption or right available to the Mortgagor or any other Person or restriction on the Seller or any other Person, including without limitation, any federal, state or local, law, ordinance, decree, regulation, guidance, attorney general action, or other pronouncement, whether temporary or permanent in nature, which would interfere with, restrict or delay, the ability of the Seller, Company or any servicer or any successor either (y) the right to sell the Mortgaged Property at a trustee's sale or otherwise, or (z) the right to foreclose on the related Mortgage. The Mortgage Note and Mortgage are on forms that are conforming to the applicable Agency, or the Guide as applicable. Notwithstanding the foregoing, it is agreed that any implementation of a State or Federal Moratorium, whether present or in the future, on Foreclosure Sales, shall not result in a violation of this Representation and Warranty. Purchaser understands that during such Moratorium, this Representation and Warranty is not possible by Seller, however all other aspects pertaining to this clause, shall remain in full force and effect. At which time as said Moratorium has been lifted, all representations and warranties identified in this section, shall immediately revert as a valid Representation and Warranty.

### 4. Original Terms Unmodified

The terms of the Mortgage Note and the Security Instrument have not been impaired, waived, altered or modified in any respect.

### 5. No Defenses

The Mortgage Note and the Security Instrument are not subject to any right of rescission, set-off, counterclaim or defense, including, without limitation, the defense of usury, nor will the operation of any of the terms of the Mortgage Note and the Security Instrument, or the exercise of any right there under, render either the Mortgage Note or the Security Instrument unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including, without limitation, the defense of usury, and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto; and the Mortgagor was not a debtor in any state or federal bankruptcy or insolvency proceeding at the time the Mortgage Loan was originated nor are any such proceedings pending. The Mortgaged Property is not subject to any bankruptcy proceeding or foreclosure proceeding and the Mortgagor has not filed for protection under, or has been a debtor under, applicable bankruptcy laws as of the Purchase Date.

### 6. No Outstanding Charges

There are no defaults by the Seller in complying with the terms of the Security Instrument, and (1) all taxes, ground rents, special assessments, governmental assessments, insurance premiums, Leasehold payments, water, sewer and municipal charges which previously became due and owing have been paid, or escrow funds have been established in an amount sufficient to pay for every such escrowed item which remains unpaid and which has been assessed but is not yet due and payable prior to any "economic loss" dates or discount dates (or if payments were made after any "economic loss" date or discount date, then Seller has paid any penalty or reimbursed any discount out of Seller's funds) and (2) all flood and hazard insurance premiums and mortgage insurance premiums which are due, have been paid without loss or penalty to the Mortgagor. Seller has received no notice of, and has no knowledge of, any event, including but not limited to the bankruptcy filing or death of a Mortgagor, which may or could give rise to a Mortgagor default

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under the Mortgage Note or Security Instrument. The Seller has not advanced funds, or induced, solicited or knowingly received any advance from any party other than the Mortgagor, directly or indirectly, for the payment of any amount due under the Mortgage Loan, unless otherwise permitted in the Guide.

### 7. No Satisfaction of Mortgage

The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Security Instrument, in whole or in part, nor has any instrument been executed that would affect any such satisfaction, cancellation, subordination, rescission or release. The Seller has not waived the performance by the Mortgagor of any action, if the Mortgagor's failure to perform such action would cause the Mortgage Loan to be in default, and the Seller has not waived any default.

### 8. No Default

There is no default, breach, violation or event of acceleration existing under the Mortgage or the Mortgage Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event permitting acceleration, and the Seller has not waived any default, breach, violation or event permitting acceleration. With respect to each Mortgage Loan (i) the First Lien is in full force and effect, (ii) there is no default, breach, violation or event of acceleration existing under such First Lien Security Instrument or the related Mortgage Note, (iii) no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration there under, and either (A) the First Lien Mortgage contains a provision which allows or (B) applicable law requires, the mortgagee to receive notice of, and affords such mortgagee an opportunity to cure any default by payment in full or otherwise under the First Lien Mortgage.

### 9. Full Disbursement of Proceeds

The Mortgage Loan has been closed and the proceeds of the Mortgage Loan have been fully disbursed to or for the account of the Mortgagor and there is no obligation for the mortgagee to advance additional funds thereunder and any and all requirements as to completion of any on site or off site improvement and as to disbursements of any escrow funds therefore have been complied with. All costs, fees, and expenses incurred in making or closing the Mortgage Loan and the recording of the Security Instrument have been paid, and the Mortgagor is not entitled to any refund of any amounts paid or due to the mortgagee pursuant to the Mortgage Note or Security Instrument with exception to escrow holdbacks.

### 10. Future Advances

Except as may be permitted in the Guide for the applicable product type, as of the Purchase Date, the full original principal amount of each Mortgage Loan has been fully dispersed as provided for in the Mortgage Loan Documents, and there is no requirement for any future advances.

### 11. No Mechanics' Liens

There are no mechanics' or similar liens or claims filed for work, labor or material (and no rights are outstanding that under law could give rise to such lien) affecting the related Mortgaged Property which are or may be liens prior to, or equal or coordinate with, the subject First Lien of the related Security Instrument.



### 12. No Additional Collateral

The Mortgage Note is not and has not been secured by any collateral except the lien of the corresponding Security Instrument on the Mortgaged Property and the security interest of any applicable security agreement or chattel mortgage.

### 13. Origination; Payment Terms

The Seller is (1) in compliance with any and all applicable licensing requirements of the laws of the state wherein the Mortgaged Property is located, and (2) organized under the laws of such state, or (3) qualified to do business in such state, or (4) a federal savings and loan association or national bank having principal offices in such state. Principal payments on the Mortgage Loan commenced no more than sixty (60) days after the proceeds of the Mortgage Loan were disbursed. The Mortgage Loan requires interest payable in arrears on the first day of the month. Each Mortgage Note requires a Monthly Payment which is sufficient (i) during the period prior to the first adjustment to the Mortgage Interest Rate, to amortize the original principal balance fully over the original term thereof (unless otherwise provided in the Guide) and to pay interest at the related Mortgage Interest Rate, and (ii) during the period following each Adjustment Date in the case of each ARM Mortgage Loan (or following each interest-only adjustment date in the case of each interest-only Mortgage Loan), to amortize the unpaid principal balance fully as of the first day of such period over the then remaining term of such Mortgage Note and to pay interest at the related Mortgage Interest Rate. With respect to each Mortgage Loan the related First Lien does not permit negative amortization. None of the Mortgage Loans are simple interest Mortgage Loans.

### 14. Source of Loan Payments

No portion of the loan proceeds has been escrowed for the purpose of making monthly payments on behalf of the Mortgagor. No payments due and payable under the terms of the Mortgage Note and Security Instrument, except for seller or builder concessions or amounts paid or escrowed for payment by the Mortgagor's employer, have been paid by any person (other than the Mortgagor and any guarantor) who was involved in, or benefited from, the sale or purchase of the Mortgaged Property or the origination, refinancing, sale, purchase or servicing of the Mortgage Loan.

### 15. Transfer of Mortgage Loans

The Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located (except with respect to each MERS Designated Mortgage Loan). Each original Mortgage was recorded and, except for those Mortgage Loans subject to the MERS identification system, all subsequent assignments of the original Security Instrument (other than the assignment to Company) have been recorded in the appropriate jurisdictions wherein such recordation is necessary to perfect the lien thereof as against creditors of the Seller, or is in the process of being recorded. With respect to each MERS Designated Mortgage Loan, the Seller has designated Company as the MERS Investor and no Person is listed as interim funder on the MERS® System.

### 16. Flood and Hazard Insurance

All buildings or other customarily insured improvements upon the Mortgaged Property are insured by a Qualified Insurer generally acceptable to prudent mortgage lending institutions against loss by fire, hazards of extended coverage as well as all additional requirements set forth herein, pursuant to an insurance policy conforming to the requirements of customary servicing procedures and providing coverage in an amount equal to the lesser of (i) the full insurable value of the Mortgaged Property or (ii) the unpaid principal balance owing on the Mortgage Loan. All such insurance policies are in full force and effect and contain a standard mortgagee clause naming the Seller of the Mortgage Loan, its successors and assigns as mortgagee and all premiums thereon have been paid. If the Mortgaged Property is in an area identified on a flood

hazard map or flood insurance rate map issued by the Federal Emergency Management Agency as having special flood hazards (and such Flood Insurance has been made available), a Flood Insurance policy meeting the requirements of the current guidelines of the National Flood Insurance Program and the requirements of the Guide is in place. The Mortgage obligates the Mortgagor thereunder to maintain all such insurance at the Mortgagor's cost and expense, and on the Mortgagor's failure to do so, authorizes the holder of the Mortgage to maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefore from the Mortgagor. Where required by state law or regulation, the Mortgagor has been given an opportunity to choose the carrier of the required Hazard Insurance, provided the policy is not a "master" or "blanket" hazard insurance policy covering the common facilities of a planned unit development. The Hazard and/or Flood Insurance policy is the valid and binding obligation of the insurer, is in full force and effect, and will be in full force and effect and inure to the benefit of Company upon the consummation of the transactions contemplated by the Mortgage Loan Purchase Agreement. The Seller has not engaged in, and has no knowledge of the Mortgagor having engaged in, any act or omission which would impair the coverage of any such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either, including, without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other person or entity, and no such unlawful items have been received, retained or realized by the Seller.

### 17. Title Insurance

The Mortgage Loan is covered by an ALTA or CLTA lender's title insurance policy, acceptable to Fannie Mae or Freddie Mac, Company, or state law, issued by a title insurer acceptable to Fannie Mae or Freddie Mac, Company, or state law and qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring the Seller, its successors and assigns as to the first priority lien of the Security Instrument in the original principal amount of the Mortgage Loan and, with respect to ARM Mortgage Loans, against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions of the Mortgage providing for adjustment in the Mortgage Interest Rate or Monthly Payment. Where required by state law or regulation, the Mortgagor has been given the opportunity to choose the carrier of the required mortgage title insurance. Additionally, such lender's title insurance policy affirmatively insures ingress and egress, and against encroachments by or upon the Mortgaged Property or any interest therein. The Seller and its successors and assigns are the sole insureds of such lender's title insurance policy, and such lender's title insurance policy is in full force and effect and will be in full force and effect upon the consummation of the transactions contemplated by the Mortgage Loan Purchase Agreement and will inure to the benefit of Company and its assigns without any further act. No claims have been made under such lender's title insurance policy, and no prior holder of the related Mortgage, including the Seller, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy. An Attorney's Title Opinion Letter in lieu of title insurance is not permitted.

### 18. LTV, PMI Policy

Except with respect to a Non-Delegated Mortgage Loan, in the event that the Mortgage Loan has a Loan to Value ratio, that is in excess of what is provided in the Guide for the respective product type and as a result a Private Mortgage Insurance ("PMI") policy is required by Company, the Mortgage Loan has a valid and transferable PMI policy, except where such policy was impermissible at origination under applicable law, such Mortgage Loan was originated in compliance with applicable law. Unless the PMI policy for a Mortgage Loan was cancelled at the request of the Mortgagor or automatically terminated, in either case in accordance with applicable law, all premiums have been paid and all provisions of such PMI policy have been and are being complied with.

### 19. Optional Insurance

All Mortgage Loans for which mortgage/credit life, accidental death, disability, unemployment, or any similar insurance is collected as part of the Mortgagor's Monthly Payment are identified in the Mortgage Loan File and fully comply with applicable law. No Mortgagor was required to purchase any single premium credit insurance policy (e.g., life, mortgage, disability, accident, unemployment, or health insurance product) or debt cancellation agreement as a condition of obtaining the extension of credit. No Mortgage Loan contains a single premium credit life or disability insurance policy that has been financed. Any Mortgage Loan involved with any type of optional insurance has been properly serviced including, without limitation, the proper application and collection of premiums, the maintenance of complete and accurate records, processing and payment of claims and the handling of correspondence. None of the Mortgage Loans has an optional insurance product that, as of the Purchase Date, is being provided free of charge to a Mortgagor.

### 20. Insurance

All required insurance policies, of whatever type, remain in full force and effect. Seller has not engaged in, and has no knowledge of the Mortgagor having engaged in, any act or omission which would impair the coverage validity or binding effect of any such policies. No action, inaction, or event has occurred and no state of facts exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any applicable insurance or guaranty irrespective of the cause of such failure of coverage. In connection with the placement of any such insurance, no commission, fee, or other compensation has been or will be received by the Seller, or any designee of the Seller, or any corporation in which the Seller, or any officer, director, or employee of the Seller had a financial interest at the time of placement of such insurance.

### 21. Mortgaged Property Undamaged; No Condemnation Proceedings

As of the related Purchase Date, there is no damage to the Mortgaged Property from waste, fire, windstorm, flood, tornado, earthquake or earth movement, hazardous or toxic substances, other casualty, or any other property related circumstances or conditions that would adversely affect the value or marketability of any Mortgage Loan or Mortgaged Property, and adequate insurance is in place to cover all such events. As of the related Purchase Date, there is no proceeding pending or, to the best of Seller's knowledge, threatened for the partial or total condemnation of the Mortgaged Property that would adversely affect the Mortgage Loan.

### 22. Location of Improvements; No Encroachments

All improvements subject to the Mortgage which were considered in determining the Value of the Mortgaged Property lie wholly within the boundaries and building restriction lines of the Mortgaged Property (and wholly within the project with respect to a Condominium unit) and no improvements on adjoining properties encroach upon the Mortgaged Property except those which are insured against by the title insurance policy referred to in subsection (17) above and all improvements on the Mortgaged Property comply with all applicable zoning and subdivision laws and ordinances.

### 23. Appraisal

The Mortgage Loan File contains an appraisal or property valuation relating to the Mortgaged Property, in a form acceptable to Fannie Mae or Freddie Mac and the Guide. Any appraisal or property valuation prepared in connection with a Mortgaged Property (i) complies with the requirements of FIRREA, provides an accurate estimate of the bona fide market value of such Mortgaged Property at the time of origination, and was prepared by an appraiser with no direct or indirect interest in the Mortgaged Property or the transaction, (ii) complies in all respects with all applicable appraiser independence requirements, restrictions and guidelines including those contained in the Appraiser Independence Requirements as adopted by Fannie Mae or Freddie

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Mac and the Appraisal Independence Requirements, and (iii) complies with the applicable requirements, restrictions, and guidelines contained in the Guide.

### 24. Construction Defects

Any home or other improvement included within the Mortgaged Property was constructed in a workmanlike manner, and was accepted by the original homeowner or Mortgagor in good and habitable condition and working order, and conforms with all warranties, express or implied, representations, legal obligations, and local, state and federal requirements and codes concerning the condition, construction, and placement of the home or improvement.

### 25. Occupancy of the Mortgaged Property

Except with respect to a Non-Delegated Mortgage Loan, the Seller gave due consideration, which need not be documented, at the time of origination to factors, such as other real estate owned by the Mortgagor, commuting distance to work, appraiser comments and notes, and any difference between the mailing address in the servicing system and the Mortgage Property address, to evaluate whether the intended occupancy status of the property as represented by the Mortgagor was reasonable. The Mortgaged Property is lawfully occupied under applicable law. All inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy, have been made or obtained from the appropriate authorities and no improvement located on or part of the Mortgaged Property is in violation of any zoning law or regulation.

### 26. Type of Mortgaged Property

The Mortgaged Property consists of a parcel or, as permitted by the Agencies, multiple parcels of real property with a detached single family residence erected thereon, or a two-to-four family dwelling, or an individual Condominium unit, or an individual unit in a Planned Unit Development. As of the date of origination, and except as permitted by the Agencies, no portion of the Mortgaged Property was used for commercial purposes, and since the date of origination, no portion of the Mortgaged Property has been used for commercial purposes; provided, that mortgaged properties which contain a home office shall not be considered as being used for commercial purposes as long as the Mortgaged Property has not been altered for commercial purposes and is not storing any chemicals or raw materials other than those commonly used for homeowner repair, maintenance and/or household purposes.

### 27. Environmental Matters

There is no pending action or proceeding directly involving any Mortgaged Property of which the Seller is aware in which compliance with any environmental law, rule or regulation is an issue and nothing further remains to be done to satisfy in full all requirements of each such law, rule or regulation constituting a prerequisite to use and enjoyment of said property. The Mortgaged Property is free from any and all toxic or hazardous substances and there exists no violation of any local, state or federal environmental law, rule or regulation.

### 28. Unacceptable Investment

The Seller has no knowledge of any circumstances or condition with respect to the Mortgage, the Mortgaged Property, the Mortgagor or the Mortgagor's credit standing that could reasonably be expected to cause investors to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become Delinquent or materially adversely affect the value or the marketability of the Mortgage.

### 29. Income/Employment/Assets

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Seller verified the Mortgagor's income, employment and/or assets in accordance with its written underwriting guidelines and employed procedures reasonably designed to authenticate the documentation supporting such income, employment and/or assets, all in accordance with the Guide. The Seller has reviewed all of the documents constituting the Mortgage Loan File, including the Credit File and has made such inquiries as it deems necessary to make and confirm the accuracy of the representations set forth herein.

### 30. Delinquency

All payments required to be made prior to the related Purchase Date for such Mortgage Loan under the terms of the Mortgage Note have been made, the Mortgage Loan has not been dishonored, and no Mortgage Loan has been thirty (30) days or more Delinquent since the related origination date.

### 31. Disclosure and Rescission Materials

The Mortgagor has received all disclosure materials required by applicable law with respect to the making of Mortgage Loans of the same type as the Mortgage Loan, has received in writing all rescission materials required by applicable law and has acknowledged receipt of such materials and such acknowledgement will remain in the Mortgage Loan File.

### 32. Texas Equity Loans

Each Texas Equity Loan has been originated in compliance with the provisions of Article XVI, Section 50(a)(6) of the Texas Constitution, Texas Civil Statutes and the Texas Finance Code. With respect to a Texas Equity Loan that is a Cash-Out Refinance, the related Mortgage Loan Documents state that the Mortgagor may prepay such Texas Equity Loan in whole or in part without incurring a prepayment penalty. The Seller does not collect any such prepayment penalties in connection with any such Texas Equity Loan.

### 33. Anti-Money Laundering Laws

The Seller and its agents have at all times complied with all Anti-Money Laundering Laws to the extent applicable to Seller or its agent in respect of the origination and servicing of each Mortgage Loan; the Seller has established an anti-money laundering compliance program as and to the extent required by the Anti-Money Laundering Laws, has conducted the requisite due diligence in connection with the origination and servicing of each Mortgage Loan for purposes of the Anti-Money Laundering Laws to the extent applicable to Seller, and, to the extent required by applicable law, maintains, and will maintain, either directly or through third parties, sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws. No Mortgage Loan is subject to nullification pursuant to Executive Order 13224 or OFAC Regulations or in violation of the Executive Order 13224 or the OFAC Regulations, and no Mortgagor is subject to the provisions of such Executive Order 13224 or the OFAC Regulations nor listed as a "blocked person" for purposes of the OFAC Regulations.

### 34. Predatory Lending Regulations

None of the Mortgage Loans are classified as (a) "high cost" loans under HOEPA or (b) "high cost," "threshold," "covered," "predatory" or "abusive" loans under any other applicable state, federal or local law, regulation relating to such loans (as such terms are defined therein) (or similarly classified loan using different terminology under a law, regulation or ordinance imposing heightened regulatory scrutiny or additional legal liability for residential mortgage loans having high interest rates, points and/or fees). No Mortgage Loan has an "annual percentage rate" or total "points and fees" payable by the related Mortgagor (as each such term is calculated under HOEPA) that equal or exceed the thresholds set forth by HOEPA and its implementing regulations, including 12 C.F.R. § 1026.32(a)(1)(i). No predatory or deceptive lending practices, including, without limitation, the extension of credit without regard to the ability of the Mortgagor to

repay and the extension of credit which has no apparent benefit to the Mortgagor, were employed in the origination of the Mortgage Loan.

### 35. Arbitration

No Mortgagor agreed to submit to arbitration to resolve any dispute arising out of or relating in any way to the Mortgage Loan transaction; any breach of this representation shall be deemed to materially and adversely affect the value of the Mortgage Loan and shall require a repurchase of the affected Mortgage Loan.

### 36. Higher Cost Products

The Mortgagor was not encouraged or required to select a Mortgage Loan product offered by the Seller which is a higher cost product designed for less creditworthy Mortgagors, unless at the time of the Mortgage Loan's origination, such Mortgagor did not qualify for a lower-cost credit product then offered by Seller taking into account such facts as, without limitation, the Mortgage Loan's requirements and the Mortgagor's credit history, income, assets and liabilities and debt-to-income ratios.

### 37. Prepayment Penalties

With respect to any Mortgage Loan that contains a provision permitting imposition of a penalty or fee upon a prepayment, in whole or in part, prior to maturity: (i) the Mortgage Loan provides some benefit to the Mortgagor (e.g., a rate or fee reduction) in exchange for accepting such prepayment penalty, (ii) the Seller has a written policy of offering the Mortgagor the option of obtaining a Mortgage Loan that did not require payment of such a penalty, (iii) the prepayment penalty was adequately disclosed to the Mortgagor in the Mortgage Loan Documents pursuant to applicable state, local and federal law, and (iv) the Mortgage Loan Documents with respect to such Mortgage Loan specifically authorize such prepayment premium to be collected and such prepayment premium is permissible and enforceable in accordance with the terms of the related Mortgage Loan Documents and applicable law.

### 38. Complete Mortgage Loan Files

The instruments and documents with respect to each Mortgage Loan required to be delivered to Company on or prior to the Funding Date have been delivered to Company.

### 39. Escrow Payments

All escrow payments have been collected in full compliance with state and federal law and the provisions of the related Mortgage Note and Mortgage. As to any Mortgage Loan that is the subject of an escrow, escrow of funds is not prohibited by applicable law and has been established in an amount sufficient to pay for every escrowed item that remains unpaid and has been assessed but is not yet due and payable. No escrow deposits or other charges or payments due under the Mortgage Note have been capitalized under any Security Instrument or the related Mortgage Note.

### 40. Escrow Holdbacks

There are no Mortgage Loans subject to outstanding escrow holdbacks except those specifically identified by Seller as defined in the Guide.

### 41. Regarding the Mortgagor

The Mortgagor is one or more natural persons and/or trustees for an Illinois Land Trust or a trustee under a "living trust" and such "living trust" is in compliance with the Guide for such trusts. Either the Mortgagor is a natural person or the related Co-Borrower or the guarantor is a natural person. The Mortgagor is not in violation of any laws regarding identity theft.

### 42. Tax Identification

All tax identifications for individual Mortgagors have been certified as required by law. Seller has complied with all IRS requirements regarding the obtainment and solicitation of taxpayer identification numbers and the taxpayer identification numbers submitted to Company are correct.

### 43. Deeds of Trust

If the Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by Company to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor.

### 44. Adverse Selection

No selection procedures were used by the Seller that identified the Mortgage Loans as being less desirable or valuable than other comparable Mortgage Loans in the Seller's portfolio.

### 45. Due on Sale Clause

Each Mortgage contains a provision for the acceleration of the payment of the unpaid principal balance of the related Mortgage Loan in the event the related Mortgaged Property is sold without the prior consent of the mortgagee there under.

### 46. Nontraditional Mortgage Loan

Each Mortgage Loan that is a "nontraditional mortgage loan" within the meaning of the Interagency Guidance on Nontraditional Mortgage Product Risk, 71 FR 58609, complies in all respects with such guidance, including any interpretations, applications or implementation plans with respect thereto that have been communicated and/or agreed to by a regulator of the Seller, as originator of the Mortgage Loan.

### 47. Servicing Issues

To the extent any Mortgage Loan is serviced in any manner prior to the purchase and transfer of such Mortgage Loan to Company, the servicing of such Mortgage Loan and the transfer of the servicing for such Mortgage Loan to Bayview's subservicer complies with any and all federal, state or local laws, rules or regulations applicable to such servicing activities as well as any and all applicable Agency guidelines or requirements, whether such servicing was performed by Seller or by any other person. Without in any way limiting the foregoing, such servicing shall include but shall not be limited to, the provision of any notices or disclosures to Mortgagor, maintenance of the payment, any escrow amounts required in connection with such servicing, and any actions or inactions involved with respect to the transfer of servicing to Bayview's subservicer.

### 48. SAFE Act Compliance

Without limiting any other provision of the Mortgage Loan Purchase Agreement or the Guide, Seller represents and warrants that it is in compliance with all state or federal licensing or registration requirements enacted pursuant to the SAFE Act including (but not limited to) adoption of policies and procedures necessary and appropriate to ensure that Seller and its employees meeting the definition of "mortgage loan originator" under such laws are licensed or registered, as applicable. Seller agrees to provide, on Company's request, reasonable access to documents and records relating to or evidencing Seller's compliance with state or federal licensing or registration requirements for individuals performing mortgage loan origination activities, including

(but not limited to) Seller's policies and procedures to comply with any state or federal licensing or registration requirements. If at any time during the term of the Mortgage Loan Purchase Agreement, Seller or any employee, agent or contractor of Seller is found to have failed to comply with state or federal licensing or registration requirements or if Seller fails or refuses to provide documents or records requested by Company pursuant to this paragraph, Company may immediately terminate the Mortgage Loan Purchase Agreement. Seller shall promptly report to Company any agency or judicial finding or other determination of SAFE Act noncompliance by Seller or any employee of Seller.

### 49. Leases

The Mortgaged Property is either a fee simple estate or a long-term residential lease. If the Mortgage Loan is secured by a long-term residential lease, then all of the following statements are true and correct (1) the terms of such lease expressly permit the mortgaging of the Leasehold estate, the assignment of the lease without the lessor's consent (or the lessor's consent has been obtained and such consent is in the Mortgage Loan File) and the acquisition by the holder of the Mortgage of the rights of the lessee upon foreclosure or assignment in lieu of foreclosure or provide the holder of the Security Instrument with substantially similar protection; (2) the terms of such lease do not (x) allow the termination thereof upon the lessee's default without the holder of the Security Instrument being entitled to receive written notice of, and opportunity to cure, such default, or (y) prohibit the holder of the Mortgage from being insured under the hazard insurance policy related to the Mortgaged Property; (3) the original term of such lease is not less than 15 years; (4) the term of such lease does not terminate earlier than five years after the maturity date of the Mortgage Note; (5) the Mortgaged Property is located in a jurisdiction in which the use of Leasehold estates for residential properties is an accepted practice; (6) the borrower is the owner of a valid and subsisting interest as tenant under the lease and is not in default thereunder; (7) all rents and other charges have been paid when due; (8) the lessor under the lease is not in default; and (9) the lease is assignable or transferable.

### 50. Servicemembers' Civil Relief Act

The Mortgagor has not notified the Seller that it is requesting relief under the Servicemembers' Civil Relief Act, and the Seller has no knowledge of any relief requested or allowed to the Mortgagor under the Servicemembers' Civil Relief Act.

### 51. Assignment of Rents.

Certain Mortgaged Properties contain as part of the related Mortgage Loan Documents an Assignment of Rents (either as a separate instrument or incorporated into the related Mortgage). Each Assignment of Rents delivered in connection with each Mortgage Loan constitutes a legal, valid and binding assignment from the Seller and is freely assignable without the consent of the related Mortgagor, and each related Assignment of Rents was duly, executed, acknowledged and delivered and creates a valid first-priority collateral assignment of, or a valid first-priority lien or security interest in, rents and certain rights under the related leases, sub-leases, licenses or other agreements pursuant to which any person is entitled to occupy, use or possess all or any portion of the real property subject to the related Mortgage, subject only to a license granted to the related Mortgagor to exercise certain rights and to perform certain obligations of the lessor under such lease or leases, including the right to operate the related leased property and to Permitted Encumbrances, and the Mortgagor and each assignor of such Assignment of Rents to the Seller have the full right to assign the same. Other than any Assignment of Rent previously assigned to MERS, the related assignment of any Assignment of Rents not included in a mortgage, deed of trust, deed to secure debt or similar document that secures, in whole or in part, the related Note and creates a lien on the related Mortgaged Property has been executed and delivered to the purchaser in blank, is otherwise in recordable form and constitutes a legal, valid and binding assignment, sufficient to convey to the assignee named therein (assuming that the assignee has



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the capacity to acquire such Assignment of Rents) all of the assignor's right, title and interest in, to and under such Assignment of Rents.

52. Assignment of Leases. There exists as part of the related Mortgage File an Assignment of Leases (either as a separate instrument or incorporated into the related Mortgage). Subject to the Permitted Encumbrances, each related Assignment of Leases creates a valid first-priority collateral assignment of, or a valid first-priority lien or security interest in, rents and certain rights under the related lease or leases, subject only to a license granted to the related Mortgagor to exercise certain rights and to perform certain obligations of the lessor under such lease or leases, including the right to operate the related leased property. The related Mortgage or related Assignment of Leases, subject to Applicable Law, provides that, upon an event of default under the Mortgage Loan, a receiver is permitted to be appointed for the collection of rents or for the related mortgagee to enter into possession to collect the rents or for rents to be paid directly to the mortgagee.

With respect to any Jumbo Mortgage Loan sold by Seller to Company, in addition to the representations and warranties made by Seller in the Mortgage Loan Purchase Agreement and the representations and warranties above, Seller also makes the following representations and warranties as of the relevant Funding Date.

53. Construction

As of the related Closing Date, no Mortgage Loan was in construction or rehabilitation status and no trade-in or exchange of a Mortgaged Property has been facilitated.

54. Qualified Lender

The Mortgage Loan was originated by a Mortgagee approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act, a savings and loan association, a savings bank, a commercial bank, credit union, insurance company or similar institution supervised and examined by a federal or state authority.

55. Ability to Repay; Qualified Mortgage

Each Mortgage Loan satisfies the "ability-to-repay" rules (collectively, the "ATR Rules") codified at 12 C.F.R. § 1026 under the Truth in Lending Act (Regulation Z), including, without limitation, the provisions of Regulation Z set forth in 12 C.F.R. § 1026.43(c). Furthermore, if indicated on the related PPTL and/or Mortgage Loan Schedule:

(i) that a Mortgage Loan is designated as "QM – Safe Harbor" (or words or an abbreviation to a similar effect), then such Mortgage Loan both (x) satisfies the definition of a "Qualified Mortgage" set forth within 12 C.F.R. § 1026.43 (other than as a result of the application of 12 C.F.R. § 1026.43(e)(4)) and (y) is not a "higher-priced covered transaction" as defined in 12 C.F.R. § 1026.43; or

(ii) that a Mortgage Loan is designated as "GSE-Temporary-QM/SH" (or words or an abbreviation to a similar effect), then such Mortgage Loan both (x) satisfies the definition of a "Qualified Mortgage" set forth within 12 C.F.R. § 1026.43 as a result of the application of 12 C.F.R. § 1026.43(e)(4)(ii)(A) and (y) is not a "higher-priced covered transaction" as defined in 12 C.F.R. § 1026.43; or

(iii) that a Mortgage Loan is designated as "QM – Rebuttable Presumption" (or words or an abbreviation to a similar effect), then such Mortgage Loan satisfies the definition of a "Qualified

Mortgage” set forth within 12 C.F.R. § 1026.43 (other than as a result of the application of 12 C.F.R. § 1026.43(e)(4)); or

(iv) that a Mortgage Loan is designated as “GSE-Temporary–QM/RP” (or words or an abbreviation to a similar effect), then such Mortgage Loan satisfies the definition of a “Qualified Mortgage” set forth within 12 C.F.R. § 1026.43 as a result of the application of 12 C.F.R. § 1026.43(e)(4)(ii)(A); or

(v) that a Mortgage Loan is designated as “Not Applicable” (or words or an abbreviation to a similar effect), then such Mortgage Loan (x) is not subject to the ATR Rules and (y) relates to a mortgage loan application that the originator of such Mortgage Loan received prior to January 10, 2014.

## Chapter 1D Defaults and Remedies, Early Pay Off

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### D100 Defaults

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Any one or more of the following events constitute an Event of Default:

- Seller has not complied with one or more of the requirements, terms or conditions, or has breached a representation, warranty or covenant, contained in this Guide or in the Purchase Documents.
- Any changes in Seller's ownership whether by direct means, or indirect means, without prior written notice to Company. Indirect means include any change in ownership of 50% or more of Seller's direct or indirect parent.
- Any assumption of control of Seller by the FDIC, or other similar federal or state governmental entity.
- Any change in the financial or organization status of Seller that Company in its discretion believes could adversely affect Company or any Mortgage Loans sold to Company.
- The sale, assignment or transfer by Seller of all or substantially all of Seller's business or assets.
- The placement of Seller on probation or restriction of its activities in any manner by (a) a federal or state government agency, including Freddie Mac, Fannie Mae, or HUD, or (b) MERS.
- Seller's misstatement or omission of any material fact on any application, certification or other document delivered to Company.
- Seller's failure to repurchase any Mortgage Loans within the required timeframe.

### D101 Remedies

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#### Non-Exclusive, Cumulative Remedies

Company's remedies are cumulative and not exclusive. Company may exercise any remedy described in this Guide, contained in any other agreement, or any other agreement between Company and Seller, or available at equity or at law. Company's exercise of one or more remedies in connection with a particular Event of Default will not prevent it from exercising any other remedies in connection with that same Event of Default or another Event of Default.

#### Waiver of Defaults

Company may waive any default by Seller in the performance of Seller's obligations hereunder and its consequences, but only by a written waiver specifying the nature and the terms of such waiver. No such

waiver shall extend to any subsequent or other default, nor shall any delay by Company in exercising, or Company's failure to exercise, any right arising from such default affect or impair Company's rights.

### Survival of Remedies

Company's remedies will continue in full force and effect, notwithstanding any termination of the Mortgage Loan Purchase Agreement, this Guide or the Purchase Documents, and shall inure to the benefit of Company and its assigns, notwithstanding any restrictive or qualified endorsement on any Mortgage Note or Assignment of Mortgage, or Company's examination of or failure to examine any Mortgage Loan Documents, Funding Documents or Mortgage Loan File.

## D102 Repurchase

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### Repurchase Obligations

Company has the right to demand that Seller repurchase a Mortgage Loan (and its servicing, if the Mortgage Loan was sold on a servicing-released basis) if Seller has breached a representation, warranty or covenant, contained in this Guide or in the Purchase Document pertaining to a Mortgage Loan. For the avoidance of doubt, Seller shall be obligated to repurchase a Mortgage Loan if an Investor demands repurchase of such Mortgage Loan based on, arising out of or resulting from any fact or circumstance that would constitute a breach of a representation, warranty, covenant, obligation or responsibility of Seller under the Purchase Documents or the Guide. Please note that certain of the representation and warranties will not apply with respect to a Non-Delegated Mortgage Loan, as more fully set forth in Chapter 1C.

Where the appraisal is ordered through the AMC Service provided by Company, if a breach of any representations or warranties has occurred with respect to a specific Mortgage Loan solely because the value of the collateral is not sufficient on such Mortgage Loan, such Mortgage Loan shall not be subject to repurchase, provided that in all other aspects the Mortgage Loan was eligible for purchase by Company at the time it was submitted for purchase by Seller.

If Seller discovers an Event of Default with respect to a Mortgage Loan, it must give Company prompt written notice describing the breach. Sellers are encouraged to utilize [selfreports@bayview.com](mailto:selfreports@bayview.com) to communicate Events of Default. Upon receipt of this notice, Company will review the materials and any additional information or documentation that Seller believes may influence Company's decision to require Seller to repurchase the Mortgage Loan or impose or exercise other remedies or rights available to Company.

If Company demands that Seller repurchase a Mortgage Loan, Seller agrees to repurchase the Mortgage Loan (and its servicing if the Mortgage Loan was sold servicing released) for the repurchase price within 30 days of receiving Company's written demand.

Company is not required to demand repurchase within any particular time, and may elect not to require immediate repurchase. However, any delay in making a repurchase demand does not constitute a waiver by Company of any of its rights or remedies.

Upon Seller's satisfaction of its repurchase obligations, Company will endorse the Mortgage Note in blank and will deliver the Mortgage Note and other pertinent files, books, records and documents relating to the Mortgage Loan that are in Company's possession to Seller. If Company has acquired title to any of the real property securing the Mortgage Loan pursuant to a foreclosure sale and has not disposed of such property, it will transfer such property to Seller on a "quit claim" basis, or if required by state law, a "warranty deed" basis.

### Repurchase Price

The Repurchase Price is the sum of the following amounts:

- The current principal balance on the Mortgage Loan as of the paid-to date; plus,
- The accrued interest calculated at the Mortgage Note rate from the last paid date to and including the repurchase date; plus,
- Any unpaid Early Payment Default fee and/or price paid in excess of par by Company on the Funding Date; plus,
- Any Interest, Principal, or other advances made to investors and all out of pocket costs and expenses incurred of any kind by Company; and
- Any additional amount that Company, agents or any Affiliates is required to pay to repurchase the Mortgage Loan from any subsequent assignee.

### **D103 Indemnification**

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Seller shall indemnify Company, its Affiliates and their respective officers, directors, employees, agents, contractors and representatives from all liabilities, obligations, losses, damages, penalties, fines, forfeitures, court costs and reasonable attorneys' fees, judgments, suits and any other costs, fees and expenses of any kind directly or indirectly resulting from or arising out of (a) an Event of Default, (b) any litigation or governmental proceeding that alleges any violation of local, state or federal law or an event which, if true, would be an Event of Default, by Seller or any other party in connection with the origination of a Mortgage Loan or the servicing of a Mortgage Loan prior to the sale of servicing to Company, unless any such litigation or governmental proceeding directly arises from Company's failure to materially comply with its obligations under the Guide, provided, however, Seller's indemnification obligations under this section D103(b) shall not be excused if Company's failure to materially comply with its obligations under the Guide arises from or relates to a breach of any representation, warranty or covenant of Seller or an Event of Default by Seller under the Guide or the Mortgage Loan Purchase Agreement; (c) any breach of a representation, warranty, or covenant made by Company in reliance upon any representation, warranty, or covenant made by Seller, or (d) Company's enforcement of the Mortgage Loan Purchase Agreement, including this Guide.

Seller must reimburse Company within 10 days of receiving Company's demand for indemnification. Except for notices of demand for indemnification, Company is not required to give Seller notice of any events that may trigger Seller's indemnification obligations. Seller and its counsel must cooperate with Company in connection with the defense of any litigation or governmental proceeding involving a Mortgage Loan. Company has the right to control any litigation or governmental proceeding related to a Mortgage Loan, including choosing defense counsel and making settlement decisions.

### **D104 Set Off**

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Upon any Event of Default Company may, without prior notice to Seller, set-off and apply all or any amounts owed by Company to Seller (including the Purchase Price for any Mortgage Loans) against any repurchase, indemnification or other obligations owed by Seller to Company. Company will notify Seller within a reasonable time after any set off, provided, however that the failure of Company to give such notification shall not affect the validity of the set-off.

### **D105 Suspension, Inactivation, and Termination**

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Either party may terminate the Mortgage Loan Purchase Agreement at any time (a) by the mutual written consent of the Seller and Bayview Acquisitions, (b) by either party, without cause, upon five (5) days written notice to the other party, or (c) immediately by Company or Bayview Acquisitions upon the occurrence of an Event of Default.

In the event of a termination with cause, Company may refuse to register or fund any or all Mortgage Loans after the effective date of the suspension, inactivation, or termination.

Inactivation, suspension, and termination do not affect Seller's obligations with respect to Mortgage Loans already sold to Company.

### **D106 Early Pay Off**

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#### **Premium Recapture for Early Pay Off (EPO)**

In the event of prepayment of the outstanding balance in full within **90 days of the purchase of the Mortgage Loan**, Seller must reimburse Company:

- Any SRP, yield spread and/or above par pricing paid on the subject transaction or any combination thereof.

#### **Timing of Payment**

Seller must repay the premium or other recaptured amount within 30 days of written notice from Company.

For additional guidance on Early Pay Off, please see section B803 Post Acquisition and Servicing.

### **D107 Recast Allowance**

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A recast allows you to put a lump sum toward the principal balance of your mortgage resulting in the re-amortization of the principal and interest (P&I) portion of the monthly payment.

Company will permit the recast of a loan. The following eligibility requirements must be met at the time of recast request:

- The loan must be current and in good standing
- The borrower must submit a written request with the borrower's signature. The written request must include the loan number, the amount of funds being sent to be applied to reduce the principal and it must specifically request a recast of the payment after the funds have been applied
- A minimum lump sum payment of twenty thousand dollars (\$20,000) to be applied toward principal is required
- Funds must be a guaranteed funds source (Bank Check, Wire, etc.), not a personal check
- Funds must be received and applied towards the loan and the written request received prior to the recast being performed
- A recast cannot be performed on a loan with a note date, modified or prior recast within the last six (6) months

#### **Additional Information:**

- P&I will be recalculated based on the remaining principal balance after the additional principal payment has been applied
- Interest rate and term of the loan remain unchanged

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- Escrow component of the regular monthly payment will continue to be re-evaluated on an annual basis and will not be adjusted as part of the recast process
- There is no limit to the number of times a loan can be recast provided it is eligible and subject to the six (6) month requirement noted above

**Note:** A recast is not necessary if a customer simply wants to pay down the principal balance or pay the loan off early.

### **D108 Early Payment Default**

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#### 1. For Agency Products:

For purposes of the Mortgage Loan Purchase Agreement, an Early Payment Default for agency products exists when any of the first four (4) payments due after purchase of the Mortgage Loan by Company becomes ninety (90) or more days Delinquent and such delinquency is not attributable to a failure to service in accordance with Applicable Requirements by Company or its Affiliates. Receipt of payments originally due prior to the date on which Company purchases the Mortgage Loan will not satisfy Early Payment Default requirements pursuant to this clause. Remedies for an agency Early Payment Default are (1) requires repurchase, or (2) in lieu of Seller's obligation to repurchase resulting from any Early Payment Default, Company, in its sole and absolute discretion, may allow Seller to indemnify Company for any future potential losses provided Seller: (i) pay Company a fee of \$1,500 for Mortgage Loans; (ii) return all sums in excess of Par paid to Seller by Company in connection with the purchase of said Mortgage Loan; and (iii) sign a written indemnification agreement in the form and content provided by Company to Seller.

#### 2. For Non Agency Mortgage Loan Programs including Jumbo Mortgage Programs:

For purposes of the Mortgage Loan Purchase Agreement, with respect to any Jumbo QM, Jumbo Non-QM, Jumbo Plus QM, Jumbo Plus Non-QM Mortgage Loan and any other Non-Agency loan program sold by Seller to Company, if any of the first three (3) Monthly Payments due on a due date after purchase of the Mortgage Loan by Bayview or its successors and/or assigns is not made by the close of business on the Business Day preceding the next scheduled due date (the "Initial EPD Period"), Seller shall promptly repurchase such Mortgage Loan at the Repurchase Price; provided, however that if the borrower is placed on a forbearance plan during the Initial EPD Period, the loan will not be subject to repurchase so long as the borrower makes the remaining number of payments in the Initial EPD period according to the repayment plan related to such forbearance plan and so long as such scheduled payments are no less than the initial scheduled payment for such Mortgage Loan.

## **Chapter 1E Terms of Use and Electronic Services**

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This Electronic Services Chapter sets out standards that apply to all Company Mortgage Loan Programs. Generally, requirements that vary from one Mortgage Loan Program to another are described in the Product Matrices. In most cases, differences will not be referenced in this chapter.

### **E100 Overview and Incorporation of Terms of Use**

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Seller may be eligible to use various electronic services, forms and materials offered by Company for its sellers, including such electronic services as automated decisioning, compliance and pricing engine services.

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Company may require any Seller who wishes to use any of the electronic services, forms and/or materials to obtain a User ID and password for each of the Seller's individual users. Additionally, Company may require Seller to obtain an administrator User ID and issue User IDs and passwords to each of the Seller's individual users. Company may make the forms, materials and/or one or more of the electronic services available through those User IDs, depending on the requests and needs of the Seller. From time to time, Company may also make forms, materials and certain electronic services available via selected third party providers. A Company User ID and password may or may not be required to access Company's forms, materials and electronic services through these third parties, but the third party provider may require Seller to obtain and use User IDs and passwords and to agree to terms and conditions of use.

By requesting or using any User IDs for the Company electronic services, forms or materials directly through Company or via a Company third party provider, Seller agrees to the current Terms of Use or the individual web pages dedicated to the particular electronic service, form or material. Company may amend any such Terms of Use in accordance with the Guide update process or by posting the amended Terms of Use or on those same web pages. Seller's use of the electronic service, forms or materials after notification of such amended terms shall constitute Seller's agreement to the amended Terms of Use. The Terms of Use are intended to supplement the terms of this Guide. In the event of an irreconcilable conflict between any Terms of Use and this Guide, the Guide shall prevail.

### **Chapter 2 Compliance**

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#### **200 Communications Regarding Legal Issues and Company Policies**

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From time to time, Company will alert Seller to important legal requirements related to the origination of Mortgage Loans. However, Seller should not rely upon Company to inform it of the legal requirements applicable to the origination of Mortgage Loans. Instead, as described in the Representation, Warranties, and Covenants section, and other sections of this Guide, Seller must ensure that it is aware of, understands and implements all applicable federal, state and local laws.

Company may also inform Seller of its specific policies regarding certain laws, and may provide the above-described information regarding legal requirements or policies in this Guide. Alternatively, Company may provide the information through other means, including bulletins, communications, or Compliance Alerts, by whatever name or other communications. Regardless of the method of communication, Seller must comply with such policies.



### **Chapter 3 Registration & Commitments**

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Chapters 3A through 3C describe the proper procedure for Registration and commitment of Mortgage Loans, with a primary focus on process. These sections do not define or alter the actual Mortgage Loan Program purchase criteria and eligibility standards, which are contained in other chapters of this Guide.

#### **300 Description of Underlying Chapters**

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Chapter 3A – Registration

Chapter 3B – Flow Commitments

Chapter 3C – Multiple Loan Mandatory Commitments – **Delegated Only**

#### **Chapter 3A Registration**

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The Company Registration Desk works with Seller to ensure timely and accurate registration of individual Mortgage Loan commitments. This chapter references flow business specifically. A comprehensive overview of Company pricing and lock-in policies is contained in Chapter 3B, Flow Commitments.

#### **A300 Requesting a Commitment**

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Seller may register and lock Mortgage Loans with Company through one of the following three methods:

**A. Internet**

Visit us at [www.LakeviewCorrespondent.com](http://www.LakeviewCorrespondent.com)

**B. Telephone**

Call the Registration Desk at 855-253-8439. The desk is staffed from 8:30 AM to 7:00 PM ET.

**C. Fax**

Fax a loan registration sheet (located in the forms library on the company website) to 855-862-8779.

#### **A301 Register/Float**

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Individual Mortgage Loans can be registered in one of two ways:

- a float status (no price or delivery timeframe is set or given); or
- lock status.

A Seller may register a Mortgage Loan into float status in order to obtain a loan number and prior to submission for a guideline single loan variance with Company. If requested, pricing will be quoted from the current day's rate sheet for the Mortgage Loan attributes and delivery timeframe requested.

### **A302 Key Registration Data Fields**

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The following data fields are required to register a loan:

- Seller's company name and Company assigned ID number;
- Web user name;
- Seller loan number, if applicable;
- Primary Borrower/Guarantor first and last name;
- Primary Borrower/Guarantor social security number;
- Primary Borrower/Guarantor Credit Score;
- All Co-Borrowers' first and last names;
- All Co-Borrowers' social security numbers;
- All Co-Borrowers' Credit Scores<sup>1</sup>;
- Primary wage earner;
- Mortgage Loan Program code number and product name;
- Property address, city, state and zip code<sup>2</sup>; (If a blanket loan transaction, add the first property information)
- Property type;
- Mortgage Loan Amount;
- Base loan amount, if applicable;
- Mortgage Note rate (optional for floating loans);
- Term/amortized term (in months);
- Occupancy;
- Loan purpose;
- Documentation type;
- Escrows;
- Sales price, appraised value, or LTV/LTC;
- Ratio (DTI/DSCR);
- Units;
- Condominium type, if applicable;
- CLTV
- HCLTV
- Other lien balance and total loan amount (required for CLTV and HCLTV);
- Locking the Mortgage Loan — indicate lock window and delivery option; and
- Any other Mortgage Loan Program specific field, as required.

<sup>1</sup> If Credit Scores are not available at time of registration, pricing may be denied or the Mortgage Loan may be placed in a pending status if a lock is required.

<sup>2</sup> Property Address Clarification - On a purchase transaction, Seller may request a credit pre-qualification for the Borrower prior to a property being located. In this instance, the street address may be input as "To Be Determined". A Mortgage Loan with a "To Be Determined" property address cannot be locked, and is only eligible for registration as a float for underwriting purposes. A full and complete property address is required at the time of a rate lock request. Any lock requests with incomplete or incorrect addresses will be classified as invalid and subject to worst-case pricing.

### **A303 Licensing**

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Company will not accept Mortgage Loans in states where Seller is not properly licensed to conduct business. In the event that Company does not have a Seller's current license or exemption on record, Company cannot accept Mortgage Loan registrations or locks. If any Seller license issues are under

## Special Products Seller Guide

review, the Seller's Mortgage Loans will be placed in a pending status. To remove the Mortgage Loans from pending status the Seller must take the following steps:

- Seller must update all state licensing information by emailing state licensing and exemption information directly to Company at **CRM@bayviewloans.com**.
- Once this information is received and the system has been updated to reflect the appropriate approval, the Seller must submit a new lock request to the Registration Desk at the prevailing loan rate. Rates effective on the original request date will not be honored.

### **A304 Escrow Waivers**

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Escrow waivers are permitted with a price adjustment on all loans except for following loans scenarios:

- Loans with an LTV, CLTV or HCLTV > 80% that are located in any state except for California (CA) or where prohibited by any other applicable state law.
- Any High Priced Mortgage Loan (HPML).

### **A305 Policy/Loan Program Single Loan Variances – Non-Delegated Only**

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Exceptions will be considered for registered or locked Mortgage Loans on a case-by-case basis. Seller can initiate the exception review process by submitting a Loan Exception Request (located in the forms library on the company website) with their required loan documents for Non-Delegated Underwriting submission. To register a Mortgage Loan before submitting an exception Request, Seller may contact the Registration Desk via telephone or fax and request a Mortgage Loan to be registered into a pending status to obtain a loan number.

Company will communicate the decision to Seller. If the single loan variance is granted, Seller may fax the exception along with a completed loan registration sheet (located in the forms library on the company website) to the Registration Desk to request a lock. The Registration Desk will then confirm the Mortgage Loan registration with the Seller.

In general, policy and Mortgage Loan Program exception will be subject to an additional price adjustment. Company, at its discretion, may charge a cancellation or Pair-off Fee if the decline of an exception request results in cancellation of a closed loan

### **A306 Locked Loan Changes**

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The Registration Desk will determine if a request to change Mortgage Loan information requires that a Mortgage Loan be re-priced. Changes to Mortgage Loan information are not automatic, nor recommended. The Registration Desk may require additional information to facilitate the change. Company routinely runs audit checks against the changed fields to guard against fraud and to comply with certain banking and regulatory requirements.

Any incorrect Borrower information, such as Borrower name or social security number, will require additional documentation and may result in worst-case re-pricing.

Regardless of Mortgage Loan status, the following fields **cannot** be changed:

- Seller ID;
- Borrower's and Co-Borrower's names;
- Borrower's and Co-Borrower's social security numbers;
- Property address;<sup>1</sup>
- Property state; and
- Property zip code.

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On a locked Mortgage Loan, revisions to the following additional fields will not be permitted:

- Delivery method; and
- Lock window.

Any changes to the following fields on a locked Mortgage Loan may result in re-pricing the Mortgage Loan:

- Mortgage Loan amount;
- Mortgage Loan purpose;
- LTV;
- CLTV;
- HCLTV
- Occupancy;
- Credit Scores;
- Interest rate;
- Term;
- Program code;
- Property type;
- Escrows
- State

For more complete information regarding Mortgage Loan changes resulting in re-pricing, see the Locked Loan Changes section in Chapter 3B.

<sup>1</sup> Changes to property address: The only time the property address may change is on a purchase transaction in which the initial agreement of sale is cancelled and a new property is located. Under that scenario, the original Mortgage Loan will be cancelled and a new Mortgage Loan with the updated information will be registered subject to current market pricing conditions. In order to process this request, the Registration Desk may request additional documentation. See Chapter 3B, Flow Commitments of this Guide for potential pricing implications.

Other circumstances necessitating a change to the property address will result in worst-case pricing and may require additional documentation for review.

### **A307 Incomplete Registration (Pending Status)**

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In some cases, the Registration Desk may attempt to register and / or lock a Mortgage Loan, but cannot complete the registration, due to one or more of the following issues:

- Missing/incomplete/incorrect social security numbers;
- Missing/incomplete/incorrect property address;
- Missing/incomplete/incorrect Borrower's and/or Co-Borrower's names;
- No Credit Score is provided, and product requires it;
- No DTI is provided, and product requires it;
- Mortgage Loan does not fit product guidelines;
- Product code not provided;
- Rate is not selected;
- Rate lock window and delivery type is not selected;
- Requested rate is not available;
- Seller is not licensed in the state where property is located (see the Licensing section in this chapter for more information); or
- Other reasons not listed here.

In these cases, the Mortgage Loan will be placed into pending status. Placing a Mortgage Loan in pending status will save some of the Mortgage Loan information. However, the Mortgage Loan cannot be locked until all open issues have been resolved. Company will communicate information to Seller outlining the deficiency that requires correction. It is Seller's responsibility to contact the Registration Desk to rectify any outstanding issues. Once the correction is received and reviewed by Company, the Seller may submit an updated lock request based on the prevailing loan rates at the time the complete lock request is submitted.

Company will not assume responsibility for unlocked or unregistered Mortgage Loans that have been sent on improper forms, to incorrect fax numbers, or incorrectly filled out.

See the Pending Status section in Chapter 3B, Flow Commitments of this Guide for more information.

### **A308 Intra-Day Pricing Changes**

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Due to the volatile nature of the secondary market pricing, Company's pricing is subject to change at any time and without notice. Company reserves the right to determine the standard used to establish the cutoff time for intra-day pricing changes.

#### **A. Internet**

When Company is re-pricing or preparing new rate sheets, website transactions will be disabled.

#### **B. Phone**

Sellers that are in the Company phone queue at the time of a re-price will typically be able to complete their registration, lock, or change requests as of the pricing in effect at the time they entered the phone queue. Sellers contacting the desk once re-pricing is in process will receive a message that Company is currently going through a rate change and will be asked to call back after the new prices are posted.

#### **C. Fax**

Company time stamps all inbound and outbound facsimile transmissions. All registrations, changes, and other time-sensitive requests will be honored if received by Company before the established rate change and are deemed complete. Pricing for Mortgage Loan registrations, changes or locks received after the price change has started will be subject to pricing as of the next available ratesheet.

### **A309 Web User Names**

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Any time the Seller contacts the Registration Desk via phone, the caller is required to provide its personal user name for the Website. Since web user names are used by the Registration Desk to determine the caller's appropriate security access, it is important that the Seller's web administrator sets up each user at their company with a unique user name and provides them with appropriate access levels. Generic user names like "LockDesk" may not be permitted. If a caller does not have its own user name, under no circumstances should user names be shared between co-workers. The Seller's web administrator is responsible per the Web Agreement & Terms of Use to ensure that all users are set up with appropriate access at all times. Company will not be held responsible for transactions completed by unauthorized individuals.

### **A310 Error Notification**

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Company will not be held responsible for incorrect registrations and/or Mortgage Loan lock errors. Errors, omissions, or mistakes that are reported to the Registration Desk within 24 hours after the incident occurs will be considered on a case-by-case basis for correction without penalty. It is the Seller's responsibility to contact the Company Registration Desk to report registration or lock-in issues or missing lock-in requests within 24 hours of the initial request. Any correction of errors or supplemental information for omissions after the 24-hour period will require that the Mortgage Loan be repriced based on prevailing rates.

See the Problem Resolution section in Chapter 3B, Flow Commitments of this Guide for more information.

### **Chapter 3B Flow Commitments**

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In order to sell Mortgage Loans to Company, Seller must obtain an Interest Rate Lock Commitment. For related information, see Chapter 3A, Registration of this Guide.

### **B300 Best Efforts Delivery Commitment Defined**

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Seller must enter into an Interest Rate Lock Commitment for each Mortgage Loan prior to delivering it to Company.

Depending on approval authorization, Sellers may enter into a flow commitment under a Best Efforts Commitment:

#### **A. Best Efforts Delivery Commitment**

A Best Efforts Delivery Commitment option offers Seller the ability to lock in a competitive price for a single Mortgage Loan, for a specific Borrower(s) for a specific property, without incurring Borrower-driven fallout risk.

Fallout occurs with respect to a Best Efforts Delivery Commitment when a Seller cancels a commitment, when the commitment delivery due date lapses prior to the delivery of the Mortgage Loan to Company, or when Company rejects a Mortgage Loan due to failure to meet Company guidelines or commitment terms.

Once the Mortgage Loan closes, the Seller is required to deliver the Mortgage Loan and will be subject to a pair-off fee if the loan is not purchased by Company for any reason. If the Mortgage Loan does not close, the Seller is not assessed a Pair-off Fee.

Under a Best Efforts Delivery Commitment, Seller commits to the following:

- Best efforts will be made to close the Mortgage Loan as described in the Interest Rate Lock Commitment.
- If closed the Seller will deliver the full Credit File and Closing File in purchasable condition by the Delivery Expiration Date.
- Although there is no penalty charged on an individual Mortgage Loan if it does not close, Company closely monitors pull-through ratios.
- Unacceptably low pull-through levels may impair Seller's ability to sell Mortgage Loans to Company or maintain normal business relationships.

### B. Additional Rules Applicable to Commitments

- A subject property may have no more than one commitment outstanding at any one time with Company.
- In the event that a duplicate lock is created, the Mortgage Loan will become subject to worse case pricing.
- If Seller is approved by Company to utilize other delivery or closing options besides the standard closed Mortgage Loan option, Seller may be required to provide closing, credit, and/or collateral on a different time line than stated above.
- Seller may not assign or transfer a commitment, in whole or in part, without the prior express written consent of Company.

Note: The term “commitment” is not to be confused with other agreements or terminology that may be in effect between Seller and Company (such as a master commitment or a forward commitment).

### **B301 Daily Pricing and After Market Rate Protection**

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#### A. Daily Prices & Ratesheets

Daily prices are established at approximately 10:00 AM ET and are available at [www.lakeviewcorrespondent.com](http://www.lakeviewcorrespondent.com).

Purchaser will have periods when no pricing is available. These “blackout periods” generally occur from 12:00 AM EST through 10:00 AM EST. There may also be periods during the day when market conditions will necessitate a general ratesheet price update. During these periods Sellers will be unable to obtain rate locks over the phone or Internet. Any faxes received during these blackout periods will be priced under the next available ratesheet.

#### B. After Market Rate Protection

Purchaser may provide, at its discretion, After Market Rate Protection for its Sellers. After Market Rate Protection enables Sellers to lock in new originations after the close of normal business hours, and applies only to Best Efforts Delivery Commitments. After Market Rate Protection begins at 7:00 PM local time to 12:00 AM EST.

If a Seller exceeds their After Market Rate Protection limit, they will be notified the next day and Purchaser may reject or re-price any dollar amount over the limit. Once new pricing becomes available the next business day, the Seller may submit a new lock request based on current rates. Purchaser is not responsible for lock requests that are rejected due to After Market Rate Protection limits.

### **B302 Pending Status**

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Company activates a rate lock only when Seller provides complete loan data that meets Company's Program Guidelines. Mortgage Loans with incomplete loan data will be placed in pending status and will not be priced. Once the cause of the pending condition is removed or corrected, Company will allow Mortgage Loans to receive a rate lock at the current market. It is Seller's responsibility to contact the Registration Desk to rectify any problems and to request to lock the Mortgage Loan.

See the Incomplete Registration (Pending Status) section in Chapter 3A, Registration, of this Guide for more information.

### **B303 Loan Purchase Commitment Confirmation**

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A Loan Purchase Commitment Confirmation is Company's written communication to the Seller confirming that the Seller's Best Efforts Delivery Commitment request is accepted on behalf of itself or Company. Prior to issuance of the Loan Purchase Commitment Confirmation, the Seller must lock the loan with Company. Company will issue an Interest Rate Lock Commitment to the Seller. The Interest Rate Lock Commitment terms will be included in the Loan Purchase Commitment Confirmation.

Company is not deemed to have accepted a request to enter into a Best Efforts Delivery Commitment until Company has sent its written Loan Purchase Commitment Confirmation to Seller.

Although Company will use commercially reasonable means to receive requests and send its responses for commitments, Company is not responsible for any failures of Seller to deliver or receive any such communications, and Seller acknowledges that Company will act in reliance of a Best Efforts Delivery Commitment request that it has accepted even if Seller does not receive the Loan Purchase Commitment Confirmation. Sellers that wish to mitigate the risk of market shifting should use time-sensitive means of communication (such as [www.LakeviewCorrespondent.com](http://www.LakeviewCorrespondent.com) or the Registration Desk) rather than means without immediate feedback (such as fax).

Seller also acknowledges that if Company accepts a commitment by voice (such as by telephone), the commitment will remain subject to all terms and conditions shown in a subsequently delivered Loan Purchase Commitment Confirmation.

Each Loan Purchase Commitment Confirmation will provide Company's applicable commitment number and Company Mortgage Loan number, which Seller must include in all future correspondence regarding such commitment.

### **B304 Locked Loan Changes**

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Most changes to a locked commitment would constitute a relock and would be subject to worst case re-pricing. The following list includes examples of changes that would be subject to re-pricing.

- Rate lock expired prior to Mortgage Loan closing and disbursing;
- Delivery date expired prior to delivery of Mortgage Loan File;
- Mortgage Loan in suspense for more than 30 days;
- Commitment cancelled/denied and new commitment requested;
- Address changes (except corrections to original Mortgaged Property address that were made in error at the time of rate lock); and

For more information regarding locked changes, see the Locked Loan Changes section in Chapter 3A Registration of this Guide. Also see Section B306 Expirations for additional information regarding relock fees that may apply.

Changes to the Product are allowed and will be priced to the original lock day's pricing sheet for that product.



### **B305 Rate Lock Extensions**

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Seller may request rate lock extensions via website, fax, or telephone.

Company may grant individual Best Efforts Commitment extensions of up to 30 days on or before the Lock Expiration Date. Current extension terms and fees can be found on the initial page of the daily ratesheet. The fees on the ratesheet in effect at the time Seller requests the extension will apply. Seller must request any extension beyond 30 days through the Company Registration Desk. Extension Requests beyond 30 days from the original Lock Expiration Date will only be considered on a case-by-case basis and must be requested directly with the Company Registration Desk. Upfront fees or higher extension fee charges may be required for any exceptions to our standard extension policy.

Automated extensions on the website may be disabled due to market conditions. In these circumstances please contact the Registration Desk for extension options.

All rate lock extensions are calculated in continuous calendar days. Extension fees and policies are at the discretion of Company and are subject to change without notice. Company has the right to refuse to permit extensions on individual Mortgage Loans or products at any time for a variety of reasons including but not limited to current market conditions or changes in product eligibility/guidelines.

Sellers must advise Company of any erroneous extension requests prior to 5:00 PM ET on the same day as the request. Requests for changes after this time will not be permitted.

### **B306 Expirations**

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#### **A. Delivery Expiration vs. Lock Expiration**

The Lock Expiration Date is the date to honor a locked Mortgage Loan at a particular interest rate expiration of Company's commitment expires. All Mortgage Loans must be closed and funded by the Lock Expiration Date. Any extension requests must be made on or before the Lock Expiration Date, and requests received after this date would be subject to re-lock at worse case pricing.

The Delivery Expiration Date is the deadline within which Sellers must deliver closed Mortgage Loans with all required documents including complete Credit File and Closing File to Company. As a courtesy the Delivery Expiration Date is two Business Days after the Lock Expiration Date. Even if the Delivery Expiration Date falls on a weekend or Company observed holiday, Seller must ensure that the complete Credit File and Closing File are received on or before the Delivery Expiration Date. If a Seller fails to deliver by the Delivery Expiration Date, Company will re-price the Mortgage Loan subject to worse case pricing once the Credit and Closing Files are received.

The Delivery Expiration Date, when applicable, will be displayed on the Loan Purchase Commitment Confirmation.

Company encourages Seller to monitor Lock Expiration Dates very carefully. Failure to extend locks prior to its expiration date in order to meet Funding Dates may result in costly re-pricing.

#### **B. Holiday or Weekend Lock Expirations**

If the initial Lock Expiration Date on a Mortgage Loan would fall on a weekend or Company observed holiday, Company will automatically roll the Lock Expiration Date to the next Business Day. Any subsequent extensions or relocks however may cause the Mortgage Loan to expire on a weekend or Company holiday; in that case, the expiration date will NOT roll to the next Business Day. In all cases, the Mortgage Loan must be closed and disbursed by the Lock Expiration Date.

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As a courtesy, if a rate lock expires on a weekend or a Company observed holiday, Seller may request to extend the rate lock during standard hours until 5:00 PM ET on the first Business Day after the weekend or holiday that Company is open for business.

### **Example:**

The rate lock expires on Saturday 5/24/2014. On Tuesday, 5/27/2014 (due to holiday on Monday, 5/26/2014) Seller extends the rate lock for five additional days using the extension fees published on the 5/27/2014 ratesheet. Therefore, the Lock Expiration Date is Thursday 5/29/2014.

If the Delivery Expiration Date falls on a weekend or Company observed holiday Seller must still ensure that the complete Credit File and Closing File are received on or before the Delivery Expiration Date of the Interest Rate Lock Commitment. To ensure the Mortgage Loan is received without any issue, Company strongly encourages Seller to deliver the full file prior to the Delivery Expiration Date.

### **C. Expired Commitments**

If a relock on an individual Best Efforts Delivery Commitment is requested within 30 days of the Lock Expiration Date the Mortgage Loan will be relocked subject to worse case pricing comparison and the applicable relock fee as identified in Subsection D, Relock Fees and Terms.

If the Mortgage Loan is canceled prior to the Lock Expiration Date, and then reestablished as a new Mortgage Loan, the same relock fee structure noted below will be applied based on the cancellation date rather than the Lock Expiration Date. If the Mortgage Loan has been delivered for purchase and suspended greater than 30 days please see subsection F.

- If the relock is requested more than 30 days after the Lock Expiration Date, or cancellation, whichever applies, the Mortgage Loan will be priced at current market. However, the Mortgage Loan will continue to be assessed any previously purchased lock extensions or other fees unless the Mortgage Loan has been expired or canceled for more than 60 consecutive days
- A relock request may be subject to additional risk of secondary market illiquidity, and Company may not accept the original locked rate.
- Company may deny the original locked rate on an expired lock due to market illiquidity.
- Rates not listed on the current ratesheet are illiquid rates and Seller may not be able to relock them.
- Mortgage Loans that are relocked must meet all current product eligibility guidelines.
- Mortgage Loans that have expired and have been relocked more than once may be subject to additional fees or may become ineligible for relock.
- If a Mortgage Loan has been expired more than 60 consecutive days, the Mortgage Loan can be relocked at current market with no market comparison and is no longer subject to the cost of previous extensions. However, in most cases, a new Mortgage Loan number should be assigned and the old expired Mortgage Loan number should be withdrawn.

### **D. Relock Fees and Terms**

If Seller requests to relock an individual Best Efforts Delivery Commitment that is expired or canceled, whichever applies, within 30 days after the expiration or cancellation, the relock will be subject to the following conditions:

- Company will relock Mortgage Loans up to a maximum of four times for no greater than a total of 60 days, never to exceed the original lock window.

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- All relocks are subject to current Company product eligibility guidelines. Mortgage Loans not meeting current product guidelines will not be eligible for relock.
- Relock windows can only be taken in increments of 15 or 30 days, but may not be longer than the original lock window.
- Relocks are calculated on a worse case pricing basis as outlined below.

Worse case pricing will be determined from several factors:

- The requested relock period of either 15 or 30 days;
- The base price on the expired or canceled lock;
- The current market base price for the requested relock period; and
- The current extension fees as posted on the rate sheet.

Once the requested relock period (15 or 30 days) is established, comparisons for the same product and interest rate will be made between the most recent lock base price less extension costs to the current rate sheet base price. If the current market price is lower than a commensurate extension fee would cost from the date of the prior lock expiration to the new requested expiration, then the current base rate sheet price will be applied.

If the current rate sheet base price is higher than the original (most recent) expired/canceled lock, then the total extension cost will be applied to the original base price and the Lock Expiration Date adjusted accordingly.

If Seller requests to relock an undelivered Mortgage Loan that has been expired or canceled for more than 30 days, the Mortgage Loan will be eligible to be relocked at current market without worse case pricing comparison or relock fee, however, any previously purchased extension or relock fees will remain with the Mortgage Loan unless it has been expired/canceled for over 120 concurrent days.

### Example # 1

A Mortgage Loan is locked for 30 days at a base price of 101.00. The lock expires and a relock is requested for 15 days on day 10 past the original Lock Expiration Date. The current comparable 15-day price is 101.10. Since the original base price is worse, the Mortgage Loan would be extended for 25 days at extension costs.

### Example #2

A Mortgage Loan is locked for 30 days at a base price of 101.00. The lock expires and a 30-day relock is requested on day 1 past the original Lock Expiration Date. The current comparable 30-day price is 99.50. Since the current price is worse than a 31-day extension, the Mortgage Loan is relocked for 30 days at current market.

### Example #3

A Mortgage Loan is locked for 30 days at a base price of 101.00. The lock expired and a 30-day relock is requested on day 20 past the original Lock Expiration Date. The current comparable price is 100.50. The current price is worse than the original but not greater than the extension costs of 50 days, so the lock is extended at extension costs.

## E. Late Delivery

If Seller delivers into an Interest Rate Lock Commitment where the delivery expiration date has already past, Company will assume that Seller is requesting the Mortgage Loan to be relocked. Once

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the Credit File and Closing File are received and the Mortgage Loan has been identified as delivered late, Company will automatically relock the Mortgage Loan subject to worse case pricing comparison as described above in Subsection D.

The Delivery Expiration Date will be reset to reflect the later of the Credit File or Closing File received date, and no additional time will be provided.

### Example

A Mortgage Loan is locked for 30 days at a base price of 101.00. It is delivered four days late (assuming a two day delivery window, Mortgage Loan is six days past Lock Expiration Date). Current market at the same note rate is 101.00. Mortgage Loan is relocked charging a six-day extension cost.

### F. Mortgage Loans Suspended More Than 30 Days

If Company makes an exception to purchase a Mortgage Loan that has been in suspense for more than 30 days, the Mortgage Loan may be relocked at Company's discretion, subject to the worse of either the accrued suspense fees for 30 days or worse case market reprice. In the case of Mortgage Loans suspended for more than 30 days, worse case market pricing will be determined by comparing base price to base price for the same rate lock terms. If the Mortgage Loan has been delivered for purchase and suspended greater than 30 days, and is subsequently withdrawn and resubmitted, the new Mortgage Loan will continue to be subject to the worse of either the accrued suspense fees for 30 days or worse case market reprice for 30 days from the date of cancellation. All previously applied fees such as extension charges will remain on the Mortgage Loan. Any Mortgage Loans suspended more than 30 days must also meet all current pricing and product guidelines and eligibility. If a Mortgage Loan becomes seasoned while Seller attempts to clear deficiencies, Company reserves the right to no longer accept delivery at any time.

For additional information on suspended Mortgage Loans, see Section B307 Suspended Closed Loans.

## **B307 Suspended Closed Loans**

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Company will not purchase Mortgage Loans with incomplete Funding Documents. If a document or qualification deficiency is determined, the Mortgage Loan will be suspended.

Seller may incur late fees in the event that Company does not receive the information or documentation needed to purchase the loan within five Business Days from the later of the Delivery Expiration Date or the initial suspense notification.

If Seller does not provide complete and compliant Funding Documents within the timeframe listed above, Company may, at its discretion, allow or require any of the following (either singly or in any combination):

- Allow Seller additional time subject to payment of an extension or suspense fee;
- Allow Seller additional time subject to Company's re-pricing the Mortgage Loan;
- Reject the delivery; or
- Reject the delivery and require payment by Seller of a Pair-off Fee.
- Require a recertification of value after 120 days from date of suspension (to capture market changes in the appraisal)

A delivery is not deemed accepted by Company unless and until Company acknowledges receipt of the Closing File and the Credit File, and unless and until Company wires applicable funds to Seller via wire

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instructions provided by Seller. Once this occurs, a purchase advice detailing the funds sent will be posted to the secured website for the Seller to review.

If the initial outstanding deficiencies/suspense items are not resolved by the Delivery Expiration Date suspense fees will accumulate on a per diem basis until the Company determines that the Mortgage Loan is eligible to fund.

- Beginning from the later of the Delivery Expiration Date or the date of initial Mortgage Loan suspense Seller will have five Business Days to provide all requirements to clear all suspense items before suspense fees begin to accumulate.
- After the suspense grace period, fees will be calculated on a per diem basis, based on the number of days the Mortgage Loan remains in suspense.
- The per diem charge may fluctuate based on market and business conditions.
- Per diem values will be posted daily on the ratesheet near extension costs.
- The per diem charge in effect on the day the Mortgage Loan is deemed eligible for purchase will be applied to calculate the total suspense fee.

### Suspense Expiration Dates

#### Pre-Purchase Conditions

Correspondents are encouraged to clear suspense items expeditiously to avoid potential pair-off, roll fees, or suspense fees. If the correspondent cannot clear pre-purchase suspense items before the suspense expiration date outlined in this section, loan files will be deemed ineligible for purchase and returned to the seller. These loans will be paired off and all extension and suspense fees will be taken into account when determining the adjusted pair off amount.

#### Post-Purchase Conditions

In limited circumstances, Company will purchase loans prior to conducting a due diligence review. For loans where this exception has been made, the suspense expiration date policy herein also applies. If the correspondent cannot clear post-purchase suspense items before the suspense expiration date outlined in this section, loans will be deemed ineligible and subject to repurchase as outlined in section D102 of the Special Products Selling Guide.

The suspense expiration date is defined as 45 days from the audit completion date.

The audit completion date is defined as the day on which the credit and compliance deficiencies are published to the correspondent via the Company client portal.

The only exception to this process will be at the discretion of Company where as an exception, Seller may be permitted to have a Mortgage Loan remain in suspense longer than 45 days in order to accommodate special Seller circumstances. If Company purchases a Mortgage Loan that has been in suspense for more than 45 days, the Mortgage Loan may be relocked, subject to the worse of either the accrued suspense fees for 45 days or worse case market reprice. Worse case market pricing will be determined by comparing base price to base price for the same rate lock terms. The Delivery Expiration will be reset to reflect the date relocked, and no additional time will be provided. All previously applied fees such as extension charges will remain on the Mortgage Loan.

Any Mortgage Loans suspended more than 45 days must also meet all current pricing and product guidelines and eligibility. Suspense fees and policies are at the discretion of Company and are subject to change without notice.

### **B308 Failure to Deliver**

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#### **A. Best Efforts Delivery Commitments**

Participation in a Best Efforts Delivery Commitment is permitted at Company's discretion, and Company may restrict or halt Seller's future participation in a Best Efforts Delivery Commitment at any time.

Once Seller closes a loan subject to a Best Efforts Delivery Commitment, the Commitment and is subject to pair-off fees if the loan is determined to be unpurchaseable for any reason.

### **B309 Withdrawing or Canceling Mortgage Loans**

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#### **A. Withdrawing or Canceling Mortgage Loans**

Seller may request Company to cancel or withdraw a Best Efforts Delivery Commitment. Cancellation of a closed loan is subject to Pair-off Fee. Once cancelled or withdrawn for any reason, the Mortgage Loan immediately ceases to be price or guideline protected. There can be no reinstatement of that specific loan number. Should Seller request a loan reinstatement and should Company reinstate the Mortgage Loan, it will be re-registered and re-priced according to worse case pricing policies outlined in Section B307 subsection C & D. All extension fees remain with the Mortgage Loan. Cancellation may take place through the website or through the Registration Desk.

Seller is responsible for monitoring and ensuring that only authorized personnel make requests for cancellation.

#### **B. Cancellation of Best Efforts Delivery Commitments**

Company monitors patterns to identify potential non-compliance with the Best Efforts Delivery Commitment policy. Company reserves the right to contact the applicant or use other available means in the event of a cancellation, to confirm the status of the Mortgage Loan.

### **B310 Calculation of Pair-off Fees – Delegated Only**

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Seller will be assessed Pair-off Fees at Company's discretion for loans that close under a Best Efforts Commitment and are not purchased by Company for any reason.

- If the market price is better, the Pair-off Fee is the full difference between the locked price and the market price, subject to a minimum charge of \$1,650.
- If the market price has declined, the minimum Pair-off Fee is \$1,650.
- Any extension fees that are particular to the Mortgage Loan will also be included in the Pair-off Fee calculation.
- Pair-off Fees will appear on the monthly invoice generated by Seller post acquisition and are due upon receipt.
- If Bayview Acquisitions is the purchaser under the Agreement, the Pair-off Fee is due and owing to Bayview Acquisitions or its designee.

### **B311 Policy/Loan Program Single Loan Variances – Delegated Only**

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Company will consider single loan variances on a case-by-case basis by submission of a completed Loan Single loan variance Request (located in the forms library on the company website). Seller must register the Mortgage Loan in order for Company to consider it. When the Mortgage Loan is outside current guidelines, Seller can only register the Mortgage Loan into a pending status by contacting the Registration Desk via phone or fax. Company will review but not lock Mortgage Loans in a pending status until the pending status clears. Company will not lock any Mortgage Loan under consideration until the single loan variance is granted and Seller submits a current request to lock. In general, policy and loan program single loan variances will be subject to additional price adjustments.

### **B313 Collection of Non-Delegated Underwriting Fees**

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If Lakeview underwrites a file that is returned to the seller (i.e. withdraw, cancelled, denied, etc.), a fee of \$495 per file will be charged to the Seller. Once Lakeview issues an invoice for the collection of a Non-Delegated Underwriting fee, the Seller is required to pay the fee within 30 Business Days. If the Underwriting fee is not paid, Lakeview reserves the right to offset any fees due from proceeds owed to the Seller by Lakeview.

### **B314 Rate Re-Negotiations**

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Under certain market conditions, Company will consider a re-negotiation of a locked rate on a Best Efforts Delivery Commitment on a case by case basis.

At Company's discretion and depending on market conditions, some products will not be eligible for negotiation regardless of the market movement. The Registration Desk will be able to assist with negotiable products.

Seller must have a Best Efforts Delivery Commitment pull-through and delivery rate that is acceptable to Company, at Company's discretion. Only one rate negotiation per Commitment can be granted.

### **B315 Seasoned loans**

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Loans that are closed before they are locked with Company will be considered a Seasoned Loan. To lock a seasoned loan, the seller must contact the registration desk and provide the reason that the loan was not locked with Company prior to closing, and the registration desk will determine whether the loan is eligible for a Commitment. Seasoned loans will have a minimum price of adjustment of 0.50% to price, and the actual fee will be determined by the registration desk. Seasoned loans may require additional conditions for to be purchasable by Company and those conditions will be determined at the time the loan file is reviewed. As a reminder, closed loans will be subject to a pair-off fee if the loan is determined to be unpurchaseable for any reason after the commitment is taken out or the loan is not purchased.

### **B316 Problem Resolution**

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Any contingency, issue, process, or scenario not covered in this document should be considered outside of Company's policy and, therefore, subject to review by the Registration Desk. Seller is encouraged to call the Registration Desk when it has questions or pricing issues with a Mortgage Loan. An agent will make every effort to resolve the issue, but if the issue cannot be resolved, the matter may be escalated to

the team leads for resolution. If the resolution is not satisfactory, the problem can be escalated to the manager of the Registration Desk and then to the appropriate sales director.

### **Chapter 3C Multiple Loan Mandatory Commitments – Delegated Only**

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Before selling loans to Community Loan Servicing, Seller must obtain a pricing Commitment. A variety of pricing options are offered to best suit the needs of our individual Sellers. Our pricing policies are designed to work for the mutual benefit of all parties involved. For related information, see Chapter 3A Flow Registration of this Seller Guide.

### **C300 Multiple Loan Mandatory Commitment Defined**

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A Commitment is an agreement whereby Seller commits to deliver a Loan, as described in the Commitment and eligible for purchase under the terms of this Seller Guide. Seller must enter into a Commitment for Loans prior to delivering to Lakeview.

Lakeview evaluates Sellers and upon meeting all requirements, grants multiple loan mandatory approval. Multiple loan mandatory approval grants a Seller the ability to deliver under the following two delivery options.

#### **A. Bulk Purchase Commitment**

A bulk Commitment is a group of Loans that a Seller agrees to sell at one time, at a negotiated price. Loan level information is required from Seller, and is generally provided to Community Loan Servicing in a Microsoft Excel spreadsheet (See the Bulk Purchase Commitments section in this chapter for complete information).

#### **B. Mandatory Forward Commitment**

A forward commitment is a Mandatory Delivery Commitment to sell a group of Loans, meeting all parameters of a specified Loan Program, at an agreed price, at or before a specific expiration date. The advantage of this method is that while the delivered Loans must meet the parameters of the specified Loan Program, Seller need not provide Loan level detail at the time of Commitment.

Community Loan Servicing will assign a master commitment number for each of the above referenced delivery scenarios.

### **C301 Process Information**

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Prospective bulk Sellers will be contacted by their Seller Manager prior to the initial bulk transaction. The purpose of this session is to determine the following.

- Time lines/Expectations: Delivery and funding expectations vary by trade and Loan Program and will be negotiated with the Bulk Trade Desk at the time of each bid.
- Delivery Options (See Chapter 7, Shipping and Delivery Methods, of this Seller Guide for delivery options)
  - Standard
  - Image

Lakeview bulk transaction contacts are as follows:



### A. Contact Information

- Phone 855-253-8439 (8:30 AM to 5:00 PM EDT)
- Email Bulk Bids: [BulkBids@bayviewloans.com](mailto:BulkBids@bayviewloans.com)

### B. Document Delivery Locations

Refer to Shipping and Delivery Methods section of the guide

## C302 Trade Balance Tolerance (“Delivery Tolerance”)

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Bulk Pool and Mandatory Forward trades will have a purchase tolerance of 5% of the original trade amount, unless otherwise stipulated in the bid or agree upon by both parties. If the final purchased balance is outside of the tolerance, the Seller may be subject to a Pair-Off Fee at Company’s discretion. Sample calculation for the amount to be paired-off would be the following:

- Trade amount of \$100mm minus \$5mm tolerance (5%) minus \$80mm purchased balance equals \$15mm balance to be paired off.

## C303 Yield Maintenance (YM)

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Bulk Pools, where loan level pricing is not provided, and Mandatory Forward trades will utilize yield maintenance to account for changes in the weighted average interest rate of the trade versus the final purchased population.

Unless otherwise stipulated in the bid or agree upon by both parties, Yield Maintenance will utilize the Bloomberg BC35 screen and the following prepayment speeds for each product: **Jumbo, Agency Investment and Agency Second Homes** = 15 CPR, **DSCR** = 10 CPR, **Bank Statement** = 20 CPR.

## C304 Commitment Confirmation

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A Commitment Confirmation is Community Loan Servicing’s written communication to Seller confirming acceptance of the Seller’s Commitment and additional terms and conditions applicable to Community Loan Servicing’s potential purchase of the Loan under such Commitment.

If Seller delivers an eligible Loan within the Commitment Period, which conforms to purchase guidelines, Community Loan Servicing will review the Loan for potential purchase under the pricing and terms described in this section.

Additional terms applicable to all Commitments include the following.

- Each lien position of a property may have only one Commitment outstanding at any one time with Community Loan Servicing
- Seller may not assign or transfer a Commitment, in whole or in part, without the prior express written consent of Community Loan Servicing

The term Commitment is not to be confused with other agreements or terminology that may be used between Seller and Community Loan Servicing, such as a master commitment or a forward commitment.

After Seller has communicated its request to enter into a Commitment, the request is non-revocable. Upon receipt of a request, Community Loan Servicing will thereafter determine at its discretion if it will accept or reject the request, the means it will use to communicate its response, and if applicable the terms of the Commitment including the price and the Commitment Period. Community Loan Servicing is not deemed to have accepted a request to enter into a Commitment until Community Loan Servicing has sent its written communication of a Commitment Confirmation to Seller.

Although Community Loan Servicing will use commercially reasonable means to receive requests and send its responses for Commitments, Community Loan Servicing is not responsible for any failures of Seller to deliver or receive any such communications, and Seller acknowledges that Community Loan Servicing will act in reliance of a Commitment that it has accepted even if Seller does not receive the Commitment Confirmation.

Further, Seller acknowledges that prices in a Commitment Confirmation will be those applicable at the time Community Loan Servicing responds to the request for Commitment, and that Community Loan Servicing is not responsible for market changes or other Re-Pricing events that may have occurred between the time of Seller's request and Community Loan Servicing's response. Further, Seller acknowledges that if Community Loan Servicing accepts a Commitment by voice (such as by telephone), the Commitment will remain subject to all terms and conditions shown in a subsequently delivered Commitment Confirmation.

Each Commitment Confirmation will provide Community Loan Servicing's applicable Commitment number, which Seller must include in all future communications regarding such Commitment.

### **C305 Over-Delivery or Failure to Deliver**

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Unless otherwise stated by the Trading Desk, Seller must deliver eligible Loans under a Mandatory Delivery Commitment, conforming to the applicable Loan Program described in the Commitment, with an aggregate outstanding principal balance that is within the following allowances.

- Within the negotiated Tolerance set forth in the Commitment Confirmation for the Commitment amount
- As may be negotiated by the Trading Desk

To the extent Seller's delivery of eligible Loans under a Mandatory Delivery Commitment has an aggregate outstanding principal balance (subject to the allowances stated above) less than the Commitment amount, Community Loan Servicing may, at its discretion, charge Seller a Pair-off Fee as described in the Calculation of Bulk Pair-off Fees section in this chapter.

To the extent Seller's delivery of eligible Loans under a Mandatory Delivery Commitment has an aggregate outstanding principal balance (subject to the allowances stated above) greater than the Commitment amount, Community Loan Servicing may, at its discretion:

- Reject any submitted Loans (as chosen by Community Loan Servicing) until the delivery is within the Commitment amount
- Reject the entire delivery
- Accept and purchase the additional Loans subject to Re-Pricing

With regard to the delivery of eligible mortgage loans under a Mandatory Delivery Commitment, Community Loan Servicing provides both a delivery and funding expiration date with the intent that the Seller deliver eligible loans by the former date to allow Community Loan Servicing to purchase eligible

loans by the later funding expiration date. Community Loan Servicing does allow Sellers to deliver eligible loans after the delivery expiration date up until the funding expiration date however, if the loan purchase is not completed by the later date, extension fees will be applied to final pricing. In the event that an eligible mortgage loan is not delivered by the funding expiration date, the loan will be subject to a pair-off fee.

### **C306 Calculation of Multiple Loan Mandatory Pair-off Fees**

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Seller will be assessed Pair-off Fees at Company's discretion if the final purchased balance of the loans is outside Trade Balance Tolerance for any reason, including if loans are not purchased by Company or the Seller fails to deliver.

- If the market price is better, the Pair-off Fee will be calculated as follows, subject to a minimum charge of \$2,500:
  - **Jumbo** = Difference between the TBA that was closest to \$102 price at the time of trade and the market price for that TBA at the time of pair-off, multiplied by the balance to be paired off (see example in C302 Trade Balance Tolerance ("Delivery Tolerance") section)
  - **DSCR** = Difference between 5 year Swap at the time of trade and the 5 year Swap at the time of pair-off, multiplied by (5), then multiplied by the balance to be paired off
  - **Bank Statement** = Difference between 5 year Swap at the time of trade and the 5 year Swap at the time of pair-off, multiplied by (4), then multiplied by the balance to be paired off
  - **Agency Investment and Agency Second Homes** = Difference between the TBA that was closest to \$103 price at the time of trade and the market price for that TBA at the time of pair-off, multiplied by the balance to be paired off
- If the market price has declined, the minimum Pair-off Fee is \$2,500.
- Any trade or loan level extension fees will also be included in the Pair-off Fee calculation.
- Pair-off Fees are due upon the settlement of the pool.
- If Bayview Acquisitions is the purchaser under the Agreement, the Pair-off Fee is due and owing to Bayview Acquisitions or its designee, and Bayview reserves the right to set off any such Pair-off Fee from the purchase price in its sole discretion.

### **C307 Calculation of Multiple Loan Mandatory Pair-off Fees**

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Pair-off Fees are fees that may be assessed if Seller does not deliver qualifying Loan files in the Commitment amount by the expiration date.

- Community Loan Servicing considers Multiple Loan Mandatory (Bulk Purchases & Mandatory Forwards) deliveries separately and handles them on a case-by-case basis. Please contact the Trade Desk for pair-off procedures and fees on these special transactions.
  - If market prices have risen, the pair-off fee is the full difference between the locked price and the current market price plus \$200
  - If market prices have declined, the pair-off fee is \$200 unless the hedge gain attributed to the market decline is greater than \$200. If this is the case, the pair-off fee would be zero
  - If the hedge gain attributed to the market decline is less than or equal to \$200, the pair-off fee is the difference between \$200 and the hedge gain

### **C307 Bulk Purchase Commitments**

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A bulk purchase Commitment is a group of Loans a Seller agrees to sell at one time, at a negotiated price. Loan level information is required from Seller in an Excel spreadsheet. The Bulk Purchase Acquisitions team provides this spreadsheet to Seller and addresses it during initial bulk discussions. The spreadsheet must contain all required fields needed to price the pool. See the Process Information section in this chapter for contact information.

#### **A. Eligible Loan Programs**

All Loan Programs posted on the daily Ratesheet are eligible for bulk bids at Lakeview's sole discretion.

#### **B. Trade Execution**

- Seller emails a spreadsheet containing all pertinent information about each Loan in the package to the Community Loan Servicing Trade Desk. See the Process Information section in this chapter for contact information
- Seller also notifies the Trade Desk of the day and time the package will be bid
- The Trade Desk calculates a weighted average price for the entire pool of Loans and then communicates Lakeview's final price to the customer at the predetermined day and time
- When the Bulk Desk accepts the trade or bid, they email a confirmation to Seller describing the details of the trade including delivery deadlines and funding deadlines

#### **C. Delivery and Funding**

Delivery instructions for the specific Loans are found in the Process Information section in this chapter (Shipping Loan Files and Original Notes).

Loans are funded when all Loans clear the purchase review process by the Funding Date agreed to at the time of the original transaction.

Community Loan Servicing will not purchase Loans with incomplete Funding Documents. If upon review a document or qualification deficiency is determined, the Loan will be suspended.

#### **D. Late Delivery/Non Delivery**

The bulk confirmation contains two dates.

- Delivery Expiration date
- Commitment Expiration or Funding Date

Complete loan files (Loans in a fundable format) must be in receipt at Community Loan Servicing by the Delivery Expiration date. This ensures that all Loans are audited, have notice of suspense posted, cleared of suspense, and funded by the Commitment expiration date as stated on the confirmation.

Online reports to review deliveries, suspense, and current fundings are available on [www.lakeviewcorrespondent.com](http://www.lakeviewcorrespondent.com). Additional reporting can be obtained from the respective Seller Manager assigned to the account.

Loans received after the Delivery Expiration date are at risk for not being audited, cleared of suspense, and funded by the Commitment expiration date and thus may be subject to a Pair-off Fee.

Extension fees may be provided on a Commitment prior to the Commitment expiration date. Community Loan Servicing may, at its discretion, grant an extension on a Commitment expiration date, but an extension fee will apply. These extension fees are deal specific and are calculated by the Bulk Acquisitions Desk.

### **C308 Seasoned Loans**

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Complete closed loan packages (Credit file, Closing file, and Note) must be received by Community Loan Servicing within 45 calendar days from Note date. Loans with Note dates beyond this timeframe are considered seasoned. **Community Loan Servicing does not purchase seasoned loans.** Loans in suspense will be guided by the policy as set forth in section B-308, Loans in Suspense.

This is for all Loan Programs and Delivery types.

Any loans not meeting these guidelines will be returned to the Correspondent.

### Chapter 4 Non-Delegated Loan Submission

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#### File Submission

Bayview Loan Servicing recommends a full Credit File to be submitted. The Non-Delegated Submission Checklist, available on the Correspondent Portal, lists the required submission documents for all loans. If the file review reveals missing documentation that prevents the file from moving to Underwriting, the Non-Delegated Correspondent Operations team will notify the Correspondent and place the file in a Loan Setup Incomplete status.

#### Image Upload

Image Upload through the Lakeview Correspondent Portal is the method of file submission. A complete credit package is required for all loan submissions. The Correspondent Loan Submission Checklist, available in the Forms sections of the Lakeview Correspondent website, lists the required submission documents for conventional and government loans. Use Image Upload to submit all loan documents. After the file is uploaded, it is moved into the Loan Set Up queue. Once the Loan Set Up criteria is met, Lakeview will accept the Mortgage Loan Application. The file will be moved to the Underwriting queue for initial underwrite once all required documents have been received.

Conditions of loan approval may fall into three different areas:

- Loan Set-Up Conditions
- Prior to CTC - Underwriter to Review conditions
- Prior to Funding (PTF) Correspondent to Clear.

In order to clear a condition(s), the supporting documents must be uploaded through Image Upload.

#### Loan Set Up

The Loan Set Up Group is responsible for the initial review of the Credit File. Duties of Loan Set Up include validating receipt of documents against the Correspondent Loan Submission Checklist. Submitting a full Credit File when sending the loan in for underwriting will ensure the loan is decisioned quickly with as few conditions as possible. Files are moved to underwriting upon Loan Set Up's completed review

### Chapter 5 Underwriting/Credit Policy

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Credit philosophy:

Company is committed to purchasing high quality Mortgage Loans with focus on both the manufacturing and credit quality.

Company's focus for credit quality is evaluating transactions to validate the information within the transaction to be true and accurate as well as making a reasonable, good-faith evaluation of the Borrower's ability to repay. The likelihood of timely repayment is expected to be commensurate with the quality of the Mortgage Loan Program and the represented value of the Mortgaged Property is expected to accurately reflect its market value. The underlying chapters within are focused in detail on supporting Company's commitment to this philosophy.

This Underwriting chapter sets out underwriting standards that apply to all Mortgage Loan Programs. Generally, underwriting standards that vary from one Mortgage Loan Program to another are described in the Product Matrices. In most cases, differences will not be referenced in this chapter.

Regardless of underwriting method, additional information may be requested at the discretion of Company.

Seller must ensure that each Mortgage Loan is eligible for sale to Purchaser in accordance with the Guide, including the specific loan program for which Seller registered such Mortgage Loan with Purchaser. Please see Product Matrices at [www.lakeviewcorrespondent.com](http://www.lakeviewcorrespondent.com) for loan program specifics.

By submitting a Mortgage Loan for purchase, Seller certifies that:

- Seller has made, or is making, its own credit decision with respect to the Mortgage Loan to the Borrower, regardless of whether Company purchases or declines to purchase the loan;
- none of Company, its directors, officers, employees, agents, or contractors, or any of its affiliates has influenced, or will influence, Seller's credit decision with respect to the Mortgage Loan to the borrower by (a) indicating whether it will purchase the loan if Seller originates and closes the Mortgage Loan, or (b) any other action or statement; and
- if Seller has closed, or in the future does close, the Mortgage Loan to the Borrower, Seller did, or will, fund the closing of the loan with funds from a source other than Company or any of its affiliates.

### 500 Description of Underlying Chapters

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Chapter 5A Eligibility

Chapter 5B Credit

Chapter 5C Appraisal Requirements and Disaster Requirements

### Chapter 5A Eligibility

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This section outlines the Company's eligibility requirements that apply to all Non Agency Mortgage Loan Programs including Jumbo Mortgage Programs. Generally, eligibility policies that vary from one Mortgage Loan Program to another are described in the Product Matrices and, in most cases, those program-specific differences will not be referenced in this section

Regardless of underwriting method, additional information may be requested at the discretion of the underwriter.

### **A500 Loan Application**

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The Mortgage Loan application must be complete, including a full two-year history of employment and residency and all personal information for each Borrower (social security number, date of birth, address, and education.) All declaration questions must be marked indicating the method of taking the application: face-to-face, by telephone, or by mail. The interviewer's name and employer must be completed in all cases, and all applications must be signed and dated by the Borrower(s).

The final application for closing must adhere to the requirements above, including the Borrower's complete and accurate financial information relied upon by the underwriter, and be signed and dated by all Borrowers. All debt incurred during the application process and through loan closing must be disclosed on the final application. See Undisclosed Liabilities chapter for more information.

All transactions are reviewed for reasonability as part of the underwriting process. The feasibility of occupancy claims and the overall financial picture of the Borrowers must be reasonable. Where conflicting information exists between or within documents, an adequate explanation must be provided, documented and included in the Mortgage Loan File.

### **A501 Identity Verification**

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The identity must be confirmed for each Borrower whose credit is used for loan qualification. The closing agent, notary public or signing attorney, as appropriate, must provide evidence that the identification document has been confirmed for each Borrower. Acceptable forms of identification include:

- Valid state driver's license with photo;
- Work ID with photo;
- Military photo ID;
- Permanent Resident card with photo;
- Medicare card;
- Valid state non-driver's license with photo;
- Student photo ID;
- Military dependents photo ID;
- Department of Public Welfare photo ID; or
- US passport with photo.

### **A502 Social Security Number Validation**

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Evidence of a valid social security number is required for all Borrowers. Acceptable documentation for a social security number includes, but is not limited to, a valid Social Security card, a current paystub, W-2, or tax transcripts. Any social security number discrepancies that are identified must be resolved.



### Chapter 5B Credit

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This section outlines the Company's credit requirements that apply to all Non Agency Mortgage Loan Programs including Jumbo Mortgage Programs. Generally, requirements that vary from one Mortgage Loan Program to another are described in the Product Matrices and, in most cases, those program-specific differences will not be referenced in this section.

Regardless of underwriting method, additional information may be requested at the discretion of the underwriter.

#### B500 Credit Report Requirements

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The Mortgage Loan File must contain one of the following types of credit reports for each Borrower:

- A three repository, merged in-file report including Credit Scores from an independent credit-reporting agency is preferred. However, a two repository, merged in-file report will be accepted if that is the extent of the information available. If a merged in-file report is upgraded to a Residential Mortgage Credit Report, the original merged in-file report must remain in the Mortgage Loan File.
- Full Residential Mortgage Credit Report, which conforms to all applicable Fannie Mae and Freddie Mac requirements

When a new or retyped credit report is provided, all prior credit reports must be included in the Mortgage Loan File. The retyped credit report/supplement must indicate the reason and authorization for any changes, additions and/or deletions.

The credit reports used to evaluate a Mortgage Loan for purchase may not have Frozen Credit. If a Borrower unfreezes his or her credit after the date that the original credit report was ordered, a new three-file merged credit report must be obtained to reflect current updated information from all repositories. Nontraditional credit is not acceptable as a replacement for Frozen Credit.

All credit reports must include FACT Act messages and at least one repository fraud alert product (Hawk Alert, FACS+ or SafeScan).

When the credit report shows a victim statement under the FACT Act, the Seller must document in writing the steps taken to validate the Mortgage Loan application is not the result of identity theft. The actions must be reasonable and compliant with applicable laws.

Credit report alerts must be reasonably resolved with supporting documentation included in the Mortgage Loan File. Although due diligence is required, it does not release the Seller from its representations and warranties regarding misrepresentation.

#### A. Credit Report Red Flags

When underwriting a credit report, the Borrower's credit use and limits must be reviewed to ensure consistency with the reported income, assets, and application information. The Borrower's address history must be examined for consistency with other file documentation. Discrepancies must be adequately explained and questionable explanations researched.

#### B. Merged Credit Reports

A merged credit report is issued by a credit repository or a consumer reporting agency or bureau and includes the credit information from at least two credit repositories. A merged credit report includes all credit repository credit data for an individual Borrower. A joint merged credit report includes all credit repository credit data on two individual Borrowers.

### **C. Residential Mortgage Credit Report**

A Residential Mortgage Credit Report is a detailed account of the credit, employment and residence history as well as public records information prepared by a consumer reporting agency for an individual Borrower or two individual Borrowers. Credit information from two national repositories is merged and verified by a consumer reporting agency or bureau before it is sent to the user. The consumer reporting agency or bureau may also verify other information not contained in repository records.

### **D. Non-Traditional Credit Report**

Non-traditional credit reports are not acceptable.

### **E. Non-U.S. Citizens**

A Credit Score is required and therefore foreign credit is not acceptable.

## **B501 Credit Scores**

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### **A. Credit Scores**

A Credit Score represents a comprehensive view of a Borrower's credit history risk factors. In assigning a Credit Score, all of the credit information that is stored in the Borrower's Credit File is taken into consideration. While some of the information in the Credit File may be more predictive of default risk than other information, the relationship, or interaction of the various factors that are present are considered. This approach is more predictive of default risk than an evaluation of each of the factors in isolation.

The majority of merged in-files will include a Credit Score for each Borrower. There are minimum requirements that must be met in order to score a person's credit profile. If these requirements are not available, a score will not be provided.

The credit bureau scores range from 300 to 850. The higher the score the lower the risk of default. For instance, a score of 760 would indicate that this credit profile was a better than average risk and therefore a detailed review of the credit report should not be necessary. In addition, the score in combination with the dates and severity of late payments should be considered before requesting a credit explanation letter from a Borrower. The score can always be used as a measure for determining the reasonableness of the request.

Credit score models are periodically updated by credit vendors. To ensure the most predictive score is used, each credit report vendor must use the most current version credit score model in their report.

While the models are very similar, each repository uses a different name. Some examples are:

Experian FICO V2;  
Equifax Beacon 5.0; and  
Trans Union FICO Risk Score Classic 04.

## **B502 Selection and Validation of Credit Score**

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The Credit Score will be used as a component in evaluating the credit quality of the Mortgage Loan.

Selecting the Credit Score for Mortgage Loan qualification is a two-step process. First, the Credit Score must be selected for each individual Borrower and, second, the Credit Score used for Mortgage Loan qualification is selected.

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### A. Selection

Select the Credit Score for each Borrower by using one of the following methods:

- The lower score of two repositories; or
- The middle score of three repositories.

If more than one Credit Score is supplied from the same repository, the lowest score will be used in all cases:

### B. Loan Qualification Score

Use the lowest selected Credit Score among all Borrowers. All Borrowers must meet the minimum Credit Score and all other credit evaluation requirements.

### C. Usable Credit Score

The credit report must be reviewed to determine that the data evaluated is accurate. If a Borrower indicates that there is significant information, such as reported accounts that do not belong to the Borrower or derogatory information that is reported in error, the Credit Score must be disregarded and a review of the Borrower's traditional credit history must be performed and the Mortgage Loan manually underwritten.

If the Borrower disagrees with multiple derogatory trade lines or a derogatory mortgage trade line, the Borrower must provide an acceptable explanation and documentation to support the erroneous credit, such as a supplement to the credit report or documentation from the credit provider that reported the trade lines in error.

The Credit Score may not be manually adjusted because some information used to create the score is inaccurate. Obtain and use a different Credit Score from another repository if the score obtained from that repository was not based on similar inaccurate information.

### D. Authorized User Accounts

When a credit account owner permits another person to have access to and use an account, the user is referred to as an authorized user of the account. This practice is intended to assist related individuals in legitimately establishing a credit history and Credit Score based on the account and payment history of the account owner, even though the authorized user is not the account owner.

Authorized user accounts cannot be considered in the underwriting decision.

### **Chapter 5C Appraisal Requirements & Disaster Requirements**

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This Appraisal Requirements and Disaster Requirements section sets out standards that apply to all Agency and Non Agency Mortgage Loan Programs including Jumbo Mortgage Programs. Generally, requirements that vary from one Mortgage Loan Program to another are described in the Product Matrices and, in most cases, those program-specific differences will not be referenced in this section.

The appraisal report forms require the appraiser to certify that the appraiser did not base, either partially or completely, their analysis and/or opinion of value in the appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the Mortgaged Property or of the present owners or occupants of the properties in the vicinity of the Mortgaged Property or on any other basis prohibited by law.

#### **C500 Appraiser Requirements**

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The appraiser must remain free of any outside influence in the valuation process. Appraisers must provide complete and accurate reports. The estimate of market value must represent the appraiser's professional conclusion, based on market data, logical analysis, and judgment.

##### **A. Appraiser Requirements**

1. Appraiser must be a state licensed or certified appraiser. Verification must be provided by one of the following forms:
  - A copy of the appraiser current license (preferred documentation); or
  - A copy of the National Registry Appraiser Report at <http://www.asc.gov/>.
2. Appraiser must comply with the independent appraiser requirements specified by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, and the Office of Thrift Supervision.
3. Appraiser must comply with real estate appraisal regulations adopted in accordance with Title XI of the Financial Institutions Reform and Recovery and Enforcement Act of 1989 (regardless of whether Seller is subject to those regulations).
4. Appraiser must be experienced in the appraisal of properties similar to the type being appraised.
5. Appraiser must be actively engaged in appraisal work.
6. Appraiser may not be an interested party in the subject transaction
7. Appraiser must subscribe to a code of ethics that is at least as strict as the code of the American Institute of Real Estate Appraisers or the American Society of Appraisers.

##### **B. Discontinuance of Appraiser Services**

Seller must inform Company immediately if, for any cause, it discontinues using the services of any appraiser who has made appraisals for Mortgage Loans offered for sale to Company.

At any time, Company may elect not to purchase Mortgage Loans secured by a Mortgaged Property appraised by a particular appraiser. Company will notify Seller of its election, and following such notification, Company will have no obligation to purchase Mortgage Loans on properties evaluated by that appraiser, even if the Mortgage Loans have been registered or locked.

### **C501 Appraisal Document Standards**

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All appraisals must be performed in strict accordance with and comply with all applicable local, state and federal laws, regulations and orders, and must conform to the current Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

Appraisals must be reviewed in detail for completeness, accuracy, and assessment of the current fair market value. Refer to Product Matrices for specific appraisal requirements. Fannie Mae appraisal methodology and requirements apply where Company guidelines and Product Matrices are silent.

#### **A. Age of Appraisal**

Existing and new construction properties: The appraisal report must be dated within 120 days of the date of the Mortgage Note.

If the date of the appraisal report is more than 120 days but less than 180 days from the date of the Mortgage Note, the original appraiser must provide an update to the appraisal based on his or her exterior inspection of the Mortgaged Property and knowledge of current market conditions.

NOTE: Jumbo AUS and Jumbo Plus AUS products may follow the Fannie Mae Selling Guide requirements with regard appraisal update timeframes. The appraiser must acknowledge that the value of the Mortgaged Property has not declined since the date of the original appraisal. This update must be completed on Fannie Mae Form 1004D or Freddie Mac Form 442 and must be dated within 120 days of the date of the Mortgage Note.

A new appraisal is required when:

- The appraisal date is more than 180 days from the date of the Mortgage Note, or
- The appraiser indicates in a Fannie Mae Form 1004D/Freddie Mac Form 442 Appraisal Update that the property value has declined.

#### **B. Re-Use of Appraisal**

The use of an appraisal report utilized for a Mortgage Loan that has closed (expired or unexpired) for a subsequent transaction is not permitted.

#### **C. Appraisal Assignment**

An appraisal assignment is the transfer of the appraisal from one lender to another lender. Transferred or ported appraisals are not permitted.

#### **D. Electronically Transmitted Appraisal Reports**

Electronically transmitted appraisal reports are acceptable provided the appraisal report:

- Adequately identifies the appraiser;
- Is created by the appraiser identified on the appraisal report;
- Includes a reproduced signature of the appraiser whose name appears on the report;
- Is the unaltered report submitted by the appraiser;
- Photographs of the subject property and comparable sales are clear; and
- The appraiser electronically transmits the electronic appraisal or inspection report directly to Seller or any third party specifically authorized by Seller, as applicable.

Electronically transmitted appraisal reports must comply with electronic verification requirements and must be in a standard format.

### E. Photographs

Photographs must be original photographs or electronic images and be illustrative of the Mortgaged Property. The photographs must be clear, appropriately identified and must clearly show the improvements and conditions that have a material effect on the market value or marketability of the Mortgaged Property.

### **C502 Escrow for Postponed Improvements**

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Escrow for postponed improvements are permitted on a limited, as needed on a single loan variance basis and must be approved by a Company underwriter.

The appraiser must provide an "as completed" value and provide a list of all incomplete items. The appraiser or disinterested party must provide a cost to complete all incomplete items.

#### A. Existing Construction

If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the livability, soundness, or structural integrity of the property, the appraiser may complete the appraisal "as is." These items must be reflected in the appraiser's opinion of value. Minor conditions and deferred maintenance items include, but are not limited to worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass and are typically due to normal wear and tear. This type of work does not need to be completed prior to closing, however a cost-to-cure must be provided.

#### B. Escrows for Postponed Improvements – Existing and New Construction

When there are incomplete items that do not affect the livability, soundness, or structural integrity of the property, and the property is appraised subject to completion of the specific alterations or repairs, an escrow for repairs may be completed. Repairs must be minor in nature and the appraiser must state that the repairs do not affect the livability of the property or the health and safety of the occupants. Structural repairs are always considered major and must not be included in an escrow. The escrow shall be subject to the following:

The cost to complete the incomplete items does not exceed 10 percent of the "as completed" value of the property. The appraiser must confirm that the cost estimate of the repairs is reasonable.

- The cost to complete the incomplete items may not exceed 10 percent of the "as completed" value of the Mortgaged Property.
- The appraiser must confirm that the cost estimate of the repairs is reasonable.
- A minimum of 150 percent of the cost of the repair or improvements must be held in escrow
- The completion date for the remaining items must be within a reasonable time frame, but cannot exceed 180 days.
- A title company or any other outside party may hold the escrow funds. The request for release of the funds is sent directly to the Title Company and not Company.
- A fully executed escrow agreement is required reflecting title/closing agent to hold escrow funds in an amount of 150 percent of the agreed repair amount and a listing of all required repairs. This agreement must identify the parties' rights, duties and obligations, and must be signed by all parties at closing, including but not limited to Company, the lender, Borrower(s) and the closing agent.
- If the repairs are not completed in a timely and professional manner to Company's reasonable satisfaction, the escrow funds may be used to complete the repairs. Once repairs are properly completed, the remaining funds must be returned to the designated party.
- The title/closing agent is required to collect the escrow holdback funds, which must be reflected on the HUD-1 settlement statement. Escrow funds to be held by title agent.
- The title/closing agent must also collect the final inspection fee at closing to cover the cost of the inspection following completion of the work.

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- 1004D must be provided evidencing all work is complete within 180 days of the Note date
- Escrow holdback release must be provided within 180 days of the escrow holdback.
- Escrow holdbacks require a single loan variance approval from the Company underwriter.

Inspections are required on all escrow releases with the exception of (a) states where Title V certificates are issued for septic escrows, which only require a Title V certificate, and (b) local health department certificates issued in lieu of a final inspection.

### C. Swimming Pools

Escrows for swimming pools are not permitted but may be considered on a single loan variance basis with approval from the Company underwriter. A swimming pool contract from a third party may be included in the cost when calculating the sales price. In addition, the value of the pool should also be included in the appraised value.

## C503 Estimating Property Taxes

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For Purchase and Construction related transactions, the Seller must use a reasonable estimate of the real estate taxes based on the value of the land and the total of all new and existing improvements. As a reminder, for all loans, this policy also applies to properties in jurisdictions where a transfer of ownership typically results in a reassessment or revaluation of the property and corresponding increase in the amount of taxes.

## C504 Disaster Guidelines

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### Overview

These guidelines describe the requirements for loans delivered to Company that are secured by properties located in a Declared Disaster Area as federally defined by FEMA or an investor or as determined by Company. This document outlines the minimum requirements for loans secured by properties impacted by a disaster in order to assist in ensuring marketability, soundness and value of the structure.

In addition to the requirements outlined in this document, Company reserves the right to impose restrictions and/or suspend purchases for properties subject to any disasters and adverse events that may impact the collateral.

This section provides guidelines to be followed for properties impacted by a disaster in:

- FEMA Major Disaster Declarations with designated counties eligible for **Individual Assistance (IA)**
- Areas where FEMA has not made a disaster declaration, but Company Loan Servicing or an Investor (Fannie Mae, Freddie Mac) has determined that there may be an increased risk of loss due to a disaster
- Areas where the Seller has reason to believe that a property might have been damaged in a disaster

**Upon the occurrence of multiple events, such as a hurricane followed by a flood, the requirements of these guidelines apply to the date of the most recent event.**

### SELLER RESPONSIBILITY FOR PROPERTY CONDITION

Notwithstanding any other requirements set forth herein regarding disasters and similar events, seller represents and warrants that the property securing the Mortgage Loan is free of damage on the purchase date. In addition, any adverse event must be evaluated in terms of its effect on the subject's habitability, marketability and value.

Sellers are responsible for determining potential impact to a property located in an area where a disaster is occurring or has occurred. Irrespective of whether a declaration or announcement has been made, if a Seller has reason to believe that a property might have been damaged in a disaster the Seller must take appropriate action as outlined below to ensure that the property meets Company requirements and applicable investor requirements at the time of purchase by Company.

Additionally, if Company has a reason to believe that a property might have been damaged in a disaster and has placed a prior-to-purchase condition on the Mortgage Loan, then the Seller must follow the requirements of the loan condition.

### DISASTER ASSESSMENT AND DISASTER NOTIFICATION ANNOUNCEMENTS

Company will assess the significance of events in geographic areas impacted by disasters. The assessment will utilize data provided by FEMA and other sources regarding impacted areas. As a result of this assessment, Company may define the affected area differently than the FEMA declaration. Unless communicated otherwise, Company will utilize FEMA for declaration dates, incidents begin dates and incident end dates. The Company's Credit Policy department, at its discretion and if permitted by investor guidelines may choose to declare disaster incident period begin dates and/or incident period end dates other than those recommended by FEMA if there are mitigating factors. Company may communicate a list of counties and/or zip codes by which a property's location is determined to be covered by these guidelines as a disaster area.

Sellers are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster. In the event of a declared or undeclared disaster area requiring action, Company Loan Servicing will update the disaster file with the following information:

- Nature and location of disaster
- Disaster incident period (An incident period is defined as the beginning and subsequent ending date to a particular disaster). The incident beginning period is defined by FEMA.
  - Incident period end date may be either:
    - Determined by FEMA and published at FEMA.gov, or
    - Determined by Company and published in the *Disaster Announcement*, or
    - Determined by an Investor (Fannie Mae, Freddie Mac)
- Impacted counties as determined by FEMA's Major Disaster Declaration of areas eligible for individual assistance and/or Company and/or an Investor (Fannie Mae, Freddie Mac)
- Any related Company and/or Investor (Fannie Mae, Freddie Mac) announcements and special requirements
- Any additional documentation requirements, including
  - Additional appraisal or appraisal product requirements
  - Additional re-inspection requirements
  - Employment re-verification requirements, if any
- Effective date of any requirements



### Re-Inspection Requirements

The inspection document provided must address the specific disaster and indicate any apparent damage to subject property. Inspection reports may not be used to estimate or recertify value.

### Loans with Appraisals (Not Yet Purchased)

If a property is in a Declared Disaster Area and the most recent appraisal was completed on or before the incident period end date, or an incident period end date has not yet been declared, then, subject to the applicable product matrix and investor requirements, Company requires that an acceptable property inspection dated after the declared incident period end date be completed prior-to-purchase confirming the property was not adversely affected by the disaster prior to our purchase of the Mortgage Loan.

- A final **exterior** inspection or appraisal with exterior photos update signed and dated by the original appraiser
  - Appraisal Update, form Fannie Mae 1004D, Disaster Inspection, or
  - Completion Report, form Freddie Mac 442, or
- Property Inspection Report with exterior photos –
  - Form Fannie Mae 2075, or
  - DAIR
  - Seller Certifications are permitted and must meet the below listed requirements

### Seller Certification Requirements

A Seller Certification is permitted when the following requirements are met:

- Must be executed by an employee of the Seller who will not receive direct compensation from the subject transaction
- Seller may determine their own form however the certification must meet the following requirements:
  - Must state that an acceptable inspection of the property was completed
  - Must indicate either the Seller's or Company's loan number
  - Must be on Seller letterhead or a certification of property condition form
  - Must indicate subject property complete street address, including city, state and zip code
  - Must include the following language or a reasonable facsimile "This is to confirm that the above referenced property has been inspected on XX/XX/XXXX (date of inspection to be included) and I have determined that it was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better."
  - The date of the property inspection referenced above must be after the disaster incident end date as identified in the Disaster Declaration File.
  - Printed Name and Signature of Seller's Representative, Title and Date.
  - Photos of the property front, back, street in both directions, house number and any visible damage
    - Condos also require pictures of the lobby and front of the building. Picture of the lobby through the window is acceptable if lobby is not accessible due to security.

If the re-inspection notes that the property is uninhabitable, unsound, or that the property condition has been affected by the disaster, then a new appraisal must be completed, including an interior inspection and interior and exterior photos showing that:

- All identified damages and associated repairs have been resolved and meet guidelines and,
- The property is habitable, sound, and the property value is supported

## **Chapter 6 Insurance and Mortgage Loan Documents**

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This section outlines the Company's standards and the requirements for insurance, surveys, and certain loan documents that apply to all Agency and Non Agency Mortgage Loan Programs including Jumbo Mortgage Programs.

### **600 Description of Underlying Chapters**

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Chapter 6A – Insurance and Survey Requirements

Chapter 6B – Mortgage Loan Documents, Mortgage Notes and Other Related Documents

### **Chapter 6A Insurance & Survey Requirements**

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This chapter describes the insurance and survey requirements that apply to Company Non Agency Jumbo Mortgage Loan Programs. Generally, eligibility policies that vary from one Mortgage Loan Program to another are described in the Product Matrices.

#### **A600 Insurance Requirements**

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The following sections define the insurance requirements that must be satisfied for Mortgage Loans offered for sale to Company.

#### **A601 Hazard Insurance**

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##### **A. General Hazard Insurance Requirements**

###### **1. Carrier**

The hazard insurance policy for a property securing any first mortgage – including blanket policies for condos and PUDs - must be underwritten by a carrier that meets the following rating requirements:

###### **a) An Insurer With An Acceptable Rating**

###### Carriers Rated by A.M. Best Company, Inc

- “B” or better financial strength rating in *Best’s Insurance Reports*
- “A” or better financial strength rating and a financial size category of “VIII” or greater in *Best’s Insurance Reports Non-US Edition*

###### Carriers Rated by Demotech, Inc.

- “A” or better rating in *Demotech’s Hazard Insurance Financial Stability Ratings*

###### Carrier’s Rated by Standard and Poor’s

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- “BBB” or better insurer financial strength rating in *Standard and Poor’s Ratings Direct Insurance Service*.

Note: Insurers rated by more than one rating company need only meet one of the rating requirements.

### **b) An Insurer Covered by a Reinsurance Policy**

- The reinsurance company must meet either one of the A.M. Best ratings or the Standard & Poor’s rating specified above.
- The primary insurer and the reinsurance company must be authorized (or licensed, if that is required) to transact business within the state where the Mortgaged Property is located.
- The reinsurance agreement must have a “cut-through” endorsement that provides for the reinsurer to become immediately liable for 100% of any loss payable by the primary insurer in the event that the primary insurer becomes insolvent. The endorsement must be attached to each insurance policy that is covered by the reinsurance agreement.
- Both the primary insurer and the reinsuring company must execute an Assumption of Liability Endorsement Form (Fannie Mae Form 858) or any equivalent endorsement that provides for 100% reinsurance of the primary insurer’s policy and 90-day written notice of termination of the reinsurance arrangement. The endorsement must be attached to each insurance policy that is covered by the reinsurance agreement.
- A reinsurer can limit its coverage exposure by specifying a dollar limitation in the reinsurance endorsement. However, the insurance written under the policy cannot exceed that amount.

### **c) Other Acceptable Insurance Underwriters**

- A state insurance pool created by statutory authority to provide insurance for geographic areas or insurance lines which suffer from lack of voluntary market availability, if that is the only coverage that is available. Such pool may be designated as a property insurance plan, a fair access to insurance requirements plan, an underwriting association, a joint underwriting association or an insurance authority. The following are examples of such plans:
  - Hawaii Property Insurance Association; and
  - Florida Citizens Property Insurance Corporation

In addition, all insurance companies (insurers) and insurance companies which guarantee coverage provided by other insurance companies (reinsurers) must also be licensed or otherwise authorized by law to conduct business in the jurisdiction where the Mortgaged Property is located.

## **2. Assessments**

Insurance contracts must provide that no assessment may be made against the lender or the servicer, or any subsequent assignees, and that any assessment made against other may not become a lien on the Mortgaged Property superior to the lien of the lender or any subsequent assignee.

## **3. Mortgage Clause Endorsement**

The mortgagee clause on all mortgage policies, binders, and certificates of insurance must show the mortgagee using the following language:

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### **For DSCR Loans:**

Community Loan Servicing, LLC, Its Successors and/or Assigns ATIMA  
P.O. Box 5933  
Troy, MI 48007-5933

### **For Agency, Agency Investor Plus, Jumbo and Bank Statements:**

Nationstar Mortgage LLC Its Successors and/or Assigns  
P.O. Box 7729  
Springfield, OH 45501-7729

The mortgagee clause must provide that the insurer will notify the named mortgagee at least 10 days before cancellation of the policy.

#### **4. Policy Term**

The policy must be written for at least a one-year term or be continuous until cancelled.

#### **5. Policy Effective Date**

The policy effective date must be on or before the date the Borrower's Mortgage Loan is funded.

#### **6. Evidence of Insurance**

At closing, the Borrower must provide evidence that the Mortgaged Property is covered by hazard insurance in one of the following forms:

- Hazard insurance policy;
- A certificate of insurance, evidence of insurance form, declaration page, or insurance binder (temporary insurance contract) that contains at least the following information:
  - Name of insured (for Condominiums and PUDs, the Homeowners' Association is the named insured);
  - Name of mortgagee
  - Mortgaged Property address, including zip code. A legal description must be shown for Rural Properties, Condominiums, or other properties if the property address does not adequately define the location of the property.  
For example, Route 1, Box 5, is inadequate).
  - Mailing address, if different from Mortgaged Property address (Second Homes and non-owner occupied investment property)
  - Type, amount and effective dates of coverage
  - Deductible amount and coverage to which each such deductible applies;
  - Any endorsement or optional coverage obtained and made part of the original policy;
  - Insurer's agreement to provide at least 10 days' notice to the mortgagee (including any applicable PUD or Condominium Unit or ground lease community leasehold mortgagee) before cancellation of the policy,
  - Signature of an authorized representative of the insurer, if required by law

Purchase Transactions – At closing, the Borrower must provide a paid receipt for the first year's premium.

Refinance Transactions – If the insurance is due to expire within 60 days of closing, the Borrower must submit a paid receipt for the next year's premium

## **B. Minimum Property Insurance Types and Amounts**

### **1. 1-4 Unit Properties**

#### **(a) Type of Coverage**

At a minimum, the Mortgaged Property must be protected against loss or damage from fire and other perils covered within the scope of the standard extended coverage endorsement. TPO Operations will not accept hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion. If any of these perils is excluded from the primary insurance policy, coverage of the excluded peril must be picked up through a secondary insurance policy.

#### **(b) Coverage Amount**

The hazard insurance coverage must equal the lesser of the following:

- 100% of the insurable value of the improvements as established by the property insurer or
- The unpaid principal balance of the first mortgage and the second mortgage loan amount, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis

Seller must ensure that the Mortgaged Property will be adequately covered even when vacant, and where necessary, must obtain a vacancy permit endorsement.

#### **(c) Deductible**

The maximum allowable deductible for all property types is 5% of the face amount of the insurance policy. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

### **2. Condominiums and PUDs**

#### **(a) Type of Coverage**

This insurance policy must provide, at a minimum, fire and all other hazards that are normally covered by the standard extended coverage endorsement and all other perils customarily covered for similar types of projects, including those covered by the standard "all risk" endorsement.

**Condominium Requirements** - The Condominium Homeowners' Association must maintain a master or blanket type of insurance policy, with premiums that are paid as a common expense. The policy must cover all general and limited common elements normally included, such as fixtures, building service equipment, and common personal property and supplies belonging to the Homeowners' Association. The policy also must cover fixtures, and other personal property inside individual units (e.g., stoves and refrigerators), whether or not the property is part of the common elements.

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If the master policy does not reflect “all-in” insurance or betterments, the HO-6 policy with coverage, as determined by the insurer is required which is sufficient to repair the condo unit to its condition prior to a loss claim event.

In addition, the hazard insurance policy should include the following provisions:

- Any insurance trust agreement must be recognized
- The right to subrogation against unit owners must be waived
- The insurance must not be prejudiced by any acts or omissions of individual unit owners that are not under the control of the Homeowners’ Association
- The policy must be primary, even if a unit owners has other insurance that covers the same loss

A Special Condominium Endorsement usually covers these four requirements.

**PUD Requirements** – The Homeowners’ Association must maintain a property insurance policy, with premiums being paid as a common expense. The policy must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, or excavations. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered.

Individual insurance policies are also required for each unit in the PUD project. If the project’s legal documents allow for blanket insurance policies to cover both the individual units and the common elements, a blanket policy is acceptable in lieu of the insurance for the unit.

### **Blanket Insurance Policies Covering Multiple Unaffiliated PUDs or Condo**

**Projects** – Mortgages secured by units in a PUD or a Condominium Unit in a Condominium Project with a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated PUDs or Condominium Projects are permissible. Each covered PUD or Condominium Project must have a dedicated policy limit and a specific dedicated deductible that does not exceed the requirements below. The policy must clearly state that each association is a named insured. The policy limit must cover the full replacement cost required for the common areas, and to the extent required, the units.

**Impermissible Policies** – The following are not permitted:

- A self-insurance arrangement whereby the Homeowners’ Association is self-insured or has banded together with other unaffiliated associations to self-insure all of the general and limited common elements of the various associations

### **(b) Coverage**

Insurance must cover 100% of the insurable replacement cost of the project improvements including the individual unit in a Condominium project. Coverage does not need to include land, foundations, excavations or other items that are usually excluded from insurance coverage. An insurance policy that includes either of the following endorsements ensures full insurable value replacement coverage:

- A Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); or
- A Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the property’s insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

### (c) Deductible

For policies covering the common elements in a PUD project and for blanket policies covering Condominium projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy.

For losses related to individual PUD units that are covered by the blanket policy for the project, the maximum deductible amount related to the individual unit should be not greater than 5% of the replacement cost of the unit. If however, the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

### (d) Special Endorsements

The following special endorsements are required:

- An Inflation Guard Endorsement, when it can be obtained
- Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. The endorsement must provide for contingent liability from the operation of building law, demolition costs and increased costs of reconstruction.
- A Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. This coverage should provide for the insurer's minimum liability per accident to at least equal the lesser of \$2 million or the insurable value any buildings housing the boiler or machinery

### (e) Name of Insured

The policy must show the Homeowners' Association as the named insured. The named insured should be substantially similar to the following:

"Association of Owners of the [name of Condominium or PUD] for use and benefit of the individual owners" [designated by name, if required].

## A602 Earthquake Insurance

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Company does not require earthquake insurance as a condition for purchase; however, if coverage is in place, the following applies:

Seller must ensure that the earthquake insurance policy contains a standard mortgagee clause identifying the first or second mortgage interest, and for second-lien Mortgage Loans, it does not replace the mortgagee clause pertaining to the First Lien Mortgage Loan.

## A603 Lava Zone Insurance

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Company accepts Mortgaged Properties located in lava zones with acceptable standard hazard insurance coverage. Lava zones 1 & 2 are not eligible.

### **A604 Mine Subsidence Insurance (Pennsylvania only)**

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Mine subsidence insurance is required for Pennsylvania Mortgage Loans if Company has notice that the Mortgaged Property is undermined (tunnels). If notification has been received or if it has been determined that the Mortgaged Property is undermined, mine subsidence insurance is required.

- Homeowner insurance companies sell mine subsidence insurance to homeowners and also have special access to the Pennsylvania Department of Environmental Resources website to determine if properties require mine subsidence insurance. Due to the unique nature of this type of transaction, all homeowner insurance companies may not have the special access for completing the determination process.
- The Pennsylvania Department of Environmental Resources website at [www.pamsi.org](http://www.pamsi.org) does allow individuals to key in their address to determine if their property requires mine subsidence insurance, but the turnaround time can range from two days to three weeks depending on the research required.

#### **A. Property Undermining Determination**

To determine if the property is undermined, such information may be included in one of the following documents:

- Purchase contract
- Appraisal; or
- Title commitment – An Attorney's Title Opinion Letter is not to be used in lieu of a title insurance policy

#### **B. Coverage**

Mine subsidence insurance must equal 80% of the value of the structure or the maximum insurance available from the Pennsylvania Department of Environmental Protection. The maximum insurance available is \$250,000.

#### **C. Evidence of Insurance**

Evidence of mine subsidence insurance may be any the following:

- An original Hazard Insurance Policy that includes mine subsidence insurance;
- If the Mortgage Loan is a refinance, the original or a photocopy of an existing mine subsidence insurance policy from the Pennsylvania Department of Environmental Protection and an assignment of interest endorsement form;
- If the property is located in the Anthracite (hard coal) Region, an assignment of interest endorsement form and a town map which has been marked with an X to show the location of the property; or
- If the property is located in the Bituminous (soft coal) Region, an assignment of interest endorsement form and a town map which has been marked with an X to show the location of the property.



## **A605 Flood Insurance**

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### **General Flood Insurance Requirements**

#### **1. Standard Flood Hazard Determination**

Each Mortgage Loan submitted to Company must include the FEMA Standard Flood Hazard Determination (FEMA Form 81-93) used in determining whether any of the improvements for a Mortgaged Property are located within an identified Special Flood Hazard Area. SFHAs are shaded on a flood hazard boundary map and designated on a flood insurance rate map. All flood zones beginning with the letter "A" or "V" are considered SFHAs.

Seller must ensure that there is no discrepancy between the flood hazard designation on the SFHDF and the flood insurance policy if the flood insurance policy shows a lower risk zone than the SFHDF, unless the discrepancy results from the application of the "Grandfather Rule" of the National Flood Insurance Program ("NFIP"). For information on the "Grandfather Rule" see Question #71 in the Q&A's issued by the federal banking regulators available at <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20090721a1.pdf>.

#### **2. Federally Available Flood Insurance**

Flood insurance is generally required if any building, dwelling, structure, or improvement is located within an SFHA that has mandated flood insurance purchase requirements under the NFIP. Except as provided in Section 12, if flood insurance is not available because a community does not participate in the NFIP, Company will not purchase Mortgage Loans secured by properties located in those areas.

#### **3. Location of Property Within the SFHA**

##### **a. Principal Structure Located Within an SFHA**

Flood insurance is required if any part of the principal structure is located within an SFHA. Flood insurance on detached buildings, such as stand-alone garages, sheds, or greenhouses, located within an SFHA is required if they serve as part of the security for the Mortgage Loan.

##### **b. Principal Structure Not Located Within an SFHA**

If the principal structure is not located in an SFHA, but a residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA, then flood insurance is required for the residential detached structure.

If the principal structure is not located in an SFHA, but a non-residential detached structure attached to the land that serves as part of the security for the mortgage loan is located within the SFHA, then flood insurance is not required on either structure.

If the principal structure is not located in an SFHA, but a detached structure attached to the land that does not serve as part of the security for the Mortgage Loan is located within the SFHA, then flood insurance is not required on either structure.

### c. **Waivers**

Company will waive flood insurance requirements if the Borrower obtains a letter from FEMA stating that its maps have been amended so that the buildings securing the Mortgage Loan are no longer in an SFHA.

### 4. **Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance**

If any part of the principal structure is located within an SFHA, the Mortgage Loan File must include the Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance that was provided to a Borrower in accordance with the Flood Disaster Protection Act. The Mortgage Loan File must contain evidence that the Borrower received the Notice of Special Flood Hazards no later than 10 days prior to closing unless the Mortgage Loan File documents why it was not feasible to meet that time frame. The Notice of Special Flood Hazards may not be provided the same day as closing.

Company recommends that the Borrower receive the following additional information, or substantially similar information, either on the Notice of Special Flood Hazards or on a separate notice acknowledged by the Borrower.

“If you obtain the minimum amount of flood insurance coverage identified in your Notice of Special Flood Hazards, you may not have sufficient coverage to rebuild or restore your home in the event of a catastrophic flood. You may be required to use your own cash reserves to make necessary repairs if the insurance is insufficient to fully repair your home. Servicers also have the right to require flood insurance coverage equal to the maximum amount available under the NFIP, which is more than you are required to obtain at the closing of your loan.

You should carefully review your potential exposure to flood damage with your insurance provider and consider purchasing coverage equal to the maximum amount available under the National Flood Insurance Program (NFIP), which is the lesser of:

1. The maximum limit available for the type of structure; or
2. The “insurable value” of the structure (the replacement cost value).”

### 5. **Acceptable Policies**

The flood insurance policy must be one of the following:

- a standard policy issued under the NFIP; or
- a policy issued by a private insurer as long as
  - the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the full policy issued by a private insurer, and
  - the insurer meets Company's rating requirements as specified earlier.

### 6. **Mortgagee Clause**

The mortgagee clause on all mortgage policies, binders, and certificates of insurance must show the mortgagee using the following language:

**For DSCR Loans:**

Community Loan Servicing, LLC, Its Successors and/or Assigns ATIMA  
P.O. Box 5933  
Troy, MI 48007-5933

**For Agency, Agency Investor Plus, Jumbo and Bank Statements:**

Nationstar Mortgage LLC Its Successors and/or Assigns

P.O. Box 7729

Springfield, OH 45501-7729

The mortgagee clause must provide that the insurer will notify the named mortgagee at least 10 days before cancellation of the policy

**7. Policy Term**

The policy must be written for at least a one-year term.

**8. Policy Effective Date**

The policy effective date must be on or before the date the Borrower's Mortgage Loan is funded.

**9. Evidence of Insurance**

At closing, the Borrower must provide evidence that the Mortgaged Property is covered by flood insurance in one of the following forms:

- Flood insurance policy;
- Declarations page; or
- Copy of the flood insurance application with a paid receipt for the first year's premium

Acord evidence of coverage, Acord Certificate of insurance, temporary declaration page or insurance binder are not acceptable as evidence of flood insurance.

**10. Escrow Policy**

If a Mortgage Loan requires flood insurance, flood insurance must be escrowed.

**11. Flood Insurance Coverage**

**a. 1-4 Unit Properties, individual PUD units, Detached Condominium units, Townhouses, and Row houses**

**1. Coverage Amount**

The flood insurance coverage must equal the lesser of the following:

- 100% of the replacement cost of the insurable value of the improvements;
- the maximum insurance available from the NFIP; or
- the unpaid principal balance of the Mortgage Loan.

**2. Deductible**

The maximum allowable deductible is the maximum deductible available from the NFIP (currently \$10,000).

### b. **PUDS**

#### 1. **Coverage Amount for Individual PUD Unit**

A PUD unit requires its own separate flood insurance policy unless the Home Owner's Association (HOA) has worked with FEMA to be covered by a Residential Condominium Building Association Policy (RCBAP) in the HOA's name.

#### 2. **Deductible**

- **Individual unit** - The maximum deductible available from the NFIP (currently \$10,000)
- **PUD Project** - The maximum deductible available from the NFIP (currently \$25,000)

### c. **Condominiums**

#### 1. **Homeowners' Association**

The Condominium homeowners' owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:

- **Building Coverage**

Building coverage must equal the lesser of the following:

1. 80% of the replacement cost, or
2. the maximum insurance available from NFIP per unit (which is currently \$250,000).

- **Contents Coverage**

Contents coverage must equal the lesser of the following:

1. 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members; or
2. The maximum amount of contents coverage sold by the NFIP for a Condominium building

#### 2. **Unit Owner's Coverage**

An individual (borrower maintained) flood insurance policy is allowed for loans secured by two-to four-unit, horizontal condominiums, when allowed by the HOA documents.

#### 3. **Deductible**

- **Individual unit (if required)** - The maximum deductible available from the NFIP (currently \$10,000)
- **Condominium Project** - The maximum deductible available from the NFIP (currently \$25,000)

## 12. **Properties Located in the Coastal Barrier Resources System or in an Otherwise Protected Area**

Federal flood insurance may not be available for Mortgage Loans in the Coastal Barrier Resources System (“CBRS”) or Otherwise Protected Area (“OPA”), as defined by the Coastal Barrier Resources Act. Private flood insurance is acceptable for these Mortgage Loans. Coverage amounts and deductible must meet the requirements in this chapter. The carrier must meet the minimum rating requirements for insurance underwriters specified in the Hazard Insurance chapter.

### **A606 Liability Insurance for PUDs and Condominiums**

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#### **A. Minimum Property Insurance Types and Amounts**

The insurance policy must contain a “severability of interest” endorsement, precluding the insurer from denying the claim of a Condominium unit owner because of negligent acts of the Homeowners’ Association or other unit owners. If the policy does not include “severability of interest” in its terms, TPO Operations requires a specific endorsement to prevent the insurer from rejecting a unit owner’s claim because of negligent acts of the Homeowners’ Association or of other unit owners.

##### **1. Type of Coverage**

The Homeowners’ Association must maintain a commercial general liability insurance policy for the entire project, including all common areas and elements, public ways, and any other areas that are under its supervision. The insurance must also cover commercial spaces that are owned by the Homeowners’ Association, even if they are leased to others. The commercial general liability insurance policy must provide coverage for bodily injury and property damage that result from the operation, maintenance, or use of the project’s common areas and elements.

The Homeowners’ Association must also maintain any additional coverage commonly required by private institutional mortgage investors for projects similar in construction, location, and use. Liability coverage is not required for condominium projects that qualify for a waiver of project review or condominium projects eligible for limited review based on Fannie Mae eligibility requirements.

##### **2. Coverage Amount**

Liability coverage must be for at least \$1 million per occurrence for personal injury and/or property damage and the coverage must provide for claim settlements on an occurrence basis.

##### **3. Special Endorsements**

The insurance policy must contain a “severability of interest” endorsement, precluding the insurer from denying the claim of a Condominium unit owner because of negligent acts of the Homeowners’ Association or other unit owners. If the policy does not include “severability of interest” in its terms, TPO Operations requires a specific endorsement to prevent the insurer from rejecting a unit owner’s claim because of negligent acts of the Homeowners’ Association or of other unit owners.

#### **B. Cancellation/Modification Requirements**

The policy must provide for at least 10 days' written notice to the Homeowners' Association before the insurer can cancel or substantially modify it. For Condominium projects, similar notice also must be given to each holder of a first mortgage or share loan on an individual unit in the project.

### **A607 Fidelity or Employee Dishonesty Insurance for Condominiums**

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#### **A. Projects Requiring Fidelity Insurance**

Fidelity insurance is required for Condominium projects consisting of more than 20 units.

Fidelity insurance coverage is not required for condominium projects that qualify for a waiver of project review or condominium projects eligible for limited review based on Fannie Mae eligibility requirements.

#### **B. Minimum Property Insurance Types and Amounts**

##### **1. Type of Coverage**

The Homeowners' Association must maintain a blanket fidelity or employee dishonesty insurance policy covering losses resulting from dishonest or fraudulent acts committed by the Homeowner's Association's directors, managers, trustees, employees or volunteers responsible for handling funds belong to or administered by the Homeowners' Association. The policy must provide coverage for anyone who either handles or is responsible for funds that the Homeowners' Association holds or administers, whether or not that individual receives compensation for services. A management agent that handles funds for the Homeowners' Association should be covered by its own fidelity insurance policy, which must provide the same coverage required of the Homeowners' Association. If a Condominium project is located in a state that requires the Homeowners' Association to maintain fidelity or employee dishonesty insurance on terms different from TPO Operations', TPO Operations will accept those requirements in place of its own.

##### **2. Coverage Amount**

Coverage must equal the maximum amount of funds held by the Homeowners' Association at any one time while the policy is in force. A lower coverage limit is acceptable if the project's legal documents require the Homeowners' Association and any management firm to adhere to certain financial controls. However, in such case, the coverage limit must at least equal the sum of three months of assessments on all units in the Condominium project. The financial controls must include at least one of the following:

- The Condominium Homeowners' Association or its management firm maintains separate accounts for the operating budget and the reserve fund. The depository institution in which funds are deposited sends copies of the monthly account statements directly to the association.
- Separate records and accounts are maintained for each Condominium Homeowners' Association or other community association using the management firm's services. The management firm does not have the authority to draw checks on or to transfer funds from the reserve fund of the Condominium owners association.
- Two or more members of the board of directors must sign any checks drawn on the reserve account.

### **C. Name of Insured**

The fidelity bond or insurance policy must name the Homeowners' Association as the insured, and premiums must be paid as a common expense by the Homeowners' Association.

### **D. Cancellation/Modification Requirements**

The policy must provide that the insurer will notify the Homeowners' Association at least 10 days before cancellation or substantial modification of the policy.

## **A609 Title Insurance**

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Loans purchased by the Company must be covered by a mortgagee title insurance policy or other approved form of title evidence, which has been paid in full, is valid and binding, and remains in full force and effect. An Attorney's Title Opinion Letter is not to be used in lieu of a title insurance policy. Title insurance must comply with the following requirements:

- The amount of coverage must be equal to the face value of the Mortgage. Mortgage Loans with either scheduled negative amortization, or the potential for it, require coverage that equals the original mortgage amount of the Mortgage Loan plus the maximum amount of potential negative amortization (as stated in the Mortgage Note and/or any rider). If an equivalent endorsement is obtained, it must provide protection in an amount sufficient to cover the Mortgage amount, plus the maximum amount of negative amortization that is permitted in the Mortgage Note and/or any rider.
- All title commitments and/or policies must be issued by an approved ALTA insurance company. Prior to any Mortgage Loan disbursement, a marked-up title binder for an ALTA title policy, indicating Company's proposed lien position is required. If proof of satisfaction/release is a condition for eliminating any liens on the title, copies of these documents must be retained with the title work.
- All judgments and liens must be paid off, subordinated, or insured over.
- Real estate taxes must reflect, "Not yet due and payable." On Condominiums and PUD, taxes can only be assessable against the subject unit and its undivided interest in the common areas and not the project as a whole.
- In purchase transactions, the home-seller must be the owner of record.

### **A. Title Insurer**

The title insurance policy must be issued by a title insurer who is acceptable to Fannie Mae or Freddie Mac, and who is qualified to do business in the state where the Mortgaged Property is located.

### **B. Form**

The title insurance policy must be written on the current standard form required by ALTA or other form currently acceptable to Fannie Mae or Freddie Mac.

A master title insurance policy, evidenced by a certificate issued under a master policy in lieu of a separate policy for the Mortgage Loan, is also acceptable by providing a master title insurance policy; Seller represents and warrants the following:

1. Seller has examined the title insurer's master policy documents and, based on this review and certifications from the title insurer, Seller has confirmed that the master policy provides at least

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the amount and scope of coverage given by the ALTA standard policy and that the master policy otherwise meets the requirements of this Title Insurance section.

2. Seller has obtained from the title insurer a fully executed master title insurance policy issued in Seller's name.
3. Master policy and certificates of title have been approved by the applicable state or (comparable) regulatory authorities and that the use of the master policy and certificates of title insurance will be valid in each jurisdiction concerned.
4. Seller will cause the title insurer to replace the title insurance certificate with a full individual ALTA policy within 10 days' notice from Company.

Company may refuse to accept the master title insurance policy of any title insurer.

For a Loan secured by Mortgaged Premises located in the State of Iowa, only an Iowa Title Guaranty issued by the Iowa Finance Authority is acceptable.

### **C. Beneficiary**

The protection and benefits from the title insurance policy must insure the lender and the mortgagee of the Mortgage Loan, including all successors and assigns. Where MERS is the original mortgagee, the title insurance policy must insure the lender, including all successors and assigns, and additionally name MERS as an insured.

### **D. Effective Date**

The effective date of the title insurance coverage written on forms that do not provide the gap coverage included in the 2006 ALTA policies must be no earlier than the later of the date of the final disbursement of loan proceeds or the date on which the Security Instrument was recorded.

### **E. Lien Requirements**

The title insurance policy must insure that the Security Instrument creates a valid first or second lien on the Mortgaged Property.

The policy must list any lien for Secondary Financing and state that the lien is subordinate to the lien of the Security Instrument.

### **F. Acceptable Minimum Coverage**

The acceptable minimum title insurance coverage must at least equal the current principal balance of the Mortgage Loan. Mortgage Loans with negative amortization must have title insurance coverage equal to the highest obtainable balance of the Mortgage Loan.

### **G. Exceptions**

The title insurance policy must not be subject to any exceptions, other than those permitted under the Title Exceptions and Title Exception Warranties sections.

### **H. Required Endorsements**

Each title insurance policy must contain the following endorsements or provide equivalent affirmative coverage, if applicable to the Mortgage Loan:



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- ALTA Endorsement form 8.1-06: Environmental Protection Lien Endorsement or equivalent state form provides the required coverage
- ALTA Endorsement form 4-06 or 4.1-06: Condominium Endorsement is required for all Mortgage Loans secured by a Condominium unit.
- ALTA Endorsement form 5-06 or 5.1-06: PUD Endorsement is required for all Mortgage Loans secured by a PUD unit.
- ALTA Endorsement form 6-06: Variable Rate Mortgage Endorsement is required for all ARM Mortgage Loans.
- Form T-42: Equity Loan Mortgage Endorsement including the optional coverage provided by Paragraph 2(f) and a Supplemental Coverage Equity Loan Mortgage Endorsement (Form T-42.1) for all Texas Equity Loans.
- CLTA Endorsement form 100 and form 116: Comprehensive Endorsement and a Location Endorsement are required for all Mortgage Loans in areas where surveys are not customary.
- CLTA Endorsement form 110.5: Modification of Mortgage Endorsement (bring-down endorsement) is required for all converted ARM Mortgage Loans and all Mortgage Loans that have had the terms of the Security Instrument modified.

### I. Title Exceptions and Impediments

#### 1. Title Exceptions

The title to the Mortgaged Property must be good, marketable, and free and clear of all encumbrances and prior liens. Company will not purchase a Mortgage Loan secured by property that has an unacceptable title impediment, including unpaid real estate taxes and survey exceptions.

#### 2. Minor Impediments to Title

Title for a Mortgaged Property is acceptable even though it may be subject to the following conditions, which Company considers minor impediments:

- Customary public utility subsurface easements, the location of which are fixed and can be verified, providing that the exercise of rights of easement will not interfere with the use and enjoyment of any present improvements on the Mortgaged Property or proposed improvements upon which the appraisal or Mortgage Loan is based.
- Above-surface public utility easements that extend along one or more property lines for distribution purposes or along the rear property line for drainage, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the Mortgaged Property itself.
- Any encroachment on an easement for public utilities by a garage or any other improvement, except those improvements that are attached to, or are a portion of the main dwelling structure, provided this encroachment does not interfere with the use of the easement or exercise of rights or repair and maintenance.
- Cost, minimum dwelling size, use, building materials or setback restrictions as long as its violation will not result in the forfeiture or reversion of the title or lien of any kind for damages, or have an adverse effect on the fair market value of the Mortgaged Property.
- Mutual easement agreements that establish joint driveways or party walls constructed on the Mortgaged Property and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them.
- Encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a ten foot clearance between the buildings on the Mortgaged Property and the property affected by the encroachments.
- Encroachments on the Mortgaged Property by improvements on adjoining property where these encroachments:

- extend one foot or less over the property line of the Mortgaged Property; and
  - have a total area of 50 square feet or less; and
  - do not touch any buildings; and
  - do not interfere with the use of any improvements on the Mortgaged Property or the use of the Mortgaged Premises not occupied by improvements.
- Encroachments on adjoining properties by hedges or removable fences.
  - Outstanding oil, water, or mineral rights customarily waived by other lenders are acceptable, as long as they will not result in damage to the Mortgaged Property or impair its use for residential purposes. For properties with oil/gas leases, refer to Product Matrices for requirements and eligibility.
  - Liens for real estate or ad valorem taxes and assessments not yet due and payable.

### **3. Title Defect - Unexpired Redemption Periods**

Certain state laws provide a “Redemption Period” after a foreclosure or tax sale has occurred. During the Redemption Period, the property may be reclaimed by the prior mortgagor or other party upon payment of all amounts owed. The length of the Redemption Period varies by state and does not expire automatically upon sale of the property to a new owner.

Mortgaged Properties with unexpired Redemption Periods have unacceptable title defects. If a Mortgage Loan is secured by a foreclosed property in a state where a Redemption Period is allowed, Company will not purchase the Mortgage Loan or close the Mortgage Loan in the name of Company if the loan is referred to Company for underwriting and closing in the name of Company until the Redemption Period has expired and the foreclosure sale has been confirmed. The purchase of additional insurance, a redemption bond or similar coverage during the Redemption Period does not remedy the title defect and the Mortgage Loan is ineligible for delivery to Company.

### **J. Title Exception Warranties**

Mortgage Loans with minor impediments to title (other than those listed in the Title Exceptions section of this Guide) may be eligible for purchase by Company. Seller warrants to Company, however, that these impediments do not adversely affect the value, use, enjoyment, or marketability of the Mortgaged Property. Seller agrees to indemnify Company if Company incurs a loss that can be attributed to the impediment(s).

To support the warranty stated above, Company reserves the right, upon request, to receive from Seller:

1. A statement from the appraiser, explaining the effect of the title exception on value, marketability, use and enjoyment of the Mortgaged Property.
2. A statement from the Approved Contract Underwriter (if applicable) stating that the condition of the title will not affect the amount of coverage in the event of a claim
3. Any additional documentation or information Company deems necessary

### **A611 Survey Requirements**

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#### **A. Plat of Survey or Improvement Survey**

1. Seller must submit a plat of survey or improvement survey with the final Mortgage Loan File it sends to Company. In areas where surveys are not customary, the title insurance policy must ensure against loss or damage by any violation, variation, encroachment, or adverse circumstance that an accurate survey would have disclosed. Note that a survey is not required for Condominium units.
2. The survey must be based on the results of an instrument survey performed, dated and certified by a licensed civil engineer or registered surveyor. The survey must have been performed, dated, and certified within one year from the date of issuance of the title insurance policy insuring a particular Mortgaged Property. A survey more than one year old will be accepted, provided the survey has been recertified by a licensed civil engineer or a registered surveyor within the past year. The survey must be certified to Seller and the company furnishing the title insurance policy.
3. The survey must present the following information:
  - The location by courses and distances of the plot covered by the Security Instrument;
  - the relation of the point of beginning of the plot to the monument from which it is fixed;
  - all easements adjacent to the plot;
  - any established building line;
  - the street or streets abutting the plot and the width of such street or streets;
  - Any encroachments and the extent of any encroachments in terms of feet and inches upon the plot or any easement appurtenant to the plot; and
  - All structures and improvements on the plot with horizontal lengths on all sides; and the relation of the structure and improvements by distances to all boundary lines of the plot, easements, established building lines and street lines;
4. If the plot is described as being on a filed map, the survey must contain a legend relating the plot to the map on which it is shown. The survey must disclose and provide assurance that the improvements erected lie wholly within the boundaries of the plot and that no part of the improvements encroach upon or overhang an easement or right of way or upon the land of other sections, unless an affirmative title policy endorsement is obtained.

The survey must also provide proof that the improvements are wholly within the established building restriction lines and that no adjoining structure encroaches upon the plot or upon any dominant easement appurtenant to the plot.

#### **B. Variations in Length of Property Lines**

1. Variations between the property lines' length as shown on the appraisal and on the survey are acceptable as long as:
  - The variance does not interfere with the current use of any of the improvements on the Mortgaged Property; and
  - The variance in the length of the front line is not deficient by more than 2%, and the variance in length of any other line is not deficient by more than 5%
2. Company may choose to purchase Mortgage Loans with variations other than those stated above. In these cases, Seller must warrant that these variations will not adversely affect the value, use, enjoyment, and marketability of the Mortgaged Property.
3. The appraiser must provide a statement about any other variations, explaining how they affect the Mortgaged Property's value. If mortgage insurance is required, Seller must obtain a statement from its carrier, stating that the variance will not affect the insurability of the Mortgage.

### **Chapter 6B Mortgage Loan Documents, Mortgage Notes and Other Related Documents**

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This section describes Mortgage Loan Document, Mortgage Note and certain related document requirements that apply to all Agency and Non Agency Mortgage Loan Programs including Jumbo Mortgage Programs. Generally, eligibility policies that vary from one Mortgage Loan Program to another are described in the Product Matrices.

#### **B600 Mortgage Note Requirements**

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##### **A. Mortgage Note Form**

If a Fannie Mae or Freddie Mac Uniform Note is available for the applicable product type, Seller must use the most recent version single-family Fannie Mae or Freddie Mac Uniform Note. Seller may reprint the Fannie Mae or Freddie Mac Uniform Note on its own letterhead, by computer or in any other way Seller may choose. The multi-state Fannie Mae or Freddie Mac Uniform Note can be used in most jurisdictions, unless the Mortgaged Property is located in a jurisdiction for which Fannie Mae and Freddie Mac have published a state-specific Fannie Mae or Freddie Mac Uniform Note or has indicated that the lender must adapt the Fannie Mae or Freddie Mac Uniform Note to include required state-specific language. In these states, Seller must make all changes required by Fannie Mae and Freddie Mac.

If a Fannie Mae or Freddie Mac Uniform Note is not available for the applicable product type, Seller must use a form published by Company. If Company has provided only a multi-state note, Seller must modify the Mortgage Note to reflect any changes required by state law, including all mandatory state law changes required by Fannie Mae and Freddie Mac.

##### **B. Late Charge Provision**

The Mortgage Note for a first mortgage must provide for the Borrower to pay a 5% late charge on any installment that is not received by the 15th day after it is due. If state law does not allow a charge that high, the maximum amount allowed by state law must be used. The late charge must be computed on the Principal and Interest payment only, not on the full monthly payment.

If the Mortgage Note provides for payment of a late fee that is more than 5% or that may be assessed for payments received earlier than the 15th day after it is due, Seller must notify the Borrower in writing that during the time that Company owns the Mortgage Loan, the Borrower will be charged a late fee of 5% on any installment that is not received by the 15th day after it is due.

##### **C. Payment Dates**

The first payment date must be the first of the month. The first payment is due no later than 62 days after the final disbursement of the Mortgage Loan proceeds to the Borrower.

### **B601 Security Instrument Requirements**

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#### **A. Security Instrument Form**

Seller must use the most recent version single family Fannie Mae or Freddie Mac first mortgage uniform Security Instruments. The standard uniform Security Instruments are not used for Texas Equity Loan mortgages, as Fannie Mae and Freddie Mac have developed special uniform Security Instruments for these mortgages. Seller may reprint the uniform Security Instruments on its own letterhead, by computer or in any other way Seller may choose.

#### **B. Riders to the Security Instrument**

All Security Instruments must be amended by state-specific Fannie Mae or Freddie Mac uniform riders as required by Fannie Mae and Freddie Mac or the applicable uniform state specific rider. Seller may reprint the uniform riders on its own letterhead, by computer or in any other format that Seller may choose. See Prefund Diligence chapter, Security Instrument Riders section for information regarding required riders and form numbers.

#### **C. Signatures on Security Instruments**

See Prefund Diligence chapter, Security Instrument section, for information regarding signatures on the Security Instrument and riders.

#### **D. Master Form and Short Form Security Instruments**

Company will accept First Lien Mortgage Loans with a master form mortgage or deed of trust ("Master Form") and short form mortgage or deed of trust ("Short Form") in the following states:

Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Idaho, Kentucky, Maine, Maryland, Nebraska, Nevada, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Washington, Wisconsin, and Wyoming

The Fannie Mae/Freddie Mac Uniform Master Form and Short Form documents may be used in lieu of the current version of the Fannie Mae/ Freddie Mac uniform first mortgage Security Instruments.

Under applicable state law, lenders may record a Master Form in a given recording jurisdiction, and then may subsequently record a Short Form for any mortgage loan originated in that jurisdiction.

The Master Form consists of a title page, which contains the state specific requirements for a master Security Instrument, and the current long form uniform Security Instrument for that state. The Short Form contains the loan specific information, such as closing date, Borrower name, lender name, loan amount, maturity date, and description of property and identifies the provisions of the Master Form that are being incorporated into the Short Form. Any applicable riders to the Security Instrument must be attached to the Short Form. The lender must provide the Borrower with a copy of the recorded Master Form as well as the signed Short Form and any applicable riders.

The Short Form must reference the Master Form that has been previously recorded and will state the following:

- that the Master Form was recorded in the county in which the Mortgage is offered for recording;
- the date when the Master Form was recorded;
- the book and page where the Master Form was recorded; and

- that a copy of the Master Form was provided to the Borrower executing the Security Instrument.

### **B602 Disclosures**

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Seller must ensure that any description of the lender's program, and all other disclosures and material, furnished to Borrower comply with applicable state and federal laws and regulations.

### **B603 Changes to Required Documents**

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When Company requires Seller to use a Fannie Mae or Freddie Mac uniform instrument, documents prepared by Company, or documents prepared by a particular document provider, Seller may not change or alter the required Mortgage Note except when authorized in writing by Company.

### **B604 Certification and Authorization**

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Each Mortgage Loan File submitted for purchase must contain a certification and authorization form signed by the Borrowers. Seller may develop its own certification and authorization form, which must comply with all applicable law and include the following information.

1. Authorization for the lender and its successors and assigns to do the following:
  - Order one or more credit reports;
  - Re-verify all information including, but not limited to, income, assets, employment, and outstanding obligations after closing as part of a post-closing audit; and
  - Inspect the Mortgaged Property securing the Mortgage Loan for purposes of determining its market value and ensuring that it otherwise meets the lender's property requirements for the type of loan requested and in connection with any post-closing audit review.
2. Authorization for any third party who receives an original or copy of the certification and authorization to provide the lender, or its agents, successors or assigns, as well as any investor or mortgage insurance carrier, any and all information and documentation requested. Such information may include, by way of example, employment history, income, bank, money market, and similar account balances, credit history, and copies of income tax returns.
3. Certification that all information provided to the lender is current, accurate, true, and correct, that the Borrowers have not made misrepresentations in the Mortgage Loan application or any other related document and that they have not omitted any pertinent or material information.

### **B605 Tax Information Authorization Form (IRS Form /4506-C)**

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- Refer to specific product matrix for transcript requirements.
- **NOTE:** Typically, tax transcripts are not available from the IRS until two to three weeks after a consumer e-files their tax return and six to eight weeks after filing by mail. If the current year tax return has been filed but the corresponding tax transcript is not yet available due to IRS lag times, the prior year or years' transcripts are required (either one or two years dependent upon program type or AUS requirement) in addition to the current year tax return and current year transcript request returned as "No Record Found". The current year tax returns must be reviewed to validate the stability of income/business and determine the reasonableness of any positive trends for the purpose of considering as qualifying income

### **B606 Taxpayer Identification Theft**

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Taxpayer Identification Theft occurs when a taxpayer's social security number has been stolen and then used to file a forged tax return in an attempt to claim a fraudulent refund. This type of theft is most commonly identified by tax transcripts that conflict with the information reported on the tax return, such as inconsistent income or the income on the transcript is significantly different than what is reported on the tax return. The Borrower may also provide an IRS victim notification or when an extended fraud alert is reflected on the credit report.

Once the determination has been made that a Borrower is a victim of taxpayer identification theft the following documentation is required:

- Proof identification theft was reported to and received by the IRS (form 14039); and
- Copy of the notification from the IRS notifying the taxpayer of possible identity theft;  
or
- A copy of a police report or proof that the Borrower filed a complaint regarding the identity theft with the Federal Trade Commission.

Also, to validate the income reported on the tax return(s) in question, all of the following documents as applicable must be obtained:

- Copy of the IRS rejection of the 4506-C request with a code of "Unable to Process" or "Limitation"
- Record of Account from the IRS – Adjusted Gross Income and Taxable Income should match the Borrower's 1040s.

### **Chapter 7 Pre-Fund Diligence**

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This chapter contains documentation requirements for the Legal, Servicing Compliance, and Collateral review completed on Mortgage Loans purchased by Company.

#### **700 Description of Underlying Chapters**

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Chapter 7A - Legal, Servicing and Compliance Review

Chapter 7B - Credit and Collateral Review

#### **7A Legal, Servicing and Compliance Review**

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##### **A700 Mortgage Note**

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###### **General**

- An original Mortgage Note is always required.
- Company does not accept lost note affidavits.
- An original Mortgage Note with white out will not be accepted, and the Borrower must initial any cross outs on Mortgage Note.
- The closing date needs to match the closing date on the Security Instrument.
- If the late charge is incorrect a new Mortgage Note is required.
- Property address must match the title and legal description.
- The Mortgage Note must have a lender name filled in and cannot reference Company.
- The Mortgage Loan amount, interest rate and principal and interest payment must be correct and match other documents in the Mortgage Loan File.
- The first payment on Mortgage Note must be the first of the month.
  - If the first payment date to Company is two or more payments from the first payment due date on the Mortgage Note a pay history will be required for review prior to purchase.
- The maturity date must match the term of the Mortgage Loan.
- The Mortgage Note form must be correct according to the product and state. If the form is incorrect, a new Mortgage Note is required.
  - Refer to <https://www.fanniemae.com/singlefamily> or <http://www.freddiemac.com> as applicable for state and product specific note forms.
- The Mortgage Note must be signed by all qualifying Borrowers.
- If closed in the name of a trust, Borrower must sign individually and as trustee. The complete name of the trust is required as part of the signature line on the Mortgage Note.

##### **A701 Corrective Mortgage Note**

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When a revised original Mortgage Note needs to be signed by the Borrower, Company will not accept Mortgage Notes marked as 'duplicate original', 'corrected copy', 'replacement note' or similar, even if there is an original signature, or if the words 'duplicate original', 'corrected copy', or 'replacement note' are crossed through with or without initials.

##### **A702 Pre-Signing of Mortgage Documents**

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On purchase and rescindable transactions, certain closing loan documents be signed prior to the computer generated date on the documents. The computer generated document date remains the same.



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The notarization (of the Security Instrument and other documents that require notarization), however, must match the date the documents are signed by the Borrower.

On rescindable transactions, the three day rescission period begins following consummation, delivery of the notice of right to cancel, or delivery of all material disclosures, whichever occurs last. The rescission period begins the day the Borrowers sign and date the notice of right to cancel.

### **A703 Allonges/Endorsements to the Mortgage Note**

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- Must have complete endorsement chain in blank
- Seller's name on the face of the Mortgage Note must be the exact name of the Seller in the endorsement language
- Whenever the lender's name on the Mortgage Note does not match the lender's name on the endorsement exactly Company will accept a Corporate Trade Name Certificate to purchase the Mortgage Loan
- Officer's name and title must be typed under signature line of the Allonge/endorsement
- The Allonge must be an attachment to the Mortgage Note and be endorsed in blank. It must include the following loan specific information:
  - Mortgage Loan number;
  - Borrower(s) name(s);
  - Property address;
  - Mortgage Note/Loan date;
  - Mortgage Note/Loan amount;
- If Seller signs a Corporate Resolution with Company, then Company will have the ability to make any corrections to endorsements from the Seller to Company prior to purchase on Seller's behalf.
- Example of an endorsement:

Pay to the order of \_\_\_\_\_ without recourse

\_\_\_\_\_ (Seller Name)

By \_\_\_\_\_ (Signature of Officer)

Name : \_\_\_\_\_ ( Printed Name of Officer)

Title: \_\_\_\_\_ (Printed Title of Officer)

### **A704 Power of Attorney**

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The Power of Attorney must:

- be specific to the transaction;
- be signed and dated by the party granting the power of attorney;
- be signed by an appropriate "witness" (if required by state law);
- specifically identify the Mortgaged Property address;
- be in effect on the date of the closing transaction;
- be notarized; and
- not be an interested party in the transaction unless otherwise permitted in accordance with applicable investor Seller Guide requirements

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A durable Power of Attorney is acceptable. A durable Power of Attorney allows a mentally competent person, called the "Principal", to authorize a second party, called the "Agent or Attorney in Fact", to act on his or her behalf, even if the Principal later becomes incapacitated. This particular form becomes effective upon disability or incapacity of the Principal. A durable Power of Attorney should always be notarized, especially if the Agent will be dealing with real property. Notarization allows the durable Power of Attorney to be recorded as a public record, if necessary.

- Example of acceptable signature line for all documents:

(Signature Line) \_\_\_\_\_  
(Typed Name) John Doe by his Attorney in Fact Jane Doe

Jane Doe should sign as "John Doe by his Attorney in Fact Jane Doe."

- Example of an unacceptable signature line:

(Signature Line) \_\_\_\_\_  
(Typed Name) John Doe

Signature as Jane Doe POA.

### **A705 ARM Loans**

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- Forms - Refer to the ARM Document Matrix for the appropriate Mortgage Note and ARM Mortgage Loan rider form for each product (see Reference Library).
- Interest Change Date - Date the first scheduled interest rate change will take place. This date is found on both the Mortgage Note and any rider.
  - If incorrect on the Mortgage Note, need new Mortgage Note executed by Borrower.
  - If incorrect on any rider, need new rider executed by Borrower and a letter of intent to rerecord the Security Instrument with corrected rider.
- Initial Caps, Lifetime Caps, Margin - Refer to the ARM Document Matrix for the correct caps and Margin for each ARM Mortgage Loan product (see Reference Library).
- If caps and/or Margin are incorrect on Mortgage Note, a new Mortgage Note must be executed by the Borrower.
- If caps and Margin are incorrect on rider, a new rider must be executed by Borrower and a letter of intent to record the Security Instrument is required.
- ARM Disclosure - check for appropriate disclosure according to ARM Mortgage Loan product.
  - Disclosure must be provided to the Borrower within 72 hours of their initial application.

### **A706 Name Affidavit**

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A name affidavit will be required only in situations where the Borrower did not sign the Mortgage Note or Mortgage exactly as typed or when the Borrower is on title differently from the Mortgage Note and Mortgage. (e.g., middle initial is included on Mortgage Note but Borrower did not sign with initial on Mortgage Note and/or Borrower is in title under maiden name and is refinancing as a married person).

### A707 Security Instrument

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- Must be stamped "True and Certified Copy of the Original sent for Recordation". The stamp must be initialed by the individual stamping the document.
- Complete Security Instrument, including all pages and a complete and correct legal description is required.
- Check closing date, loan amount, maturity date and property address against Mortgage Note.
- Check county name and legal description against title commitment and appraisal.
- Lender name must be correct.
- Mortgagor and mortgagee must be correct.
- If there is a deed of trust, the trustee name and address must be filled in.
- If any information on the Security Instrument is incorrect, the errors must be corrected and the Security Instrument re-recorded. Company will require a copy of the instrument with corrections and letter of intent to rerecord prior to funding of Mortgage Loan.
- Changes on the Security Instrument that affect the terms of the Mortgage Loan (i.e., loan amount and maturity date) must be initialed by Borrower and a letter of intent to rerecord must be received prior to funding of Mortgage Loan.
- If closed in the name of a trust, Borrower must sign individually and as trustee. The complete name of the trust is required on the signature line.
- Correct forms must be used according to the product and state.
- A MERS Security Instrument must have the 18 digit MIN.
  - Ensure that the MIN number is printed in the designated location on the Security Instrument.
  - If Seller's MERS Org ID, and/or MIN number is incorrect or missing, Seller may take one of the following actions to correct:
    - Execute a mortgagee's affidavit or scrivener's affidavit to be recorded;
    - In California only - an assignment from MERS to MERS may be recorded to correct the MIN number;
    - Execute a mortgage modification to be recorded; or
    - Correct the Mortgage and re-record.
  - For properties in Mississippi, the Security Instrument must include MERS PO Box address and physical address:
    - PO Box 2026, Flint MI, 48501-2026
    - 1901 E Voorhees St, Suite C, Danville, IL 61834
  - MERS will not accept a Security Instrument with Company's MERS Org ID and MIN number on the document.
- The following person(s) must sign the Security Instrument and any riders to the Security Instrument:
  - Each person who has an ownership interest in the Mortgaged Property (an individual "in title"), even if the person's income is not used in qualifying for the Mortgage.
  - The spouse or Domestic Partner of any person who has an ownership interest in the Mortgaged Property, if his or her signature is necessary under applicable state law to waive any property right he or she has by virtue of being the owner's spouse or Domestic Partner.
- Short form Security Instruments for Mortgaged Properties that are located in the following states are acceptable. See Master Form and Short Form Security Instruments section.

### A708 Security Instrument Riders

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- Check that appropriate riders are attached and signed. If a rider is not signed at closing, Borrower(s) must execute the applicable riders and the Security Instrument with rider attached must be re-recorded.
  - Multistate Planned Unit Development (PUD) Rider (Form 3150)

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- If appraisal states that the property is a PUD, a signed PUD rider must be attached to the Security Instrument.
  - A special rider must be used for Texas Equity Loan mortgages that are secured by units in a PUD project.
  - If PUD rider was signed and Mortgaged Property is a single family, this is acceptable.
  - The project name must be filled in. Check the project name against the appraisal and title, and against the complete and correct legal description. If the project name is incomplete or incorrect, need completed or corrected copy along with a letter of intent to rerecord the Security Instrument.
- Multistate Condominium Rider (Form 3140)
    - If appraisal states that the property is a Condominium, a signed Condominium rider must be attached to the Security Instrument.
    - A special rider must be used for Texas Equity Loan mortgages that are secured by units in a Condominium project.
    - If Condominium rider was signed and Mortgaged Property is a single family detached, the Condominium rider must be removed from the Security Instrument and the Security Instrument must be re-recorded.
    - The project name must be filled in. Check the project name against the appraisal and title, and against the complete and correct legal description. If the project name is incomplete or incorrect, need completed or corrected copy along with a letter of intent to re-record the Security Instrument.
  - Applicable Multistate Adjustable Rate Rider (and, if applicable, an addendum to the rider)
    - There are a number of different versions of this rider, based on the applicable adjustable rate mortgage plan or index.
    - A special adjustable rate mortgage rider is required for Texas Equity Loans that are adjustable-rate loans.
  - Multistate Second Home Rider (Form 3890)
    - Required for a Mortgage Loan secured by a Second Home.
    - If loan is not for a Second Home, the rider must be removed from the Security Instrument and the Security Instrument must be re-recorded.
  - Multistate 1 - 4 Family Rider (Form 3170)
    - Required for a Mortgage Loan secured by a one- to four-unit investment property or a two- to four-unit principal residence.
  - Revocable Trust Rider
    - May be used to amend Security Instruments for Mortgage Loans with *inter vivos* (living trust) trust Borrowers.
    - Fannie Mae has developed a sample rider for mortgages that are made to *inter vivos* trust Borrowers and are secured by California properties.
  - A rider that includes a cross-default provision
    - Must be used to amend Security Instruments for Mortgage Loans secured by Leasehold estates so that a default on the lease is a default on the mortgage. Fannie Mae does not publish a standard rider that includes this provision.
  - MERS Rider (3158)
    - Required if property is Montana, Oregon, or Washington

### **A709 Marital Rights - Non Owner Spouses**

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If a Mortgage Loan is subject to rescission under the Truth in Lending Act, the following person(s) must receive the disclosure required under the Truth in Lending Act and two copies of the notice of right to cancel:

- Each person who has an ownership interest in the Mortgaged Property (an individual "in title), even if the person's income is not used in qualifying for the Mortgage Loan.
- The spouse or Domestic Partner of any person who has an ownership interest in the Mortgaged Property, if his or her signature is necessary under applicable state law to waive any property right he or she has by virtue of being the owner's spouse or Domestic Partner. An ownership interest does not include leaseholds or inchoate rights, such as dower and curtesy. An ownership interest does include ownership rights under homestead laws and community property laws.

The Mortgage Loan File must contain evidentiary documentation of receipt of the disclosure required by the Truth in Lending Act and two copies of the notice of right to cancel by the required person(s). Evidence of delivery is not sufficient.

### **A710 Modification Agreement**

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The Security Instrument and Mortgage Note will be audited upon receipt to confirm compliance with program parameters. If an error is identified during the audit, it is the Seller's responsibility to provide corrected documents. In lieu of correcting the original documents, a modification agreement may be prepared and executed by all Borrowers and then recorded. The modification agreement must be stamped "True and Certified Copy of the Original sent for Recordation. The stamp must be initialed by the individual stamping the document. If a modification agreement is used solely to correct an error on the Mortgage Note, it is not necessary to record the document.

### **A711 Intervening Assignments**

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- If intervening Security Instrument is on MERS form or assigned to MERS, then an intervening assignment is not required.
- Must be stamped "True and Certified Copy of the Original sent for Recordation". The stamp must be initialed by the individual stamping the document.
- Must be assigned to Seller (confirm the chain of title).
- If there is an assignment of deed of trust, the trustee must be the same as on the deed of trust.
- The assignment note date must match the closing date on both the Mortgage Note and the Security Instrument.
- The Borrower name must match the Borrower name on the Security Instrument.
- The assignment must reference the property address or complete and correct legal description or Security Instrument recording information.
- The lender name must match Security Instrument exactly.

### **A712 Assignment**

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All Jumbo Mortgage Program Loans must be assigned to Mortgage Electronic Registration Systems, Inc. (MERS). DSCR Program loans may also utilize MERS, but it is not required for these loans. Refer to the procedures posted in the Reference Library Tab of the Client Portal on LoanDock for non-MERS assignments (permitted for DSCR Program loans only). For information on MERS membership, visit their Web site at [www.mersinc.org](http://www.mersinc.org).

### General

- Required only if Mortgage Loan did not close using MERS on Mortgage Security Instrument.
- If required, must be assigned to "Mortgage Electronic Registration Systems, Inc." and include 18 digit MIN number, MERS address and phone number.
  - The MIN number and MERS phone number must be placed on the first page of the assignment.
- For properties in Mississippi the assignment must include MERS PO Box address and physical address:
  - PO Box 2026, Flint, MI 48501-2026
  - 1901 E Voorhees St, Suite C, Danville, IL 61834
- Must be stamped "True and Certified Copy of the Original sent for Recordation". The stamp must be initialed by the individual stamping the document.
- If Seller's MERS Org ID and MIN number is incorrect or missing, one of the following corrective actions can be taken:
  - Execute a Mortgagee's Affidavit to be recorded.
  - In California only - an assignment from MERS to MERS may be recorded to correct the MIN number;
  - Execute a mortgage modification to be recorded; or
  - Correct the assignment and re-record.
- If there is an assignment of deed of trust, the Trustee must be the same as on the deed of trust.
- The date of the assignment of the Mortgage Note must match the closing date on Mortgage Note and Security Instrument.
- The county must be correct.
- Seller's name must match Security Instrument.
- The notary section must be complete.
- The assignment should be a copy of the original, which is sent for recording.
- It must be signed by Seller representative.

### A713 Non-MERS Member Selling Closed Loans

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For Non-MERS members selling closed Mortgage Loans to Company, the following policies apply:

1. You are not eligible to use MERS on Mortgage documents when you are a non-MERS Member.
2. Company will provide a MIN number at the time of registration for all non-MERS members.
3. You can find the Company MIN number on the registration or lock confirmation.
4. The MIN number and MERS phone number must be noted on the first page of the assignment.
5. To prepare an assignment, assign to "Mortgage Electronic Registration Systems, Inc." and include the following information:
  - MERS address.
  - MERS phone number 1-888 679-6377.
  - MIN number.
6. Company may register the loan with MERS on Seller's behalf.

### A714 MERS Members

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The following are MERS members' policies:

1. For originations, the originator must register the Mortgage Loan with a MERS on Mortgage Security Instrument on the MERS System within seven calendar days of the Mortgage Note date (or Funding Date in escrow states).

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2. If purchased before registration, the buyer must ensure that the Mortgage Loan is registered on the MERS System within 14 calendar days of the Mortgage Note date (or Funding Date in escrow states).

### **A715 MERS Org ID and Transfer Information**

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The following identifies relevant MERS Org ID numbers for MERS members who complete the registration of their loans with MERS and how to transfer loans correctly.

#### **For DSCR Loans:**

- Community Loan Servicing - Org ID - 1007786

The correct way to transfer is:

Servicer– 1007786 Community Loan Servicing, LLC  
Investor – 1007786 Community Loan Servicing, LLC  
Sub-Servicer – N/A

#### **For Agency, Agency Investor Plus, Jumbo, and Bank Statement loans:**

- Nationstar Mortgage LLC – Org ID 1003972

The correct way to transfer is:

Servicer – 1003972 Nationstar Mortgage LLC  
Investor – 1003972 Nationstar Mortgage LLC  
Sub-Servicer – N/A

The MERS transfer of beneficial rights and transfer of servicing rights must be initialed by the Seller within 7 calendar days of purchase date.

### **A716 Closing Disclosure**

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- A final Closing Disclosure is required for all Mortgage Loans.
- The Closing Disclosure must have the Borrower names, Mortgaged Property address and Mortgage Loan amount.
  - The Closing Disclosure must be signed at closing.
- Interest Credit
  - The servicing division must have sufficient time to process the Mortgage Loan before receipt of the first payment. Therefore, an interest credit to the Borrower can only be made up to the 10th day of the month.
- Interest on Closing Disclosure
  - If interest starts the day of closing of the Mortgage Loan, it must be a purchase. If the Mortgage Loan is a refinance, the occupancy must be a second home or investment.
  - If the Mortgage Loan is a refinance and primary residence, the interest start day must be the 4th day after the Mortgage Loan closed.
  - Validate the first payment date on the Mortgage Note by looking at the interest collected in Section F, Prepaids of Closing Disclosure. Interest should be collected from disbursement date to the month prior to the first payment date.
    - For example: Mortgage Loan is disbursed on 06/12/13, interest is collected from 06/12/13 to 07/01/13, and first payment date is 08/01/13.

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- For Non-Conforming Loan amounts, a Mortgage Loan is considered to be cash out if the cash back to the Borrower is more than 1% of the Mortgage Loan amount.
- A Mortgage Loan can also be considered cash out according to underwriting restrictions (i.e. paying off major debt, a previous loan or buyout of a co-owner). Always refer to underwriting approval and Automated Underwriting System findings when referring to the loan purpose.
- If there is cash back to the Borrower as stated above:
  - And it is a primary residence located in Texas, the Mortgage Loan must close as a Texas Equity Loan transaction. Refer to Texas Equity Loan section for more detail.
  - Company will show the loan purpose as a cash out. This is important and affects the pricing of the loan.
- If escrows are collected on the Closing Disclosure, Company will net escrows from the purchase advice.

### A717 Escrows / Impounds

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#### Tax Bills

Prior to starting escrow calculations, it is important that all tax bills due within sixty (60) days of the settlement date are paid before or at settlement.

Any bills paid prior to settlement must have a paid receipt at settlement for proof of payment. Seller will be billed for any tax penalties that accrue. If bills are not available the title policy must reflect taxes as being paid current.

#### Insurance Policy

Escrow accounts – the policy must have a remaining term of at least 45 days after closing.

Non-escrow accounts – the policy must have a remaining term of at least 30 days after closing.

If the renewal insurance policy is not available, obtain one of the following:

- Temporary binder from the insurance company;
- Offer of renewal from the insurance company; or
- Quote with underwriting approval from a new company.

On an annual basis, each Mortgage Loan is reviewed according to assure compliance with the applicable state requirements.

#### Initial Escrow Statement

- Initial escrow statements are required on all Mortgage Loans in which escrows / impounds are being held by the servicer.
- Flood insurance must be escrowed for if there are escrows for any other item.
- If the Mortgage Loan has MI, monthly MI must be on the initial escrow account disclosure and the amount must match MI certificate.
- A two month cushion should be used in the initial escrow statement unless state regulations specify differently.
- This statement must be provided to the Borrower at the time of settlement. Initial escrow statements must include the following information:



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- Amount of the total monthly payment.
- Portion of monthly payment that is being placed into Borrower's escrow account.
- Itemize the estimated charges such as school taxes, city taxes, and insurance premiums that are expected to be paid during the next escrow computation year. Need to include the description of the item, due date, term and disbursement amount.
- Running trial balance which reflects the estimated activity in the escrow account during the next 12 months.
- Starting reserves (inclusive of the initial PMI premium amount); escrow disbursements prior to the first pay date; interim/added assessment; total reserves to be collected at closing and target balance.

### Escrows for New Construction

- To avoid "payment shock" Regulation X of the Real Estate Settlement Procedures Act applies to escrows for new construction loans.
  - The customer shall estimate the amount of escrow account items to be disbursed. In cases of un-assessed new construction, the servicer may base an estimate on the assessment of comparable residential properties in the market area.

### A718 Escrow Waiver Policy

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If the Mortgage Loan has no escrows collected there should be an escrow waiver in the file. The following can be used as an escrow waiver:

- Escrow waiver form provided by Company or Seller/Closing Disclosure with applicable option completed in the Escrow Account section;
- Payment letter signed by Borrowers showing no escrows with payment; or
- A blank signed initial escrow account disclosure statement.

Company will consider escrows waived if only homeowners/hazard insurance are being escrowed on the Closing Disclosure.

All loans closing on or after January 1, 2016 require flood insurance premiums to be escrowed for all properties located in identified flood hazard areas, as outlined by the Biggert-Waters flood insurance escrow requirements, regardless if there is an escrow waiver in place. Only if the property has adequate flood insurance coverage provided by a condominium association, homeowners association, or similar group, and the premium is paid by the group as a common expense, are escrow for flood insurance premiums and fees not required.

If escrows were waived and product does not permit an escrow waiver a single loan variance must be obtained.

### A719 Tax Certificate

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A completed tax certificate must be in the Mortgage Loan File. If there is not a completed tax certificate, tax information provided within the title commitment or policy is acceptable.

- Note that a tax authorization form is required in New Jersey, Pennsylvania, New York and Illinois.

### **A720 Hazard Insurance**

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- Refer to Insurance and Survey Requirements chapter.

### **A721 Flood Insurance**

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- Refer to Insurance and Survey Requirements chapter.

### **A722 Life of Loan Certification**

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- Company requires that all Mortgage Loans submitted for funding contain a standard flood hazard determination contract.
- The flood certificate must contain correct property address.
- The initial flood determination verifies whether the Mortgaged Property lies in a Special Flood Hazard Area.
- The life of loan monitoring contract enables the investor to continue to track any changes in the property flood zone status over the life of the Mortgage Loan.
- Federal law requires proof of Flood Insurance if the Mortgaged Property lies in a flood zone, and that the certification meets regulatory requirements including compliance with the National Flood Insurance Reform Act of 1994.
  - If standard flood hazard determination states that the Mortgaged Property is located in a zone beginning with A or V, then the Mortgaged Property is located in a flood zone and requires Flood Insurance.
- Flood Insurance is not required if the Mortgaged Property is located in one of the following zones: B, C, D, or X.
- Seller can obtain a standard flood hazard determination with a life of loan contract from a company of its choice who performs flood determination services in accordance with the most recent Federal Emergency Management Agency flood determination guidelines. Company recommends using the following preferred vendor:
  - CoreLogic Flood Data Services, Inc. (FDSI)
- Company will charge \$10.00 per Mortgage Loan at loan purchase to amend the named beneficiary.

### **A723 Application**

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- Company requires a completed fully executed loan application.
- Initial URLA Application must be provided at time of submission for non-delegated underwriting and final URLA Application must be provided at time of delivery for purchase
- All HMDA data must be completed.
- Third party origination is determined by reviewing the interview section of the loan application. Third party origination is also included in Seller's contract.

### **A724 HMDA**

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The HMDA provides the public and regulatory agencies with loan data that can be used, among other things, to assist:

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- in determining whether financial institutions are serving the housing needs of their communities; and
- in identifying possible discriminatory lending patterns.

Lenders must report data about:

- home purchase loans, home improvement loans, and refinancing loans that they originate or purchase, or for which they receive applications (application date, action taken and date of that action, loan amount, loan type and purpose, and if the loan is sold, type of purchaser);
- each applicant or Borrower (ethnicity, race, sex and income);
- each property (location and occupancy status); and
- rate spread if over certain thresholds, HOEPA status, and loan status (a/o 01/01/04).

Additional details can be obtained by reviewing "A Guide to HMDA Reporting-Getting it Right" at [www.ffiec.gov/hmda](http://www.ffiec.gov/hmda).

The following scenarios illustrate whether Company or Seller have HMDA reporting responsibilities:

- Closed Loan - Delegated Seller:
  - Seller takes the application and underwrites; Company purchases the loan. HMDA action: the seller reports the loan as an origination on its loan application register ("LAR") and Company reports the loan as Code 6, "loan purchased by your institution."
- Closed Loan - Non Delegated Seller:
  - Seller takes the application; Company or a MI partner underwrites the loan, and Company subsequently purchases the loan. HMDA action: Company reports the loan as an origination on the LAR. Seller is not required to file a report.

## A725 Title Insurance

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Title insurance policies must grant Company its valid lien position and comply with Fannie Mae's or Freddie Mac's title insurance requirements as it relates to coverage, acceptable title exceptions and endorsements. Seller can find more information at <http://www.efanniemae.com> or <http://www.freddie.com> and in the Insurance and Survey Requirements chapter.

- If refinance, title must be vested in the Borrower(s) only. If not a quit claim deed is required.
- If purchase, current owner must match current owner on appraisal or sales contract.
- Determine if the property is fee simple or Leasehold.
  - Leasehold agreement should not expire before the maturity date of the Mortgage and ground rents must be paid current.
- Appraisal will also confirm if property is Leasehold or fee simple.
- Required endorsements, if applicable:
  - Adjustable Rate Mortgage Endorsement (ALTA 6) - insures that the rate adjustments will not make the Mortgage unenforceable or cause Company's lien to lose priority over other liens attached to the Mortgaged Property after the Mortgage Loan is made.
  - Condominium Endorsement (ALTA 4) - insures, among other things, that the unit is listed on the required Condominium documents (such as the master deed and Condominium declarations) and is part of the Condominium. Additionally, it insures that Condominium documents properly create a Condominium; restrictions in the Condominium documents will not cause a loss of title; that the lien of Mortgage is superior to any lien for assessments; and that the unit is a separate tax parcel.
  - Planned Unit Development Endorsement (ALTA 5) - insures, among other things, against loss from violations of restrictions, prior assessment liens, and encroachments.
  - Manufactured Housing Endorsement (ALTA 7) - clarifies that the housing unit is insured under the policy.

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- Balloon Payment Loan Endorsement - insures that the conditional right to refinance and the subsequent change in interest rate will not make the mortgage unenforceable or cause Company's lien to lose priority over other liens created after the Mortgage Loan is made.
- For a Mortgage Loan secured by Mortgaged Property located in the State of Iowa, only an Iowa Title Guaranty issued by the Iowa Finance Authority is acceptable.
- Due to the bankruptcy filing by LandAmerica's holding company and the related credit rating agency downgrades of LandAmerica subsidiaries, Company will no longer accept title commitments, title insurance policies, or insured Closing Protection Letters from the following:
  - Land Title Insurance Company
  - LandAmerica NJ Title Company
  - Title Insurance Company of America

Company will accept title commitments, title insurance and insured Closing Protection Letters from the following LandAmerica subsidiaries, subject to evidence of reinsurance from Fidelity National Title or its subsidiary, Chicago Title:

- Lawyers Title Insurance Corporation
- Commonwealth Land Title Insurance Company
- United Capital Title Insurance Company

### **A726 Short Form Title Policies**

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Short form title policies provide the same amount of coverage as a standard policy but in a shorter format. The policy references the loan specifics (such as the insured amount, date of policy, property address, Borrowers) and refers to general documents for all coverage. Limited coverage policies are not acceptable.

For example: it automatically provides the Environmental Protection Lien Endorsement (ALTA 8.1) Condo and PUD endorsements and all other standard endorsements without actually providing copies of these endorsements.

It also provides affirmative coverage for property specific exceptions such as restrictions and encroachments with general statements in the policy text.

It is not acceptable when:

- The Mortgaged Property is located in Texas and Oregon;
- The Mortgaged Property is a Leasehold; or
- Investor guidelines prohibit (refer to the product summary).

An attorney's opinion of title is acceptable to Freddie Mac in lieu of a title insurance policy if all of the following conditions are met without exception:

1. The opinion must be addressed to the Seller and all successors in interest of the Seller.
2. The opinion must provide the following statement: "We [I] agree to indemnify you and your successors in interest in the [Mortgage] [deed of trust] opined hereto, to the full extent of any loss attributable to a breach of our [my] duty to exercise reasonable care and skill in the examination of the title and the giving of this opinion."
3. The opinion must be given by an attorney licensed to practice law in the jurisdiction where the Mortgaged Property is located. The attorney must also be insured against malpractice in rendering opinions of title in an amount commonly prevailing in the jurisdiction, taking into account the volume of opinions rendered by the attorney.
4. The opinion must not take exception to survey matters. When the attorney's opinion takes exception to survey matters, the Seller must provide whatever information is required by the attorney to remove the exception. If the attorney will not issue the title opinion without a survey

exception, Freddie Mac will not purchase the Mortgage. In addition, the opinion must not be subject to any title exceptions other than those permitted under Section 39.4.

5. The Mortgage must not be secured by a unit in a Condominium or PUD or a dwelling on a Leasehold estate.
6. Attorney's opinions of title must be commonly acceptable in lieu of title insurance by private institutional mortgage investors in the area where the Mortgaged Property is located.

### **A727 Closing Disclosure**

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- A final disclosure under the Truth in Lending Act signed at closing is required.
- The document pursuant to the Truth in Lending Act must be signed by all Borrowers. All parties on title must sign for primary residence.
- Confirm the document pursuant to the Truth in Lending Act is dated same day as Mortgage Note and Security Instrument.
- The demand assumption section must be completed. Products that allow assumption are all ARM Loan products
- The prepay section must be completed correctly.

### **A728 PMI Drop Off in Payment Schedules**

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The Homeowners Protection Act sets out rules for termination of PMI insurance on residential home loans. It provides that the Borrower may request PMI cancellation when the principal balance of the loan reaches 80% of the property's value and that the servicer must cancel PMI when the principal balance of the loan reaches 78% of the property's value.

Because the reduction in principal balance to 78% of the property's value would rarely coincide exactly with the timing of the monthly payment, lenders cut off the MI payment just above the cancellation figure (i.e. 78.05%) or just below (i.e. 77.95%). The calculation of when the servicer must cancel PMI affects the payment schedule on the disclosure pursuant to the Truth in Lending Act. If the PMI payment is dropped just above the 78% LTV, the payment schedule will show one month (or more) fewer PMI payments than if the PMI payment is dropped just below the 78% LTV.

Company audits the disclosure pursuant to the Truth in Lending Act on its purchased loans pre-fund or post fund and reviews the payment schedule calculations.

Additional audits of the Truth in Lending Act disclosure payment schedule calculations will require that PMI payments must continue until the principal balance of the loan has reached 78% of the property value. Since the 78% does not coincide exactly with the timing of the monthly payment, this will mean the principal balance will actually be below 78% at the time that the PMI payments can be dropped.

### **A729 Right of Rescission**

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- Use the rescission form that most accurately describes what is happening in the transaction:
  - H-9 Rescission Model Form (Refinancing with Original Creditor) - applies when a creditor that has a prior lien on the Borrower's home extends additional credit that is also secured by the home.
  - H-8 Rescission Model Form (General) - applies to a loan from a creditor with no prior lien on the Borrower's home.
- Right of rescission documents must be signed and dated by all Borrowers and all parties on title.

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- Right of rescission should be signed and dated the same day as Truth in Lending Act documents and Security Instrument was notarized.
- New rescission must be issued if cancellation date is not within three full days after date of the Truth in Lending Act documents and the Security Instrument notarized date.
- If rescission is not signed by all applicable parties, if dates are missing or incomplete or if the Borrowers did not receive a full three days, Company will suspend for a new rescission period to be opened and disclosed to the Borrower(s). The new rescission notice must have current dates.
- Waivers of rescission period are not permitted.

### **A730 State and Federal Disclosures**

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All disclosures must be in compliance with state, federal and local mortgage lending laws and regulations.

Company will accept Mortgage Loans for purchase, in which Borrowers received initial federal and state disclosures electronically according to the requirements outlined by E-SIGN.

### **A731 W-9 Form**

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Required to be signed by the Primary Borrower.

### **A732 4506C Form**

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Guidelines relevant to the 4506-C form can be found within the individual product matrices.

### **A733 Consolidation/Extension/Modification Loans (NY Loans) – Delegated Only**

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A consolidation is having all previous liens (and if previously consolidated, that modification) re-set into a new CEMA paying off all previous lien holders, BUT not releasing the debt of public records. These liens/CEMAs, as well as the Mortgage Notes being endorsed to Company, are assigned to Company. Company must be in receipt of all these documents at the time of purchase. The Mortgage Loan will be suspended until all documents are received OR if the consolidation does not make sense. **CEMAs are permitted on refinance transactions only.**

- Original old Mortgage Note:
  - Must be original. Lost note affidavits are not acceptable.
  - Dates must reference of old mortgage in modification agreement.
  - Must have complete endorsement chain up to Company.
  - Endorsement chain must match assignment chain. Refer to chain of title that is an attachment to modification agreement.
- Original old Mortgage:
  - Must be original recorded or a county certified copy of the original.
  - Dates must reference of old mortgage in modification agreement.
  - Must be signed by all parties currently in title. If old mortgage does not reference the current parties in title Seller must have a quit claim deed showing full transfer of title.
- New Mortgage Note - This is the note showing the amount of new money that is being borrowed for the current transaction.
- New Mortgage - This is the mortgage showing the amount of new money that is being borrowed for the current transaction.
- Gap note - If there is an advance amount, original gap note is required.
- Gap Mortgage - If there is an advance amount, gap mortgage is required.
- Assignments:
  - Assignment chain must follow endorsement chain.
  - Final assignment to Company must be assigned to MERS.

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- If property is located in Suffolk County final assignment must be assigned to Company.
- Consolidation/Extension/Modification agreement on Fannie/Freddie form 3172 1/01 rev. 5/01.
  - If current modification agreement does not reference all of the same Borrowers as the original loan, must have deeds in file showing title has been transferred.
  - Must be stamped "True and Certified Copy of the Original sent for Recordation". The stamp must be initialed by the individual stamping the document.
  - Must be fully executed and notarized.
  - Must have Exhibit "A" attached - This is a listing of Mortgage Notes and Mortgages.
  - Must have Exhibit "B" attached - This is the property description.
  - Must have Exhibit "C" attached - This is an unsigned copy of a new note showing full consolidated loan amount and new maturity date.
  - Must have Exhibit "D" attached - This is an unsigned copy of a new mortgage showing full consolidated loan amount and new maturity date.

### **A734 Interim Interest Calculation and Interest Credits**

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Company charges interest to the Seller and interest is calculated based on 360 days per year for all loans.

The servicing division must have sufficient time to process the loan before receipt of the first payment, therefore an interest credit to the Borrower can only be made up to the 10th day of the month.

#### **Purchase Advice**

Once a purchase advice is generated, it will be posted to our web site for Seller's access at <http://www.LakeviewCorrespondent.com>

Sellers can view purchase advices for loans funding that day or for historical purposes.

### **A735 Year End Reporting**

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Closed loan Sellers are required to provide the 1098 to the Borrower for pre-paid interest collected at closing as reflected on the final Closing Disclosure and for points paid by the Borrower to the lender. Company will only provide the 1098 for interest on payments received. If Company purchases the loan at the original balance, the Seller is still responsible to report pre-paid interest collected at closing.

### **A736 TILA-RESPA Integrated Disclosure Rule**

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The Consumer Financial Protection Bureau (CFPB) has adopted a final regulation creating new, integrated disclosures for mortgage loans. Specifically, the Truth in Lending Act-Real Estate Settlement Procedures Act (TILA-RESPA) Integrated Disclosure Rule (TRID) consolidates existing disclosures into two forms:

- The Loan Estimate (LE) replaces the GFE and Early TIL
- The Closing Disclosure (CD) replaces the HUD-1 and Final TIL

TRID amends Regulations Z (TILA) and X (RESPA) to create new, integrated disclosures. Some of the revisions included in TRID are:

- Creation of the new Loan Estimate and Closing Disclosures forms
- Changes the definition of an application
- Creates new requirements on the collection of advance fees and pre-disclosure requirements

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- Adds new timing requirements
- Revises allowable fee tolerances

TRID covers most closed-end consumer loans for which an application is received on or after October 3, 2015 except:

- HELOCS
- Reverse Mortgages
- Loans secured by mobile homes (not secured to real property)
- Partial exemption for certain junior liens associated with housing assistance
- Loans made by creditors that make 5 or less loans per year

### **For applications:**

- Taken on or before October 2, 2015 use old disclosures (GFE, TIL HUD-1)
- Taken on or after October 3, 2015 use new disclosures (LE, CD)
  - Use of the LE and CD prior to October 3, 2015 is not allowed
  - MDIA still applies

### **Loan Estimate:**

The new Loan Estimate form is designed to provide disclosures that will be helpful to consumers in understanding key features, costs, and risks of the mortgage loan for which they are applying.

- Must be provided within 3 business days of receiving an application
- Must be delivered at least 7 business days prior to consummation (loan signing)
- Revised Loan Estimates may only be issued as a result of a valid change of circumstance and provided within 3 business days of the changed circumstance
- Rounds fees
- Combines the Appraisal Valuation Disclosure and Servicing Transfer Disclosure

Loan Estimate Timing Requirements:

- If the Loan Estimate is not provided to the borrower in person, it is considered to be received 3 business days after it is placed in the mail or sent via electronic delivery.
- This “receipt” date is important as it drives the ability to impose a fee, providing written estimates of terms or costs (i.e. Fee Worksheet), and requiring documents for verification.
- Fee Worksheets, if given, prior to the LE must state that the terms and cost may change.

### **Closing Disclosure:**

The new Closing Disclosure form is designed to provide disclosures that will be helpful to consumers in understanding all the costs of the transaction.

- Must be delivered 3 business days before consummation of the loan (loan signing) to borrower and any non-borrowers who have the right to rescind
- Some changes are permitted, however if any of these three items change, the 3 day waiting period begins again:
  - APR increases by more than .125
  - Loan product changes (fixed to ARM, ARM to fixed, etc.)
  - A prepayment penalty is added
- Document is dynamic and only certain items print for certain product types
- Fees must be exact and not rounded



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### Closing Disclosure Timing Requirements:

If the initial Closing Disclosure is:

- Delivered in person, it must be received at least 3 business days before consummation
- Delivered by mail (USPS, UPS, FedEx, etc.), borrower is considered to have received it 3 days after it was placed in the mail (unless creditor can prove earlier receipt).
- Delivered by email (as long as compliant per E-SIGN-ACT), borrower is considered to have received it 3 days after the email was sent (unless creditor can prove earlier receipt)

Application definition has been changed to consist of the below 6 items and is considered complete when all 6 items are provided:

- Borrower's name
- Borrower's income
- Borrower's SSN
- Property Address
- Estimate of value of the property
- Loan amount

The 7th piece of information, "catch-all item" has been eliminated.

### New Restrictions on activity prior the consumer's receipt of the Loan Estimate:

- Cannot charge a fee until after the consumer has received the Loan Estimate and has indicated the intent to proceed
- Cannot provide written estimates of terms or costs before the consumer has received the Loan Estimate
- Cannot require the submission of documents verifying information related to the consumer's application before providing the Loan Estimate
  - You may ask for names, account numbers, balances of a borrower's checking/savings account, however you may not require a copy of the bank statement

## Fee Tolerances

Fee tolerances are much more stringent than before and are classified in three tiers: 0% tolerance, 10% tolerance, and unlimited. Emphasis has shifted from the line number a fee should be placed on to whom a fee is paid and whether or not the Consumer can shop for the service.

Tolerance violations must be cured within 60 days of settlement.

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Zero Tolerance	10% Tolerance	No Tolerance Limit
<ul style="list-style-type: none"> <li>▪ Fees paid to the creditor, mortgage broker, or an affiliate of either</li> <li>▪ Fees paid to an unaffiliated third party if the creditor did not permit the consumer to shop for a third party service provider for a settlement service (such items as flood certification, appraisal, FHA UFMIP, VA Funding Fee, USDA Guarantee Fee and credit report fees)</li> <li>▪ Transfer Taxes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recording fees</li> <li>▪ Charges for third party services where:               <ul style="list-style-type: none"> <li>▪ The charge is not paid to the creditor or the creditor's affiliate, and</li> <li>▪ The consumer is permitted by the creditor to shop for the third party service and the consumer selects a third party service provider on the creditor's written list of service providers</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Prepaid interest, property insurance premiums, amounts placed into an escrow impound, reserve or similar account;</li> <li>▪ Services required by the creditor if the creditor permits the consumer to shop and the consumer selects a third party service provider not on the creditor's written list of services providers; and</li> <li>▪ Charges paid to third party service providers for services not required by the creditor (may be paid to the affiliates of the creditor)</li> </ul>

Loans delivered for purchase with initial applications taken on and after October 3, 2015 must comply with TRID requirements.

Below is required documentation as part of the pre-purchase review:

Loan Estimate related:

- Initial URLA Application
- All LEs provided to the borrower with some form of evidence of receipt
- All changed circumstance documentation associated with the issuance of revised LEs
- Evidence no fee was imposed other than the reasonable credit report fee prior to the borrower's receipt of the LE
- Written List of Service Providers

Closing Disclosure related:

- All CDs provided to the borrower and non-borrowers with a right to rescind with some form of evidence of receipt
- Final CD signed and dated at closing
- On purchase transactions, the Seller's CD is required
- All CDs provided to borrowers after closing

The LE must contain a good faith estimate of credit costs and transaction terms.  
The CD must contain the actual terms and costs of the transaction.

Loans will be reviewed to determine if fee changes were within acceptable tolerance limits. If charges have increased beyond allowable tolerance limits, the tolerance violation must be cured by refunding the

## Special Products Seller Guide

excess payment for the charge to the borrower and providing a corrected CD documenting the refund. The tolerance cure must be completed within the 60 days of settlement.

Any loan where the consumer has waived any of the required waiting periods is ineligible for purchase.

### **A737 Partial eClosings**

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Community Loan Servicing, LLC accepts electronically signed closing documents with exceptions noted below. We will accept hybrid closings, where key documents are printed to paper and wet-signed, while other documents throughout the process are signed electronically. This does not apply to eNotes or eMortgages (see below description)\*.

Unacceptable e-Signed closing documents are:

- Notes
- Security Instruments and applicable riders
- Documents that require notarization or witnesses

All electronic signatures by the borrower must be in compliance with the E-Sign Act and other applicable federal and state laws.

Applicable agency guidelines related to e-closings must also be followed.

The loan file must include a properly disclosed and executed E-Sign Disclosure and a Consent Form from each borrower.

\* The term "eMortgage" generally refers to the use of electronic processes and signatures in the mortgage production process. More specifically, it refers to electronically-signed closing documents paired with an original electronic promissory note (eNote), signed on an eClosing platform and registered with the MERS eRegistry® upon execution. The term "eMortgage" is often used to indicate an eNote, even though eMortgage is the broader term for the electronic process that includes the eNote and the electronic security instrument.

### **7B Credit and Collateral Review**

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Company will randomly select Mortgage Loans and review them to ensure they meet Company's underwriting requirements as stated in the Underwriting Section of this Guide and as specified by the product matrices. These reviews may be targeted to a specific area of review (such as collateral) or may be a full underwriting review of the Mortgage Loan File. The review may include re-verification of loan information which may include (but not limited to): employment, income, social security, property information and valuation, as well as public records information. These reviews will be used to determine:

- Complete Mortgage Loan File and all underwriting disclosures provided (as required by product);
- Soundness of underwriting decisions; and
- Detection of fraud and misrepresentation.

Company will use fraud detection tools to screen every loan both prior to issuing the Non-Delegated Underwriting Decision and at the time of closed loan delivery.

### **B700 Underwriting Approval and Automated Underwriting Requirements**

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Every Delegated Mortgage Loan File submitted to Company must include a signed underwriting approval that matches the terms of the loan.

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- Delegated Sellers must have some form of approval signed by an underwriter. The following documents, signed by an underwriter, will be accepted as approval:
  - 1008 with automated findings;
  - Seller's own approval form with conditions; or
  - If contract is underwritten, approval must reference the delegated Seller as the Seller and not Company.
- Non-Delegated Seller must have an underwriting approval from Company for loans which is labeled "clear to close" and all "at closing" conditions must be provided.
- The AUS findings/Loan Purchase Commitment must match how the loan was closed:
  - If the loan amount and/or interest rate are higher than the Note, findings are acceptable. If they are lower, you need corrected findings/contract underwriting approval
  - If the appraised value and/or sales price are higher, the findings are acceptable. If they are lower, then you need corrected findings/contract underwriting approval
  - Always need corrected findings/contract underwriting approval if the following are not correct:
    - Loan type (i.e. product/term)
    - Property type (i.e. Condo/PUD)
    - Occupancy type (i.e. primary/second home/investment)
    - Units
    - Property address
- Correct Version of DU must be used
- DU Preliminary Findings are not acceptable
- The latest DU Submission is required
- Submission Number Must Match Contract Approval
- AUS Credit Report Reference # must match Credit Report
- Underwriting conditions must be cleared prior to closing. Loans submitted for purchase without conditions being cleared may be rejected for purchase.
- Documents within the Credit File cannot be expired on approval

### **B701 Condo/PUD Warranty**

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All Mortgage Loans with Condo and PUD projects must be warranted to applicable agency requirements and must have the completed warranty form included in the Mortgage Loan File.

### **B702 Appraisal**

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- Company will accept an original or a copy of an appraisal with legible photos.
  - Appraisal must be signed
- Appraiser license is required and must be active and not expired
- Appraisal must be "As-Is", if not:
  - Completion Certification (Freddie Mac form 442) with original photos is required (for first mortgage conventional loans only).
  - If the completion certification is missing due to escrow repairs, the Mortgage Loan File must contain copy of escrow holdback agreement. Refer to additional escrow holdback requirements in the Underwriting chapter.
  - If nothing in file showing there is an escrow holdback, Company will suspend the Mortgage Loan File for a completion certification.
- If appraisal reflects property as a Condo or an attached PUD, a Condo/PUD warranty form must be provided in the Mortgage Loan File.
- The monthly rental income and number of bedroom data must be provided for primary residence multi-family (2-4 units) and investment properties (1-4 units). Rental income can be found on the below documents:

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- Operating Income Statement (Fannie Mae Form 216);
- Comparable Rent Schedule (Fannie Mae Form 1007);
- Fair market rent letter from realtor;
- Lease agreement; or
- Rental income noted on the application or 1008.
- The monthly rental income and number of bedrooms is required
- Refer to the product matrix for additional appraisal requirements.

### **B703 Verbal Verification of Employment**

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A Mortgage Loan File must contain a verbal verification of employment for each Borrower whose income was used to qualify the Mortgage Loan. If Borrower is in the military a military leave and earnings statement dated within 30 days of Note date is acceptable in lieu of a verbal verification. A verbal verification of employment must have the following info.

- Must be dated within 10 business days of Note date;
- Borrower's date of employment;
- Borrower's employment status and job title;
- Name, phone number, and title of individual contact at employer;
- Name of the employer contacted; and
- Name and title of associate contacting employer from lender.

### **B704 Credit Report**

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A complete credit report is required on all Mortgage Loans

- If there are fraud or identity alerts on the credit report, an identity verification form is required.

### **B705 Tax Transcripts**

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- Refer to specific product matrix for transcript requirements.

### **B706 Wire Instructions/Bailee Letter**

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- Please reference Shipping and Delivery Methods chapter for details on wire instructions and Bailee letter requirements.

### **B707 OFAC and Exclusionary List**

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- Company is prohibiting Mortgage Loans where any company or individuals who are material parties to the transaction are listed on the OFAC Report. The list must be checked for all parties to the transaction. If any of the names appear on either list, the loan is not eligible for purchase. This applies to all Mortgage loans
- In addition, Company has established an Exclusionary List identifying certain individuals and businesses. Company will not purchase a Mortgage Loan where an individual or company on the

Company Exclusionary List was directly or indirectly involved in the transaction. The Exclusionary List can be found at [www.LakeviewCorrespondent.com](http://www.LakeviewCorrespondent.com).

### **B708 Income Calculation Worksheet – Delegated Only**

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The Income calculation worksheet is used to help the reviewer determine stable monthly income for qualification. The worksheet is not intended to capture all underwriting requirements and documentation standards but will help the reviewer consider income trends and document how the income was calculated. Sellers are responsible for reviewing guidelines and documentation to access whether income is reasonable and properly documented. The Guide and product matrices provide detailed information on income documentation and standards.

The worksheet will provide a total of all income considered on the worksheet. Comments on the worksheet can be included to show how income was calculated or to identify unique notes specific to the calculation of income. This worksheet can be used for non-self-employed income. For Borrowers who are self-employed or receive income from real estate activities, a self-employed analysis worksheet, Fannie Mae 1084, or a comparable form showing how income was calculated must be used.

All Mortgage Loans submitted to Company for purchase must include an income calculation breakdown. It may be defined on the 1008 or on a separate worksheet. Sellers may use the worksheet provided in Company's Reference Library or a comparable worksheet to document income. It must be detailed and clearly document how income was calculated.

### **B709 Social Security Number Verification Form**

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Fannie Mae has made changes to the potential Red Flag messages that are issued when a social security number provided on the loan application appears to be invalid. The messages have been updated to require additional verification to confirm the accuracy of the social security number and will now specify the following verification requirements:

- The social security number accuracy must be confirmed, and if incorrect, the social security number must be updated and the loan casefile resubmitted to DU. If the social security number is determined to be correct, it must be verified directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the social security number cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae.
- If verification with the Social Security Administration is required, the Authorization for the Social Security Administration to Release Social Security Number Verification form SSA-89 must be completed by the Borrower(s). This form can be found on the Social Security administration website at <http://www.ssa.gov/cbsv/docs/FormSSA89.pdf>.
- The completed form as well as the Social Security Administration's response must be retained in the Mortgage Loan File when submitting to Company for purchase.

### Chapter 8 Shipping and Delivery Methods

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This chapter describes the processes for the delivery or funding of Loans, and addresses actions taken by Seller to administer servicing transfers. Chapters 8A through 8B focus primarily on process, and do not define or alter the actual Mortgage Loan Program purchase criteria and eligibility standards. For product-specific information on loan criteria and eligibility, please refer to the current product matrices. Chapter 8C includes detailed information regarding processes related to the funding of loans, including wire transfer instructions. Following these instructions will help to speed the funding of the Mortgage Loans. Chapter 8D addresses the Seller's obligation to administer the transfer of servicing, including the obligation to send the servicing transfer notices on related Mortgage Loans in accordance with Applicable Requirements.

#### 800 Descriptions of Underlying Chapters

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Chapter 8A – Methods of Delivery

Chapter 8B – How to Deliver

Chapter 8C – Funding Requirements and Wire Instructions

Chapter 8D - Administration of Transfer of Servicing

#### Chapter 8A Methods of Delivery

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This section describes alternative methods that Sellers will use to deliver loans for Non-Delegated Underwriting and closed loan delivery for purchase.

#### A800 Image Delivery through Seller Portal

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To submit imaged documents of a Mortgage Loan File on a closed loan, upload the documents to the Seller portal at [www.LakeviewCorrespondent.com](http://www.LakeviewCorrespondent.com). For more detailed information on how to deliver image files, refer to the File Upload Utility document located in the Reference Library.

1. The upload images function enables the import of the following types of documentation:
  - Appraisals;
  - Credit File;
  - Closing File; and
  - Trailing/suspense documents.
2. Image files must be in PDF or TIFF formats only.
  - PDF format is preferred
  - Security Restrictions or bookmarks on PDF Files are not permitted
  - TIFF format should be multi-page (typically Group IV TIFF format)
  - All file documents should be within one electronic file
  - Zip files, folders or password protected documents may not be uploaded, this will cause a delivery failure after receiving a successful upload
  - Adobe PDF Package files (is a PDF packaging similar to a zip file) may not be uploaded or transferred
3. Our naming convention must be followed before uploading files.
  - The beginning of the file name should be the Seller loan number followed by an underscore (e.g. 1234567890\_Smith\_Closing\_Pack.pdf).
  - Do not include any special characters in Seller's file name (e.g. ' ^ @ # \$ & ( ) = +).
  - A period should only be used once as part of the file extension (ex: .pdf).
  - Use an underscore in lieu of space (underscores should never be part of the loan number).

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- Trailing/suspense documents should be named with “\_TDOC” behind the loan number (e.g. 1234567890\_TDOC.pdf).
  - A description can be added after the loan number if uploading multiple documents for the same loan (e.g. 1234567890\_Appraisal.pdf, 1234567890\_Bank\_Statment.pdf, 1234567890\_TDOC\_FinalHUD, 1234567890\_TDOC\_1.pdf).
4. Original recorded documents cannot be uploaded.
  5. Appraisals must be in a PDF format and uploaded separately from the Mortgage Loan File.
  6. Indexing or doc typing is not required or accepted.
  7. Image Upload provides an immediate confirmation of delivery
  8. Once a Mortgage Loan image file is uploaded for a prior approval or closed Mortgage Loan File, supplemental documents such as suspense conditions may be uploaded regardless of where Company is in the review process.

### **A801 Paper Delivery – Delegated Only**

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#### **1. Shipping Labels/ File Identification**

- Every Mortgage Loan File should be submitted with labels identifying:
  - Company loan number;
  - Seller Name and ID;
  - Borrower's name; and
  - Suite Number.
- Boxes/envelopes delivered with multiple files should contain a shipping inventory of files

#### **2. Delivery Addresses**

- For more information on specific delivery addresses, access the How to Deliver section of this Guide.

### **Chapter 8B How to Deliver**

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This section outlines the process for delivery of Exceptions, Closed Mortgage Loan Files, Post Acquisition as well as other documentation. This section's primary focus is on process, and does not define or alter the actual Mortgage Loan Program purchase criteria and eligibility standards, which are contained in other chapters of this Guide.

### **B800 Non-Delegated Underwriting Loan Submission**

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- Register the Loan within the Lakeview Non-Delegated Underwriting Portal.
- Upload the loan images through the Lakeview Non-Delegated Underwriting Portal utilizing the portal handbook housed [here](#).
- Utilize the Non-Delegated Loan Submission Checklist for document requirements by product type.
- Seller is not required to submit or forward an original file for any loan credit file that has been submitted through Image Upload.

#### **1. Image Upload Prior Approval Underwriting Delivery**

- The following file types may be uploaded for Prior Approval Underwriting review:
  - Credit File
  - Appraisal File (must be in a PDF format - no size restriction)
  - Trailing/ Suspense Documents



### **B801 Closed Loan**

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After Seller has entered into an Interest Rate Lock Commitment, the normal stages of the delivery and subsequent funding process for a Mortgage Loan are as follows:

- Seller closes the Loan and submits the Funding Documents and Mortgage Loan File for the Mortgage Loan to Company.
- Company reviews and determines acceptance of the Funding Documents and Mortgage Loan File; if necessary, Seller submits corrected or additional Funding Documents.
- If the Funding Documents and Mortgage Loan File have been accepted and approved by Company, Company funds the Mortgage Loan purchase.
- For final documents, if applicable, see Final Documents section.
- The Closing File and Credit File must be received on or before the Delivery Expiration Date

For closed loans, the following methods of delivery may be utilized:

- Image Delivery; or
- Paper.

#### **1. Image Upload of Closed Mortgage Loan File through Seller Portal**

- The upload images function will allow the import of the following types of documentation.
  - Appraisals;
  - Credit File;
  - Closing File; and
  - Trailing/suspense documents.
- Image files must be in PDF or TIFF formats only.
  - TIFF format should be multi-page (all file documents should be within one electronic file, typically Group IV TIFF format)
  - All file documents should be within one electronic file
- Appraisals must be in a PDF format and are limited to 5MB.
- Indexing or doc typing is not required.

#### **2. Submitting a Closed Mortgage Loan File through Overnight Mail**

Ship a complete full file (credit and closing) to:

Community Loan Servicing, LLC  
507 Prudential Rd  
Mail Stop S142  
Horsham, PA 19044  
Attn: Lakeview Correspondent

- Sellers are encouraged to use the Company Delivery File Checklists when submitting closed loans for review and purchase.
- Using Company Delivery File Checklists ensures submission of the required and correct documentation as applicable for the product/program.
- Delivery File Checklists can be found in the Reference Library.
- To help ensure accurate processing, Seller should submit closed Mortgage Loan Files with labels identifying:
  - Company Mortgage Loan number;
  - Seller ID and name; and

- Borrower's name.

### 3. Delivery of Original Mortgage Notes:

- Company will require a Bailee letter to be submitted with the delivery of the original Mortgage Note.
  - Bailee letter must be issued in the name "Bayview Acquisitions, LLC"
- Wire instructions will be required in lieu of the Bailee letter on the following approved exceptions:
  - Sellers with tri-party agreements;
  - Sellers with a master Bailee;
  - Sellers with a regulated financial institution parent; or
  - Warehouse banks not issuing Bailee letters.
- In these cases, wire instructions should be delivered with the original Mortgage Note.
- Original Mortgage Notes and either the Bailee letter or wire instructions should be delivered to the following address by the Delivery Expiration Date:

Bayview Acquisitions, LLC  
507 Prudential Rd  
Mail Stop S142  
Horsham, PA 19044  
Attn: Bayview Correspondent

## B802 Final Documents

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This chapter describes the process for Seller to deliver Final Documents to Company.

### 1. Delivery of Final Documents

- Seller must include the final documentation transmittal with the shipment of documents and the Company loan number on all Final Documents and communications regarding a Mortgage Loan.
- The loan number can be found on the purchase advice, at [www.LakeviewCorrespondent.com](http://www.LakeviewCorrespondent.com)
- Seller must deliver all Final Documents to Company for each Mortgage Loan sold within 120 days from the Funding Date. [See Final Document Fee section below for more details.](#)

### 2. Definition of Final Documents to be Delivered

The Final Documents for each Mortgage Loan are the following original recorded documents (subject to the differences below):

- Security Instrument and any required addendums or riders.
- Intervening assignments, including any recorded assignment to MERS, if applicable.
- Where the original Security Instrument or intervening assignment has been retained by the controlling jurisdiction. Company will accept a county certified copy, provided it contains an original certification by the judicial or other governmental authority of the jurisdiction where the Security Instrument was recorded.
- Consolidation, extension, and modification agreement, if applicable.
- Modification agreement, if applicable.
- Any other original recorded documents specific to the property type (e.g., condos, co-ops) and/or applicable to lien perfection.
- Original title insurance policy or short form title policy.
- If the original title insurance policy is not available to Seller, Seller may, in lieu of delivering the original title insurance policy, deliver a duplicate original with jacket signed (or counter signed) by

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the issuing title insurance company, which must include Schedules A & B and all applicable conditions and stipulations or comparable information.

- If the title insurance carrier offers an electronic verification service, electronic verification is acceptable in lieu of the original policy.
- For a Loan secured by Mortgaged Premises located in the State of Iowa, only an Iowa Title Guaranty issued by the Iowa Finance Authority is acceptable.

### 3. Final Documents Mailing Information

Seller is solely responsible to ensure delivery of all Final Documents.

Indecomm Global Services  
FD-BV-9902  
1427 Energy Park Drive  
St. Paul, MN 55108  
Attn: Final Docs

Note: For MSR sales, please use [finaldocs@pingorafund.com](mailto:finaldocs@pingorafund.com). The above address is NOT to be used for MSR sales.

Sellers may email loan documents to Indecomm at [bayview.docgenius@indecomm.net](mailto:bayview.docgenius@indecomm.net). In addition, documents can be uploaded directly to the Indecomm DocGenius portal at <https://dmg.indecomm.net/ViewPointUpload/>. Any document delivered via SFTP or email must be subsequently sent as a physical copy to the address listed above.

Sellers are encouraged to create an online Indecomm account to access reporting, retrieve document status, or set up SFTP connections for delivery. Please contact the Indecomm support team at [DocGeniusAdmin@indecomm.net](mailto:DocGeniusAdmin@indecomm.net) for further information.

All questions or inquiries regarding recorded mortgages, final title policies, and assignments should be emailed to [BayviewTeam@indecomm.net](mailto:BayviewTeam@indecomm.net).

### 4. Final Document Fee Schedule

Final documents must be delivered within 120 days of the purchase date. Failure to deliver within this timeframe will result in a \$100 per final document penalty. Every 60 days thereafter, when a final document remains outstanding, an additional penalty of \$100 will be assessed per missing document. If, after 240 days from purchase, all required documents have not been provided, Community Loan Servicing will attempt to obtain the missing documents and in turn, itemize and invoice the Seller.

### 5. Receipt, Review and Acceptance of Final Document

Company will review all Final Documents for compliance with this Guide and the terms of the Interest Rate Lock Commitment. Company may provide Seller with a written demand requiring corrections or additional final documents. Seller must respond with the corrected or additional Final Documents within the timeframe specified in the written demand.

Seller's failure to deliver within the designated time may give cause for Company, at its option, to instigate any or all of the following:

- Suspend Seller's approval status;
- Declare a default for the affected Mortgage Loans and demand repurchase;

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- Declare a general default under the terms of this Guide; and/or
- Charge penalty fees up to and including all costs incurred by Seller to obtain missing documents.

### 6. Further Assurance Documents

In order to allow Company to receive the full intended benefit of the purchase of the Mortgage Loan, Company reserves the right to demand delivery of further documents over and above the standard Final Documents where reasonably determined by Company to be necessary for:

- Company's or a subsequent owner's enforcement of the Mortgage;
- Company's ability to resell or securitize the Mortgage Loan, or
- The servicing of the Mortgage Loan (the "Further Assurance Documents").

Company may make demands on Seller for Further Assurance Documents at any time after Company has accepted the Final Documents. Seller must provide those Further Assurance Documents that are in Seller's possession or control, or which are reasonably obtained by Seller, within 15 days of Company's demand. If Seller is unable to comply with a demand for Further Assurance Documents, Seller shall promptly give written notice to Company with all reasons known to Seller regarding its inability to comply with the demand.

Seller's failure to properly comply with a demand for Further Assurance Document may give cause for Company, at its option, to instigate any or all of the following:

- Suspend Seller's approval status;
- Declare a default for the affected Mortgage Loans and demand repurchase; and/or
- Declare a general default under the terms of this Guide.

## B803 Post Acquisition and Servicing

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### Post-Acquisition Adjustments

A Post-Acquisition Adjustment is a revision to a Purchase Advice after the loan has been purchased by Lakeview. Lakeview's post-acquisition adjustment team will work directly with the Seller to resolve any funding issues within 120 calendar days of the loan purchase date. Requests received after 120 calendar days of the loan purchase date are not eligible for reimbursement. Sellers are encouraged to review and reconcile their purchase advice immediately after funding to ensure accuracy.

- To expedite the processing of payments, Sellers must provide a written request and supporting documentation to [PostFundingAdjustments@bayviewloans.com](mailto:PostFundingAdjustments@bayviewloans.com).
- If the subject loan has been sold, paid in full or an escrow analysis has already been performed, Lakeview is not responsible for any reimbursement to the correspondent.
- Requests for reimbursements resulting from the under disclosure of monthly escrow estimates will not be accepted. Correspondents are responsible for ensuring prudent underwriting policies are utilized that meet agency requirements for estimating monthly escrow payments.
- Loans that are currently in active forbearance are not eligible for escrow adjustments.
- Invoices related to taxes, HOI and/or MI after Lakeview purchases the loan should not be paid by the Seller. Forward these invoices to the post funding adjustment mailbox.

Please follow the below documentation guidance when submitting Post-Acquisition Adjustments.

Request Type	Documentation Needed
MI Payment Reimbursement	Copy of payment history
Tax Payment Reimbursement	Copy of tax bill and payment history
HOI Reimbursement	Copy of HOI bill and copy of check/wire sent

Escrow amount updates	Copy of PCCD
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**Servicing - Hazard/ Flood Loss Payee**

**For DSCR loans:**

Community Loan Servicing, LLC Its Successors and/or Assigns  
P.O. Box 5933  
Troy, MI 48007-5933

**For Agency, Agency Investor Plus, Jumbo and Bank Statement loans:**

Nationstar Mortgage LLC Its Successors and/or Assigns  
P.O. Box 7729  
Springfield, OH 45501-7729

**Servicing – Payment Mailing Addresses**

**For DSCR loans:**

Community Loan Servicing, LLC  
P.O. Box 740410  
Cincinnati, OH 45274-0410

**For Agency, Agency Investor Plus, Jumbo and Bank Statement loans:**

Nationstar Mortgage LLC d/b/a Mr. Cooper  
P.O. Box 650783  
Dallas, TX 75265-0783

**Early Pay Offs After Mortgage Loan Purchase**

If the Seller, or a servicer acting as the Seller’s agent, receives a Payoff for a Mortgage after Company funds the Seller based on the Wire Date from Purchase Advice herein known as the “Purchase Date”, it is the responsibility of the Seller to notify Company immediately. Timely notification is critical to avoid additional costs to the Seller and to safeguard the Borrower from any negative credit impact.

1. If Company is notified of the payoff within 7 days of the Purchase Date, the Seller must contact Post Funding at [postfundingadjustments@bayviewloans.com](mailto:postfundingadjustments@bayviewloans.com).

We will permit the original wire to be returned, our servicer will deboard the loan and a Pair Off will be invoiced based on our Seller’s Guide Chapter 1D.

2. If Company is notified after 7 days from the Purchase Date, the Seller must notify our servicer directly for a payoff quote:
  - a. Bayview DSCR locked loans - [FirstYearExperience@communityloanservicing.com](mailto:FirstYearExperience@communityloanservicing.com)
  - b. Bayview Non-DSCR locked loans – [Lakeview@Mr.Cooper.com](mailto:Lakeview@Mr.Cooper.com)

Should the Seller, or a servicer acting as the Seller’s agent, fail to either (a) promptly notify Company of receipt of Payoff, (b) timely remit Payoff funds, or (c) short fund the payoff quoted by Company’s servicer, Seller will owe Company any and all additional outstanding funds accrued to the Borrower’s account during the period of delay of notice, including but not limited to interest, fees, penalties and other charges.

- ***Company does not, under any circumstances, authorize the Seller, or a servicer acting as the Seller’s agent, to prepare, execute, record or otherwise process a release or satisfaction on a Mortgage Loan which Company has purchased.***

### Interim Servicing

The Seller (or their assigned sub-servicer) is responsible for the interim servicing period of the Mortgage Loan until such time the Mortgage Loan has been purchased by and servicing has been transferred to Company.

The interim servicing period ("Interim Period") shall be defined as the period of time between the Wire Date on the Purchase Advice ("Purchase Date") and the effective date of transfer identified as the "1<sup>st</sup> Due to Purchaser" on the top right section of the Purchase Advice. The Interim Period includes providing notices to the Borrower, the collection of monthly contractual payments and the disbursement of taxes, insurance and other fees and costs due, except where otherwise explicitly stated in the Sellers Guide. Escrow payments due within the Interim Period should be paid by the Seller and a request for reimbursement submitted to the Post Funding Adjustments team via email at [postfundingadjustments@bayviewloans.com](mailto:postfundingadjustments@bayviewloans.com). See Section B803 Post Acquisitions for further details and requirements regarding reimbursements for escrows.

Company assumes Seller will collect scheduled contractual payments that have already come due prior to 1<sup>st</sup> Due to Purchaser Date.

During the interim period, borrowers may opt to make additional principal reduction payments reducing the Mortgage Loan balance beyond what Company has paid the Seller for the loan. Should the Borrower(s) make such principal reduction payments, those additional payments should be forwarded to Company as per the payment forwarding instructions listed in Company's Quick Reference Guide (QRG). The Seller may also reach out to the [postfundingadjustments@bayviewloans.com](mailto:postfundingadjustments@bayviewloans.com) email box for ACH/Wire instructions or for further guidance. The Seller should email the Company's sub-servicer found on the QRG with payment breakdown of the funds being forwarded for proper posting including:

1. Loan Number
2. Borrower's Name
3. Amount
4. How funds should be posted to the borrower's account

Company's post-acquisition adjustment team will work directly with the Seller to resolve any funding issues within 120 calendar days of the loan purchase date. Requests received after 120 calendar days of the loan purchase date are not eligible for reimbursement. Also see section B803 Post Acquisition for further information.

### First Payment Refund Research Requests

If the Seller did not receive the final contractual monthly Borrower payment due the Seller on a Mortgage loan sold to Company, the Seller may email [postfundingadjustments@bayviewloans.com](mailto:postfundingadjustments@bayviewloans.com) to research with our sub-servicer.

All requests should include:

- Loan Number
- Borrower's Name
- Property Address
- Due Date of the missing monthly contractual payment

Upon the receipt of a request from the Seller within the first three (3) months from the date of the first Monthly Payment due Company, Company will:

- Research the Mortgage loan,
  - If after research it is determined Company or our sub-servicer has received the amount that totals at least an entire extra contractual Monthly Payment, and

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- The amount was received by Company or our sub-servicer no later than the 18<sup>th</sup> of the month prior to the month in which the next contractual Monthly Payment is due Company or our sub-servicer, then
- The prepaid contractual Monthly Payment will be reversed from the borrower's account and remitted to the Seller.

If the payment request is received by the Company's Post Funding Adjustments team more than three (3) months after the date of the first contractual Monthly Payment due Company on the Mortgage Loan (whether prepaid or not), the request will not be processed.

### **Post-Purchase Payments Received by Seller**

Should the Seller receive payments due to Company, Sellers must endorse and forward those payment to Company upon receipt. See Quick Reference Guide for forwarding instructions or reach out to [postfundingadjustments@bayviewloans.com](mailto:postfundingadjustments@bayviewloans.com) for ACH/wire instructions. Include the Company's loan number on all checks and correspondent sent to Company or our sub-servicer for processing. If sending funds via ACH/Wire, please email backup including the loan number, Borrower's Name, Amount and how the funds are to be applied to each loan(s) to [postfundingadjustments@bayviewloans.com](mailto:postfundingadjustments@bayviewloans.com).

### **Post-Purchase Non-Sufficient Funds – Borrower Payment Checks**

Sellers receiving notification of a returned Borrower payment for non-sufficient funds ("NSF") on a purchased loan payment should notify [postfundingadjustments@bayviewloans.com](mailto:postfundingadjustments@bayviewloans.com) immediately. The Post Funding Adjustments team will notify our sub-servicer for any refund due Seller. Please attach a copy of NSF backup documentation to email to the Post Funding Adjustments team.

### **Private Mortgage Insurance Premium Remittance (If applicable)**

For all loans purchased on or after June 9, 2016, the Seller will be responsible for making the payment to the private mortgage insurance company or to HUD on loans for the months they are servicing contractual payments. Company will not deduct the MI payments from the Purchase Advice at the time of purchase.

For loans purchased when the first payment due date on the Note is also the first payment due to Company, Company will be responsible for making the payment to the private mortgage insurance company or to HUD.

### **Chapter 8C Funding Requirements and Wire Instructions**

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This chapter describes Company's processes to wire transfer payments to Seller for funded Mortgage Loans purchased by Company, and procedures for complying with Sellers' remittance obligations.

#### **C800 Holidays**

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The federally recognized holidays in section 6103(a) of title 5, of the United States Code at the time of publication of this Guide are as follows:

- New Year's Day;
- Martin Luther King, Jr. Day;
- Washington's Birthday;
- Memorial Day;
- Juneteenth National Independence Day;
- Independence Day;
- Labor Day;
- Columbus Day;
- Veterans Day;
- Thanksgiving Day; and
- Christmas Day.

On federal holidays' banks and the U.S. Postal Service do not operate and wire transfers of funds do not occur. Federal holidays are not included in the rescission period on refinance transactions. Company's wire desk is closed on all federal holidays. Any funds that would otherwise be due for wiring on a federal holiday will be wired on the following Business Day.

Apart from the wire desk schedule noted above, Company observes the following holidays:

- New Year's Day;
- Memorial Day;
- Independence Day;
- Labor Day;
- Thanksgiving Day; and
- Christmas Day.

#### **C801 Purchase Mortgage Loans at Scheduled Balance**

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Company assumes Seller will collect scheduled payments that have already become due.

In an effort to allow correspondent lenders time to meet "Good-Bye Letter" timeline requirements, Company's amortization trigger date is the 11<sup>th</sup> calendar day of each month:

- For loans purchased prior to the 11<sup>th</sup> calendar day of each month, the effective Servicing Transfer Date will be the 1<sup>st</sup> day of the month following the month of the loan purchase.
- For loans purchased on or after the 11<sup>th</sup> calendar day of each month, the effective Servicing Transfer Date will be the 1<sup>st</sup> day of the second month following the month in which the loan was purchased.



The effective date of transfer is identified as the “1<sup>st</sup> Due to Purchaser” on the top right section of the Purchase Advise.

### **C802 Wire Transfer Process**

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Prior to wiring funds to Seller, Company will review the Funding Documents and make a determination regarding completeness and accuracy. If Company agrees the delivery is complete and accurate, the following occurs:

1. Using Seller’s wire instructions, Company wires the agreed-upon funds to Seller. Company will make commercially reasonable efforts to initiate each wire transfer in sufficient time to credit Seller’s account on the scheduled Funding Date.
2. Seller may view the purchase advice at [www.LakeviewCorrespondent.com](http://www.LakeviewCorrespondent.com) on the day of funding. The purchase advice will itemize the payments in a funding wire. Sellers may access a purchase advice for Mortgage Loans that fund on that day or for historical purposes. A purchase advice will remain on the website for approximately one year after funding.
3. Any fees due to Company will be netted from the wired funds ( e.g.: underwriting fee; funding fee; standard flood hazard determination fee; MERS fee; tax service fee; or interest charges).

Seller is solely responsible for the purchase advice reconciliation. Seller must notify Company of any disputes immediately upon discovery. Seller must deliver any request to Company for corrections to payments due to Seller within 120 days of the due date, or the right to pursue such disputes will be deemed waived by Seller.

### **Chapter 8D Administration of Transfer of Servicing**

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This chapter describes the Seller’s obligations to administer the transfer of servicing, including the obligation to send the servicing transfer notices on related Mortgage Loans in accordance with Applicable Requirements.

#### **D800 Servicing Transfer Notices**

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For each Mortgage Loan, by the date that is at least fifteen calendar days prior to the Effective Date of Transfer, the Seller, at its expense, shall send a notice of servicing transfer to the Borrower and Co-Borrower, if applicable, of the transfer of the Mortgage Loan and instruct each Borrower to remit all Monthly Payments and all tax and insurance notices to Company at the address designated by Company as of the transfer date. Such notice of servicing transfers must be provided on such date and be in such form as is reasonably acceptable to Company; provided that in any event the form and provision of such notice of servicing transfer letters shall comply with the Applicable Requirements. The Seller must provide Company with copies of all such servicing transfer notices provided to the Borrower and Co-Borrower, if applicable.

#### **D801 Property Taxes and Charges**

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All taxes, governmental assessments, insurance premiums, water, sewer, municipal charges, Leasehold payments or ground rents, and common charges of condominiums or planned unit developments relating to the Mortgage Loans, which have become or will become due within 30 days after the Effective Date of Transfer must be paid by the Seller prior to the Effective Date of Transfer (provided that the Seller, or its tax service provider has received such notice prior to the Effective Date of Transfer) to the extent of escrow payments made by the applicable Borrower with respect thereto. The Seller will pay Company any penalty charges or the amount of any discounts lost as a result of a failure to pay tax bills which are

due and payable the extent of escrow payments made by the applicable Borrower with respect thereto, which are subsequently incurred by Company.

### **D802 Forwarding of Payments**

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All Mortgage Loan payments and other funds or payments, all other bills, and all transmittal lists or any other information used to pay bills pertaining to the Mortgage Loans, and all documents, notices, correspondence and other documentation related to the Mortgage Loans, that are received by Seller after the applicable Effective Date of Transfer must be forwarded by Seller, at Seller's expense: (i) to Company at the address designated by Company by overnight delivery within two Business Days following Seller's receipt thereof for the first 30 days after the Effective Date of Transfer, (ii) to Company at the address designated by purchaser by first class mail within two Business Days following Seller's receipt thereof for the next 30 days thereafter, and (iii) to the sender thereof by first class mail within two Business Days following Seller's receipt thereof, with appropriate notice of the transfer hereunder, for all periods following the 60th day after the Effective Date of Transfer.

### **D803 Tax Reporting Statement to Borrowers**

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For the servicing of the Mortgage Loans for period up to the Effective Date of Transfer established in the Mortgage Loan Purchase Agreement, the Seller must provide the Borrower and Co-Borrower with the tax reporting statements as required by Internal Revenue Service or Treasury Department regulations and such statements shall reflect the status of the Mortgage Loan for the period up to the Effective Date of Transfer.

### **Chapter 9 Definitions**

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The terms defined below shall have the same meaning throughout this Guide, unless the context clearly requires otherwise.

#### **1031 Tax Deferred Exchange**

A section of the U.S. Internal Revenue code that applies to business use or investment properties including rental, land and commercial real estate. It provides a safe and legal procedure for rolling sales profits into new property as a non-taxable exchange. These exchanges are often referred to as Starker exchanges.

#### **Acord Certificate**

An Acord Certificate of liability insurance is a document that an organization must have. This document contains a summary of information about the insurance coverage. A certificate is not the same as an insurance policy.

#### **Acquisition Cost/Mortgage Basis**

Total cost to the buyer for the real estate securing the Mortgage, including the sales price, cost of any required repairs paid for by the buyer, plus allowable closing costs. Total acquisition does not include non-realty items, prepaid expenses (such as taxes, assessments, and insurance premiums), or seller concessions.

#### **Active Duty**

Full-time occupation as part of a military force. Because of Public Law 97-66, service in the armed forces, for the purpose of eligibility for entitlement, does not commence until entry in to actual active duty status regardless of any reserve duty prior to that date OR enlistment under the delayed entry program (considered in the reserves until reporting to active duty).

#### **Adjustable-Rate Mortgage (ARM)**

A mortgage loan that allows the lender to adjust the interest rate in accordance with a specified index periodically and as agreed to at the inception of the loan. Also referred to as a variable rate mortgage (VRM).

#### **Adjustment Date**

The date on which the interest rate changes for an adjustable-rate mortgage (ARM).

#### **ADP Codes (Automated Data Processing)**

The ADP Code identifies a specific section of the National Housing Act that applies to a loan insurance program. This code breaks down a program by its features, such as, financing type, loan amount, property type.

#### **Affiliates**

Any person or entity controlling, controlled by or under common control with a person or entity. Control means the power to direct the management and policies of a person or entity, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and controlling and controlled shall have meanings correlative to the foregoing.

#### **Agency**

Fannie Mae or Freddie Mac.

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### Agency Guide

Fannie Mae's Selling Guide and Freddie Mac's Single-Family Seller/Servicer Guide, as the same may be amended, supplemented, or replaced from time to time.

### Allonge

A separate piece of paper on which is written endorsements to a bill of exchange or promissory note. This is usually done when the original document was not endorsed. The piece of paper must be securely attached to the instrument that is being endorsed.

### ALTA

American Land Title Association  
1828 L Street NW, Suite 705  
Washington, DC 20036  
800.787.ALTA

### Alternative Documentation

A documentation option that allows lenders to obtain documentation related to a Borrower's income, employment, funds for closing, and mortgage payment history directly from the Borrowers, rather than from the Borrowers' employer, bank, or mortgage servicer. Samples of alternative documentation include W-2 forms, bank statements, paystubs, and canceled checks.

### AMC Service

Appraisal Management Company Service

### American Institute of Real Estate Appraisers

A global membership association of professional real estate appraisers throughout the world. Its mission is to advance professionalism and ethics, global standards, methodologies, and practices through the professional development of property economics worldwide.

### American Society of Appraisers

Organization established to foster professional excellence in its membership through education, accreditation, publication and other services with an emphasis on professional ethics to protect the public.

### Annual Percentage Rate (APR)

The actual cost of borrowing money expressed in the form of an annual rate to make it easy to compare costs between lenders. The rate includes such items as the base interest rate, origination fees, commitment fees, prepaid interest, and any other credit costs that may be paid by a Borrower to obtain a loan.

### Anti-Money Laundering Laws

All applicable federal, state and local anti-money laundering laws, orders and regulations to the extent applicable to Seller or its agent, including without limitation the USA PATRIOT Act of 2001, the Bank Secrecy Act and the OFAC Regulations.

### Applicable Requirements

With respect to the Mortgage Loans: (a) all contractual obligations of the Seller, the originator (if different from the Seller) and any prior servicer (if different from the Seller), including without limitation those contractual obligations contained in the Mortgage Loan Purchase Agreement, in any agreement with any

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Insurer or in the Mortgage Loan Documents for which the Seller, the originator (if different from the Seller) and any prior servicer (if different from the Seller) was or is responsible; (b) all applicable federal, state and local legal and regulatory requirements (including statutes, rules, regulations and ordinances); (c) all other applicable requirements and guidelines of each governmental agency, board, commission, instrumentality and other governmental body or office having jurisdiction, and all applicable requirements and guidelines of any Insurer; (d) all other applicable judicial and administrative judgments, orders, stipulations, awards, writs and injunctions, and (e) the reasonable and customary servicing practices of prudent lending institutions which service loans of the same type and credit quality as the Mortgage Loans in the respective jurisdictions in which the related Mortgaged Properties are located.

### **Appraisal Independence Requirements**

Valuation requirements set forth in Title XIV, Subtitle F, Section 1472 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (adding Section 129E to the Truth in Lending Act 15 U.S.C. 1631 et seq.) and any regulations promulgated pursuant thereto.

### **Appraiser Independence Requirements**

Valuation standards published by Fannie Mae and Freddie Mac.

### **Appraisal Standards Board of the Appraisal Foundation**

The board that develops, interprets and amends the Uniform Standards of Professional Appraisal Practice.

### **Approved Contract Underwriter**

Those underwriters on the list of approved contract underwriters provided to Seller by Company.

### **ARM Mortgage Loan**

A mortgage loan that allows the lender to adjust the interest rate in accordance with a specified index periodically and as agreed to at the inception of the loan. Also referred to as a variable rate mortgage (VRM).

### **Arm's Length Transaction**

A transaction between parties with no degree of relationship. The parties involved are entirely independent of each other, deal with each other as strangers, and have no reason for collusion. Also, see Non-Arm's Length Transaction.

### **Assignment of Mortgage**

A document sufficient under the laws of the jurisdiction where the related Mortgaged Property is located to reflect all transfers of the Security Instrument.

### **Attorney in Fact**

An individual, not necessarily an attorney, who is authorized to act for another in a specific or general assignment. This individual has privileges afforded as under power of attorney.

### **Audit Completion Date**

The audit completion date is defined as the day on which the credit and compliance deficiencies are published to the correspondent via the Company client portal.

### **Automated Underwriting System**

Systems such as Desktop Underwriter (DU), Desktop Originator (DO) and Loan Prospector (LP).

### **Automated Valuation Model (AVM)**

A model using at least one of the two following methodologies to arrive at a determination of value for real property without the use of, or with limited intervention by a human appraiser. See also Qualified AVM.

Index or repeat sales model: A mathematical model that derives an estimate of current market value by taking an old value from a previous sale or refinance and applying a market rate of change to reflect a present day value. The market rate of change percentage is derived from looking at repeat sales within a limited geographic area (i.e., 5-digit zip); by property type (e.g., Condominium, detached, 2-4 unit); and often within price bands (e.g., <50% of median price, 50-100% of median, 100 - 150% of median, and >150% of median), for the same period as the Mortgaged Property.

Hedonic or regression models: Also referred to as comparable sales models, these models derive an estimate of current market value by analyzing the various characteristics of like properties (e.g., square footage, lot size, number of bedrooms). The model then determines the impact that each characteristic has on value by looking at the characteristics of recent sales within a limited geographic area (i.e., 5-digit zip) and determining an appropriate formula. By applying the characteristics of the Mortgaged Property to this formula, a current value can be derived.

### **Bank Secrecy Act**

A federal law, Public Law 91-508, as amended, and its implementing regulations. The Bank Secrecy Act requires U.S. financial institutions to assist U.S. government agencies to detect and prevent money laundering.

### **Bayview Acquisitions**

Bayview Acquisitions, LLC, and its successors and assigns.

### **Best Efforts Delivery Commitment**

A commitment under which Seller has committed that it shall make best efforts to close on an eligible-for-purchase Mortgage Loan, which conforms to the Mortgage Loan described in the Commitment, and that if Seller does so, then purchaser will purchase the Mortgage Loan in accordance with the Guide.

### **Board of Governors of the Federal Reserve System**

The main governing body of the Federal Reserve System. It is charged with overseeing the Federal Reserve Banks and with helping implement the monetary policy of the United States.

### **Borrower**

The party that receives funds in the form of a loan with the obligation of repaying the loan in full with interest, if applicable. A Borrower is also referred to as a mortgagor. Also see Co-Borrower.

### **Bridge Loan**

A short-term form of second mortgage that is collateralized by the Borrowers' present home (which is usually for sale) in a manner that allows the proceeds to be used as down payment funds for closing on a new house before the present home is sold. Also referred to as a swing loan or gap financing.

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### **Brokers**

An eligible residential mortgage company, financial institution or other financial intermediary that assigns mortgage loan applications secured by one-to-four family dwellings for underwriting and closing in the name of Company.

### **Bulk Purchase Commitments**

A commitment that is taken for a specified dollar amount, a specified loan program, a specified interest rate range, and a specified number of days. Also see Best Efforts Delivery Commitment.

### **Business Day**

Any day other than a Saturday, Sunday, or any of the holidays upon which Company is officially closed for business, as set forth in the Holidays section in Chapter 7C, Funding Requirements and Wire Instructions.

### **Cash-Out Refinance**

A Mortgage Loan whose proceeds are distributed for debt consolidation, cash-in-hand, payoff of non-seasoned closed-end subordinate mortgages and payoff of lines of credit with cash advances in the past 12 months

### **CEMA**

A CEMA mortgage is a Consolidation Extension and Modification Agreement that reduces costs on mortgage recording tax costs in New York. The amount owed is based on the difference between the new mortgage amount and the old mortgage amount instead of only the new mortgage amount.

### **CFPB**

Consumer Financial Protection Bureau, an agency created by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The CFPB supervises certain consumer financial services companies and large depository institutions and their affiliates for consumer protection purposes.

### **Client Manager**

Seller's contact within Company.

### **Closing File**

The file consisting of the related closing documents (which may be originals, copies or electronic images) pertaining to each Mortgage Loan that BLS deems necessary for it to diligence the Mortgage Loan prior to its acquisition by Purchaser, consisting of the documents contained in the closing checklist provided on BLS' website, and as otherwise required by BLS in accordance with the Guide.

### **Closing Protection Letter**

An indemnity given to a lender from a title insurance company, agreeing to be responsible of the closing agent does not follow the lender's instructions or misappropriates the loan proceeds.

### **CLTA**

California Land Title Association  
1110 K Street, Suite 100  
Sacramento, CA 95814  
916.444.2647

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### **Co-Borrower**

Describes any Borrower other than the Primary Borrower.

### **Commitment Desk**

A department of Company that will address questions about the sale and delivery of Mortgage Loans to Company.

### **Common Interest Apartments**

A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building. The project or building is often owned by several owners as tenants in common or by a HOA.

### **Commitment Period**

The period of time for any particular commitment during which Seller has committed to deliver an eligible-for-purchase Mortgage Loan which conforms to the Mortgage Loan described in the Interest Rate Lock Commitment.

### **Commission**

The United States Securities and Exchange Commission.

### **Comparable Rent Schedule**

Fannie Mae Form 1007.

### **Compensating Factors**

Positive characteristics of a Borrower's credit, employment or savings history that may be used to offset high debt-to-income ratios in the underwriting process.

### **Compliance Alert**

Communication from Company addressing legal requirements related to the origination of Mortgage Loans.

### **Condo-Hotel**

A Condominium that is operated as a commercial hotel even though the units are individually owned. A Condo-Hotel is often referred to as a condotel or a condominium hotel.

### **Condominium (Condo)**

A unit in a condominium project. Each unit owner has title to his or her individual unit, an individual interest in the project's common areas, and, in some cases, the exclusive use of certain limited common areas.

### **Conforming Loan**

A mortgage loan that meets the underwriting guidelines, loan amount limits, and regulatory parameters set by Freddie Mac and Fannie Mae.

### **Confidential Information**

Trade secrets, confidential and proprietary methods, techniques, processes, applications, approaches, products, programs, policies, practices and procedures in various forms, which information is used or is



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useful in the conduct of Company's business, including Company's origination, purchase, sale and servicing of mortgage products.

### **Consumer**

The term, as defined in the Privacy Regulation, as amended. That term is currently defined as an individual who obtains or has obtained a financial product or service from a bank that is to be used primarily for personal, family, or household purposes, or that individual's legal representative.

### **Consumer Credit Counseling**

Service that is intended for Borrowers to reduce debt

### **Consumer Information**

Information, including nonpublic personal information, concerning an individual who obtains, from a financial institution, financial products or services which are to be used primarily for personal, family, or household purposes.

### **Conventional Mortgage Loan**

A mortgage loan that is not insured or guaranteed by the federal government (FHA or VA).

### **Corporate Resolution**

A corporate resolution is a corporate action, sometimes in the form of a legal document that will be voted on or has been voted on at a meeting of the board of directors for a corporation

### **Corporate Trade Name Certificate**

A certificate granted by a state authority that allows an entity to transact business under a name other than its own.

### **Counterparty Risk Management**

The risk group within the Company originations business unit responsible for the execution of the approval standards established in this Guide.

### **CPA**

Certified Public Accountant

### **CPM (Condominium Project Manager)**

Fannie Mae's automated system that evaluates and approves Condominium projects based on the eligibility criteria that the user enters into the system.

### **Credit File**

The file consisting of the related credit documents (which may be originals, copies or electronic images) pertaining to the credit documentation of each Mortgage Loan that BLS deems necessary for it to diligence the Mortgage Loan prior to its acquisition by purchaser, consisting of the documents contained in the credit checklist provided on BLS' website, and as otherwise required by BLS in accordance with the Guide.

### **Credit Score**

Also known as the FICO Score, Beacon or Empirica, an index assessing the Borrower's credit history. The Credit Score evaluates and considers only the information in a Borrower's file at a credit reporting

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agency. As an index, the score reflects the relative risk of serious delinquency, default, foreclosure or bankruptcy associated with a Borrower. A Credit Score is available (as an enhancement to the credit report) through the following repositories:

- Equifax and Equifax Canada
- Beacon
- Trans Union
- Empirica
- Experian
- FICO
- Credit Utilization

A Credit Score also may include an evaluation to determine the Borrower's use of revolving credit by comparing the current balance on each open account to the amount of credit that is available. This evaluation allows Seller to determine whether the Borrower has a pattern of using revolving accounts up to the credit limit. Credit histories with a low balances-to-limits ratio generally represent a lower credit risk, while those that include accounts with a high balances-to-limits ratio represent a higher credit risk.

### **Debt Service Coverage Ratio**

The Debt Service Coverage Ratio is calculated as the property gross rent divided by the qualifying payment

### **Delegated Mortgage Loan**

With respect to a Mortgage Loan, any Mortgage Loan other than a Non-Delegated Mortgage Loan.

### **Delinquent**

A loan is delinquent when part of the Borrower's monthly installment of principal, interest and, where applicable, Escrow/Impound contractually due under the Mortgage Note is unpaid after the due date.

### **Delivery Date**

The date on which Company actually receives Seller's Funding Documents. The posting of the Funding Documents with the U.S. Postal Service or any other delivery service does not constitute delivery to Company.

### **Delivery Expiration Date**

Date that the completed closed Mortgage Loan File is required to be received by Company.

### **Department of Housing and Urban Development (HUD)**

The Department of Housing and Urban Development, or any federal agency thereof which may from time to time succeed to the functions thereof with regard to FHA Mortgage Insurance. The term "HUD" for purposes of this Guide, is also deemed to include subdivisions thereof, such as the FHA.

### **Designated Servicer**

A person or entity that has been designated by Company to service any Mortgage Loan with respect to which Company or Bayview Acquisitions purchases the Servicing Rights.

### **Desktop Originator (DO) / Desktop Underwriter (DU)**

Fannie Mae's automated decisioning tool.

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### **Direct Endorsement**

HUD program whereby a lender, having successfully completed the pre-closing review phase, receives unconditional approval from FHA and may close loans prior to submitting them to FHA for endorsement.

### **Director of Business Development**

The Company associate, by whatever name, assigned to the Seller for the purpose of facilitating the loan sale relationship under this Guide. Also known as an account executive.

### **Dodd-Frank Wall Street Reform and Consumer Protection Act**

A federal law, public law 111-203, that established the Consumer Financial Protection Bureau and authorizes it to supervise certain consumer financial services companies and large depository institutions and their Affiliates for consumer protection purposes.

### **Domestic Partner**

An eligible Borrower and one other person (of the same or opposite sex) sharing a committed relationship that includes the following features: common residence, financial interdependence, joint responsibility for each other's welfare, and couples who consider themselves to be life partners. Roommates, siblings, parents, and people sharing other blood relationships are not considered to be domestic partners.

### **Final Documents**

The documents described in section B702 of this Guide.

### **Early Scheduled Transfer**

The simultaneous sale of Servicing Rights with the Sale Date being the date on which the Purchase Price of the Mortgage Loan is funded, and the Effective Date of Transfer being the first day of the month following the Sale Date.

### **Effective Date of Transfer**

The date on which the responsibility for the servicing of a Mortgage Loan is assumed by the Designated Servicer and responsibility for the servicing representations, warranties and duties are transferred to the Designated Servicer. In the case of negotiated bulk servicing acquisition of Servicing Rights, the Effective Date of Transfer shall be the date agreed upon by Seller and Company. In the case of any sale of Servicing Rights to Company on a loan-by-loan basis, the Effective Date of Transfer:

For a simultaneous sale of Servicing Rights it is the first day of the second month following the Sale Date for an Early Scheduled Transfer, in which case the Effective Date of Transfer is the first day of the month following the Sale Date.

For a post purchase sale of Servicing Rights and an early purchase of the Servicing Rights, it is the first day of the month following the Sale Date.

### **Errors and Omissions (E&O)**

A type of indirect loss insurance used to cover losses that occur because of an error or neglect on the part of an employee to whom a specific responsibility has been assigned.

### **E-SIGN**

The official text of the federal Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001, et seq.

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### Escrow/Impound

All funds collected by Seller and/or Designated Servicer to cover expenses of the Borrower required to be paid under the Security Instrument, including, but not limited to, taxes, special assessments, ground rents, water, sewer and other governmental impositions or charges that are or may become liens on the Mortgaged Property prior to that of the Mortgage Loan, as well as hazard, flood and mortgage insurance premiums.

### Established Relationship

Defined as follows:

- Immediate Family:
  - Parents
  - Siblings
  - Children
  - Spouse
  - Grandparents
  - Aunts
  - Uncles
  - Domestic Partner
  - Fiancée or fiancé

### Event of Default

The events set forth in Chapter 1D of the Guide and characterized as “Events of Default” which would result in remedies being available to Company.

### Executive Order 13224

An Executive Order effective September 24, 2001, which is designed to combat terrorist activities by restricting terrorist groups’ access to financial resources in the United States. The Executive Order included an initial list of designated “block persons.”

### FACT Act

Allows consumers to request and obtain a free credit report once every twelve months from each of the three nationwide consumer credit reporting companies (Equifax, Experian and TransUnion). The act also contains provisions to help reduce identity theft, such as the ability for individuals to place alerts on their credit histories if identity theft is suspected, or if deploying overseas in the military, thereby making fraudulent applications for credit more difficult. Further, it requires secure disposal of consumer information.

### Factory-Built Home

Many types of housing structures are constructed right in the factory and are designed for long-term residential use. There are five categories of Factory-Built Homes which include: Manufactured Home, Modular Home, Mobile Home, Panelized Home and Pre-cut Home and each are defined individually in the Guide.

### Fannie Mae

The government sponsored enterprise formerly known as Federal National Mortgage Association, or any successor thereto.

### **Fannie Mae or Freddie Mac Uniform Note**

The applicable form of instrument evidencing obligation to repay a Mortgage Loan currently used by Fannie Mae or Freddie Mac, including any addenda thereto.

### **Federal Deposit Insurance Corporation (FDIC)**

An independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships.

### **Federal Emergency Management Agency (FEMA)**

FEMA provides supplemental federal disaster grant assistance for debris removal, emergency protective measures, and the repair, replacement, or restoration of disaster-damaged, publicly owned facilities and the facilities of certain private non-profit organizations.

### **Federal Home Loan Mortgage Corporation (FHLMC)**

Also referred to as Freddie Mac. A quasi-governmental agency that purchases conventional mortgages in the secondary mortgage market. It sells participation sales certificates secured by pools of conventional loans; their principal and interest are guaranteed by the federal government through Freddie Mac. It also sells Ginnie Mae bonds to raise funds to finance the purchase of mortgages.

### **Federal Housing Administration (FHA)**

The Federal Housing Administration, an agency within the Department of Housing and Urban Development, or any successor thereto. FHA was established in 1934 to increase home ownership by providing an insurance program to safeguard lenders against Borrower default. The FHA sets standards for property construction and credit underwriting, but it does not lend money, plan or build housing

### **Federal National Mortgage Association (FNMA)**

Also referred to as Fannie Mae. A government-sponsored private corporation created by Congress to support the secondary mortgage market. It is the largest purchaser and seller of conventional residential mortgages, as well as mortgages insured by the FHA or guaranteed by the VA.

### **FHA**

Federal Housing Administration.

### **FHA Loan**

Any Mortgage Loan that is subject to an insurance policy granted by the FHA and is eligible for reimbursement under the insurance policy.

### **FHA MIC**

FHA Mortgage Insurance Certificate evidencing that FHA has insured the loan.

### **FHA Regulations**

Regulations promulgated by HUD under the Housing Act, codified in 24 Code of Federal Regulations, and other HUD issuances relating to mortgage loans insured by the FHA, including, without limitation, related handbooks, circulars, notices and mortgage letters.

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### **Fidelity Bond Insurance**

A liability insurance coverage for loss caused by dishonest or fraudulent acts committed by persons covered by the policy.

### **FIRREA**

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law 101-73, as amended. Title XI of FIRREA sets forth, among other requirements, minimum standards for the performance of real estate appraisals in connection with federally related transactions.

### **First Lien**

A legal claim against property, wherein the value of the property is used as security in repayment of a debt that must be satisfied first when the property is sold.

### **First Lien Mortgage Loan**

A mortgage loan secured by a first lien on a one-to-four family residence.

### **Flood Insurance**

Insurance that compensates the property owner for physical property damage resulting from flooding. Flood insurance is required if the property improvements are located in federally designated Special Flood Hazard Areas. If the land is in the flood hazard area, but the improvements are not, flood insurance is not required.

### **Freddie Mac**

The government sponsored enterprise formerly known as the Federal Home Loan Mortgage Corporation, or any successor thereto.

### **Frozen Credit**

In certain circumstances, a Borrower has the right to freeze his or her credit information at one or more of the three national repositories, prohibiting a third party gaining access to their credit information.

### **Funding Amount**

The funds wire transferred to Seller on the Funding Date in payment for any Mortgage Loan and Servicing Rights (if applicable) sold by Seller to Company.

### **Funding Date**

The date the Funding Amount is wire transferred to Seller in payment for any Mortgage Loan and Servicing Rights (if applicable) sold by Seller to Company.

### **Funding Documents**

The documents provided prior to funding, including: (i) the Mortgage Note, endorsed to blank, (ii) a copy of the executed Mortgage along with evidence that it has been submitted for recording, (iii) all intervening assignments of Mortgage with evidence of recording thereon in the event that Seller did not originate the Mortgage, any assignments required by MERS, or any other assignments otherwise necessary to reflect that legal and beneficial title to the Mortgage rests in the purchaser or its designee (which may be BLS); and all other documentation required by BLS in accordance with this Guide (which may be specified in this Guide, an exhibit to this Guide or on any website referenced in this Guide) that purchaser requires to purchase the Mortgage Loan.

### **GAAP**

Generally accepted accounting principles in effect from time to time in the United States as set forth in pronouncements of the Financial Accounting Standards Board (and its predecessors) and the American Institute of Certified Public Accountants.

### **Ginnie Mae**

The Government National Mortgage Association and any successor thereto.

### **Governmental Authority**

Any foreign, domestic, federal, territorial, state, or local governmental authority, quasi-governmental authority, instrumentality, court, government, or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing and, for purposes of determining Seller's obligations and Company's rights, shall include the rules, regulations and any order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction, or other similar determination or finding by, before, or under the supervision of HUD, FHA, VA, CFPB, Fannie Mae and Freddie Mac.

### **Government Loans**

Those loans guaranteed or insured by an agency of the United States government.

### **Gramm-Leach-Bliley Act**

A federal law, 15 U.S.C. 6802–6809, governing the disclosure of nonpublic personal information about consumers, as amended from time to time. **Guide**

This Community Loan Servicing, LLC Seller Guide, as amended, supplemented or replaced.

### **HAWK Alert, SafeScan, FACS**

Service provided by credit vendors for the purpose of fraud prevention. These services provide red flag messaging that needs to be addressed in the Mortgage Loan File.

### **Hazard Insurance**

Insurance coverage that compensates for physical damage—by fire, wind, or other natural disasters—to the property.

### **HELOC**

Home Equity Line of Credit

### **Higher-Priced Mortgage Loan (HPML)**

A first-lien Mortgage secured by a primary residence that has an APR of 1.5% or more above the average prime offer rate ("APOR") for a comparable transaction as of the rate lock date. APR and APOR are both defined in Regulation Z of the Board of Governors of the Federal Reserve System. The APOR is published at least weekly by the Federal Reserve Board and is derived from pricing terms obtained from a survey of prime mortgage lenders.

### **Home Mortgage Disclosure Act (HMDA)**

The Home Mortgage Disclosure Act, implemented by Federal Reserve Regulation C, is intended to provide the public and regulatory agencies with loan data that can be used, among other things, to assist

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in determining to what extent financial institutions are servicing the housing needs of their communities and identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes.

### **Homeowners' Association (HOA)**

An owners group that manages common areas whether in a PUD, Condominium, or single family subdivision that establishes general guidelines for the operation of the community, as well as its standards.

### **Home Ownership and Equity Protection Act of 1994 (HOEPA)**

A federal law, 15 U.S.C. 1601 note, as amended, and its implementing regulations. The law imposes disclosure requirements and substantive limitations on certain closed-end mortgage loans bearing rates or fees above a certain percentage or amount.

### **Homeowners Protection Act (HPA)**

A law designed to reduce the unnecessary payment of PMI by homeowners who are no longer required to pay it. The Homeowners Protection Act mandates that lenders disclose certain information about PMI. The law stipulates that PMI must be automatically terminated for homeowners who accumulate the required amount of equity in their homes.

### **HUD-1**

Also known as the "settlement sheet," or "closing statement," the HUD-1 itemizes all closing costs. It must be given to the Borrower at or before closing. Items that appear on the statement include real estate commissions, loan fees, points, and escrow amounts.

### **Individual Assistance**

Individual assistance is money or direct assistance to individuals, families and businesses in an area whose property has been damaged or destroyed and whose losses are not covered by insurance. It is meant to help with critical expenses that cannot be covered in other ways.

This assistance is not intended to restore damaged property to its condition before the disaster. Individual Assistance must be identified on the disaster notification.

### **Inherited Property**

A real property that passed to an heir on the death of the owner.

### **Insurer**

FHA, VA or any private mortgage insurer which insures or guarantees any of the Mortgage Loans and providers of hazard, title or other insurance with respect to any of the Mortgage Loans or Mortgaged Property.

### **Interagency Guidance on Nontraditional Mortgage Product Risk**

Guidance issued by the federal financial regulatory agencies at 71 FR 58609 on September 29, 2006 to address the risks posed by residential mortgage products that allow Borrowers to defer repayment of principal and sometimes interest, such as "interest only" mortgages and "payment option" adjustable-rate mortgages.

### **Interested Party**

Person or entity who benefits from the completion of the property sales transaction and may be the property seller, builder, developer, real estate agent, or lender.



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### Interest Rate Lock Commitment

An agreement whereby Seller commits to deliver a Mortgage Loan, and purchaser agrees to purchase the Mortgage Loan, at a given price and at given terms in accordance with this Guide.

### Inter Vivos Revocable Trust

A trust that an individual creates and becomes effective during his or her lifetime, but can be changed or canceled at any time for any reason during the creator's lifetime. Inter vivos revocable trusts are created as an estate planning tool. The inter vivos revocable trust, also called a family trust, living trust, or revocable living trust, can be used as an alternative form of property ownership. A trust is referred to as revocable when the individual who created it, usually called the grantor, trustor, or settlor, can change or cancel it at any time, for any reason, while they are still living. This ability to revoke the trust, or revocability, is important because it allows the grantor/trustor/ settlor, who would otherwise own the property directly, to retain control of the property.

### Interim Financial Statements

A financial statement prepared before the end of the current fiscal period and covering only financial transactions during the period to date.

### Investor

Fannie Mae, Freddie Mac, Ginnie Mae, and/or a Private Investor, as applicable.

### Investment Securities

A project in which unit ownership is characterized or promoted as an investment opportunity, and/or projects that have documents on file with the Commission.

### IRA, SEP-IRS, Keogh

Individual retirement plans that are owned by the Borrower.

### IRS

Internal Revenue Service

### Land-to-Value

The ratio that results when the lot value indicated on the appraisal report is divided by the value of the Mortgaged Property.

### Land Trust

A land trust is an arrangement by which title to real estate is transferred to a trustee, but the full management and control of the property is retained by the beneficiaries of the trust. The trustee is named as owner of the property in the Security Instrument and is the Borrower of record on the loan, even though the trustee is not personally liable for repayment of the loan.

### Leasehold

An estate or interest in real property held by virtue of a lease.

### Legal Proceedings Description

A complete written description of any legal proceedings pending against Seller or any Third Party Originator, or of which Seller's or any Third Party Originator's property is the subject, that, if adversely determined, could have a material adverse impact on Seller's financial condition or its continuing ability to

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sell Mortgage Loans to Company or would affect the enforceability of any Mortgage Loan (including any similar proceedings known by Seller to be contemplated by governmental authorities) for inclusion in a prospectus or other disclosure document pursuant to Regulation AB or any successor regulation, certified as to accuracy by an officer of Seller or the Third Party Originator, as the case may be.

### **LDP/GSA Lists**

Limited Denial Participation/Government Services Administration Lists are lists that are managed by the government that identifies certain excluded parties that are not permitted to be on the Mortgage Loan transaction.

### **LGC**

Loan Guaranty Certificate evidencing that VA has guaranteed the loan.

### **Lifetime Cap**

The maximum interest rate increase or decrease over the term of the Mortgage Loan.

### **Limited Denial or Participation (LDP)**

The Limited Denial or Participation list is one maintained by HUD showing those parties excluded from further participation in a HUD program area.

### **Limited Power of Attorney**

The legal documents authorizing a person or an organization to act on behalf of another person, as provided by Seller. The person or organization that is appointed is referred to an Attorney in Fact.

### **Loan Purchase Commitment Confirmation**

Company's written communication to Seller confirming that Company has accepted Seller's Commitment as described in the Loan Purchase Commitment Confirmation sections in Chapter 3, Registration & Commitments.

### **Loan to Cost (LTC)**

The ratio of the loan amount to the cost basis at loan origination date.

### **Loan to Value (LTV)**

The ratio of the loan amount to the value of the Mortgaged Property. The Combined Loan-to-Value (CLTV) is the ratio of the Loan amount plus any Secondary Financing to the value of the Mortgaged Property.

### **Lock Expiration Date**

Date that the locked commitment expires.

### **LPMI**

Lender Paid Mortgage Insurance, also known as Lender-Purchased Mortgage Insurance, which is mortgage insurance coverage for a Conventional Mortgage Loan that the lender pays for by using its own funds, rather than requiring the Borrower to include periodic accruals for such coverage as part of his or her mortgage payment.

### **Mandatory Delivery Commitment**

A commitment under which Seller has committed to deliver an eligible-for-purchase Mortgage Loan, which conforms to the Mortgage Loan described in the Interest Rate Lock Commitment, and purchaser agrees to purchase, in accordance with this Guide.

### **Manually Underwritten**

Mortgage Loans that are underwritten without the use of Automated Underwriting Systems where guidelines are manually applied by the underwriter rather than the automated system returning the findings.

### **Manufactured Home**

A home built entirely in the factory under a federal building code administered by the Department of Housing and Urban Development (HUD). These homes are constructed to meet the Federal Manufactured Home Construction and Safety Standards Act (HUD Code) which have been in effect since June 15, 1976.

### **Margin**

The amount added to the index value to create the mortgage interest rate for an ARM Mortgage Loan.

### **MARI**

Mortgage Asset Research Institute, provider of MIDEEX.

### **Master Association**

A Master Association is a HOA in a large Condominium project that consists of representatives from associations covering specific areas within the project. It is a second level association that handles matters affecting the entire development, while the first level association handles matters affecting their particular portion of the subject development. If a project is part of the Master Association and the Master Association operates as a hotel, resort, motel, inn or lodge the entire project is ineligible.

### **Mello-Roos**

A Mello-Roos District is an area where a special property tax on real estate, in addition to the normal property tax, is imposed on those real property owners within a community facilities district. These districts seek public financing through the sale of bonds for financing public improvements and services. These services may include streets, water, sewage and drainage, electricity, infrastructure, schools, parks and police protection to newly developing areas. The tax paid is used to make the payments of principal and interest on the bonds.

### **MERS (Mortgage Electronic Registration System)**

MERSCORP or Mortgage Electronic Registration Systems, Inc. and the MERS® System. An electronic registration system that tracks the mortgage rights of a loan.

### **MERS Designated Mortgage Loan**

A Mortgage Loan that is registered with MERS.

### **MERS Investor**

An "Investor" as such term is defined in the MERS® OnLine User Guide issued by MERS, as the same may be amended or replaced.

### **MERS Org ID**

The 7 digit number that identifies the party that generated the MIN.

### **MI**

Mortgage insurance, which is insurance needed for mortgages with low down payments (usually less than 20% of the price of the home).

### **MI Company**

An insurance company that provides mortgage insurance.

### **MIDEX**

Mortgage Industry Data Exchange, a tool used to help subscribers defend against mortgage fraud.

### **MIN**

An 18-digit identifier that MERS assigns to each registered mortgage, which is used to track the mortgage within MERS' electronic system.

### **Mobile Home**

Mobile Home is a term applied to homes built prior to June 15, 1976 when the HUD Code went into effect. In many cases these homes were built to voluntary industry standards. Company does not consider Mobile Homes to be an eligible property type under any Mortgage Loan Program.

### **Modular Home**

Modular Homes are Factory-Built Homes constructed to the state, local or regional building codes where the home will be located. They are multi-sectioned units that are transported to the site and installed.

### **Monthly Payment**

The monthly payment of Principal and Interest collected by mortgage lenders. This may also include escrow items for taxes and insurance and is therefore often called the housing payment.

### **Mortgage Insurance Premium (MIP)**

A monthly payment, usually part of the mortgage payment, paid by a Borrower for mortgage insurance.

### **Mortgage Interest Rate**

The rate of interest in effect for the periodic installment due. For fixed-rate mortgages or for ARMs that have an initial fixed-rate period, it is the rate in effect during that period. For ARMs after any initial fixed-rate period, it is the sum of the applicable index and the mortgage Margin (rounded as appropriate and subject to any per-adjustment or lifetime interest rate ceilings).

### **Mortgage Loan**

A first-lien, residential, mortgage loan or line of credit secured by a one-to-four family dwelling sold or intended to be sold by Seller to Company or Bayview Acquisitions, LLC as a whole loan or sold on a servicing released basis pursuant to the Mortgage Loan Purchase Agreement, which Mortgage Loan must meet or intend to meet all requirements of this Guide. A Mortgage Loan includes without limitation, the Servicing Rights, the Mortgage Note, the Security Instrument, the Mortgage Loan File, the Monthly Payments, interests in any related insurance policies, and all other rights, benefits, proceeds and obligations arising from or in connection with such Mortgage Loan. In this Guide, a Mortgage Loan also may be referred to as a Loan.

### **Mortgage Loan Documents**

The Security Instrument and Mortgage Note, and any riders or addenda attached thereto.

### **Mortgage Loan File**

With respect to any Mortgage Loan, a file that includes all documents required for delivery in the Credit File, the Closing File, or any additional documents required by this Guide. The Mortgage Loan File will also include the Final Documents, to the extent applicable.

### **Mortgage Loan Programs**

The types of loan products and underwriting authority offered by Company as described in the Product Matrices and this Guide.

### **Mortgage Loan Purchase Agreement**

The agreement between the Seller, as the same may be amended or supplemented from time to time or other relevant contract executed by the Seller that governs the sale of Mortgage Loans to either (1) Community or (2) Bayview Acquisitions, as purchaser, together with all exhibits and attachments, as the same may be amended, supplemented or replaced.

### **Mortgage Note**

The applicable form of the mortgage note, deed of trust note, security deed note or other form of promissory note executed by a Mortgagor and secured by a Mortgage evidencing the indebtedness of the Mortgagor under a Mortgage Loan, including any allonges or addenda thereto.

### **Mortgaged Property**

The land and improvements thereon subject to or intended to be subject to the lien of the Security Instrument, including any one-to-four family residence (at the time of origination), all buildings and fixtures thereon and all accessions thereto including installations of mechanical, electrical, plumbing, heating and air conditioning systems located in or affixed to such buildings, and all additions, alterations and replacements.

### **Mortgage Service Providers**

An entity or individual engaged to handle or perform, for a Seller, part of the Mortgage Loan application processing, underwriting, funding or post closing functions, but not any activities related to obtaining an application for a wholesale origination. This entity or individual is typically paid on a fee basis for services performed, with the payment of fees not being contingent on Mortgage Loan approval or closing.

Mortgage Service Providers include but are not limited to:

- Contract underwriters;
- Contract processing firms;
- Contract quality control services;
- Escrow companies and Settlement Agents; and
- Contract document preparation companies.

### **Mortgagor**

The obligor on a Mortgage Note.

### **National Flood Insurance Program**

A program created by Congress in 1968 to help provide a means for property owners to financially protect themselves. The National Flood Insurance Program offers flood insurance to homeowners, renters, and business owners if their community participates in the National Flood Insurance Program. Participating communities agree to adopt and enforce ordinances that meet or exceed FEMA requirements to reduce the risk of flooding.

### **No Cash-Out Refinance**

A refinance transaction in which the amount of money from the new loan is used to repay the existing first mortgage, to pay closing costs, point, prepayment penalties, and any seasoned subordinate mortgage liens. Incidental cash back may not exceed 1% of principal amount of the new mortgage. Also referred to as a Rate and Term refinance.

### **Non Agency Product**

Any loan product or program not originated under either Fannie Mae or Freddie Mac guidelines

### **Non-Arm's Length Transaction**

A transaction with a family member or relative, or when a personal or business relationship exists between the Borrowers and the builder or property seller. This relationship may influence the transaction. Also, see Arm's Length Transaction.

### **Non-Conforming Loan**

A mortgage loan in which the loan amount, the LTV ratio, term, or some other aspect of the loan exceeds permissible limits or does not meet the credit characteristics as specified in Agency's regulations. These loans must meet or exceed the guidelines as set forth in the Guide. Non-Conforming Loan guidelines may follow Agency underwriting guidelines or be a blend of various investor guidelines.

### **Non-Delegated Mortgage Loan**

With respect to a Mortgage Loan, where Company must diligence substantially all of the documentation underlying the Mortgage Loan, including, but not limited to, that information set forth in the Credit File, prior to purchase.

### **Non-Supervised Mortgagee**

Type of FHA approval applied to non-depository financial entities that have as their principal activity the lending or investment of funds in real estate mortgages.

### **Non-Standard Documents**

Any documents evidencing or securing a Mortgage Loan that are not uniform instruments.

### **Office of Comptroller of Currency**

An independent bureau within the United States Department of the Treasury that was established by the National Currency Act of 1863 and serves to charter, regulate, and supervise all national banks and thrift institutions and the federal branches and agencies of foreign banks in the United States.

### **OFAC Regulations**

The regulations promulgated by OFAC of the United States Department of the Treasury, including 31 C.F.R. §§ 500-599, as amended. These regulations implement a variety of sanctions programs, including those in which persons are added from and removed from a "blocked persons" list maintained by OFAC.

### **Office of Foreign Asset Control (OFAC)**

An office of the United States Department of the Treasury that administers and enforces economic sanctions programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers. The sanctions can be either comprehensive or selective, using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals.

### **Office of the Thrift Supervision**

A United States federal agency under the Department of the Treasury that was responsible for the chartered, supervised, and regulated all federally chartered and state-chartered savings banks and savings and loans associations.

### **Officer's Certificate**

Certificate of Seller authorizing the execution, delivery and performance of the Mortgage Loan Purchase Agreement by the Seller.

### **Operating Income Statement**

Fannie Mae Form 216.

### **Originator Disclosure**

The disclosures required herein with respect to Regulation AB or any successor regulation for inclusion in a prospectus or other disclosure document.

### **Pair-off Fee**

A fee assessed if Seller does not deliver the qualifying Mortgage Loan File in the amount of the commitment or as otherwise required by the Agreement or Guide.

### **Panelized Home**

Panelized Homes are defined as homes where panels (flat units that represent a whole wall with windows, doors, wiring and outside siding) are constructed in the factory and then transported to the site and assembled. Panelized Homes are constructed to the state, local or regional building codes of where the home will be located.

### **Par**

The face value of the mortgage (the unpaid principal balance) equals its selling price (at 100% with no discounts or premiums).

### **Parties**

Seller, Community and Bayview Acquisitions.

### **Person**

An individual, corporation, limited liability company, partnership, joint venture, trust or unincorporated organization, or a federal, state, city, municipal or foreign government or an agency or political subdivision thereof.

### **PITIA**

Housing payment that consists of principal, interest, taxes, insurance, and Homeowners' Association dues.

### **Planned Unit Development (PUD)**

A development that has the following characteristics:

The individual unit owners own a parcel of land improved with a dwelling. Ownership is NOT in common with other unit owners. The development is administered by an HOA that owns and is obligated to maintain property and improvements within the development for the common use and benefit of the unit owners. The unit owners have an automatic, non-severable interest in the HOA and pay a mandatory assessment.

### **Portfolio Condominiums**

Condominium projects that are held for investment.

### **Post-Acquisition Adjustment**

A post acquisition adjustment is generally Company's refund of monies owed to Seller or payable to Company due to a discrepancy in the purchase wire transaction.

### **Power of Attorney**

A legal document authorizing a person or an organization to act on behalf of another person. The person or organization that is appointed is referred to an Attorney in Fact. There are three types of Power of Attorney: General, Special/Specific/Limited, and Durable.

### **Pre-cut Home**

Pre-cut Homes are a type of Factory-Built Homes. Materials for this type of home are factory-cut (pre-cut) to design specifications, transported to the site and then assembled. Pre-cut Homes include kit, log and dome homes. Pre-cut Homes are constructed to the state, local or regional building codes where the home will be located.

### **Primary Borrower**

If more than one person is obligated to repay the Mortgage Loan, the Primary Borrower is considered to be the individual whose Credit Score is selected for grading and qualification purposes.

### **Primary Guarantor**

A designated guarantor who owns at least 25% of the borrowing entity. In the event that no guarantor owns at least 25%, the primary guarantor will be designated as the guarantor with the highest ownership percentage of the borrowing entity. Guarantor(s) must be US Citizens or Non-US Citizen(s) who are lawfully present in the United States. This includes both Permanent Qualified Resident Aliens and Non-Permanent Qualified Aliens as defined in the Borrower Residency and Eligibility Guide.

### **Prior Underwriting Approval**

Prior Underwriting Approval means that Company has performed a complete underwriting analysis of the Mortgage Loan, including credit, income, assets, liabilities and appraisal prior to the Borrower closing the Mortgage Loan, pursuant to Chapter 8A, Prior Underwriting Approval, of this Guide.

In order for a Mortgage Loan to have Prior Underwriting Approval, Company must have provided Seller with a written notification (by fax, email or regular mail) noting that the Loan has Prior Underwriting Approval Status.



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### **Privacy of Consumer Financial Information Regulation or Privacy Regulation**

Those regulations in 12 CFR Part 40, as amended from time to time, issued pursuant to Section 504 of the Gramm-Leach Bliley Act (15 U.S.C. 6801 et seq.), as amended, which govern the disclosure of nonpublic personal information about consumers.

### **Private Investor**

With respect to any Mortgage Loan, a person (excluding FHA, Fannie Mae, Freddie Mac, Ginnie Mae or VA) who has a beneficial interest in, or is a record owner of, such Mortgage Loan or any trustee acting on behalf of any such Person.

### **Private Mortgage Insurance (PMI)**

Private mortgage insurance that is generally needed for mortgages with low down payments (usually less than 20% of the price of the home).

### **Product Matrices**

The charts outlining the types of loan products and underwriting authority offered by Company.

### **Program Guidelines**

Guidelines that detail and conform to Agency or Company requirements, restrictions, or limitations of Mortgage Loans.

### **Property Data**

Includes but is not limited to prior sale price, prior date sold, prior appraised value, prior appraised date, lot size, year built, property type or any other property data and/or characteristics.

### **Property Inspection Alternative (PIA)**

Loan Prospector48T48T@48T48T Minimum Assessment Feedback (MAF) message specified on the Feedback Certificate indicating that a Mortgage may be originated without an appraisal or inspection of the Mortgaged Property.

### **Prospect Application**

The application provided by Company to Seller for approval as a loan correspondent.

### **Public Assistance**

Through the Public Assistance ("PA") Program, FEMA provides supplemental federal disaster grant assistance for debris removal, emergency protective measures, and the repair, replacement, or restoration of disaster-damaged, publicly owned facilities and the facilities of certain private non-profit organizations. Public Assistance disaster notifications are not acceptable when determining if a property is in an area that has been declared a natural disaster.

### **Purchase Date**

The date Company approves the Mortgage Loan for purchase and funds the Purchase Price for such Mortgage Loan to Seller. The Purchase Date for each Mortgage Loan shall also be deemed to be the Funding Date for that Mortgage Loan, as that term is used in other Sections of this Guide.

### **Purchase Documents**

The Agreement, Guide, and all amendments supplements and replacements, and any other documents and agreements between Company and Seller regarding the sale of the Mortgage Loans.

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### **Purchase Price**

The percentage of par that Company applies to the unpaid principal balance of a Mortgage submitted as a cash delivery to determine the amount of the purchase proceeds or the amount that Company will pay Seller on the Purchase Date for a pool or mortgage loan being purchased in an early funding transaction.

### **Qualified AVM**

A report of property valuation issued under an Automated Valuation Model, where such valuation report has been ordered from a qualified AVM vendor, as specified in the Automated Value Model approved vendors list of Community, using the vendor's Company qualified AVM system, and the report of valuation has been given the Company qualified AVM seal as may be determined through methods and systems issued at Company's discretion.

### **Qualified Insurer**

An insurance company duly qualified as such under the laws of the states in which the Mortgaged Property is located, duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided, approved as an insurer by Fannie Mae and Freddie Mac.

### **Real Estate Settlement Procedures Act**

That certain act codified as 12 U.S.C. Section 2601 et seq., as amended from time to time.

### **Red Flags**

Those potential patterns, practices, or specific activities indicating the possibility of identity theft, as described in the Red Flag Rule.

### **Red Flags Rule**

The Red Flags Rule was issued by the FTC, 16 C.F.R. 681.1, as amended, addressing fraud and identity theft.

### **Redemption Period**

A period of time established by state laws during which a property owner has the right to redeem his or her real estate from a foreclosure or tax sale and reclaim title and possession of the property.

### **Reference Library**

Contains reference documents and sample documents for Seller to use as required for applicable Mortgage Loan and/or Mortgage Loan Program.

### **Re-price**

Lower of the existing commitment price or the current market price for the same Mortgage Note rate in the same commitment.

### **Registered**

A Mortgage Loan submitted to Company by Seller pursuant to the Agreement.

### **Registration**

A process by which the Seller submits eligible Mortgage Loans to Company pursuant to the Agreement.

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### Registration Desk

The registration desk of Company.

### Regulation AB

Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123, as such may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Commission in the adopting release (Asset-Backed Securities, Securities Act Release No. 33-8518, 70 Fed. Reg. 1,506, 1,631 (Jan. 7, 2005)) or by the staff of the Commission, or as may be provided by the Commission or its staff from time to time.

### REO Property

Property acquired through foreclosure or deed-in-lieu of foreclosure.

### Repurchase

The requirement that a Seller must buy back a Mortgage previously sold

### Residential Mortgage Credit Report

A detailed account of the credit, employment and residence history as well as public records information prepared by a consumer reporting agency for an individual Borrower or two individual Borrowers. Credit information from two national repositories is merged and verified by a consumer reporting agency or bureau before it is sent to the user. The consumer reporting agency or bureau may also verify other information not contained in repository records.

### Restructured Loan

A restructured loan is a mortgage loan in which the terms of the original transaction have been changed resulting in either absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage;
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness;
- Conversion of any portion of the original mortgage debt to a soft subordinate mortgage; or
- Conversion of any portion of the original mortgage debt from secured or unsecured debt.

In many cases, a Borrower may not disclose that their existing Mortgage Loan has been restructured. The credit report may show a Restructured Loan as settled for less than owed. If the credit report does not specify settled for less than owed, Seller will need to scrutinize the mortgage balance reported on the credit report versus the payoff balance. If the two balances do not match and the difference is more than unpaid interest or prepayment penalties, the Mortgage Loan may have been restructured.

### RHS

Rural Housing Service, a loan program administered by the United States Department of Agriculture.

### Rural Property

If any one of the following criteria exists, the property will be classified as rural:

- Appraiser classifies the property as rural; or

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- Less than 25% of the surrounding market area is developed.

If at least 50% of the acceptable comparable properties are not within five miles of the Mortgaged Mortgage, unless the appraiser provides sufficient justification for the distance of the comparables and clarifies that the property is not rural in nature, the Mortgaged Property will be considered Rural Property.

### **Sale Date**

The date on which the Purchase Price of the Mortgage Loan is funded.

### **S Corporation**

An S corporation is a legal entity that has a limited number of stockholders and elects not to be taxed as a regular corporation. Business gains and losses are passed on to the stockholders. An S corporation has many of the characteristics of a partnership. Stockholders are taxed at their individual tax rates for their proportionate share of ordinary income, capital gains, and other taxable items. The ordinary income for the S corporation is reported on the U.S. Income Tax Return for an S corporation (IRS Form 1120S), with each shareholder's share of the income reported on the Shareholder's Share of Income, Credits, Deductions, etc. (Schedule K-1). Because this income from the distribution of corporate earnings may or may not be distributed to the individual shareholders, it must be determined whether the Borrower actually received a cash distribution from the S corporation. The cash flow of an S corporation is otherwise evaluated similarly to that of a regular corporation.

### **Secondary Financing**

Any loan other than the First Lien Mortgage Loan. The lien created by the Secondary Financing must be clearly subordinate to the First Lien Mortgage Loan.

### **Second Home**

A property that the Borrower occupies for some portion of the year, in addition to his or her primary residence. The property must be located in an area that can reasonably function as a second home and must be suitable for year-round occupancy. Typically, this property is located far from the Borrower's primary residence, and near either a resort or vacation area, such as mountains, oceanfront, or desert. Second homes may also be located in a major metropolitan area that the Borrower visits on a regular basis.

### **Secretary of HUD**

The Secretary of the Department of Housing and Urban Development

### **Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)**

A federal law, 12 U.S.C. 5101 et seq., and its implementing regulations, 12 CFR 1007, as amended. The SAFE Act was enacted on July 30, 2008, and mandates a nationwide licensing and registration system for residential mortgage loan originators.

### **Securities Act**

The Securities Act of 1933, as amended.

### **Securitization Transaction**

Any transaction involving a sale or other transfer of one more beneficial interest certificates that are backed by some or all of the Mortgage Loans directly or indirectly to an issuing entity in connection with an issuance of rated or unrated, asset-backed securities.

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### **Security Instrument**

The applicable form of mortgage, deed of trust, deed to secure debt or security deed required under this Guide, including any riders, creating a lien on the Mortgaged Property.

### **Seller**

A person or entity that originates and sells Mortgage Loans secured by single one-to-four family dwellings to Company that has entered into an Agreement with Company.

### **Seller Eligibility**

Those requirements set forth in the chapter titled "Seller Eligibility" in this Guide.

### **Servicing Released Premium (SRP)**

A one-time premium paid to Seller for the Servicing Rights on a Mortgage Loan.

### **Servicing Rights**

The right, title and interest in and to the non-recourse servicing of any Mortgage Loan and the maintenance and servicing fee income and any and all ancillary income arising from or in connection with any Mortgage Loan.

### **Settlement Agent**

A neutral third party that facilitates the closing of a real estate transaction, including the closing of the Mortgage Loan, and the collection and disbursement of Mortgage Loan proceeds. The settlement agent can be a lender, an escrow company, title company, title agent, or attorney.

### **Simultaneous Loan**

A mortgage loan that is originated other than the Mortgage Loan and is originated and closed together with the Mortgage Loan.

### **Special Flood Hazard Area (SFHA)**

The land in the flood plain within a community having at least a 1% chance of flooding in any given year, as designated by FEMA.

### **Standard Flood Hazard Determination Form (SFHDF)**

The Standard Flood Hazard Determination Form (SFHDF) is used to comply with Section 303(a) of Title V of the National Flood Insurance Reform Act of 1994. The SFHDF is used by federally regulated lending institutions when making, increasing, extending, renewing or purchasing a loan for the purpose of determining whether flood insurance is required and available.

### **Substitution Date**

The date on which Company receives a Mortgage Loan that Seller has substituted for a denied Mortgage Loan.

### **Supervised Mortgagee**

Type of FHA approval for banks, savings banks, and credit unions that participate in originating, underwriting, purchasing, holding, servicing, and selling of FHA loans.

## Special Products Seller Guide

### **Terms of Use**

The conditions of use applicable to the electronic services, forms and materials offered by Company.

### **Texas Equity Loan**

A First Lien Mortgage Loan secured by a first mortgage on homestead property in Texas that complies with Article XVI, Section 50(a)(6) and 50(g) of the Texas Constitution.

### **Third Party Origination**

A process by which a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market.

### **Third Party Originator**

For purposes of Regulation AB means each Originator other than the Seller.

### **TNW**

Tangible Net Worth, as defined by GAAP.

### **TPO Operations**

Group responsible for the review and purchase of closed Mortgage Loans submitted for purchase by Seller.

### **Truth in Lending Act**

A federal law, 15 U.S.C. 1601 et seq., as amended, that requires disclosure of a truth-in-lending statement for consumer loans. The statement includes a summary of the total cost of credit, such as the APR and other specifics of the loan.

### **UAD**

The Uniform Appraisal Dataset that provides common requirements for appraisal and loan delivery data.

### **UFMIP (Upfront Mortgage Insurance Premium)**

The premium required to be paid when applying for a home loan with the Federal Housing Administration.

### **Uniform Standards of Professional Appraisal Practice**

Quality control standards applicable for real property, personal property, intangibles, and business valuation appraisal analysis and reports in the United States and its territories.

### **USA Patriot Act of 2001**

A federal law, Public Law 107–56, as amended, the purpose of which is to deter and punish terrorist acts in the United States and around the world. Among other things, this law amended the Bank Secrecy Act.

### **User ID**

An identification name used to access Company's forms, materials and electronic services, if applicable.

### **U.S. Possession or Territory**

American Samoa, Guam, Marshall Islands, Federated States of Micronesia, Northern Marianas, Palau, Puerto Rico, U.S. Virgin Islands.

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### **U.S. Treasury Table**

Table published by the U.S. Treasury for the purpose of establishing the value of savings bonds.

### **VA**

Department of Veteran's Affairs.

### **VA Automatic**

Approval from the Department of Veterans Affairs to close VA home loans without prior approval from the Department of Veterans Affairs.

### **VA Funding Fee**

A fee paid at closing by the Borrower of a VA loan, established as a percentage of the loan amount which varies based on the type of loan and the Borrower's military category.

### **VA LAPP**

The Veterans Administration Lender Appraisal Processing Program.

### **VA Loan**

A mortgage guaranteed by the Department of Veterans Affairs (VA).

### **Value**

An opinion or estimate set forth in an appraisal or evaluation, whichever may be appropriate, of market value of real property, prepared in accordance with applicable law.

### **VA Regulations**

Regulations promulgated by the VA pursuant to the Readjustment Act, codified in 38 Code of Federal Regulations, and other VA issuances relating to mortgage loans guaranteed by the VA, including, without limitation, related handbooks, circulars, notices and mortgage letters.

### **Verification of Deposit (VOD)**

Documents used to verify the cash deposits that the applicant has listed on its loan application.

### **Web Agreement**

The agreement imposing conditions of use of the Website.

### **Website**

The website maintained by Company that facilitates registration, underwriting and funding of Mortgage Loans.

### **Website Administrator**

The person within the Seller's company responsible for setting-up, controlling, and maintaining access to the Website.

# Special Products Seller Guide

Author	Section	Date	Version Control	
				Update
DH	Document Name Change	12.10.20		<ul style="list-style-type: none"> <li>Bayview Loan Servicing Seller Guide name changed to Special Products Seller Guide</li> </ul>
DH	Various	12.10.20		<ul style="list-style-type: none"> <li>Updated Special Products Seller Guide to replace Bayview Loan Servicing with Community Loan Servicing throughout as applicable</li> </ul>
DH	Chapter 5 - Insurance and Mortgage Loan Documents	12.23.20		<ul style="list-style-type: none"> <li>Updated to include reference to IRS 4506-C form and to clarify that either IRS form 4506-T or 4506-C may be used prior to March 1, 2021, after which the 4506-C form is required.</li> </ul>
DH	Chapter 6 Pre-Fund Diligence	12.23.20		<ul style="list-style-type: none"> <li>Updated to include reference to IRS 4506-C form</li> </ul>
DH	Chapter 6 Pre-Fund Diligence	01.07.21		<p>Updated Section A604 Power of Attorney Removed</p> <ul style="list-style-type: none"> <li>The Power of Attorney must not be an interested party in the transaction, i.e.: real estate agent, seller, closing agent</li> </ul> <p>Replaced</p> <ul style="list-style-type: none"> <li>The Power of Attorney must not be an interested party in the transaction unless otherwise permitted in accordance with applicable investor seller guide requirements</li> </ul>
DH	Chapter 6 Pre-Fund Diligence	01.07.21		<p>Updated Section A637 Partial eClosings</p> <ul style="list-style-type: none"> <li>Removed transactions utilizing a Power of Attorney as an unacceptable e-Signed closing document</li> </ul>
DH	Chapter 1 – Defaults & Remedies	01.14.21		Added Section D107 Recast Allowance
DH	Chapter 4 - Underwriting	01.14.21		Updated Section E402 Asset Sources to extend the date of quarterly and annual bank statements from within sixty (60) days to within ninety (90) days of the Note date.
JR	Chapter 7 - Shipping and Delivery Methods	02.04.21		Added guidance and requirements to post-acquisition adjustment requests
DM	Various	8.5.21		Updated Special Products Seller Guide to include information pertaining to new DSCR product
MM	Chapter 7C Funding Requirements and Wire Instructions	9.10.21		Added Juneteenth National Independence Day to the list of federally recognized holidays
DH	Chapter 1D Defaults and Remedies, Early Pay Off	9.22.21		Added to Section D102 Repurchase Sellers are encouraged to utilize <a href="mailto:selfreports@bayview.com">selfreports@bayview.com</a> to communicate Events of Default.
MM	Chapter 6 Pre-Fund Diligence	9.22.21		Maintenance - Updated Closing Date to Note date as pertains to timing of obtaining verbal VOE In Section B307 Suspended Closed Loans
DH	Chapter 3 Registration & Commitments	9.22.21		<p>Removed</p> <p>After 30 days of suspense, if the deficiencies are still not cleared, the loan will be determined to be un-purchasable. Loans with suspense items that cannot be cleared or loans where Seller does not appear to be actively working to resolve will be canceled, and the loan files returned to Seller. These loans will be paired-off, and all extension fees and suspense fees will be taken into account when determining the adjusted pair-off price.</p> <p>The only exception to this process will be at the discretion of Lakeview where as an exception, Seller may be permitted to have a loan remain in suspense longer than 30 days in order to accommodate special Seller circumstances. If Lakeview purchases a loan that has been in suspense for more than 30 days, the loan will be relocked, subject to the worse of either the accrued suspense fees for 30 days or worse case market reprice. Worse case market pricing will be determined by comparing base price to base price for the same rate lock terms. The Delivery Expiration will be reset to reflect the date relocked, no additional time will be provided. All previously applied fees such as extension charges will remain on the loan.</p> <p>Any loans suspended greater than 30 days must also meet all current pricing and product guidelines and eligibility. Suspense fees and policies are at the discretion of Lakeview and are subject to change without notice.</p> <p>Added <u>Suspense Expiration Dates</u></p> <p>Pre-Purchase Conditions Correspondents are encouraged to clear suspense items expeditiously to avoid potential pair-off, roll fees, or suspense fees. If the correspondent cannot clear pre-purchase suspense items before the suspense expiration date outlined in this section, loan files will be deemed ineligible for purchase and returned to the seller. These loans will be paired off and all extension and suspense fees will be taken into account when determining the adjusted pair off amount.</p> <p>Post-Purchase Conditions In limited circumstances, Company will purchase loans prior to conducting a due diligence review. For loans where this exception has been made, the suspense expiration date policy herein also applies. If the correspondent cannot clear post-purchase suspense items before the suspense expiration date outlined in this section, loans will be deemed ineligible and subject to repurchase as outlined in section D102 of the Special Products Selling Guide.</p> <p>The suspense expiration date is defined as 45 days from the audit completion date.</p> <p>The audit completion date is defined as the day on which the credit and compliance deficiencies are published to the correspondent via the Company client portal.</p> <p>The only exception to this process will be at the discretion of Company where as an exception, Seller may be permitted to have a Mortgage Loan remain in suspense longer than 45 days in order to accommodate special Seller circumstances. If Company purchases a Mortgage Loan that has been in suspense for more than 45 days, the Mortgage Loan may be relocked, subject to the worse of either the accrued suspense fees for 45 days or worse case market reprice. Worse case market pricing will be determined by comparing base price to base price for the same rate lock terms. The Delivery Expiration will be reset to reflect the date relocked, and no additional time will be provided. All previously applied fees such as extension charges will remain on the Mortgage Loan.</p> <p>Any Mortgage Loans suspended more than 45 days must also meet all current pricing and product guidelines and eligibility. Suspense fees and policies are at the discretion of Company and are subject to change without notice.</p>



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DH	Chapter 7 Shipping and Delivery Methods	9.22.21	<p>In Section B702 Post Acquisition</p> <p>Removed Requests for reimbursements resulting from the under disclosure of monthly escrow estimates will not be accepted. Correspondents are responsible for ensuring prudent underwriting policies are utilized that meet agency requirements for estimating monthly <i>tax</i> payments.</p> <p>Added Requests for reimbursements resulting from the under disclosure of monthly escrow estimates will not be accepted. Correspondents are responsible for ensuring prudent underwriting policies are utilized that meet agency requirements for estimating monthly <i>escrow</i> payments.</p>
DH	Chapter 8 Definitions	9.22.21	<p>Added Definition</p> <p>Audit Completion Date</p> <p>The audit completion date is defined as the day on which the credit and compliance deficiencies are published to the correspondent via the Company client portal.</p>
MM	Chapter 5 Insurance and Mortgage Loan Documents	10.8.21	<p><b>B505 Tax Information Authorization Form (IRS Form /4506-C)</b> REMOVED: For all Mortgage Loans, Seller must obtain a signed and dated Tax Information Authorization form (IRS form r 4506-C) authorizing Seller or its assigns to obtain income information at closing for all Borrowers. Either IRS form 4506-T or 4506-C may be used prior to March 1, 2021, after which the 4506-C form is required. Mortgage Loans submitted for underwriting must contain a completed, signed, dated, and unexpired IRS form 4506-C for all Borrowers whose income is used to qualify.</p> <p>The IRS form /4506-C must be processed and tax transcripts /W-2 transcripts obtained to validate against the Borrower's tax returns and/or W-2s for the two-year period preceding the Mortgage Loan application date. Evaluate the information provided by the IRS on Form 4506-T/4506-C during the underwriting process. Significant differences must be reviewed, resolved and detailed comments regarding the resolution documented on the transmittal summary (Fannie Mae Form 1008) by the underwriter.</p> <p>Validated tax returns or W-2s must be included in the initial submission package when submitting the Mortgage Loan to Bayview, and must be included in the Mortgage Loan File. Refer to Product Matrices for requirements for tax transcripts and W-2 transcripts.</p> <p>Additionally, the Borrowers must sign a new IRS form /4506-C at closing.</p> <p>ADDED:</p> <ul style="list-style-type: none"> <li>Refer to specific product matrix for transcript requirements.</li> <li><b>NOTE:</b> Typically, tax transcripts are not available from the IRS until two to three weeks after a consumer e-files their tax return and six to eight weeks after filing by mail. If the current year tax return has been filed but the corresponding tax transcript is not yet available due to IRS lag times, the prior year or years' transcripts are required (either one or two years dependent upon program type or AUS requirement) in addition to the current year tax return and current year transcript request returned as "No Record Found". The current year tax returns must be reviewed to validate the stability of income/business and determine the reasonableness of any positive trends for the purpose of considering as qualifying income</li> </ul>
DH	Chapter 6 Pre-Fund Diligence	10.25.21	<p>Updated Section A636 TILA-RESPA Integrated Disclosure Rule</p> <p>Prior</p> <p>Closing Disclosure Some changes are permitted, however if any of these three items change, the 3 day waiting period begins again:</p> <ul style="list-style-type: none"> <li>APR becomes inaccurate by more than .125</li> </ul> <p>Revised</p> <p>Closing Disclosure Some changes are permitted, however if any of these three items change, the 3 day waiting period begins again:</p> <ul style="list-style-type: none"> <li>APR increases by more than .125</li> </ul>
DH	Chapter 4 – Underwriting	02.18.22	<p>Added to Section 4F</p> <ul style="list-style-type: none"> <li>Jumbo AUS and Jumbo Plus AUS products may follow Fannie Mae Selling Guide requirements with regard to the calculation of alimony payments</li> </ul> <p>Added to Section 4H</p> <ul style="list-style-type: none"> <li>Jumbo AUS and Jumbo Plus AUS products may follow the Fannie Mae Selling Guide requirements with regard appraisal update timeframes</li> </ul>
DH	Chapter 6 – Prefund Diligence	02.18.22	<p>Updated Section A615 MERS Org ID and Transfer Information to show Investor as Community Loan Servicing - 1007786</p>

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AS	<b>A410 Title Insurance</b>	04.08.22	<p>Removed:</p> <p>For a Mortgage Loan secured by Mortgaged Property located in the state of Iowa, Lakeview will accept an attorney's certificate of title in lieu of a title insurance policy, provided all the following conditions are met:</p> <ol style="list-style-type: none"> <li>1. The certificate must be addressed to Lakeview and all of its successors in interest as evidenced by the Mortgage Note and Security Instrument.</li> <li>2. The certificate must be given by an attorney licensed to practice law in the state of Iowa, who is insured against malpractice for rendering certificates of title in an amount not less than the amount commonly written in the state of Iowa, taking into account the number of these certificates rendered by the attorney.</li> <li>3. The certificate must state: "We (I) agree to indemnify you and your successors in interest in the Security Instrument opined hereto, to the full extent of any loss attributable to a breach of our (my) duty to exercise reasonable care and skill in the examination of the title and the giving of this opinion."</li> <li>4. The certificate must not be subject to any exceptions, other than those permitted under the following Title Exceptions and Title Exception Warranties sections.</li> </ol> <p>Added:</p> <p>For a Mortgage Loan secured by Mortgaged Property located in the state of Iowa, only an Iowa Title Guaranty issued by the Iowa Finance Authority is acceptable.</p>
AS	<b>B307 Suspended Closed loans</b>	04.08.22	<p>Added Bullet Point:</p> <p>Require a recertification of value after 120 days from date of suspension (to capture market changes in the appraisal – ask from Operations/Delivery)</p>
AS	<b>B301 Daily Pricing and Overnight Rate Protection</b>	04.08.22	<p>Title change to: <b>B301 Daily Pricing and After Market Rate Protection</b></p> <p>Previous:</p> <p>A. Daily Prices &amp; Ratesheets Daily prices are established at approximately 10:00 AM ET and are available at <a href="http://www.lakeviewcorrespondent.com">www.lakeviewcorrespondent.com</a>. Lakeview will have periods when no pricing is available. These "blackout periods" generally occur from 8:25 AM through 10:00 AM ET. There may also be periods during the day when market conditions will necessitate a general ratesheet price update. During these periods Sellers will be unable to obtain rate locks over the phone or Internet. Any faxes received during these blackout periods will be priced under the next available ratesheet.</p> <p>B. Overnight Rate Protection Lakeview may provide, at its discretion, Overnight Rate Protection (ONRP) for its Sellers. ONRP enables Sellers to lock in new originations after the close of normal business hours, and applies only to Best Efforts Delivery Commitments. ONRP is based upon the time zone in which Seller's main office is located, and begins at 5:00 PM local time to 8:25 AM ET, on the following Business Day. If a Seller locks a loan on the website or faxes the request in after 5:00 PM local time, the system locks the dollar amount up to the ONRP limit. If Seller exceeds the limit, the system will notify the Seller of the amount by which they exceeded the limit. Locks received via fax are generally processed after requests sent via the website, which are completed in real time. When a faxed lock request is processed, if the lock request exceeds the Seller's ONRP limit, Lakeview will fax back a Pending Registration Confirmation. Once new pricing becomes available, the Seller may submit a new lock request based on current rates. Lakeview is not responsible for lock requests that are rejected due to ONRP limits.</p> <p>New:</p> <p>Daily Prices &amp; Ratesheets Daily prices are established at approximately 10:00 AM ET and are available at <a href="http://www.LakeviewCorrespondent.com">www.LakeviewCorrespondent.com</a>.</p> <p>Company will have periods when no pricing is available. These "blackout periods" generally occur from 12:00 AM EST through 10:00 AM EST. There may also be periods during the day when market conditions will necessitate a general rate sheet price update. During these periods, Seller will be unable to obtain rate locks over the phone or internet. Any faxes received during these blackout periods will be priced under the next available rate sheet.</p> <p>After Market Rate Protection Company may provide, at its discretion, After Market Rate Protection for Seller. After Market Rate Protection enables Seller to lock in new originations after the close of normal business hours, and applies only to Best Efforts Delivery Commitments. After Market Rate Protection begins at 7:00 PM EST and ends at 12:00 AM EST.</p> <p>If a Seller exceeds their After Market Rate Protection limit, they will be notified the next day and Company may reject or re-price any dollar amount over the limit. Once new pricing becomes available the next business day, the Seller may submit a new lock request based on current rates. Company is not responsible for lock requests that are rejected due to After Market Rate Protection limits.</p>
AS	<b>A501 Hazard Insurance</b>	04.26.22	<p>Added:</p> <p><b>For DSCR loans:</b> Community Loan Servicing, LLC Its Successors and/or Assigns ATIMA P.O. Box 5933 Troy, MI 48007-5933</p> <p><b>For Agency, Agency Investor Plus, Jumbo and Bank Statement loans:</b> Nationstar Mortgage LLC Its Successors and/or Assigns P.O Box 7729 Springfield, OH 45501-7729</p>
AS	<b>A505 Flood Insurance</b>	04.26.22	<p>Added:</p> <p><b>For DSCR loans:</b> Community Loan Servicing LLC Its Successors and/or Assigns ATIMA P.O. Box 5933 Troy, MI 48007-5933</p> <p><b>For Agency, Agency Investor Plus, Jumbo and Bank Statement loans:</b> Nationstar Mortgage LLC Its Successors and/or Assigns P.O Box 7729 Springfield, OH 45501-7729</p>

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AS	<b>A615 MERS Org ID and Transfer Information</b>	04.26.22	<p>Added:  <b>For DSCR loans:</b></p> <ul style="list-style-type: none"> <li>Community Loan Servicing - Org ID - 1007786</li> </ul> <p>The correct way to transfer is:</p> <p>                    Servicer– 1007786 Community Loan Servicing, LLC                      Investor – 1007786 Community Loan Servicing, LLC                      Sub-Servicer – N/A</p> <p><b>For Agency, Agency Investor Plus, Jumbo, and Bank Statement loans:</b></p> <ul style="list-style-type: none"> <li>Nationstar Mortgage LLC – Org ID 1003972</li> </ul> <p>The correct way to transfer is:</p> <p>                    Servicer – 1003972 Nationstar Mortgage LLC                      Investor – 1003972 Nationstar Mortgage LLC                      Sub-Servicer – N/A</p>
AS	<b>B702 Post Acquisition</b>	04.26.22	<p>Added:  <b>Servicing - Hazard/ Flood Loss Payee</b></p> <p><b>For DSCR loans:</b>  Community Loan Servicing, LLC Its Successors and/or Assigns  P.O. Box 5933  Troy, MI 48007-5933</p> <p><b>For Agency, Agency Investor Plus, Jumbo and Bank Statement loans:</b>  Nationstar Mortgage LLC Its Successors and/or Assigns  P.O. Box 7729  Springfield, OH 45501-7729</p> <p><b>Servicing – Payment Mailing Addresses</b></p> <p><b>For DSCR loans:</b>  Community Loan Servicing, LLC  P.O. Box 740410  Cincinnati, OH 45274-0410</p> <p><b>For Agency, Agency Investor Plus, Jumbo and Bank Statement loans:</b>  Nationstar Mortgage LLC d/b/a Mr. Cooper  P.O Box 650783  Dallas, TX 75265-0783</p>
AS	<b>All</b>	05.16.22	Added Non-Delegated section
AS	A703 Allonges/Endorsements to the Mortgage Note	05.31.22	Added "without recourse"
AS	D106 Early Pay Off	08.12.22	Added: For additional guidance on Early Pay off, please see Section B803 Post Acquisition and Servicing - Added "and Servicing" in section title
AS	B803 Post Acquisition and Servicing	08.12.22	Added all content under the following, newly created sections: - Early Pay Offs After Mortgage Loan Purchase – TPO Correspondent Loans - Interim Servicing - First Payment Refund Research Requests - Post- Purchase Payments Received by the Seller - Post-Purchase Non-Sufficient Funds – Borrower Payment Checks - Private Mortgage Insurance Premium Remittance
AS	C803 Returning Funds to the Company	08.12.22	Removed section in its entirety "Return funds to original sender of wire or contact Client Manager for specific wire instructions"
AS	C503 Estimating Property Taxes	08.12.22	Added new section: For Purchase and Construction related transactions, the Seller must use a reasonable estimate of the real estate taxes based on the value of the land and the total of all new and existing improvements. As a reminder, for all loans, this policy also applies to properties in jurisdictions where a transfer of ownership typically results in a reassessment or revaluation of the property and corresponding increase in the amount of taxes.
AS	A101 Miscellaneous	09.23.22	Added item J – Address Confidentiality Programs
AS	C101 - #17	10.21.22	<b>Added</b> - An Attorney's Title Opinion Letter in lieu of title insurance is not permitted.
AS	A604 – A	10.21.22	<b>Added</b> - An Attorney's Title Opinion Letter in lieu of title insurance is not permitted.
AS	B802 Final Documents	01.25.23	<b>Added to First Paragraph: "See Final Document Fee Section below for more details."</b> Added: Note: For MSR Sales, please use finaldocs@pingorafund.com. Added #4
AS	<b>Chapter 3C</b>	<b>02.15.23</b>	<b>Added Chapter 3C – Multiple Loan Mandatory Commitments – Delegated Only</b>