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2 - Eligibility

Overview

Description	The Eligibility section outlines the requirements for becoming a Mortgage Services III, LLC (MSI) approved Seller and for maintaining that eligibility in Good Standing.
General Information	To become an approved seller to MSI, the applicant must: <ul style="list-style-type: none">✓ Satisfy all MSI Eligibility Requirements✓ Complete all required applications and provide all necessary documentation outlined in the current MSI Correspondent Lending Application Package✓ Execute the applicable Loan Purchase and Sale Agreement, as well as any other Agreements that may be applicable to the type of approval requested

Approval Process

Process The following matrix outlines the approval process for becoming an approved Correspondent.

Step	Responsible Party	Action
1	Applicant	Contacts MSI Correspondent Lending Account Executive (AE)
2	MSI AE	Answers any questions the Applicant may have, provides submission information
3	Applicant	Completes the Application Package in accordance with the Application Instructions and this Seller Guide
4	MSI	Reviews Application Package
5	MSI AE	a. Obtains any missing documentation or information from the Applicant
6	MSI	a. Run MARI (Mortgage Information Data Exchange) MIDEX reports & FHA Compare Ratio from Neighborhood Watch <ul style="list-style-type: none"> • Note: If MSI determines there are issues with the MIDEX reports or FHA Compare Ratios, MSI will request a letter of explanation due within 15-days. Acceptability of the explanation is at MSI's sole determination. b. Completes review c. Issues notice of approval or declination to the Applicant and AE Activates the Correspondent on www.msicorr.com
7	MSI AE	Notifies the Correspondent and schedules New Seller Welcome Call
8	Approved Correspondent	a. Begins committing and delivering loans for purchase b. Maintains Good Standing with MSI

Application Submission Documents

Overview

MSI will accept applications for Correspondent Approval from qualified applicants.

See the [Eligibility Standards](#) for approval in this chapter for details.

The Correspondent Application and all required documentation must be complete, duly executed by an officer or principal of the applicant as required, and submitted to the Account Executive (AE) responsible for the location in which the company's main office is located.

See the Web site (www.msicorr.com) for details to contact your AE.

Correspondent Application

Applicants for approval as a MSI approved Correspondent must complete and submit a MSI Correspondent Application and any required addenda executed by a duly authorized executive officer of the company.

The supporting documentation, outlined in the Application Package Instructions must be submitted with the application

Agreement

The applicant must fully execute the Loan Purchase and Sale Agreement (Agreement).

Notes:

- ✓ MSI will **not** accept or approve changes to the Agreement.
 - ✓ MSI will provide a copy of the fully executed Agreement to the new approved Correspondent upon request.
-

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Application Submission Documents, Continued

Financial Requirements

To ensure that the applicant meets the MSI net worth requirements for approval, the following are required at time of application:

- ✓ Corporate Financial Statements for the most recent two (2) years
 - If, at the time of application, more than 90-days have passed since the completion of the Financial Statements, updated financials for that period are also required.
 - If the Applicant is FHA-approved, they must provide Audited Financials to MSI.
- ✓ The financial statements must include, but are not limited to, the balance sheet, income statement, statement of retained earnings, statement of additional paid-in capital, and statement of changes in financial position. These statements must be comparative with the previous year
- ✓ The reports must be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and must include the unqualified opinion of an independent Certified Public Accountant (CPA) who is a member of the American Institute of Certified Public Accountants

Notes:

- ✓ If the applicant has been in business less than two (2) years, MSI requires additional information to substantiate the capacity to participate in the program
- ✓ If the applicant is a subsidiary corporation, audited financial statements for its parent must also be submitted
- ✓ In the event the applicant has completed a merger since the date of the last financial, audited financial statements for the merger company are also required
- ✓ In lieu of audited statements, the following are acceptable for the specific entity:
 - Banks - Form FFIEC034
 - Savings & Loans – FHLBB1313
 - Credit Unions - NCUA5300

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Application Submission Documents, Continued

Mortgage Lending License

MSI requires that each applicant be duly licensed and approved to do business in each state for which it will sell loans.

MSI requires a copy of each license held.

- ✓ If your state requires it, you must forward a copy of the annually updated license upon receipt each year to maintain Good Standing with MSI.

Master Bailment Letter(s)

MSI requires, included in the Application Package sent for approval:

- ✓ A copy of the Master Bailment Letter for each warehouse bank used by the Applicant (Correspondent) **or**
- ✓ For Self-Funding Sellers, a copy of the Applicant's wire instructions .
 - MSI validates the ABA number for the financial institution to ensure that the wire instructions are legitimate.

Wire Instructions in Each Loan

To ensure that MSI wires funds for loan purchase to the correct warehouse bank or operating account (for self-funding Correspondents), a copy of the Master Bailee or the "self-funding" wire instructions must be included with **each** Note forwarded to MSI.

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Application Submission Documents, Continued

Articles of Incorporation	For Applicants that are not Banks or Credit Unions, a copy of the company Articles of Incorporation, Articles of Organization (LLC) and/or the Partnership Agreement must be included in the Application Package.
Corporate Resolution	A fully executed Resolution of the Board of Directors (MSI sample resolution is included in the Application Package) that identifies the authorized officers for the company.
Proof of Fidelity Bond	<p>The Applicant must provide proof of current Fidelity Bond and Errors & Omissions Insurance (and/or Surety Bond) in compliance with the current regulations of the state in which the company does business.</p> <p>✓ See Fidelity and Errors and Omissions Coverage.</p>
Resumes	<p>The most current resume for each principal officer that addresses his/her mortgage experience.</p> <p>✓ Additional resumes may be required dependent upon requests for additional authority levels, e.g., for Delegated Underwriting approval, MSI will require the resume of the Underwriting Manager, Underwriting Personnel, Supervisors and Quality Control Manager.</p>
Personal Identification Documents REV (4/26/12)	<p>All non-bank/non-credit union applicants:</p> <p>✓ Personal: Each Principal listed on the MSI Application must provide the following personal identification documentation:</p> <ul style="list-style-type: none">• Photo ID- either a valid driver's license or a current Passport. <p>✓ Company: The company must provide copies of each of the most current Business License (or exemption letters, as applicable) and a copy of either the State or Federal Tax Identification Number documentation.</p>
Guarantee Agreement	MSI reserves the right to require, at the time of initial application, or thereafter, the submission of a guaranty, in form prescribed by MSI, from a Correspondent's parent, affiliate company or other guarantor.

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Application Submission Documents, Continued

Branch Approvals

MSI approves the corporate office of the Correspondent company.

- ✓ MSI will assign individual company ID's to Branch locations upon request by the company.

LO Compensation REV (4/06/11)

MSI requires that all Sellers are in full compliance with current LO Compensation regulations.

MSI requires each approved Seller sign a *Compliance Attestation/Certification*. Additionally, this document must be re-certified annually.

Eligibility Standards

Organization Standards

To be eligible to sell loans to MSI, the applicant and/or Correspondent must:

- ✓ Be an organization which is accustomed to making Conventional and/or FHA/VA one-four (1-4) family residential mortgages following acceptable practices and prudent lending guidelines.
 - Be a duly organized entity in Good Standing under the laws of the state of its organization.
- ✓ Not be listed on any exclusionary lists provided by the agencies.
- ✓ Not be listed on any public or non-public commercial watch list or database (such as MIDEX) which reports cases of misrepresentation or failure to honor contractual obligations
- ✓ Retain qualified personnel
- ✓ Act as an independent contractor, and not as a representative or agent of MSI
- ✓ Maintain satisfactory facilities in which to originate real estate mortgages
- ✓ Have an adequate warehouse line of credit (“Adequate” is defined by MSI in its sole discretion.)
- ✓ Be
 - An independent mortgage banker, or credit union acceptable to MSI, or
 - A savings and loan association, savings bank, commercial bank, credit union, insurance company or a similar institution which is supervised or examined by a federal or state authority, that was, at the time of origination of the loans, either approved by the Secretary of Housing and Urban Development (HUD) pursuant to Sections 203 and 211 of the National Housing Act, or an approved Fannie Mae or Freddie Mac Seller/Servicer
- ✓ Hold all applicable federal, state and other licenses (including, without limitation, any required real estate broker license), authorizations and approvals, including, without limitation, the authorizations and approvals of FHA, VA, Fannie Mae, Freddie Mac and GNMA, as are reasonably necessary to perform its obligations under the Correspondent Agreement in compliance with applicable law and secondary market requirements, and is not in violation of any of the requirements of any such licenses, authorizations and approvals

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Eligibility Standards, Continued

Organization Standards, Continued

- ✓ Have and maintain acceptable written and operations quality control procedures that are acceptable to MSI and have the ability to provide reports on the loans purchased by MSI at MSI's request
 - ✓ Maintain a financial position that is acceptable to MSI
 - ✓ Maintain policies in full force for Errors and Omissions and Fidelity Bond
 - ✓ If applicable, maintain FHA Compare Ratios that are acceptable to MSI
-

Net Worth Requirements (2/17/12)

To be considered for standard approval by MSI an applicant must have:

- ✓ A **minimum** Tangible (GAAP) Net Worth of \$1 Million exclusive of related party receivables, as evidenced by the most recent audited financial statements.
 - MSI will carefully review and consider the applicant's overall financial condition, including but not limited to whether or not the applicant has access to alternate lines of credit, warehouse lines less any outstanding obligations, or additional sources of capital.
 - See [Correspondent Approval Tiers](#) for details.

Notes:

- ✓ MSI provides a "Mod Corr" status to Sellers with a minimum Tangible (GAAP) Net Worth of \$500,000, Sellers must close in their name and meet all Correspondent Lending Representations and Warranties.
 - ✓ MSI grants this approval Modified Correspondent approval **at their sole discretion** based upon Net Worth and other business risk criteria.
 - See [Correspondent Approval Tiers](#) for details.
-

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Eligibility Standards, Continued

Insurance Standards

Applicants are required to have, and Correspondents are required to maintain, a blanket fidelity and errors and omissions insurance coverage at all times that meets the current published Fannie Mae/Freddie Mac requirements, including but not limited to the following:

- ✓ The applicant/ Correspondent must certify that it has the required fidelity bond and errors and omissions coverage and that none of its principal officers has been removed from coverage. If an officer has been removed from coverage, that a direct surety bond has been obtained to cover him/her
- ✓ In general, these policies must insure the lender against losses resulting from dishonest or fraudulent acts committed by the lender's personnel, any employees of outside firms that provide data processing services for the lender, and temporary contract employees or student interns. The fidelity bond should also protect against dishonest or fraudulent acts by the lender's principal owner, if the lender's insurance underwriter provides that type of coverage
- ✓ The applicant/Correspondent must report the amount and type of coverage, the names and addresses of the insurance carriers, the policy numbers, and the effective dates and expiration dates of the coverage.

The errors and omissions policy must, at least, protect the lender against negligence, errors, and omissions in

- ✓ Maintaining hazard and flood insurance that meets our requirements
- ✓ Maintaining any required mortgage insurance or loan guaranty
- ✓ Determining whether properties are located in Special Flood Hazard Areas
- ✓ Paying real estate taxes and any special assessments, and
- ✓ Complying with reporting requirements of the mortgage insurer or guarantor

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Eligibility Standards, Continued

Insurance Standards, Continued

Fidelity and Errors and Omissions Coverage
Minimum Coverage Amount \$300,000
Deductible may not exceed the greater of \$100,000 or 5.00% of the coverage amount per occurrence.
Carrier must be rated B/III, A/II or better in the current Best's Key Rating Guide

Controlled Business Arrangement

MSI requires that applicants/Correspondents that participate in Controlled Business Arrangements (CBA) with affiliate companies (e.g., title or escrow companies, etc.) owned by the mortgage company or the parent, must provide full disclosure of the name and type of business.

MERS (2/01/12)

MSI prefers that each loan sold to MSI is closed on a MOM (MERS as Mortgagee) security instrument.

Acceptable MERS Memberships:

- ✓ General MERS Membership is acceptable to MSI.
- ✓ MERS Lite Membership is acceptable to MSI.
- ✓ **MERS TPO Membership is not acceptable to MSI.**
 - Sellers with a MERS TPO Membership **may not** sell loans to MSI using documents with MIN's created using a MERS TPO membership. MSI considers you a non-MERS Seller.
- ✓ If the Correspondent is not a MERS member the Seller is responsible for assigning loans to MSI, MSI will then assign the loans to MERS.
 - Sellers are responsible for all recording fees, PLUS
 - Sellers will be charged a fee by MSI for each paper assignment.
 - Assignment from the Seller to MSI
 - Assignment from MSI to MERS

Correspondent Approval Tiers

Overview

(2/17/12)

- MSI issues approvals and selling privileges based on Net Worth as well as other approval criteria.
- ✓ Each Correspondent is provided an Approval Tier Level based solely on Net Worth.
 - Correspondents that are **not** approved for Conventional Delegated Underwriting must submit conventional loans to an MSI-approved Contract Underwriter or to MSI for underwriting.
 - The underwriting agreement with the Contract Underwriting Company is between the Correspondent and the Company. The Correspondent is solely responsible to MSI for all Reps and Warrants on the loan.
 - ✓ Correspondents are approved for FHA as follows:
 - FHA Delegated – Correspondent has their full Eagle from HUD and has a DE on staff. Correspondent underwrites and insures their own loans.
 - MSI Sponsored Originator (SO) – Correspondent does not have a DE underwriter on staff. FHA loans are submitted to MSI for underwriting and insuring.
 - The Seller must be specifically approved by MSI to participate in the SO program. See [MSI FHA Sponsored Originator \(SO\)](#) for details.
 - ✓ Correspondents are approved for VA as follows:
 - VA Delegated – Correspondent is approved by VA to underwrite loans. Correspondent underwrites and insures the VA loan.
 - VA Agency – MSI underwrites the loan, the Correspondent insures the loans.

Approval Tier Level	Minimum Net Worth Requirements	Pricing from MSI	If Approved for Conventional Delegated Maximum Authority	If Full FHA or VA Delegated or USDA Delegated
One (1)	\$500,000 - 1 Million	Wholesale	MSI Must Underwrite	To current Agency Guidelines – Provide Approval Documents
Two (2)	\$1 Million – \$1.99 Million	Correspondent	MSI Must Underwrite	
Three (3)	≥ \$2 Million	Correspondent	Loan amounts to \$417,000*	

Notes:

- ✓ Sellers currently approved for MSI “Mod Corr” or approved Correspondent Sellers with less than \$1 Million Net Worth fall under Tier Level One and receive Wholesale Pricing. Sellers must be capable of closing loans in their own name and providing funds for closing. Sellers that do not meet these criteria are considered “Wholesale Lenders”; Pricing is Wholesale and all loans must close in the name of MSI.
- ✓ All loans must be submitted through DU or LP. FHA loans must be submitted through DU/LP TOTAL Scorecard.
- ✓ Maximum Authority is based on the actual dollar amount of the loan not current Fannie/Freddie loan limits per unit.
- ✓ See [Delegated Underwriting Authority](#) for details.
- ✓ *See the specific Product Suites, MSI may permit a higher limit for “High Balance” based on product.

MSI FHA Sponsored Originator (SO)

Overview

FHA no longer offers the “Loan Correspondent” approval. MSI does offer an FHA Sponsored Originator (SO) program that permits Sellers without a “full” (Unconditional) DE to originate FHA loans and submit them to MSI for underwriting and insuring.

- ✓ These loans must be closed in the name of MSI and are subject to MSI Wholesale pricing and fees. See the [Government Product Suite](#) for additional details.

FHA Sponsorship Criteria

The matrix below outlines the MSI criteria for SO approval:

Partner	Criteria	Summary
Currently Approved Sellers	Net Worth	<ul style="list-style-type: none"> ✓ MSI will “grandfather” all of our currently approved Sponsored (former FHA Loan Correspondents) FHA lenders into our Sponsored Originator (SO) program. ✓ These lenders will need to meet all MSI Good Standing Criteria to maintain that approval. ✓ MSI retains the right to withdrawn FHA SO status if the Seller fails to maintain Good Standing.
Prospective Partners	Net Worth	<ul style="list-style-type: none"> ✓ The Seller must be an approved Correspondent Seller and meet all applicable Net Worth requirements to apply for MSI Sponsored Originator status.
	Additional Requirements	<ul style="list-style-type: none"> ✓ Seller must be an approved Correspondent Lender and meet all eligibility standards outlined in the Correspondent Seller Guide, in addition to the following to be approved as an SO lender: <ul style="list-style-type: none"> • Compare Ratio of less than 200% (i.e. available within HUD’s Neighborhood Watch Site—to the extent that MSI can obtain the information.). Note: if the information is not available to MSI, the remaining eligibility requirements will be more carefully considered. • Copy of the Seller’s QC plan, most current QC Reports and Management Response. • Non-sanctions letter. A letter from a senior officer, certifying that no officer or employee has ever been debarred or sanctioned by a federal, state or agency regulator. MSI provides a sample letter on our Web Site. • Two (2) years’ minimal experience in FHA originations OR an FHA training certificate as provided by MSI or other acceptable industry training program. • MSI requires that “SO” has a primary place of business (bricks and mortar office) in a commercial location with ample/visible signage, even if “SO” also has “satellite” origination offices.

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MSI FHA Sponsored Originator (SO), Continued

FHA Sponsorship Criteria, Continued

Partner	Criteria	Summary
All Lenders approved for FHA Sponsored Originator status	Good Standing	<ul style="list-style-type: none"> ✓ In addition to the standard Good Standing Requirements, to maintain FHA SO status with MSI, the Seller must continue to meet the requirements for approval. ✓ The lender must be knowledgeable of current FHA guidelines and must submit quality loans for underwriting. <ul style="list-style-type: none"> • If the lender fails to meet this guideline (in MSI's sole discretion), MSI retains the right to withdraw its approval for FHA Sponsored Originator.

Exception – SO with FHA Lender ID #
(7/01/11)

Effective 7/01/11:

If a Sponsored Originator has an FHA Lender ID #, the following exceptions apply:

- ✓ The Sponsored Originator with an FHA Lender ID# may originate and close the loan in their own name; MSI must underwrite the loan. MSI will not purchase loans that are “FHA Test Cases”.
 - These lenders may order the appraisal through their own AMC process and complete the GFE/TIL.
 - If the Seller funds in their own name, they are responsible for the UpFront MIP payment.
 - MSI is responsible for insuring loans that we underwrite.

Notes:

- ✓ If the SO obtains their Unconditional DE, please see -[FHA Authorized Agents](#); the Seller is no longer a Sponsored Originator.
- ✓ Failure to obtain your unconditional DE results in the Seller becoming a Sponsored Originator without exceptions.

FHA Authorized Agents

Overview (7/01/11)

Sellers that have an **Unconditional** Direct Endorsement (DE) approval may engage with MSI as an Authorized Agent.

- ✓ The Seller is the “Principal” (originator) while MSI acts as the “Agent” or the underwriting entity.
 - MSI then requires the Seller to close the loan in their own name.
 - The Seller is responsible for obtaining the FHA Case Number, all RESPA Disclosures, ordering the appraisal and the UpFront MIP payment.
 - MSI as underwriter is responsible for insuring the loan.

FHA Principal and Authorized Agent Agreement (7/01/11)

To participate in the Authorized Agent program, the Seller and MSI must execute the FHA Principal and Authorized Agent Agreement.

- ✓ MSI must have the fully executed Agreement from the Seller prior to the submission of loans under the Authorized Agent process.
- ✓ The form is posted on the MSI Web Site.

Delegated Underwriting Authority

Overview

(2/17/12)

MSI offers Conventional Delegated Underwriting Authority to Correspondents.

- ✓ Authority limits are based on tangible Net Worth, see [Correspondent Approval Tiers](#) for details.
- ✓ Correspondents must meet additional eligibility requirements to be eligible for Delegated Underwriting Authority.
- ✓ **FHA/VA or USDA Delegated Authority** – MSI requires **written documentation** from the applicable agency evidencing delegated underwriting authority. MSI requires annual recertification of approval:
 - Seller must meet current guidelines for each applicable agency and must have a minimum Net Worth of \$500,000, unless a higher Net Worth is required by the applicable agency.
 - **FHA** – must be a “Full Eagle” (Unconditional Direct Endorsement) with FHA and have a DE Underwriter on staff.
 - **VA** – Must be VA Delegated (VA Automatic-with lender’s VA lender ID#), with a VA Underwriter on staff.
 - **USDA** – Must be USDA Delegated, with a USDA Underwriter on staff.

Additional Documentation Requirements

Lenders that want to participate in Delegated Underwriting must submit the following documentation in form and substance acceptable to MSI:

- ✓ List of repurchases and indemnifications required by investors and/or agencies for the previous calendar year and year to date, with explanations;
- ✓ Last two months completed quality control reports, including Early Payment Default analysis;
- ✓ Lender performance reports from primary investors (not required for “financial institutions”);
- ✓ Resumes of key underwriting personnel, including underwriting managers and supervisors and quality control manager.
 - Underwriters designated by Lenders must be acceptable to MSI; therefore underwriter resumes must be submitted with the application packages. The approval process will include not only specific approval of the Lender, but also review and acceptance of the underwriter.

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Delegated Underwriting Authority, Continued

Eligibility Requirements for Delegated Underwriting

The following eligibility requirements for Delegated Underwriting are excerpted from the Delegated Underwriting Addendum that must be signed:

1. MSI's approval of Delegated Underwriting privileges to Seller is expressly conditioned on MSI's acceptable review and approval of the first Three (3) delegated underwritten conventional cases submitted by Seller. These files will be reviewed prior to the closing/funding of the loan.
2. MSI shall have the right to perform post purchase reviews of all loans and request any additional documentation to ensure compliance with FNMA, FHLMC, FHA, VA or submit underwriting and program guidelines;
3. Seller is an approved Seller/Servicer for the Federal National Home Mortgage Association ("FNMA") and/or the Federal Home Loan Mortgage Association ("FHLMC");
4. Maximum loan amount allowed with respect to tier level approval with delegated authority on the day the loan is purchased. (See [Correspondent Approval Tiers](#).)
5. Each conventional conforming loan must be submitted through FHLMC Loan Prospector ("LP") or FNMA Desktop/Originator ("DU/DO") and receive a minimum of an "accept" Risk Grade file must contain the minimum documentation required per the LP/DU/DO response;

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Delegated Underwriting Authority, Continued

Eligibility for Delegated Underwriting, Continued

6. All loans must conform in all respects to the Federal National Mortgage Association ("FNMA") the Federal Home Loan Mortgage Association ("FHLMC"), the Department of Housing and Urban Development ("HUD") or the department of Veteran Affairs ("VA") eligibility Requirements, as applicable;
7. Certain programs as designated by MSI shall be eligible for delegated Underwriting by Seller and all loans for employees of the Seller must be underwritten directly by MSI.
8. In the event MSI determines that any Mortgage Loan is ineligible for sale to FNMA or FHLMC, a government loan cannot be insured by HUD or guaranteed by VA; or in the event that repurchase of an Mortgage Loan sold to FNMA or FHLMC becomes necessary due to any defect in the origination and/or underwriting of the Loan, Seller shall repurchase such Mortgage Loan at no loss to MSI within (10) days of MSI's request for repurchase;
9. Seller certifies that they maintain an underwriting department including appraisal review and maintains a quality control policy that randomly selects loans for review after closing and reports the results to the management. These functions must be performed separate from the origination function. Seller certifies that they have provided MSI with their most current Quality Control Policy as part of their approval package and will provide MSI with any revisions made to this policy in the future.

Termination of Delegated Authority

Termination of the Delegated Underwriting Authority contained in this addendum may be terminated by MSI for any reason, and in MSI's sole discretion, upon written (via email) notice. Termination of the Delegated Underwriting Authority shall be effective as to all loans submitted to MSI for purchase on or after such notice of termination.

Maintaining Eligibility

Good Standing All approved Correspondents must remain in “Good Standing” with MSI to maintain eligibility to sell loans.
Failure to remain in Good Standing could result in MSI’s termination of the Agreement with cause.

Good Standing Standards
(2/17/12)

To remain an approved Seller in Good Standing, the Correspondent must:

- ✓ Actively participate in the Loan Programs and Products described in this Seller Guide
- ✓ Be in full compliance with all the terms of the Agreements and this Seller Guide, which is a contractual document by reference in the agreements
- ✓ Complete and submit (within required timeframes) all requested documents in the Annual Recertification Package issued by MSI. Failure to provide the updated information is cause for termination. Updated information requirements include, but are not limited to:
 - Completion of the MSI survey questions
 - Most current, updated financial statements
 - Copies of renewed, updated fidelity bond and/or E&O Insurance
 - Completion of the state licensing list with copies of the applicable current/updated state licenses. See [Annual Recertification](#).
 - If FHA/VA or USDA Delegated, provide copies of most current approval documentation from the applicable agency.

Note: When reviewing performance for determination of Good Standing MSI considers the Correspondent’s over-all track record and history with MSI.

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Maintaining Eligibility, Continued

Determination of Good Standing

Determination of Good Standing is made entirely at MSI's discretion.

MSI's determination of Good Standing includes but is not limited to the following:

- ✓ Pull Through, the lender's percentage with MSI
- ✓ Credit Quality, based on review of FICO Credit Scores, number of loan held from sale or returned by an investor due to credit issues
- ✓ Early Payment Default, based on incidence of loans purchased by MSI
- ✓ For HUD delegated FHA, the Seller must maintain a compare ratio of 200 or less
- ✓ Outstanding fees, based on incidence with MSI
- ✓ Outstanding final documentation, according to MSI's records of receipt and standards that are published in the Seller Guide
- ✓ MSI's quality assurance reviews and the Correspondent's record of timely response
- ✓ MSI's receipt and review of current financial statements
- ✓ Adherence to MSI guidelines and loan parameters as published in the Seller Guide
- ✓ Compliance with MSI's Loan Sale and Purchase Agreement
- ✓ Acceptable volume levels, based on the Correspondent's business profile with MSI
- ✓ Prepayment of purchased loan statistics, based on volume

Note:

MSI reserves the right to require certification of certain information from the Correspondent to maintain Good Standing.

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Maintaining Eligibility, Continued

Material Changes

Notification of Business Changes

To maintain eligibility and remain in Good Standing, the Correspondent is responsible to inform MSI of any material company changes that may affect the business partnership with MSI.

- ✓ Notification to MSI must be made in writing no later than seven calendar days after the legal finalization of any material change.

MSI reserves the right to request that an approved Correspondent provide additional documentation and/or execute a new Agreement when there are significant legal changes in the Correspondent's business.

- ✓ **Important:** The Correspondent must obtain written approval from MSI to continue doing business after any material change.
- ✓ "Material Changes" include, but are not limited to the following:

If there is a change in the company name ...	Then ...
With no change in assets (no merger or acquisition)	<p>The Correspondent is required to provide, notification, on new company letterhead, of the new business name as well as:</p> <ul style="list-style-type: none"> ✓ Provide a new/updated Corporate Resolution, and ✓ Execute a new Agreement under the new business name.
Due to a merger and/or acquisition	<p>The Correspondent is required to provide the following documentation:</p> <ul style="list-style-type: none"> ✓ Notification, on company letterhead, of any new business name. ✓ If the currently approved Correspondent is not the surviving entity, a new Agreement, executed in the new business name is required. ✓ New audited financial statements. ✓ New Resolution for the Board of Directors. ✓ Other documents as deemed necessary by MSI.

Continued on next page

Maintaining Eligibility, Continued

Material Changes (continued)

If there is a material change in ...	Then the Correspondent must advise their Account Executive and ...
The financial condition	Upon request, provide the most current audited financial reports.
The management team or principals for the company	Upon request, provide new resumes of the management team or the principals. ✓ Note: At MSI's sole determination, a new corporate resolution and new Agreement may be requested.
Warehouse Lending arrangements or wire instructions	Provide a copy of the new Master Bailee Letter or new wire instructions letter (for self-funding Correspondents) to the AE for approval. Note: Failure to provide notice of this change, and/or failure to provide a copy of the new Master Bailee Letter may result in MSI's inability to fund loans.
Fiscal Year End date	Forward the updated financials within 90-days of the new fiscal year end.

Note: If there is a change in the Contact name, phone, or email address originally provided, notify your Account Executive to update your records.

Fraud

It is the Correspondent's responsibility to inform MSI:

- ✓ If fraud or misrepresentation is discovered in a loan sold to MSI
- ✓ If the Correspondent is involved in any investigation resulting from fraud or misrepresentation

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Maintaining Eligibility, Continued

Annual Recertification

Annually MSI requires that the Correspondent provide updated documentation for the following:

- ✓ Financials – The Correspondent must forward updated Financials upon request by MSI.
- ✓ Errors and Omissions and Fidelity Bond – evidence of the current active policy
- ✓ Updated/current active state business license – MSI will accept these from the Correspondent upon their separate renewals, we do not require that you wait until receipt of the Annual Recertification Package.
- ✓ Any other additional certifications or information requested by MSI.

Notes:

- ✓ MSI generally sends the Annual Recertification Package to Correspondents around May 1 each year; the completed packages are due back to MSI no later than 30-calendar days after receipt.
 - ✓ Failure to provide updated documents is cause for suspension of selling rights. See [Good Standing Standards](#).
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Consequences of Not Maintaining Eligibility

Breach of Agreement

MSI considers the following to be a breach of our Agreement:

- ✓ Failure to provide all acceptable financials on an annual basis within 90-days after the end of the Correspondent's fiscal year
- ✓ Failure to repurchase a loan as requested
- ✓ Failure to remit payment for fees due MSI within the requested time limits
- ✓ Failure to maintain Good Standing, as defined in the Seller Guide

Note: The listing above is not intended to be all-inclusive and is provided as courtesy information for Correspondents. Other instances, not listed herein may be considered a breach of agreement at the sole discretion of MSI.

Consequences of a Breach of Agreement

If MSI determines that a Correspondent has failed to maintain Good Standing, or otherwise breached the agreement, we reserve the right to:

- ✓ Deduct outstanding fees from Servicing Released Premiums (SRP) due on current loan purchase funding and/or place the Correspondent's account in a terminated status for breach of agreement
- ✓ Cease accepting registration or commitment of loans
- ✓ Determine that registered loans are not eligible for commitment based on suspension or termination of the eligibility to sell loans

Note: MSI's sole determination of the negative impact or a breach of agreement provides the right to immediately terminate eligibility and to not honor the existing pipeline.

Privacy of Borrower Information

Privacy Policy MSI's privacy policy prohibits the release of loan level information to non-MSI affiliates, unless specifically requested by the borrower.

See the Privacy Policy published on www.msicorr.com

Delinquency Reports MSI does not release Delinquency Reports that contain loan level (private borrower) information to Correspondents.

Note: To the extent that a Correspondent has a contractual obligation to MSI, we will release private borrower information as necessary, as determined in compliance with our Privacy Policy.

Limitations A Correspondent's contractual obligation to comply with MSI's request to repurchase a loan, to correct loan deficiencies or to comply with any MSI request is in no way impacted by MSI's decision not to release loan level delinquency information.

CANSpam and Telephone Consumer Protection Act

Overview

The CAN-SPAM Act of 2003 and the Telephone Consumer Protection Act of 1991 imposes limitations and penalties on the transmission of unsolicited commercial electronic mail via the Internet or the telephone lines by calling or sending faxes.

Exclusions

The following information issued by MSI shall **not** be considered an "advertisement", "unsolicited advertisement", "commercial advertisement", "commercial electronic mail message", or "solicitation" under any applicable laws, rules and regulations, including the CAN-SPAM Act of 2003:

- ✓ Seller Guide Communications, legal and informational
 - ✓ Price Sheets or notifications of changes to Price Sheets
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