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Section 1 Contract

Plaza Home Mortgage, Inc.'s (Plaza) Wholesale Broker Guide (Guide), along with the Master Wholesale Broker Agreement (the "Agreement") governs the business relationship between Plaza and the Broker. This Guide sets forth the terms and conditions for delivering loans to Plaza. Loans delivered to Plaza must conform to all requirements of the Agreement, program guidelines, underwriting guidelines and this Guide (together, the "Program Documents").

1.1 Broker Contractual Obligations

By signing the Agreement, Broker is bound by the requirements of the Program Documents. The Program Documents, subject to modification by Plaza at its sole discretion, govern the Agreement and assignment of loan applications by Broker to Plaza.

Plaza maintains a contractual relationship with each Broker with which it does business. Failure of a Broker to perform obligations under the Program Documents constitutes a default and permits Plaza to disqualify such Broker as an approved Broker and permits Plaza to terminate its relationship with that entity.

1.2 Rules of Interpretation

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".

Headings for Convenience

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

Plaza's Sole Discretion

Whenever any provision of the Program Documents require or allow Plaza to act in its discretion or to make a determination of fact or a decision to act, or to permit, approve, or deny another party's action, such determination or decision shall be made at Plaza's sole discretion.

Plaza's Sole Opinion

Whenever any provision of the Program Documents require or allow Plaza to make a determination of its opinion, such determination shall be made at Plaza's sole opinion.

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Updates and Amendments

Plaza will update this Guide from time to time to reflect changes in Plaza's requirements and developments in Plaza's loan programs. Each update will amend the Guide. Plaza will provide updates by means of a notice to the Broker, as further described in the "Notice" section of this Guide. The notice will explain the update and specify the effective date of the change.

Broker Guide Online

This Guide, including all updates, is available to Brokers at: <https://www.plazahomemortgage.com/brokersonly/>. In the event of any conflict between a hard copy of this Guide and the online version of this Guide, the online version will control.

1.3 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 Plaza to act as a financial or business advisor or consultant to Broker, as permitting or obligating Plaza to control Broker or to conduct Broker's operations, as creating any fiduciary duty of the part of Plaza to Broker, or as creating any joint venture, agency, partnership or other relationship between Plaza and Broker. Broker 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 as well as review of this Guide. Broker 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 Program Documents and any related transactions.

1.4 Power of Attorney

Broker hereby constitutes Plaza as attorney-in-fact for Broker, and in Broker's name and stead to endorse promissory notes from Broker to Plaza, and execute assignments from Broker to Plaza of mortgages, deeds of trust, deeds to secure debt and other security instruments securing said promissory notes for any mortgage loan closed or table funded by Plaza in the name of the Broker, granting unto Plaza full power and authority to do and perform each of the actions set out above as fully as Broker itself could or might do. Broker may only revoke this power of attorney in writing and only upon the expiration of 3 years from the effective date of the Agreement termination in accordance with the Agreement terms, and this power of attorney is a power coupled with an interest for such purposes.

1.5 Broker's Responsibility

Broker 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.

1.6 Discretionary Relationship

The relationship between Plaza and Broker is a discretionary relationship. Broker is under no obligation to deliver Loans to Plaza and Plaza is under no obligation to accept Loans from Broker unless Broker and Plaza have entered into a separate binding commitment to deliver and accept specific Loans.

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1.7 Confidentiality

As a result of its relationship with Plaza and access to the Program Documents, Broker will learn or have access to various 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 useful in the conduct of Plaza's business, including Plaza's origination, sale and servicing of mortgage products (all such information is collectively referred to as "Confidential Information"). Broker acknowledges that such Confidential Information is the exclusive property of Plaza.

Broker shall (1) protect such Confidential Information at least with the same degree of care that it uses to protect its confidential information, and (2) not, at any time, regardless of if, when, and how its relationship with Plaza 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. If Confidential Information is required to be disclosed pursuant to an authority to regulate or oversee any aspect of the Broker's business, Broker shall (a) formally request that such information be treated in confidence and (b) (i) provide Plaza with written notice of the required disclosure promptly upon receipt of notice of the required disclosure, to the extent such notice is permitted by law, (ii) disclose only that portion of the Confidential Information that is legally required to be furnished, and (iii) coordinate with Plaza in an effort to limit the nature and scope of such required disclosure.

Section 2 Privacy of Consumer Financial Information

All capitalized terms used in this section and not otherwise defined shall have the meanings set forth in 12 C.F.R. Part 332 ("Privacy of Consumer Financial Information"), as amended from time to time (the "Privacy Regulation"), issued pursuant to Section 504 of the Gramm-Leach-Bliley Act (15 U.S.C. § 6801 et seq.).

2.1 Safeguards

Broker and Plaza will maintain safeguards and take technical, physical and organizational precautions to ensure consumer information against destruction, loss, alteration, unauthorized access by or disclosure to third parties while in the possession or under the control of the Broker, Broker agents, Plaza or Plaza agents. The objective of each such precaution will be to (i) ensure the security and confidentiality of Consumer Information, (ii) protect against any anticipated threats or hazards to the security or integrity of Consumer Information, and (iii) protect against unauthorized access to or use of Consumer Information that could result in substantial harm or inconvenience to any customer.

2.2 Unauthorized Access to Consumer Information

Detection and Response to Security Breaches: Broker and Plaza will maintain sufficient procedures to detect and respond to any unauthorized possession, disclosure, use, or other security breaches involving Consumer Information.

Notification of Unauthorized Access: Broker and Plaza will, as soon as reasonably practicable, notify the other party of any unauthorized or attempted possession, disclosure, use or knowledge of Consumer Information when it becomes aware of it, including any material breach or potential material breach of security, on a system, LAN or telecommunications network which contains or processes Consumer Information.

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Furnishing Details of Unauthorized Access: Broker and Plaza will, as soon as reasonably practicable, furnish to the other party full details of the unauthorized or attempted possession, disclosure, use or knowledge of Consumer Information, and use reasonable efforts to assist the other party in investigating or preventing the recurrence of any unauthorized or attempted possession, use or knowledge of Consumer Information.

Cooperation: Broker and Plaza will cooperate to correct any unauthorized possession, disclosure, use, or other security breaches, and in any litigation and investigation deemed necessary to protect Consumer Information.

Recurrence: Broker and Plaza will use all reasonable efforts to prevent a recurrence of any unauthorized possession, use or knowledge of Consumer Information.

2.3 Confidentiality

Standard of Care: Each Party will protect all Consumer Information with the same degree of care as it uses to avoid unauthorized use, disclosure, publication or dissemination of its own confidential information, but in no event, less than a commercially reasonable degree of care.

Restricted Disclosure: Plaza and Broker may disclose Consumer Information to its agents, marketing partners, accountants, attorneys, and affiliates or subsidiaries (respectively, each party's "Third Party Recipients") if reasonably necessary in performing its duties. Plaza and Broker agree that it will not disclose, release, or otherwise make available to any third party any Consumer Information without the other party's prior written consent; provided however, that Broker and Plaza are each responsible for any violation of these confidentiality obligations by its Third Party Recipients and will ensure that these individuals or entities are aware of these confidentiality obligations. Plaza may share Consumer Information with Third Party Recipients who are obligated under a joint marketing agreement executed between the parties. However, such information may only be used for the purposes set forth in the joint marketing agreements and may not be used for any other purpose.

Section 3 Broker Eligibility

Plaza will approve its Brokers as "approved in good standing" at Plaza's discretion. Brokers who are approved in good standing will be eligible to participate in Plaza's loan programs. In order to become an approved broker, an applicant must, complete, at a minimum all of the following:

- Satisfy the Plaza eligibility standards
- Have its completed application approved by Plaza **AND**
- Execute the Agreement

In order to remain eligible to participate in Plaza's loan programs, Broker must comply with all of the terms of the Program Documents as applicable.

Note: For Reverse Mortgage products, a Plaza Reverse Addendum must be executed.

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3.1 Ineligible States

Reverse Mortgage's ineligible states:

Alabama	Massachusetts	Rhode Island
Alaska	Nebraska	South Carolina
Arkansas	New Hampshire	Tennessee
District of Columbia	North Carolina	Vermont
Maine	North Dakota	West Virginia
		Wyoming

3.2 Broker Obligations

In order to remain eligible, Broker must be active with Plaza in the preceding calendar year, maintain the initial standards or eligibility standards currently in effect, and comply with the continuing obligations as defined in the Program Documents, as applicable. In addition, at Plaza's discretion, Plaza reserves the right to amend any or all continuing eligibility standards for a Broker based upon factors including Broker's current financial strength, volume and performance, and license and background checks. Plaza reserves the right to terminate the relationship with Broker at its sole discretion even if Broker is otherwise eligible.

3.3 Reporting Requirements

Interim Financial Statements

On the date of the Agreement and each year afterwards, the Broker may be required to give to Plaza fiscal year-end financial statements and an Annual Certification in form and substance satisfactory to Plaza certifying Broker's compliance with the terms of this Agreement. Plaza may also require the Broker to provide interim financial statements. Broker shall immediately advise Plaza of any material change in the Broker's circumstances, financial or otherwise, including, but not limited to, a change in the Broker's ownership.

Mailing Address

Submit all information required under the Reporting Requirements section above to:

Plaza Home Mortgage, Inc.
Broker Approval Department
6420 Sequence Drive Suite 200
San Diego, CA 92121

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3.4 Audits and Inspections

Broker agrees to allow Plaza to conduct audits or inspection, upon no less than five (5) business days notice, at one or more of the Broker's offices during normal business hours. At that time, Broker must provide the assistance of knowledgeable and responsible individuals and will grant Plaza access to all books, records, and files pertaining to Broker's compliance with the Program Documents.

3.5 Disclosure of Information

Upon the request of Plaza, Broker shall disclose to Plaza information relating to Broker's origination experience. Broker also consents to the disclosure by Plaza of any such information to investors, rating agencies, credit enhancement providers, or any other entity that needs the information in connection with Plaza's secondary marketing operation. Broker releases and agrees to hold harmless Plaza and any insurer or other entity that discloses information as provided above from and against any claims or liabilities connected with such disclosure.

3.6 Maintenance of Records

Broker shall maintain adequate records of all loans submitted to Plaza for such periods of time as may be necessary to comply with all applicable federal and state laws. Plaza has the right to examine any and all records that pertain to loans governed by the Agreement and the Program Documents. The records must include the individual loan file, any and all accounting reports associated with the loan and any other reports, data, information and documentation that Plaza in its discretion considers necessary to ensure that Broker is in compliance with Plaza's requirements. Broker must satisfy a request for records within 15 days of the request. Broker must reproduce all records at its own expense, regardless of whether these records are maintained in paper or other format.

State and federal law recognize electronic images that meet certain standards as being equivalent to paper documents for legal purposes. Plaza's requirements for document accessibility and retention apply equally to paper and electronic documents. Broker 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, Broker must provide Plaza 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 Plaza.

Broker shall maintain an individual loan file for each loan delivered to Plaza. Each file must contain all of the following:

- Copies of all documents delivered in their original form to Plaza
- All other loan and related documents not required to be sent to Plaza.

3.7 Notification of Changes in Broker Status

Broker must notify Plaza prior to the occurrence of any of the following:

- Any change in Broker's business address and/or telephone number or change in company structure.
- Any material increases or decreases in capital or changes in management ordered or required by a regulatory authority supervising or licensing Broker.
- Resignation of any senior management overseeing the origination or processing operations.

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- Entry of any court judgment or regulatory order in which Broker is or may be required to pay a claim or claims which may have a material adverse effect on Broker's financial condition.
- The winding up or dissolution of Broker's business.

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

Section 4 Quality Control

4.1 Internal Quality Control

Broker must maintain an internal quality control program commensurate with the size of their business to ensure:

- Accuracy of legal and origination documents
- Detection of fraud and misrepresentation
- Identification of systemic issues and their root causes
- Monitoring of corrective action plans
- Sound reporting procedures

The program must be supported by a written plan outlining the objectives and scope of the review and applicable policies and procedures. Upon request, Broker must have the ability to produce a copy of the Quality Control Plan.

4.1.1 Notice

If Broker becomes aware of the following occurring on a loan delivered to Plaza, Broker must give prompt written notice setting forth the details of the discovery and any supporting documentation.

- Material misrepresentation or fraudulent activity of any nature

A written notice may be sent to:

Plaza Home Mortgage, Inc.
6420 Sequence Drive Suite 200
San Diego, CA 92121
Attn: Risk Management

OR

To make an anonymous and confidential report of suspected fraud, contact (888) 936-1206.

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4.2 Best Practices for Quality Control

Each Broker is unique in size, target market, product mix, and other risk characteristics. It is important that Broker's quality control program and fraud controls be customized to be appropriate and effective for its specific situation. In addition to the other quality control requirements contained in the Program Documents, the following best practices are recommended for all Brokers:

- Broker's quality control staff, if applicable, is free from the influence of the production/origination and reports directly to senior management.
- Broker's employees receive appropriate background checks prior to being hired and are aware of Broker's code of conduct regarding fraud and appropriate handling of confidential consumer information. Employees and others have a means to report fraud and unethical behavior to Broker, which will be objectively investigated.
- Broker maintains an active focus on preventive controls, such as fraud awareness training, and document procurement policies. **AND**
- Broker makes appropriate use of current technology and tools in protecting itself from fraud including, but not limited to independent sources of information about the property.

Section 5 Representations, Warranties & Covenants Concerning Broker

Broker acknowledges that Plaza has relied upon the accuracy, completeness and truth of Broker's representations, warranties, covenants, and upon Broker's compliance with the terms and conditions set forth in the Program Documents.

All representations, warranties, and covenants are absolute and Broker is fully liable for any breach of any representation, warranty or covenant regardless of whether it or Plaza actually had, or reasonably could have been expected to obtain, knowledge of the facts giving rise to such breach of representation, warranty or covenant.

The representation, warranty or covenants pertaining to each loan are not affected by any investigation or review made by, or on behalf of, Plaza except when expressly waived in writing by Plaza. The representation, warranty or covenants pertaining to each loan are applicable regardless of whether Broker serviced or performed any other actions with respect to the loan.

The representations and warranties:

- Apply to each loan referred to Plaza for underwriting and closing.
- Are for the benefit of Plaza as well as the benefit of Plaza's successors and assigns.

Plaza reserves the right to require Broker to make additional representations, warranties or covenants in writing.

5.1 Licensing, Due Organization, Good Standing

The Broker is and shall continue to be duly organized, validly existing and in good standing under the laws of the United States, and under the laws of each state in which the Broker is incorporated, chartered, organized and conducting business.

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The Broker, and as applicable each employee, officer, Broker and agent:

- Has and shall continue to maintain all federal, state and local licenses, registrations and certifications necessary to carry on business; **AND**
- Is and shall continue to be licensed, qualified and in good standing under the laws of the United States and each state where a mortgaged property and/or borrower is located, as applicable; **AND**
- Will remain in good standing with state and federal authorities to the extent necessary to ensure enforceability of all Loans; **AND**
- Has not taken into account any "de minimus" licensing or registration exemptions to deliver any Loans to Plaza.

The Broker has disclosed to Plaza all final written reports, actions and sanctions of all federal and state agency and instrumentality reviews, investigations, examinations, audits, actions and sanctions undertaken or imposed within 2 years prior to the Agreement's effective date. Except as the Broker has disclosed to Plaza and Plaza has approved in writing, the Broker is not operating under any type of agreement or order (including, without limitation, a supervisory agreement, memorandum of understanding, cease and desist order, capital directive, supervisory directive, and consent decree) with or by any federal or state government agency, licensing, banking or regulatory authority, and the Broker is in compliance with any and all financial or regulatory standards imposed by any applicable regulatory authority.

5.2 Authority

The Broker has and will maintain full corporate and partnership power and authority, as applicable, to execute and deliver the Program Documents and perform in accordance with its terms, and the Broker has taken all requisite corporate or partnership action to make the Program Documents valid, binding and enforceable upon the Broker in accordance with its terms, subject as to enforcement or remedies, to bankruptcy, insolvency, reorganization, receivership or other laws affecting creditors' rights generally from time to time in effect and general equity principles. The Broker is duly and validly authorized to execute and deliver all documents, instruments and agreements the Broker is required to execute and deliver under the terms of the Program Documents and to consummate the transactions contemplated by the Program Documents. The Program Documents and this Guide evidence the Broker's legal, valid, binding and enforceable obligations.

5.3 No Conflicts

The Broker's execution and delivery of the Master Wholesale Broker Agreement, fulfillment of and compliance with the terms and conditions of the Program Documents will not conflict with or result in a breach of any terms, conditions, or provisions of the Broker's articles of incorporation, charter, by-laws, partnership agreement, or other organizational document, or of any legal restriction or regulatory directive or any agreement or instrument to which the Broker is now a party or by which it is bound; nor will such actions by the Broker constitute a default or result in an acceleration under any of the foregoing, result in the violation of any law, rule, regulation, order, judgment, or decree to which the Broker or any of its property is subject, impair the ability of Plaza to realize on a Loan or impair its value.

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5.4 Ability to Perform

The Broker has the ability to perform each and every obligation contained in, and to satisfy each and every requirement imposed on the Broker, in the Program Documents and this Guide and no offset, counterclaim, or defense exists to the Broker's full performance of the Program Documents and this Guide's requirements.

5.5 No Adverse Action

There is no action, suit, proceeding, inquiry, review, audit or investigation pending or threatened by or against the Broker ("Adverse Action") that, either in any one instance or in the aggregate, could result in any material adverse change in the Broker's business, operations, financial condition, properties or assets or in any material liability on the Broker's part which would draw into question the validity or enforceability of the Program Documents, this Guide, any Loan, or any of the Broker's actions taken, or to be taken in connection therewith; or which would be likely to impair materially the Broker's ability to perform under the Program Documents or this Guide's terms. Broker shall advise Plaza immediately, in writing, of any pending or threatened adverse action, or any pending or threatened action to revoke or limit any license, permit, authorization or approval issued or granted to the Broker by any federal, state or local government or quasi-governmental body, or any agency or instrumentality thereof, which is necessary for the Broker to conduct its business, or to impose any penalty or other disciplinary sanction on the Broker, or any other sanction that would materially affect the Broker's business.

5.6 No Consent Required

The Broker's execution and performance of, and compliance with, the Program Documents and this Guide and consummation of any Program Documents transactions do not require the consent, approval, authority, or order of any court or governmental agency or body, or if required, the Broker has obtained such unconditional approval prior to the related Funding Date.

5.7 No Untrue Information

The Broker's Application, the Program Documents, the promises, agreements, Representations and Warranties contained in this Guide and all other statements, reports, and documents the Broker furnished or will furnish pursuant to the Program Documents and this Guide contain no untrue statement of material fact nor do they fail to contain a material fact necessary to make the statements contained therein not misleading.

5.8 Origination

The Loans have been legally, properly, prudently, and customarily originated in conformance with the highest standards of the residential mortgage origination business practices.

5.9 Compliance with Business and Property Laws

Broker has complied with, and shall continue to comply with, and has not violated and shall not violate any law, ordinance, requirement, regulation, rule or order applicable to its business or properties, the violation of which might

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adversely affect the Broker's operations or financial conditions, or the ability of Broker to originate the transactions contemplated by the Program Documents and this Guide.

5.10 Compliance with Program Documents and Guide

Broker has and will comply with, all applicable provisions of the Program Documents and this Guide and will promptly notify Plaza of any occurrence, act, or omission or regarding Broker, the loan, the mortgaged property or the Mortgagor, which occurrence, act, or omission may materially affect Broker, the loan, the mortgaged property or the mortgagor.

5.11 No Defenses

Broker has no judgment, court order, claim, counterclaim, and defense, right of set-off or similar right against Plaza.

Section 6 Representations/Warranties by Broker Regarding Individual Loans

Broker hereby makes the following representations, warranties, and covenants, and all other representations, warranties, and covenants found elsewhere in this Guide to Plaza as to each loan.

6.1 Mortgage Loans as Described

No document, report, data or material furnished to Plaza relating to any Loan (including, without limitation, the Mortgagor's Loan application executed by the Mortgagor) in any Loan file, whether delivered in hard copy, electronically or otherwise, contains any untrue statement of fact or omits to state a fact necessary to make the statements contained in the Loan file not misleading.

6.2 No Redemption

The Mortgaged Premises are not subject to a redemption period by a previous owner under applicable state law.

6.3 Appraiser Independence Requirements

Each appraisal conducted in connection with single-family loans, must be obtained in compliance with the Appraiser Independence Requirements (AIR). Brokers must request appraisals through the plazahomemortgage.com website.

6.4 Origination Compliance

The origination of the Loan was in compliance with, and to the extent that it is within the Broker's control will continue to be in compliance with:

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- All applicable laws, rules, regulations, decrees, pronouncements, directives, orders, and contractual requirements with respect to the origination of each Loan; **AND**
- Any and all other applicable federal, state, county, municipal, or other local laws, including, without limitation, those laws relating to truth-in-lending, real estate settlement procedures act, consumer credit protection, usury limitations, fair housing, equal credit opportunity, collection practices, and real estate appraisals and valuations.
- All applicable anti-money laundering laws and regulations, including but not limited to the Bank Secrecy Act and its subsequent revisions and enhancements, the Customer Identification Program requirements of the USA Patriot Act, Office of Foreign Assets Control requirements (collectively the "Anti-Money Laundering Laws"), and has established an anti-money laundering compliance program as required by the applicable Anti-Money Laundering Laws, and maintains, and will maintain, sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws.

6.5 Location and Type of Property

The property is located in the state identified in the Loan file and, unless otherwise provided for in the Program Documents, this Guide or any applicable Underwriting Guidelines, consists of a single parcel of real property with a single family residence erected thereon, or a 2-4 unit family dwelling, or an individual unit in a planned unit development (PUD), condominium project, or cooperative. No portion of the property is used for commercial purposes in such a manner that knowledgeable and sophisticated investors active in the residential secondary mortgage market would consider the property commercial, rather than residential property.

6.6 Origination Terms

The person or entity originating the Loan, originated and processed the Loan in accordance with the Broker Agreement's and this Guide's terms and in accordance with the applicable Underwriting Guidelines in effect when the Loan was originated and processed.

6.7 Occupancy Certifications

The mortgaged property is/will be lawfully occupied under applicable law and in accordance with the terms of the Note and Deed of Trust/Mortgage.

6.8 Mortgaged Property Undamaged/No Condemnation

The property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado, or other casualty so as to affect adversely the property's value as security for the Loan or the use for which the premises were intended. The property is in good repair. There are no condemnation proceedings by any federal, state, or local authority pending or, to the best of the Broker's knowledge, threatened against the property.

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6.9 No Other Hazards

To the best of the Broker's knowledge, the property is not exposed to Environmental Hazards which are not covered by fire and extended coverage insurance or other available insurance. Environmental Hazards refer to any natural or man-made characteristics that are present in, or affect, the property or neighborhood, including but not limited to, hazardous wastes, toxic substances, radon gas, asbestos-containing materials, urea-formaldehyde insulation, sulfur-containing drywall (also known as Chinese drywall).

6.10 No Planned Refinance

With respect to each loan delivered by the Broker to Plaza the Broker hereby certifies that:

- The Broker and any of their affiliates have not agreed to and will not agree to a planned refinance. A planned refinance is a refinance of the loan at an interest rate which is less than the immediately preceding interest rate by less than the basis point decline in the market rate since the origination of the last refinance transaction.

6.11 Error or Fraud

Neither the Mortgagor nor any other person or entity involved in the Loan transaction or its underwriting or documentation (including without limitation, any appraiser, broker, credit reporting agency, or other provider of information) has made any false representation and/or has failed to provide information that is true, complete and accurate in connection with such transaction whether or not the Broker was a party to or had knowledge of such misrepresentation or incorrect information, and no error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to the Loan has taken place on the part of the Broker or any other party involved in the Loan's origination.

6.12 Adverse Selection

The Broker used no adverse selection process or procedures in selecting the Loans to be delivered to Plaza.

6.13 Predatory Lending/Home Ownership and Equity Protection Act/High Cost Loans

No Mortgage Loan is subject to the provisions of the Home Ownership and Equity Protection Act (HOEPA) of 1994 as amended or is considered a "high cost", "covered" or "predatory" loan under any applicable state, federal, or local laws or ordinances.

6.14 Fair Lending/Equal Credit Opportunity Act

To the best of Broker's knowledge, Broker and its originators have treated all borrowers in a fair and consistent manner. All borrowers have received the same level of assistance, on whether to apply for credit, how to best qualify for credit, how to resolve any issues relating to creditworthiness and other aspects in the credit extension process. Broker has complied with all provisions of the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act.

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6.15 Fair Pricing Policy

All mortgage loans comply with fair pricing policy and Plaza's [Wholesale Lock Policy](#).

6.16 Prohibited Practices

Broker and its originators have not engaged in any of the following practices with respect to loans delivered to Plaza:

- Encouraging a borrower to default on an existing loan in connection with the refinance of all or part of the existing loan.
- Financing, directly or indirectly, premiums or fees for single premium credit life, disability or unemployment insurance products, or any other accident, loss-of-income, life or health insurance, with the proceeds of the Mortgage Loan.
- Refinancing of a Special Subsidized Mortgage. A "Special Subsidized Mortgage" means a residential mortgage loan that is originated or subsidized by or through a state, local, or tribal government or nonprofit organization and that in some circumstances does not have to be completely repaid or requires only partial payments be made. Examples include, but are not limited to, a mortgage granted by organizations such as Habitat for Humanity or a local housing authority.
- Contracting for a prepayment penalty on any product or loan unless specifically allowed within Plaza product guidelines.

6.17 Additional Broker Representations and Warranties Relating to Reverse Mortgages

- Broker agrees to comply with all applicable state and federal requirements, rules, and regulations regarding the origination of reverse mortgage loans. With regard to each reverse mortgage loan submitted to Plaza, Broker has complied with each HUD requirement, rule, and regulation governing the origination of HECM of loans, including without limitation those governing borrower counseling requirements, and disclosures relating to the total annual loan cost, loan program comparisons, loan amortization schedules, ARM program disclosures, principal limit lock procedures, and a GFE of closing costs.
- Broker agrees to fully cooperate with Plaza to cure any deficiency required by HUD to be cured before it will issue a Mortgage Insurance Certificate for a HECM loan, or required by one of Plaza's investors before it will purchase any reverse mortgage loan. Broker's cooperation may include, without limitation, assistance with obtaining additional information from the borrower or third parties, explanation of document corrections to borrower, and assistance to borrowers with execution of corrected documents.

6.18 Responsible Lending/Benefit to Borrower/Capacity to Repay

- Broker agrees to use best efforts to ensure that each loan offered to a borrower is consistent with his or her needs, objectives and financial situation.
- Each Mortgage Loan, the proceeds of which will be used to refinance a previous mortgage loan, offers a documented, demonstrable, tangible net economic benefit to the borrower.
- Appropriate assessment and documentation has been performed of the borrowers' capacity to repay each Mortgage Loan in accordance with its terms.

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- Timely, sufficient and accurate information has been provided to borrowers concerning each Mortgage Loan's terms, costs, risks, and benefits.

6.19 State Specific Restrictions

6.19.1 Maine Properties

No Mortgage Loan meets the definitions of a "Rate Spread Home Loan" or a "High Rate, High Fee Mortgage" under Maine law, regardless of any theories of exemption or preemption.

6.19.2 New Jersey Property

No Mortgage Loan is a "High Cost Home Loan" as defined in the New Jersey Home Ownership Act ("NJ Act") effective November 27, 2003 (N.J.S.A. 46:106 22 et seq.). No Mortgage Loan is a "manufactured housing loan", or a loan made, arranged or assigned by a person selling home improvements to, or performing home improvements for the borrower, or made by or through a creditor to whom the borrower was referred by such person. The Broker represents and warrants that the Broker has in place a process based on the unique requirements of the NJ Act to ensure each Mortgage Loan secured by New Jersey property complies with these restrictions.

6.19.3 New York Properties

No Mortgage Loan meets the definitions of either a "Subprime Home Loan" or a "High Cost Home Loan" under New York law, regardless of any theories of exemption or preemption.

6.20 Broker Compensation Policy

Plaza will compensate a broker in accordance with the Broker Compensation Policy, which can be found in the [Wholesale Lock Policy](#).

6.21 Loan Originator Compensation

In compliance with the federal Truth-in-Lending Act (TILA), including 12 CFR 1026.36(d) and (f), as amended, Broker represents and warrants that, with respect to every Mortgage Loan:

- Neither Broker nor any other party has paid compensation to any loan originator based on a prohibited term (or proxy of a term) of the Mortgage Loan or multiple Mortgage Loans.
- If any Loan Originator has received non-deferred profits-based compensation, that amount does not exceed 10% of the Loan Originator's total compensation.
- Based upon information obtained from criminal background checks, credit reports and other sources, all Loan Originators meet all qualification requirements. **AND**

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- All loan originators have demonstrated financial responsibility, character and general fitness to warrant a determination that they will operate honestly, fairly and have received periodic training covering Federal and State law requirements that apply to their loan origination activities.

6.22 Third Party Processing Fees

Plaza will exclude bona fide fees paid to a third-party processing company from broker compensation as long as certain requirements are met.

- The processing company is not affiliated with the broker company.
- The loan processor is properly licensed as a mortgage loan originator and registered in the NMLS to perform processing services in the State where the property is located.
- The loan processing company is properly licensed and registered in the NMLS to perform processing services in the State where the property is located.
- The fee is properly disclosed and identified as paid to a third party that is not an affiliate.
- The fee is bona fide and reasonable.
- A copy of the invoice is provided in the loan file and matches the charge on the CD.

6.23 Private Transfer Fees

No Conforming Loan is secured by property that is encumbered by or subject to a "private transfer fee" or "private transfer fee covenant", as those terms are defined by and prohibited by 12 C.F.R. Part 1228, as amended.

6.24 Document Signed Using E-Sign Technology

The Broker hereby represents and warrants as to the individual Mortgage Loans that as of the origination date of any Mortgage Loan containing Electronic Application Documents signed via E-Sign Technology, the following statements are true:

- The Electronic Application Documents and Broker's E-Sign Technology will fully comply with the signature, presentment, delivery, Loan file documentation and retention requirements of all applicable Federal and State laws and regulations.
- Except as otherwise required by applicable law or regulation, Broker will undertake its best efforts to maintain its E-Sign Technology in accordance with the Standards and Procedures for electronic Records and Signatures (SPeRS) Version 1 .0 (September 2003)
- The process and technology used by Broker results in an effective, valid and enforceable borrower signature on the Electronic Application Documents, including the Uniform Residential Mortgage Loan Application (Freddie Mac Form 65) for each of the Mortgage Loans, and complies with all applicable State and/or Federal laws, rules and regulations.
- The Broker and the Mortgage Loan comply with all eSignature and eDelivery requirements set forth in this Guide.

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6.25 Ability to Repay and Qualified Mortgages (ATR/QM), Residual Income Evaluation

At the time of origination, based on verifiable documentation, the Loan is a Qualified Mortgage (QM) as defined under the ATR provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which amended the TILA (Reg. Z), and the implementing regulations.

Points and Fees Limitation

Total points and fees may not exceed 3% of the total loan amount or such different amount in accordance with the QM provisions of Regulation Z.

In order to comply with the High-Cost and ATR/QM Rules requirement and to accurately evaluate points and fees on all loans, Plaza will require that a complete itemization of all points and fees be provided in the loan package.

Bona Fide Discount Points

Plaza will allow exclusion of eligible bona fide discount points from the total points and fees as provided for in the Consumer Financial Protection Bureau (CFPB), ATR/QM and High-Cost rules.

If permitted by the loan program chosen, the Loan may be a non-QM loan. In those cases, the Broker will ensure that sufficient loan documentation is provided in order to confirm the borrower's ability to repay, in accordance with Dodd-Frank.

Section 7 Responsible Lending Representations, Warranties, Covenants

7.1 HOEPA/Section 32 Loans

HOEPA became law in 1994. This law addresses certain deceptive and unfair practices in home equity lending. It amends the TILA and establishes requirements for certain loans with high-rates and/or high fees. The rules for these loans are contained in Section 32 of Regulation Z, which implements the TILA; therefore, these loans are often referred to as "Section 32 Mortgages". The purpose of this law is to protect consumers in high cost mortgages from predatory lending activities whereby creditors engage in a pattern or practice of lending based on the collateral value of a property without regard to the consumers ability to repay the loan. It also prevents deceptive and unfair practices in home equity lending.

The following types of consumer credit transactions that are secured by a consumer's principal dwelling are subject to the HOEPA coverage. These types of transactions are:

- Purchase-money mortgages
- Refinances

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Exempt Transactions

The 2013 HOEPA Rule exempts the following type of transactions from HOEPA coverage.

- Reverse mortgages

Lenders must apply the HOEPA coverage tests to determine if the transaction is a high-cost mortgage. There are two separate HOEPA coverage tests, based on:

- The transaction's annual percentage rate (APR)
- The amount of points and fees paid in connection with the transaction

APR Coverage Test

First, determine if a transaction is a high-cost mortgage based on its Annual Percentage Rate (APR). A transaction is a high-cost mortgage if its APR (measured as of the date the interest rate for the transaction is set) exceeds the Average Prime Offer Rate (APOR) for a comparable transaction on that date by more than:

- 6.5 percentage points for first-lien transactions, generally
- 8.5 percentage points for first-lien transactions if the dwelling is personal property and the loan amount is less than \$50,000.

Calculate the APR used to determine if a transaction is a high-cost mortgage **differently** from the APR that is disclosed on the TILA disclosures.

- For fixed-rate transactions, calculate the APR by using the interest rate in effect on the date the interest rate is set for the transaction.
- For transactions where the interest rate varies with an index, use the greater of the introductory interest rate (if any) or the fully-indexed rate (i.e., the interest rate that results from adding the maximum margin permitted at any time during the term of the transaction to the value of the index rate in effect on the date the interest rate is set for the transaction).

Points and Fees Coverage Test

Next, determine if a transaction is a high-cost mortgage based on the transaction's total points and fees. A transaction is a high-cost mortgage if its points and fees exceed the following thresholds:

- 5% of the total loan amount for a loan amount greater than or equal to \$21,032.
- 8% of the total loan amount or \$1,029 (whichever is less) for a loan amount less than \$21,032.

The dollar figures are adjusted annually based on changes to the Consumer Price Index. The updated figures will be published each year in the commentary to Reg. Z and are effective beginning January 1 of each year.

To calculate points and fees for HOEPA coverage of closed-end credit transactions, use the same general approach used for calculating points and fees for QMs under the ATR/QM Standards under the TILA (Regulation Z).

Loans that are covered under the HOEPA are ineligible.

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7.2 State and Local High Cost Loans

A loan considered a "high-cost," "covered," "high-risk," "predatory" or any other similar designation under any state or local law in effect at the time of the closing of the loan if the law imposes greater restrictions or additional legal liability for residential mortgage loans with high interest rates, points and/or fees.

Broker represents and warrants that:

- No person, with the intent to avoid the application or evade the provisions of one of the laws identified above, divided a loan transaction into separate parts (by creating a concurrent subordinate lien or otherwise) or performed any other subterfuge.

State Higher-Priced Mortgage Loans (HPML)

Plaza will fund State HPML in all states with the exception of Maine and Connecticut. In addition, Plaza will only fund California Higher-Priced Mortgage Loans with Lender Paid Compensation OR with Borrower Paid Compensation provided that compensation does not exceed the Lender Paid Compensation plan.

State Identified "Subprime Home Loans"

As determined by regulation established in each state, loans classified as "Subprime" loans are ineligible. This includes but is not limited to the states of New York and Minnesota.

7.3 Agency 5% Limit on Point and Fees Investment Properties

Purchase and no-cash out transactions eligible for sale to Fannie Mae or Freddie Mac, have the following restrictions:

- The total "points and fees" charged to the borrower, may not exceed the greater of 5% of the loan amount or \$1,000.00, **AND/OR**
- The APR or points and fees may not exceed prescribed HOEPA thresholds.

Any loan that fails to meet the Freddie Mac/Fannie Mae limitations on points and fees is ineligible.

7.4 Higher Priced Loans

Reg. Z includes rules related to "higher-priced mortgage loans." A HPML is defined by reference to an index called the "average prime offer rate." A HPML will be one in which the APR exceeds the index by 1.5 percentage points or more for first-lien loans, 2.5 percentage points for Jumbo loans, as defined as loans that exceed the amount eligible for purchase by Freddie Mac, or 3.5 percentage points for junior liens.

The CFPB issued a final rule amending TILA (Regulation Z). The rule implements statutory changes made by the Dodd-Frank Act that lengthen the time for which a mandatory escrow account established for a HPML must be maintained from 1 year after origination to at least 5 years on loan applications received by Plaza on or after June 1, 2013. In addition, even after 5 years have elapsed, TILA section 129D (d) provides that an escrow account shall remain in existence unless and until the consumer is current on the obligation and has accrued sufficient equity in the dwelling securing the consumer credit transaction "so as to no longer be required to maintain private mortgage insurance".

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Exemptions: Reverse mortgages and home equity lines of credit are exempt.

An appraisal (the HPML Appraisal Rule) must be obtained on principal residences securing higher-priced loans. The timing requirement to receive a copy of the appraisal may not be waived by the consumer.

An appraisal is not required for a streamline refinance transaction provided:

1. The refinance loan is by the same lender, **OR**
2. The transaction is VA Interest Rate Reduction Refinancing Loan (IRRRL) or a FHA streamline (even if with a new lender).

There can be no cash out, negative amortization, interest only or a balloon payment on a streamline refinance transaction.

The following programs are **INELIGIBLE** if determined to be "Higher-Priced":

- Elite Jumbo
- Preferred Purchase Jumbo

7.5 Prohibited Terms and Practices

A loan may not violate any of the following prohibited terms and practices.

Arbitration

No loan requires the borrower(s) to submit to arbitration to resolve any dispute arising out of or relating in any way to the loan transaction.

Credit Insurance

No loan requires the borrower(s) to pay for a single-premium credit insurance policy, regardless of whether the premium is paid directly by the borrower or paid indirectly by financing the premium/fee into the mortgage amount. This prohibition includes mortgage insurance with credit insurance features where a single-premium for the credit insurance is paid by the Borrower either directly or indirectly by rolling the credit insurance single-premium into the cost of the mortgage insurance, regardless of whether or not it is identified as including a credit insurance premium. Insurance premiums calculated and paid on a monthly basis are not prohibited. Disclosures for the credit insurance policies must be written in clear and simple terms, and provided to the borrower in advance of the purchase of the applicable policy. No loan includes a debt cancellation agreement.

Steering

Broker may not engage in a practice of "steering" a mortgage applicant to a loan with a higher interest rate and/or fees designed for less creditworthy borrowers when the borrower could qualify for a less costly loan with similar characteristics.

A borrower should be offered the best available loan for their credit and personal profile.

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Tangible Net Benefit

Each mortgage loan, the proceeds of which are to be used to refinance a previous mortgage loan, offers a documented, demonstrable, tangible net benefit to the borrower.

7.6 Survival

The representations, warranties, covenants and other obligations set forth in this Guide shall survive the assignment of Plaza's rights with respect to a loan, and will continue in full force and effect, notwithstanding any termination of the Agreement, this Guide or the Program Documents, and shall inure to the benefit of Plaza and its assigns.

Section 8 Defaults and Remedies, Early Pay Off

8.1 Defaults

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

- Broker 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 Program Documents.
- Broker or any guarantor changes its name or its DBA without prior written notice to Plaza.
- Broker or any guarantor consolidates, merges or enters into any analogous reorganization or transaction with any person without prior written notice to Plaza.
- Any change in Broker's charter from federal to state or vice versa, if Broker is a bank, thrift, or savings and loan association, without prior written notice to Plaza.
- Any conversion from one entity type to another (e.g. corporation to LLC) without prior written notice to Plaza.
- Any guarantor revokes, purports to disavow or contests the validity or enforceability of its guaranty, or dies or becomes incapacitated.
- If Broker or any guarantor undergoes a sale outside the ordinary course of business without Plaza's prior written consent.
- Any changes in Broker's ownership whether by direct means, or indirect means, without prior written notice to Plaza. Indirect means include any change in ownership of 50% or more of Broker's direct or indirect parent.
- The actual or impending insolvency of Broker or any guarantor.
- The filing of a voluntary petition by Broker or any guarantor, or an involuntary petition or other insolvency proceedings against Broker or any guarantor under the federal bankruptcy laws or under any state bankruptcy or insolvency laws.
- Any assumption of control of Broker by the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC) or other similar governmental entity
- Broker or any guarantor admits in writing its insolvency or inability to pay debts.
- The appointment of trustee or receiver for Broker or any guarantor or their respective property
- The execution by Broker or any guarantor of an assignment for the benefit of creditors.
- Any other change in the financial or organization status of Broker or any guarantor that Plaza in its discretion believes could adversely affect Plaza or any loans delivered to Plaza.

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- Broker or any guarantor liquidates winds up or dissolves.
- Broker ceases to engage in the business of originating loans.
- Broker or any guarantor sells, assigns, or transfers all or substantially all of Broker's business or assets.
- The placement of Broker 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.
- Broker's or any guarantor's failure to deliver any documents required by Plaza.
- Broker's or any guarantor's misstatement or omission of any material fact on any application, certification or other document delivered to Plaza.
- Broker's failure to maintain a qualified loan origination staff, and acceptable ongoing quality control program adequate facilities and written policies and procedures to ensure the investment quality of loans delivered to Plaza.
- Broker's failure to meet any prescribed eligibility test.

8.2 Early Pay Off and Premium Recapture – First Lien Transactions

If any loan submitted by Broker to Plaza shall be prepaid in full within one hundred eighty (180) days of the date the Mortgage Loan was consummated/funded, then Broker shall, within twenty (20) days after receipt of notice from Plaza, reimburse the amount of any Lender-paid broker compensation previously paid to Broker by Plaza in connection with that loan or which had been directly or indirectly utilized by the borrower to offset costs or fees incurred during the origination of such loan. In the event the payoff is due to a refinance by the same Broker, and the new loan is delivered back to Plaza, part or all of the above requirements may be waived upon the sole discretion of Plaza. If payment is not timely received by Plaza, the amount owing may be offset against any amount due Broker, or an affiliated Broker, as determined by Plaza.

8.3 Early Pay Off and Premium Recapture – Second Lien Transactions

If any loan submitted by Broker to Plaza shall be prepaid in full within one hundred eighty (180) days of the date the Mortgage Loan was consummated/funded, then Broker shall, within twenty (20) days after receipt of notice from Plaza, reimburse the amount of any Lender-paid broker compensation previously paid to Broker by Plaza in connection with that loan or which had been directly or indirectly utilized by the borrower to offset costs or fees incurred during the origination of such loan. Loans prepaid in full greater than 180 Days up to within 365 Days of the date the Mortgage Loan was consummated/funded are subject to reimbursement to Plaza of 50% of the Lender-paid broker compensation. In the event the payoff is due to a refinance by the same Broker, and the new loan is delivered back to Plaza, part or all of the above requirements may be waived upon the sole discretion of Plaza. If payment is not timely received by Plaza, the amount owing may be offset against any amount due Broker, or an affiliated Broker, as determined by Plaza.

8.4 Reverse Mortgage Early Payoff and Premium Recapture

In the event that any reverse mortgage loan Substantially Prepays, Broker agrees to pay Plaza a "Recapture Fee." "Substantially Prepays" is defined as a Loan that within 6 months of closing of borrower(s) loan is paid down by:

1. 20% (twenty percent) or more of its unpaid principal balance ("UPB"); **AND/OR**
2. \$10,000

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The Recapture Fee shall be the percentage of the unpaid principal balance that is prepaid, multiplied by the purchase price/premium paid by Plaza to Broker for the subject loan. In the event more than 80% of the unpaid principal balance is prepaid within 6 months of closing, the Recapture Fee shall be 100% of the purchase price/premium paid by Plaza to Broker for the subject loan.

Broker shall pay to Plaza the Recapture Fee within 10 calendar days of receipt of invoice from Plaza. Plaza may set-off such Recapture Fee against any other amounts due Broker. If Plaza, in its sole discretion, elects to waive this Recapture Fee at any time, such waiver shall not be deemed a waiver of Plaza's right to enforce this provision with respect to any other loan.

Section 9 Plaza Exclusionary List

9.1 No Individuals or Businesses on the Exclusionary List

Individuals and businesses on the Plaza exclusionary list have played no role in the origination of a loan assigned to Plaza. Excluded individuals and businesses may include any party who deals directly or indirectly with Plaza who have a material influence on the mortgage origination, including individuals in a management or supervisory position.

Parties involved in the Origination of Loans

No person or entity on the Plaza exclusionary list has played a role in the origination of the loan or in the underlying real estate transaction. Prohibited roles include, but are not limited to, borrowers, trustees on the deed, builders, developers, property Brokers, loan officers, loan processors, underwriters, mortgage brokers, correspondents, mortgage service providers, appraisers, title insurers, real estate brokers and agents, closing or settlement agents, notaries and insurance agents.

Confidentiality

Broker maintains the Plaza exclusionary list and information contained on the Plaza exclusionary list in a confidential manner. By accessing or using the Plaza exclusionary list, Broker agrees to indemnify Plaza for any loss, damage, or expense, including attorneys' fees, resulting from the Broker's failure to maintain the confidentiality of the Plaza exclusionary list or information contained on the Plaza exclusionary list. Broker uses the Plaza exclusionary list only in connection with its responsibilities as a Broker of Plaza.

GSA, LDP, Freddie Mac Exclusionary List and FHFA Suspended Counterparty Program List

Plaza is prohibiting loans where any company or individuals who are material parties to the transaction listed on HUD's "Limited Denial Participation" (LDP) list or the federal General Services Administration (GSA) excluded party list, FHFA Suspended Counterparty Program List or the Freddie Mac Exclusionary List. All lists must be checked for all parties to the transaction. If any of the names appear on either list, the loan is not eligible. This applies to all loans and is not limited to FHA and VA loans.

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9.2 Prohibited Settlement Agents

Unless the Broker obtained prior approval from Plaza:

- Broker has no ownership interest of any amount or nature in the title company, title agent, escrow company or other settlement agent closing the loan.
- No Principal of Broker has any ownership interest of any amount or nature in the title company, title agent, escrow company, or other settlement agent closing the loan.
- No Principal of Broker is related to the first degree by blood (including adoption) or marriage to a principal of the title company, title agent, escrow company, or other settlement agent closing the loan.

For purposes of this Section, a "Principal" of an entity is any person or entity that:

Plaza uses the same definition for affiliate as outlined in the NMLS. If a company is required to disclose an affiliate in the NMLS, it should also be disclosed as an affiliate to Plaza for purposes of points and fees calculation under the QM Rules.

The "first degree of relationship" includes children and parents. A husband and wife are related in the first degree by marriage. For other relationships by marriage, the degree of relationship is the same as the degree of underlying relationship by blood. Example: John is Steve's son and John and Steve are therefore first degree relatives by blood. John's wife, Linda, is related to Steve in the first degree by marriage.

Section 10 Terms of Use and Electronic Services

This Electronic Services section sets out standards that apply to all Plaza loan programs. Generally, requirements that vary from one loan program to another are described in Plaza's program guidelines. In most cases, differences will not be referenced in this section.

10.1 Overview and Incorporation of Terms of Use

Plaza may require all Brokers who wish to use any of the electronic services, forms and/or materials to obtain a user ID and password for each of the Broker's individual users. Additionally, Plaza may require Brokers to obtain an administrator user ID and issue user IDs and passwords to each of the Broker's individual users. Plaza 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 Broker. From time to time, Plaza may also make forms, materials and certain electronic services available via selected third party providers. A Plaza user ID and password may or may not be required to access Plaza's forms, materials and electronic services through these third parties, but the third party provider may require Brokers to obtain and use user IDs and passwords and to agree to terms and conditions of use.

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10.2 General Terms and Conditions of Use

Authorized Users

Broker may appoint authorized users to use the electronic services. Broker shall only appoint persons to be authorized users where it has been determined that the person: (i) has a need to access the electronic services for the purposes set forth in this Guide, and (ii) will be capable of complying with the applicable obligations set forth in this Guide. Broker and its authorized users shall use the services strictly in compliance with this Guide and with any user documentation and security guidelines that Plaza may provide, either through the site or through other means. Broker shall be responsible for the acts or omissions of its authorized users using the products.

User Names/Passwords

Broker agrees that it is solely responsible for properly using and maintaining the security and confidentiality of any user name and/or password issued to Broker pursuant to this Guide and any related agreement. Broker agrees not to permit unauthorized individuals to use any such user ID and/or password to access Plaza's PULSE. Broker's authorized users may not share their user ID and/or password with anyone else or use any user ID for group purposes. Broker agrees to immediately notify Plaza of any unauthorized use of any user ID or password or of any other breach of security. Broker agrees to ensure that Broker and Broker's authorized users will logoff from the site at the end of each session. Broker warrants that Broker will deactivate the user ID and password for each user who later is not an authorized user or in the event his or her employment role changes such that the user's access to the products is unnecessary or inappropriate. Broker shall be responsible for the acts or omissions of any user accessing the products through any user name and/or password issued to the Broker or its authorized users even if such user is not a valid authorized user. Broker acknowledges and agrees that Plaza shall have no obligation, other than confirming use of the correct password for a user ID, to identify, confirm or otherwise authenticate the authority of the end user using such user name even if Plaza assists in the issuance of such user IDs.

Restrictions

Subject to the terms of this Guide, Broker and Broker's authorized users may use, access, download and print the materials and forms and use and access the site and services for the purpose for which it is intended. Except as otherwise expressly permitted, Broker and Broker's authorized users may not modify, copy, distribute or create derivative works from the forms. Subject to the prior sentence, Broker and Broker's authorized users may not modify, copy, distribute, transmit, display, perform, reproduce, publish, license, create derivative works from, frame in another web page, use on any other web site, transfer or sell any information, software, lists of users, databases or other lists, products or services obtained on the Site. The foregoing prohibition expressly includes, but is not limited to, the practices of "screen scraping" or "database scraping" to obtain lists of users or other information. Unless the user was issued a password from either a secure or non-public area of the Site, Broker and Broker's authorized users agree not to access or attempt to access password protected information. No service bureau work, multiple-user license, or time-sharing arrangement is permitted, except as expressly authorized by Plaza in writing. Broker shall not acquire any title, ownership or other rights, except for the express limited right to use the system under the terms of this Guide. Except as otherwise expressly permitted in this Guide, Broker and Broker's authorized users may not provide access to any third party. Broker shall not permit consumers to use the system, provided that Broker may provide forms to consumers to the extent such forms, by its nature, and are intended to be provided to consumers. Broker and Broker's authorized users shall comply with all applicable laws in the course and scope of Broker's and its authorized user's use of the system.

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Proprietary Rights and Data Rights

The site (including all materials on the site as well as the organization and layout of the site), services, materials and forms, including all copyrights, trademarks, trade names, trade secret or patent rights therein, are owned and copyrighted or licensed by Plaza. Provided that Broker complies with the confidentiality provisions of this Guide and all applicable laws, Plaza may use and analyze all data generated from the use of the system to audit the use of the system, to operate and improve the system, and for any other purposes within Plaza's ordinary business activities.

Recordkeeping

The systems are not designed as, and are not intended to be used as a means for Broker to meet any recordkeeping requirements Broker may have under its applicable laws. Broker agrees that Broker shall implement and use, at Broker's own cost, whatever policies and data backup technologies and procedures Broker deems necessary for Broker's longer-term data storage needs.

Termination

Either party may terminate this Systems Agreement or the Broker's authorized users' right to use the system at any time with or without cause. Broker may terminate its and its authorized users' right to use the system by giving notice of such to Plaza, and such termination shall be effective at such time as Plaza receives the notice. Plaza may terminate Broker's and Broker's authorized users' right to use the system at any time by giving notice of such to Broker, and such termination shall be effective at such time as Broker receives the notice, unless an alternative termination date is specified within such notice.

In the event Broker breaches any term or obligation within any of the Program Documents, Broker shall be deemed to have received such notice of termination at the same time as the breach.

As of the effective time of termination, of Broker and Broker's authorized users' right to use the terminated system, Plaza will disable Broker and Broker's authorized users' access to the terminated system which Plaza shall attempt to do with reasonable promptness. Broker and Broker's authorized users agree not to use or access terminated systems even if Broker and Broker's authorized users access to the terminated systems has not yet been disabled. All of Broker and Broker's authorized users obligations arising out of use of terminated systems which proceeded the effective time of termination shall survive termination.

Confidentiality

All Confidential Information disclosed by one party (a "Disclosing Party") to the other party (a "Receiving Party") shall be subject to the terms of this section. For all such disclosed Confidential Information, the Receiving Party shall: (i) hold all of the Disclosing Party's Confidential Information in confidence; (ii) use reasonable efforts to maintain the confidentiality of the Disclosing Party's Confidential Information, which efforts shall accord the Disclosing Party's Confidential Information at least the same level of protection against unauthorized use and disclosure that the Receiving Party customarily accords to its own information of a similar nature, provided that the protection shall be at least commercially reasonable; (iii) implement reasonable administrative, physical, and technical safeguards designed to protect the security and integrity of Confidential Information disclosed by the other party against any anticipated threats or hazards to the security or integrity of Confidential Information; and (iv) use or permit the use of the Disclosing Party's Confidential Information solely in accordance with the Systems Agreement and the requirements of all its applicable laws.

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Indemnification

Broker agrees to indemnify, defend and hold harmless Plaza and/or suppliers from any liabilities, losses, claims, damages, fees, expenses, fines and other liabilities, including attorneys' fees, arising from or relating to (i) Broker and Broker's authorized user's misuse of the system or (ii) Broker and Broker's authorized user's breach or violation of the Systems Agreement.

Links to Third Party Sites

The Site may contain hyperlinks to web sites operated by parties other than Plaza. Inclusion of hyperlinks by Plaza to other web sites does not imply any endorsement of the material on such web sites or any association with their operators, and Broker accesses and use such web sites, including the information, material, products and/or services therein, solely at Broker's own risk. Furthermore, because the terms of use on the Site are applicable only when Broker is on the Site, once linked to another web site, Broker should read that web site's terms of use before accessing that web site.

Marks/Logos

Broker agrees not to display or use in any manner the marks/logos without the prior express written permission of Plaza.

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No Legal Advice

Plaza is not engaged in the practice of law, and the delivery of any information should not be interpreted as the offering of legal advice or opinion. If Broker desires to obtain an opinion concerning the legality of the information provided under the Systems Agreement, Broker should seek its own legal counsel.

Non-Waiver

Any failure by Plaza to promptly exercise any right under the Systems Agreement or any express waiver by Plaza shall not create a continuing waiver or any expectation of non-enforcement.

Modifications

Plaza may modify this Guide at any time upon notice to the Broker and such modifications shall be effective upon notice except as otherwise set forth in the notice. Plaza may notify Broker of any such modifications either by mail or e-mail notice to the primary contact in Broker's organization as shown on Plaza's current records, or by posting such modifications on the Site, and Brokers continuing use of the system after Broker has been notified of such modifications shall constitute Broker's acceptance of the modifications.

Severability

If any provision of the Agreement is declared invalid or unenforceable by a court of competition jurisdiction, the remaining provisions of the Agreement will remain in full force.

Pricing Functions Services

If Broker accesses any register/pricing, and/or locking services (collectively "Pricing Functions"), then the following terms shall apply:

- **Acknowledgement** - Broker acknowledges that: (i) the Pricing Functions are intended only for use as an estimate of a price as of a particular moment in time, and that neither Broker and Broker's authorized users should rely upon the Pricing Functions as a determination of an actual final price for a loan and (ii) any output from the Pricing Functions does not reflect an offer by Plaza to purchase a loan.
- **Limited Purposes** - Broker shall use the Pricing Functions solely for the purpose of making bona fide requests for price quotes, rate locks and registrations for loans that Broker intends to deliver to Plaza.

Section 11 Loan Integrity

11.1 Communications Regarding Legal Issues and Plaza Policies

From time to time, Plaza will alert its Brokers to important legal requirements related to the origination of mortgage loans. However, Broker should not rely upon Plaza to inform them of the legal requirements applicable to the origination of mortgage loans. Instead, as described in the [Eligibility, Representation, Warranties, and Covenants](#) section, and other sections of this Guide, Broker must ensure that it is aware of, understands and implements all applicable federal, state

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and local laws.

Plaza may also inform Brokers of its specific policies regarding certain laws, and may provide the above-described information regarding legal requirements or policies in this Guide. Alternatively, Plaza 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, Broker must comply with such policies.

11.2 Indemnification

Broker shall indemnify Plaza from all liabilities, obligations, losses, damages, penalties, fines, forfeitures, court costs and reasonable attorneys' fees, judgments, suits and any other costs, fees and expenses, directly or indirectly resulting from or arising out of (i) an Event of Default, (ii) 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 Broker or any other party in connection with the origination of a loan, (iii) any breach of a representation, warranty, or covenant made by Plaza in reliance upon any representation, warranty, or covenant made by Broker, or (iv) Plaza's enforcement of the Agreement, including this Guide.

Broker must reimburse Plaza within 20 days of receiving Plaza's demand for indemnification. Except for notices of demand for indemnification, Plaza is not required to give Broker notice of any events that may trigger Broker's indemnification obligations. Broker and its counsel must cooperate with Plaza in connection with the defense of any litigation or governmental proceeding involving a loan. Broker has the right to control any litigation or governmental proceeding related to a loan, including choosing defense counsel and making settlement decisions, however Plaza will have to approve any settlements being made indirectly on its behalf.

11.3 Set Off

Upon any Event of Default Plaza may, without prior notice to Broker, set off and apply all or any amounts owed by Plaza to Broker. Plaza will notify Broker within a reasonable time after any set off, provided, however that the failure of Plaza to give such notification shall not affect the validity of the set off.

11.4 Suspension Inactivation or Termination

Either party may terminate the Agreement and the Program Documents by giving the other party 5 days written notice. Provided that no Event of Default has occurred, the suspension, inactivation, or termination will not apply to any loans that have been registered with Plaza before the effective date of the suspension, inactivation, or termination.

Plaza may suspend, inactivate, or terminate the Agreement and the Program Documents and Broker's ability to submit loans to Plaza immediately if Plaza has cause to believe an Event of Default has occurred. Plaza may refuse to register or fund any or all loans after the effective date of the suspension, inactivation, or termination.

Inactivation, suspension, and termination does not affect Broker's obligations with respect to loans already sold or referred for underwriting and closing to Plaza.

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Section 12 Fraud

Plaza, its investors and Brokers can experience substantial losses if either fraud or misrepresentation occurs on a loan. Fraud can occur with any type of loan. A common definition of fraud is an act of intentional misrepresentation, concealment or omission of the truth for the purpose of deception or manipulation with the intent of securing something by taking unfair advantage of another. Plaza has a Zero Tolerance Policy on matters relating to fraud or misrepresentation.

12.1 Overview

Today, most individuals have access to a personal computer and the Internet. With a simple click of a mouse, one can quickly and easily find personal information on an individual or a company, including financial statements, real property information, court records, and a myriad of other data. With the purchase of software, a scanner and a color printer, a thief can create documents and provide supporting information to create identities, employer documentation, appraisals, and a credit history to support a mortgage request.

Fraud perpetrators seek the path of least resistance, targeting those lenders with the weakest controls for detecting and preventing fraud. Financial institutions that fail to ensure adequate internal controls, fraud detection tools, staff training, business partner due diligence and quality control reviews risk becoming targets for organized mortgage fraud rings. High incidence of fraud in a financial institution's portfolio risks the company's reputation, raises its costs to sell in the secondary market, and could ultimately impact its viability. Financial institutions are obligated to their borrowers, shareholders, investors and the industry to manage fraud effectively.

Mortgage fraud is a serious issue for financial institutions. Institutions may recover only a portion of a mortgage if the property value is inflated or if the mortgage was provided to an unqualified borrower. High foreclosure costs, including unpaid back taxes and interest, liens for unpaid homeowner dues, brokers' commissions, reappraisals, rehabilitation costs, attorneys' fees, and other related expenses plague the industry. Foreclosure attorneys' fees in particular can be substantial.

12.2 Types of Fraud

A loan file can contain warning signs that point to irregularities in the information submitted by the borrower or other parties involved in the transaction. This information may not seem unusual when viewed separately, but a comparison may indicate a pattern of deception. Typically, there are two types of fraud involving real property:

Fraud for Property

The borrower or other interested party misrepresents or omits information with the intent to deceive or mislead the lender into extending credit that would not likely be offered if the true facts were known or to obtain more favorable terms on the loan, but not to intentionally and significantly over encumber the property. However, there is intent to repay the loan as agreed. Participants usually involve the borrower and borrower's family members.

Fraud for Profit

The borrower or other interested party enters into a transaction with the primary intention of creating inappropriate and significant financial gain, beyond just getting better pricing and terms for the loan, to the detriment of the lender. The

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borrower or other interested party does not intend that the loan be repaid as agreed, or the property has been significantly and intentionally overvalued and over encumbered or the lender's collateral interest in the subject property has been intentionally impaired or undermined. Participants may include multiple parties including the borrower, real estate agent, appraiser, loan officer, loan processor, underwriter, lender, closing attorney, or property management company.

12.3 Fraud Indicators or Red Flags

The presence of one or more fraud indicators, or red flags, is not absolute proof of a fraudulent loan, but when viewed as a whole, a pattern of deception may begin to emerge. To determine if a loan is fraudulent, Plaza strongly encourages a review of all loan types for document-specific loan fraud indicators, or red flags that can identify irregularities in the information submitted by a borrower or other parties in the transaction. The following are some of the more common types of fraud, but should not be seen as a complete list.

Affinity Fraud

Affinity fraud similar to investment club schemes explained above, exploits the trust and friendship that exist in groups of people who have something in common. The fraudsters who promote affinity frauds frequently are, or pretend to be, members of the group, often preying on their own community of friends, family and co-workers. Affinity fraud has been found in many different types of groups such as religious, military, ethnic, professional, workplace, elderly and fitness/gym. Investment property schemes often take root from affinity groups. With affinity fraud, there is an immediate level of trust within the group. Some members may have invested and made high returns, becoming advocates for the scheme. Loyalty to the group may deter members from reporting schemes or monetary losses to authorities.

Air Loans

An air loan is a loan to a straw or nonexistent buyer, on a nonexistent property. An example of an air loan would be a broker invents borrowers and properties, establishes accounts for payments, and maintains custodial accounts for escrows. They may set up an office with a bank of telephones, each one used as the employer, appraiser, credit agency, etc., for verification purposes.

- Air loans typically involve straw buyers - refer to straw buyer red flags.
- Unable to independently validate chain of title.
- Mortgage payments are made by an entity other than the borrower.
- No real estate agent is employed (fictitious transaction).

Builder Bailout

A "builder bailout" occurs when the builder or developer moves property quickly in a depressed real estate market.

Potential indicators of builder bailouts include the following:

- The builder is willing to "do anything" to sell the property.
- Builder's marketing material advertises rent credit to investors and/or payment credit.
- The borrower is barely qualified or unqualified.
- The sales price and appraised value are inflated.
- No-money-down sales are included.

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- "Silent" or "concealed" second mortgages are involved.
- Significant incentives and/or concessions are offered.
- Sales price adjusted upwards.
- Questionable source of funds.
- Reference to unexplained payouts, inflated commissions or secondary financing on the Closing Disclosure or purchase contract.
- Parties to the transaction are affiliated.

Buy and Bail

The borrower is current on the mortgage, but the value of the home has fallen below the amount owed. The borrower continues to make payments on the home, while applying for a purchase money mortgage on another home that has been priced in alignment with today's prices. After the new property has been obtained, the buy and bail borrower will allow the first home to go to foreclosure.

Red flags common to this type of fraud are:

- The borrower will be a first time property owner renting out the original property.
- The borrower has minimal or no equity in the original property.
- Inability to validate lease terms with the purported tenant.
- Purported tenant has a pre-existing relationship with the homeowner.

Cash-Out Purchases

A cash-out purchase normally involves one closing and occurs when properties have been on the market an extended length of time and a desperate property Broker is unable to find a qualified buyer. The property seller may be offered a way out of the situation with an offer that exceeds the selling price of the property and an agreement to make a refund to the buyer after closing. The appraisal is inflated and a straw buyer is used to purchase the property. The loan often goes into early payment default and ends in a foreclosure.

The following red flags may indicate a cash-out purchase:

- The home may have been on the market for an extended period of time.
- The appraisal may include red flags symptomatic of an inflated value.
- The Loan Estimate or Closing Disclosure may already indicate a portion of the net proceeds going back to the borrower.
- Many of the same flags that accompany a traditional flip also apply: straw buyer, false source of funds and false occupancy.

Condominium Conversion Bailouts

Condominium conversion bailout fraud commonly involves multiple parties who create and promote incentive packages, which are deliberately concealed from lenders. Inflated property values may also be part of this type of fraud, along with the masking of illegitimate cash disbursements on the settlement statement or failure to disclose them at all. As a condition of the sale, the buyer executes a purchase contract detailing the incentive package, which often includes substantial cash back to the borrower.

Red flags common to condominium conversion bailouts are:

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- Out of state borrowers with strong credit scores
- Excessive real estate fees
- Large non-lien disbursements on the Loan Estimate or Closing Disclosure
- Large number of condominium conversions in a particular area

Double Escrows

Double escrow transactions are not illegal however; they are considered high risk since they are often associated with no-money-down purchase transactions, and/or inflated property values. Double escrows are one of the methods used to avoid down payment requirements. Parties involved in property flipping schemes often use double escrows in the original acquisition of the property.

Example of typical double escrow: A buyer's offer is accepted to purchase a property for \$150,000. Before escrow closes, the buyer acts as the seller of the property and opens a second escrow using a "straw buyer" who purchases the same property for \$185,000. The straw buyer obtains a 90 percent loan. With the proceeds from the second escrow transaction, the first escrow closes concurrently with the second escrow, resulting in no exchange of money.

Equity Skimming

Equity skimming involves investment property. The owner/investor collects the monthly rents and fails to make the mortgage payments. The investor usually obtains the property through a purchase transaction or an assumption.

- If obtained through a purchase transaction, the investor generally executes a second trust deed to the property seller as the down payment, resulting in no cash investment in the property.
- Once the property is assumed, the investor profits, by collecting rents during the time it takes the lien holder to complete the foreclosure process. Investors using this method frequently obtain several properties within a short period. The investor makes mortgage payments while acquiring other properties using the same scheme, before finally defaulting on the mortgage payments.

Foreclosure Bailout

A foreclosure bailout may be a refinance or purchase transaction when the true purpose of the loan is to bail out the property owner from an existing lien that is in foreclosure. These transactions can be structured as a refinance or a purchase. When structured as a refinance, title is transferred or gifted to a friend or family member who applies for a loan in his/her own name. When structured as a purchase, the borrower acts as a "straw buyer" for the true owners of the property. In this case, the sales price and appraisal may be inflated to support an artificially low LTV.

Indicators of a foreclosure bailout transaction are:

Purchase Transaction

- Existing loan or lien on title is presently in default.
- Borrower's mortgage loan is not rated on the credit report.
- Gift equity or non-arms length purchase transaction
- Borrower is unable to clearly document the source of funds to close.
- An "investment company" is somehow involved in the transaction.
- There is an "unreasonable" proposed occupancy (for example, commuting distance) on the subject property.

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Refinance Transaction

- Borrower cannot verify "equitable interest".
- The mortgage loan on title is not in the borrower's name.
- The property is not in the borrower's name.
- All loan file documentation (such as paystubs, W-2s, tax returns, bank statements, credit report address) indicate that the borrower is living at another address, but the loan as a refinance was presented as "owner-occupied".

Foreclosure Rescue

A foreclosure specialist promises to assist the defaulted borrower in avoiding foreclosure. The specialist usually charges the borrower an up-front fee (HUD-approved counseling agencies do not charge) for services that are not delivered. These frauds usually further encumber the property and/or result in the homeowners losing title. The frauds always ultimately force the borrower into foreclosure status, but sometimes delay the servicer's ability to accomplish the foreclosure, through elaborate bankruptcy filings.

Red flags common to this type of fraud are:

The borrower or current owner was:

- Advised by a foreclosure specialist to avoid contact with their servicer.
- Has paid someone to negotiate with the servicer on his or her behalf.
- States that they are sending their mortgage payments to a third party.
- Receives a purchase offer, which is greater than the listing price.
- States that they will be renting back from new owner.
- Quitclaimed any portion of title to a third party at the advice of a foreclosure specialist.

Identity Theft

Identity fraud is the act of unlawfully using one or more pieces of another individual's personal identifying information. When identity theft is recognized during the mortgage loan process, it is recommended that third party documentation, such as a police report, letter from the borrower, previous year and current year tax returns & W-2s and a letter from the IRS be provided to substantiate the fraud claim. In most instances, this involves the use of another person's Social Security number (SSN), or use of a fraudulent SSN. Red flags associated with identity theft are:

- SSN issued recently or death claim filed under Social Security.
- Borrower's name is not associated with SSN.
- The number of years employed is greater than the issue date of the SSN.
- Employment and/or addresses on credit report do not match borrower's application.
- Credit patterns are inconsistent with income, assets, age and education.
- Tax Identification numbers instead of Social Security numbers are used.
- Borrower lives out of the area and does not appear, based on the credit report, to have any tie to the area in which the subject property is located.

Another form of identify theft involves tax return fraud, which is the use of another person's name and SSN to file a tax return and obtain tax refund.

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Investment Club Schemes

Investment club schemes also referred to as chunking, involve property sales pitched as investment opportunities to consumers who are promised improbable high returns and low risks. In some cases, the perpetrators charge membership fees to the victim-purchasers. In other cases, the victim-purchasers may not even realize that they will be personally responsible for repayment of the mortgages. In the initial phases of an investment club scheme, victim-purchasers may receive some of the promised financial benefit, as the perpetrator uses money received from new victim-purchasers to pay initial club members in order to elude detection and attract new investors. Typically, the fraud perpetrator purchases distressed properties at low prices, paying an appraiser to illegally inflate the value in order to deceive lenders into financing at, or above 100% of the value. The perpetrator convinces the purchaser that no or minimal down payment, cash incentives and/or a guaranteed return on their investment justify the sales price. As with flipping schemes, the perpetrator profits from the difference between the prices at which the perpetrator purchased the property and the new (inflated) loan amount. Frequently, perpetrators of these frauds market to purchasers who are distant from the properties, to facilitate deception about the condition and value of the properties.

Red flags common to this type of fraud are:

- No real estate agent is employed (club recruits buyers and/or non-arm's length transaction).
- Property was recently in foreclosure, or acquired at Real Estate Owned (REO) sale at a much lower sales price.
- Borrower may have paid a membership fee to participate in the club.
- First-time landlord, non-savvy investors
- Property seller offers to manage these rental properties.
- Borrower may have been told that the property seller or the club would make mortgage payments.
- Borrower purchased multiple properties simultaneously, but did not disclose other loans in process to their lender, also known as shot gunning, watch for credit inquiries.
- The appraised value is fraudulently inflated (see appraisal red flags mentioned in this section).
- The borrower's signature may vary throughout the file.
- Multiple mortgage inquiries: The perpetrator guides the borrower to apply simultaneously for purchase money mortgages for multiple properties, withholding information about the other purchases from each lender.

Power of Attorney

The use of a Power of Attorney (POA) means the principal will not actually sign the loan documents, therefore forming a risk that the principal may not be aware of the loan transaction or that the principal is a fictitious person. If any wrongdoing is suspected, investigate the circumstances to ensure use of the POA is legitimate before proceeding with the loan. The settlement agent must not act as the attorney-in-fact or sign documents on behalf of any party to the transaction.

Property Flips

A transaction in which a property is purchased and resold quickly for a significant profit is commonly referred to as a flip. Property flipping becomes illegal when a home is purchased and resold within a short period at an artificially inflated value. The flip typically involves a fraudulent appraisal, which may falsely indicate that renovations were made to the home. Properties targeted for property flips generally include properties that can be acquired at lower prices than other properties in the same neighborhood and often include REO properties, properties subject to a short sale, other distressed properties or newly constructed properties where the builder or developer must liquidate housing inventory quickly. A property involved in a flip may be resold on the same day or within days, weeks or months of the purchase. In

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some cases, the seller of the property flip never holds title to the property, but instead sells or assigns their interest in a contract to purchase the property to a third party.

Property flips are not inherently illegal, and not all transactions involving a rapid purchase and resale are improper. Legitimate property flips are acceptable transactions. Some indications of property flips that may be legitimate include:

- Sales of properties by a GSE state or federally chartered financial institution, mortgage insurer, or federal state or local government agency.
- Property sales by employers or relocation agencies related to employee relocations.
- Sales of properties that have been substantially improved by bona fide and verified renovations since the property was acquired by the property seller in which any increase in sales price over the property seller's acquisition costs is representative of the market given the improvements to the house.

Red flags common to property flipping are:

- Ownership changes two or more times in a brief period.
- Appreciation of the subject property exceeds that in the normal marketplace.
- The property seller recently acquired the property for a significantly lower price or there have been several transfers of the property according to the real estate tax assessment record.
- No real estate agent is employed (non arms-length transaction).
- Property was recently in foreclosure, or acquired at REO sale at a much lower sales price.
- Parties to the transaction are affiliated or related by birth or marriage.
- Owner listed on appraisal and/or title may not match the property seller on the sales contract.
- A quitclaim deed is used right before or right after closing.
- Sales contract has unusually large earnest money deposit held by property seller.
- Unusual fees or credits are found on the Closing Disclosure.
- Title commitment references other deeds to be recorded simultaneously.
- Property seller is a corporation (i.e. LLC).
- Comparable sales or listings used in the appraisal report are properties involving the same property seller and/or real estate broker as the subject property in an attempt to create an artificially inflated market.

Purchase Disguised as Refinance

A purchase disguised as a refinance scheme is often used to disguise the borrower's equity contribution in the transaction, inflate the property value and close the loan as a refinance, providing cash out to the fraudster.

The following red flags may be present:

- Borrower does not hold title on the commitment.
- Recent transfers of the subject property may have been flipped.
- Multiple investment properties purchased within a short time frame.

Rental Property

Income

Red flags related to income include:

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- Tax returns not signed or dated.
- Address discrepancies within the file
- Discrepancies on a lease
- Paid preparer signs taxpayer's copy of tax returns.
- Applicant reports substantial income but has not cash in bank.
- Excessive number of Automated Underwriting Systems (AUS) submissions
- A purchaser of an investment property does not own a residence.
- The rental income per the IRS tax transcripts deviates significantly from the other rental income documentation.
- Borrower claims rental income on the loan application but amount conflicts with obtained documentation and/or the IRS tax transcripts.

Occupancy

Red flags related to occupancy include:

Purchase Transactions

- Real estate listed on application, yet applicant is a renter.
- Applicant intends to lease current residence.
- Significant or unrealistic commute distance.
- Applicant is downgrading from a larger or more expensive house.
- Sales contract is subject to an existing lease.
- Occupancy affidavits reflect applicant does not intend to occupy.
- New homeowner's insurance is a rental policy (declaration's page).

Refinance Transactions

- Rental property listed on application is more expensive than subject property.
- Different mailing address on applicant's bank statements, pay advices, etc.
- Different address reported on credit report.
- Significant or unrealistic commute distance
- Appraisal reflects vacant or tenant occupancy
- Occupancy affidavits reflect applicant does not intend to occupy.
- Homeowner's insurance is a rental policy (declaration's page).
- Reverse directory does not disclose subject property address.

Short Sale Fraud

The borrower deliberately withholds mortgage payments, forcing the loan into default so that an accomplice can submit a straw short-sale offer at a purchase price less than the borrower's loan balance. The borrower deceives the servicer into believing that the straw short-sale offer is legitimate.

Red flags common to this type of fraud are:

- Sudden default, no workout discussions, and immediate offer at short sale price.
- Ambiguous or conflicting reasons for default.
- The mortgage delinquency is inconsistent with the borrower's spending, savings and other credit patterns.

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- Short sale offer is from a related party.
- Short sale offering price is less than current market.
- Cash back at closing to the delinquent borrower, or other disbursements that have not been expressly approved by the servicer, sometimes disguised as repairs or other payouts.

Shot Gunning

Shot gunning occurs when a fraud perpetrator simultaneously secures loans from multiple lenders, but does not disclose any of the other applications in process to the individual lender. Shot gunning can accompany several of the schemes covered in this section, such as property flipping and investment club schemes. In those cases, the perpetrator would not qualify for multiple purchase money mortgages and applies with various lenders but does not reveal the other applications to any given lender. Each lender simultaneously funds what it believes to be the only new mortgage loan. Until the loan closes, the only clues of this activity are credit bureau reported mortgage inquiries, which can be explained by the borrower as price and term comparison-shopping.

Straw Borrower

A straw buyer is a person used to buy property in order to conceal the actual owner. The straw buyer does not intend to occupy the property or make payments and often deeds the property to the other individual immediately after closing. The straw buyer is usually compensated.

Participants in a straw borrower situation:

- Act as a substitute for the actual borrower
- Use a quit claim deed either immediately before or soon after closing the loan.
- Represent investment property as owner-occupied or a second home.
- Sign on the actual borrower's behalf.

Red flags common to transactions with straw buyers are as follows:

- First-time home buyer, with substantial increase in housing expense.
- Buyer does not intend to occupy - unrealistic commute, size or condition of property, etc.
- No real estate agent is employed (non arm's-length transaction).
- Power of Attorney may be used.
- Boilerplate contract with limited insertions, not reflective of a true negotiation.
- Income, savings and/or credit patterns are inconsistent with the borrower's overall profile.
- High LTV, limited reserves and/or property seller-paid concessions.
- Inconsistent signatures throughout the file.
- Use of gift funds for down payment and/or closing costs

For all loan types and loan programs, a thorough review of specific loan documentation is essential to determine the validity of the information provided by the borrower and parties to the transaction.

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Section 13 Loan Documents

13.1 Loan Application

Review the loan application for the following red flags:

- Inconsistent SSN from document to document.
- Invalid or recently issued SSN.
- Unsigned, undated, outdated and/or incomplete application.
- Compare borrower's names and address with property seller's names and address (could be a straw buyer).
- Inadequate documentation to support required owner occupancy.
- Borrower's signature is inconsistent throughout the loan file.
- Borrower is buying investment property, but does not own current residence.
- Borrower is buying investment property as an out-of-state investor.
- Number of years on the job/in that profession is inconsistent with borrower's age, years of education, borrower profile or type of employment.
- Employer's telephone number is a cell phone.
- Employer's address is a PO Box.
- Employer/company name is similar to the borrower's name.
- Significant increase or unrealistic change commuting distance.
- New housing not large enough to accommodate all occupants.
- Buyer is downgrading from larger to smaller home.
- Buyer currently resides in property and is purchasing it from the landlord.
- Buyer intends to rent/sell current residence with no documentation.
- Down payment is other than cash.
- Borrower/co-borrower working for same employer, or is an employee of the property seller.
- Same telephone number for home and business (may be self-employed).
- High income borrower has little or no personal property or minimal liquid assets.
- New housing expense exceeds 150% of current housing expense.
- Assets are not consistent with borrower's income.
- Inappropriate salary with respect to loan amount.
- Significant or contradictory changes from handwritten to typed loan application.

13.2 Occupancy

For owner-occupied transactions containing address discrepancies, or red flags present that would imply occupancy other than indicated, the loan file must contain acceptable documentation to justify proceeding with the transaction. Documentation must be scrutinized to ensure reasonableness of the owner-occupancy status in order to proceed with the transaction.

Review the loan file for the following red flags:

Purchase

- A previous mortgage transaction within the past 12 months was also the purchase of a principal residence.

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- Hazard insurance policy indicates investment property when application states owner-occupied.
- The mailing address on the insurance policy is different from the subject property, when the subject is represented as a primary residence.
- Value of current residence exceeds subject property value when subject property is to be owner-occupied and current residence is to be investment property.
- Commute distance from work and subject owner occupied property is excessive (acceptable explanation may be a virtual office).
- Application is for a second home in area not typical for second home properties and/or not reasonable distance from current owner-occupied property.
- The borrower profile does not make sense for occupancy in subject property (i.e., elderly borrower moving from current residence of many years to a much larger home).
- There are duplicate applications with conflicting occupancy information.
- Borrower owns numerous properties or has multiple mortgages shown on credit report and purchase of new primary residence appears unreasonable.
- Request is for a second home, yet borrower already has a second home.
- Purchases of a second home in the same location as the principal or current second home residence or investment property owned.
- New housing square footage/bedroom count is insufficient to accommodate.

Refinance

- Different address for paystubs, bank statements, or other financial documents when the loan is a refinance of an owner occupied property.
- Application is a refinance of the primary residence but the home telephone number does not match the subject address.
- Appraisal occupancy is different from the loan application. Appraisal indicates property is tenant occupied, but is stated as primary on the application.
- Title commitment does not show homestead exemption on an owner-occupied refinance.

13.3 Borrower Contact

- Phone number is invalid or has been disconnected.
- Employer states the borrower does not work there or is out of the country for some time.
- Caller gives information that is inconsistent with the application.
- Borrower calls frequently for an application status.
- Inconsistent language/ability to communicate.
- E-mail address is inconsistent with the borrower or borrower's employer.
- Borrower discloses an unauthorized third party or broker.

13.4 Credit Report

Review the credit report for the following red flags:

- Credit report "warning" messages must be carefully reviewed.
- Credit report lists an Also Known As (AKA) or Doing Business as (DBA) or name variances.
- Nicknames unrelated to the borrower's name.

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- Age of accounts is inconsistent with the borrower's age.
- Address history on in-house credit is inconsistent.
- Trade lines were opened at the same time or opened recently.
- Recently added as authorized user on several trade lines or numerous authorized user accounts.
- Pattern of delinquencies that are inconsistent with credit explanations.
- Undisclosed bankruptcies, foreclosures or debts
- Greater number of authorized user trade lines than traditional trade lines
- Contains authorized user accounts with trade line information inconsistent with the borrowers other accounts.
- Recently originated loan has been refinanced.
- All accounts have been recently paid in full.
- Disputed accounts appear on the credit report (possible credit doctoring).
- Open credit obligation listed on the application but does not appear on the credit report.
- Employment information and history varies from loan application and/or VOE.
- High income borrower or borrower is over 25 years old lacks established credit or has inappropriate accounts.
- Other sources show a variance in employment or residence data.
- SSN is invalid, issued before the borrower was born, issued to a minor, is attributed to a deceased individual or the numbers vary, or the SSN differs from the SSN on the loan application.
- Borrower has multiple SSNs.
- Multiple inquiries in a short time frame
- Recent (within 2 weeks) nonbank inquiries

13.5 Verifications of Rent (VOR)

Review verifications of rent for the following red flags:

- Lease period dates on the VOR do not correspond to the dates on the application.
- Last name of the landlord on the lease is the same as the borrower.
- The landlord shares the same address as the borrower.
- The landlord's telephone number on the lease is invalid.
- Rent on lease does not match the amount disclosed on the application.
- Schedule E lists additional properties that are not on the loan application.
- VOR is not in the name of the borrower.
- Any visible sign that suggests the document has been altered.

13.6 Assets

Review the asset documentation (bank statements, verification of deposit) for the following red flags:

- Excessive balance in checking versus savings account
- Bank statements mailed to address other than the borrower's residence, such as a P.O. Box or relative's address.
- Other names on the account with no explanation of why or backup documentation
- Check SSN against 1003, W-2s, 1040s.
- Savings account with average 2 month balance exactly equal to present balance (no interest accumulation).
- Prepared/signed by originator before or on the same date as completed/signed by depository.
- Large balances although the borrower has little or no interest income on tax returns.

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- Account balance is significantly higher than the average balance or no average balance indicated on the Verification of Employment (VOE).
- Regular payroll deposits that do not agree with reported income.
- Deposits that exceed the borrower's normal take-home pay.
- Account numbers are inconsistent with the application.
- Cash in bank not sufficient to close escrow.
- New bank account opened within the past month.
- Bank statements are from an unfamiliar financial institution, have suspicious logo or do not identify the name or address of the financial institution.
- Round dollar amounts, especially on interest-bearing accounts
- Borrower has no bank account or bank account is not in borrower's name.
- Significant changes in balance from prior 2 months of date of verification.
- Gift is given by current or former occupant/owner of the subject property.
- Type or handwriting identical throughout
- Document is not folded.
- High income borrower with little or no cash
- Evidence of ink eradicator or use of "white-out", or other alterations made to the document.
- Account was opened on a non-business day.
- Verification of Deposit (VOD) completed on a non-business day.
- Addressed to a specific individual at the depository institution.
- Assets used at closing/escrow not coming from a verified source.
- Borrower is unable to clearly document the source of funds to close.

13.7 Verification of Employment (VOE)

Review the VOE for the following red flags:

- Verification form is forwarded to a P.O. Box may be acceptable with independent verification.
- Income is out of line with the borrower's occupation.
- Property seller's address is the same as the employer's.
- Year-to-date and/or past years income says see "W-2's and paystubs".
- VOE is prepared/signed by originator on the same date as completed/signed by employer.
- VOE is prepared by someone other than a representative of a payroll or human resources department or has a generic job title such as secretary, manager or general manager.
- Person verifying employment appears to be a relative of the borrower (i.e., same last name).
- Illegible phone number or name of person signing the document.
- Signature on the VOE reflects the same name as the borrower or other party affiliated with the transaction.
- The date the VOE was signed is not reasonable for processing time (i.e., VOE mailed out of state is signed the day after it was printed).
- Salary is displayed in round dollar amounts.
- VOE shows a company car allowance, yet applications shows an auto loan.
- Employer uses mail drop or P.O. Box or personal residence for business address.
- Borrower's profession changed from previous to current employer.
- Dates of employment on the VOE do not match dates on the application.
- Inappropriate verification sources such as, secretary or relative were used.
- Amount of overtime equals or exceeds base pay.
- Handwriting or type is inconsistent throughout the VOE.

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- Document is not folded (never mailed).
- Evidence of ink eradicator ("white out") or other alterations appears on VOE.
- Name of employer is similar to name of borrower.
- No employer address on VOE.
- No indication the VOE was mailed or faxed to the employer.
- Faxed VOE has unknown fax number (number other than employer).
- Business phone number is determined to be a cell phone and not appropriate for size of the company.
- Type or handwriting is not identical throughout.

13.8 Paystub

Review paystubs for the following red flags:

- Company name not imprinted.
- Employer's address is missing, is a P.O. Box, or is different than provided by borrower.
- Name of employer is similar to the borrower's name.
- Employee or address name not printed.
- Handwritten
- Contains misspellings
- Round dollar amounts
- Year-to-date totals are not accurate from paycheck to paycheck.
- Date of pay period missing and/or inconsistent pay periods.
- No withholding
- No check issue date
- Lacks current income breakdown or year-to-date
- Incorrect or inconsistent Social Security/Medicare deductions for level required.
- Tax deduction not detailed (Social Security, Medicare, etc.).
- Paystub numbers are in sequential order or show the same check number repeatedly.
- Evidence of ink eradicator (white out) or other alterations
- Employee or employer name does not match the W-2, personal tax return or the loan application.
- SSN differs from W-2 or personal tax return or other documentation.
- Payroll deductions reveal additional liabilities not disclosed on loan application.

13.9 W-2

Review the W-2(s) for the following red flags:

- Invalid Employer Identification Number (format should be <xxxxxxxx>).
- Employer Identification number same as borrower's SSN.
- Different type size or font within the form
- Handwritten
- Faxed document
- Inconsistencies in name spelling, address, employer's address, SSN, etc.
- Reported income does not match income reported on loan application or on the VOE.
- Evidence of ink eradicator ("white out") or other alterations.

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- Incorrect withholding amounts (FICA and Medicare wages/taxes and local taxes exceed ceilings/set percentages)
- Taxes paid are lower compared to income stated on the W-2.
- Round dollar amounts
- No address or it is an incorrect address for the employee or employer.
- Incorrect form provided. The borrower should provide "Copy C," unless the closing is prior to April 15th.

13.10 Tax Returns

Review tax returns for the following red flags:

- Handwritten by a paid preparer (call the preparer and verify the figures on the return).
- Paid preparer did not sign the income tax return or disclose their tax ID.
- Different paid preparer used each year.
- Paid preparer signs taxpayer's copy.
- The file does not contain a copy of a signed, updated IRS Form 4506-T (Request for Transcript of Tax Return).
- Gross income on Schedule C does not agree with total income on 1099s.
- No cost of goods "sold" shown on Schedule C for retail or similar type of business.
- Borrower with substantial stock, bonds and/or saving cash in the bank shows little or no related interest income on Schedule B.
- High tax bracket borrower does not use a professional tax preparer.
- High tax bracket borrower with few or no deductions or tax shelters
- No deductions for taxes and licenses on Schedule C
- Schedule A shows unexplained real estate taxes paid for non-home owners.
- Tax preparation fee is deducted on Schedule A (itemized deductions), but prior years return was prepared by borrower.
- Tax returns are not signed or dated by the borrower.
- Name, SSN, address, or profession does not agree with the loan application.
- Address and/or profession do not agree with other information submitted with the loan application.
- No estimated tax payments by self-employed borrower (Schedule SE of IRS tax form 1040).
- Gross Income/wages on tax returns do not match W-2s or 1099s.
- Tax return indicates self-employment for salaried borrower.
- Self-employed borrower shows income as wages and salaries.
- Income from S-corporation does not match the personal return.
- Income and/or deductions are even dollar amounts (\$100,000.00 vs. \$97,243.00).
- Unemployment compensation reported although the application does not disclose gaps in employment.
- Type or handwriting varies within return.
- Evidence of ink eradicator ("white out") or other alterations.
- Real estate taxes paid but no property owned according to the loan application.
- No mortgage interest paid when borrower shows ownership of property (or vice versa).
- Additional properties listed on Schedule E but not shown on loan application.
- Math errors and totals do not add up.
- Tax return is incomplete (missing schedules, no occupation code on Schedule C, information missing, etc.).

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13.11 Phantom Employment, Credit, Income

Phantom employment or income occurs when the credit file is developed through fraudulent means. The following scenarios describe common methods of falsifying employment or income:

- A co-worker or superior completes a VOE with false information.
- A co-worker or superior acts as an authorized signer on a VOE.
- Verified employment is not consistent with employment reference on the credit report.
- The borrower may rent a post office box, or provide another address for his/her employer. When the VOE is mailed to the false address, someone who has been instructed on what information to provide to the requesting party then completes it.
- The borrower provides false telephone numbers for those lenders that perform telephone verifications.
- The borrower provides false tax returns, W-2s, and paystubs, all of which may be easily obtained through interested parties to the transaction.
- The borrower may use a fraudulent SSN on the original credit application. When the credit report is generated, it will reflect no credit, thereby effectively hiding the borrower's poor credit history.
- The borrower may assume the identity of someone else.

13.12 Cancelled Checks

Review cancelled checks submitted as documentation for the following red flags:

- Encoding numbers are missing.
- Encoding numbers inconsistent with the date and amount of the check.
- Misalignment in type or variation in font type
- Check numbers and dates are not in numerical and chronological order.
- Bank account numbers on the checks are inconsistent with the application and asset verification.
- Any visible sign that suggests the document may have been altered or falsified including, but not limited to, misaligned text, variation in font type, or signs of information that has been cut and pasted.
- Earnest money deposit check is written on account that the application does not list.
- Money orders or several checks were used for deposit and they are not in sequential order.
- Check is dated prior to the sales contract execution date.

13.13 Appraisal

Review the appraisal for the following red flags:

- Ordered by a party to the transaction other than the loan originator, such as a realtor, property seller, and borrower.
- Property seller's name does not match the name on the title preliminary report or purchase agreement.
- Borrower is not listed as the owner (non-borrowing owner).
- Ordered before sales contract written.
- Photos do not match property description.
- Photos of property taken from odd angles.
- Photos show a 'For Sale' sign in the yard for a refinance or a 'For Rent' sign in the yard for a purchase.
- Subject property has significant deferred maintenance.

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- Comparable sales not verified as recorded (data source Multiple Listing Service (MLS), sales office).
- Comparable sales have prior sales within the last 12 months with substantially different value.
- All comparable sales are within the same neighborhood/subdivision and/or the same builder on new construction.
- Comparables are older than 6 months in a market that has a faster marketing time.
- All comparable sales are sourced from private sale transaction versus property sold through MLS, Clerks office, etc.
- Comparable sales are more than one mile away from subject property in an area where there are sufficient comparable sales closer to the subject property.
- All comparable sales are adjusted in the same direction.
- Overall adjustments are in excess of 25% without reasonable explanation.
- Appraiser is on the exclusionary list, appraisal is not acceptable.
- Appraiser name is the same as or similar to other parties engaged in the transaction.
- Appraiser comments that the property has been listed for sale within the last 90 days.
- Appraiser used incorrect, outdated or obsolete form.
- Income approach not used on tenant occupied properties.
- Tenant is shown as the occupant on an owner-occupied loan.
- Occupant is shown as tenant or unknown on a primary or secondary home property.
- Property ownership has been transferred within the last 120 days.
- The property has been sold one or more times in the last 12 months.
- The property's history shows recent sales within the year for a lower price.
- Out-of-area or non-local appraiser

13.14 Sales Contract

Review the sales contract for the following red flags:

- The borrower is not shown as the purchaser of the subject property.
- Names are deleted from or added to the contract.
- The property seller is a party related to the transaction such as the realtor, employer, appraiser, relative, or broker.
- Earnest money deposit consists of the entire down payment or is a large amount not customary with the size of the purchase.
- Earnest money deposit is placed directly with the property seller and represents the entire down payment for the loan.
- There is no earnest money deposit in the sales contract.
- The earnest money deposit on the sales contract does not match the earnest money deposit on the loan application.
- Earnest money deposit with a realtor who does not sign the contract and acknowledges receipt of funds.
- Earnest money is deposited with unknown third party outside of the transaction.
- Earnest money check is dated prior to the sales contract or much later than the sales contract date.
- Sales price is substantially below or significantly higher than what is typical for the market.
- There is no realtor involved.
- Name and address on the earnest money deposit check do not match the borrower/buyer.
- Purchase contract indicates it has been assigned or is contingent upon another party (i.e. property seller) purchasing the subject property first, such as the property seller.
- Property seller or buyer is a corporation.

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- Property seller's name on the sales contract is not the owner's name on the appraisal.
- Property seller's name on the sales contract is not the owner of the property per the title commitment.
- The buyer's name on the sales contract is not the proposed insured per the title commitment.
- Property seller's name listed on the contract is not consistent throughout or is not the same as the signature.
- Sales contract references an addendum but the addendum was not provided.
- Sales contract is dated after the date of the appraisal or after the date of the loan application.
- Sales contract has no date.
- Property seller concessions/contributions appear excessive and/or property seller is paying all of buyer's closing costs.
- Property seller concessions/contributions do not match the details of transaction on the application.
- Comments in appraisal indicate sales price is unreasonable for subject property.
- Comments in appraisal indicate that sale of property is not an arm's length transaction.

13.15 Preliminary Title Report

Review the Preliminary Title Report for the following red flags:

- Prepared for or mailed to a party other than the originator.
- Title work is prepared by a title company that is not closing the transaction.
- Title company changes during the application process.
- Title commitment references other deeds to be recorded simultaneously.
- Delinquent property taxes tax liens or judgments on property.
- Notice of default/foreclosure recorded.
- Ownership of property has changed more than once in the last 120 days.
- Property seller is not on title (could indicate a double escrow).
- Borrower is not on title when transaction is a refinance.
- Buyer is not listed as proposed insured.
- Property seller is only on the title by rights under contract on a purchase transaction.
- Realtor, appraiser, or other interested parties are in the chain of title.
- Mortgages are being paid off that are not on the application or credit report.
- Property mortgage history indicates significant differences in lien amounts.

13.16 Escrow/Closing Instructions

Review the Escrow/Closing Instructions for the following red flags:

- Reference to another (double) escrow/sale
- Power of Attorney being used with no explanation.
- Unusual amendments to the original transaction
- Related parties in the transaction
- Demands being paid to undisclosed third party.
- Cash is being paid to outside escrow to the property seller.
- Odd amounts being paid as a deposit/down payment.
- Buyer is required to use a specific broker/escrow company.
- Borrower has right of assignment.
- Sale is "subject to" property seller acquiring title.

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Section 14 Registration and Lock Commitments

14.1 Licensing

Plaza will not accept loans in states where Brokers are not properly licensed to conduct business. In the event that Plaza does not have a Broker's current license or exemption on record, Plaza can not accept loan registrations or locks. If any Broker license issues are under review, the Broker's loans will be placed in a pending status. To remove the loans from pending status the Broker must take the following steps:

- Broker must update all state licensing information by emailing state licensing and exemption information directly to Plaza at Broker.Approval@plazahomemortgage.com.
- Once this information is received and the system has been updated to reflect the appropriate approval, the Broker 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.

14.2 Escrow Waivers

When the Broker elects to waive escrows for property tax and/or hazard insurance, wind, earthquake, flood, and HO-6 on a loan, certain restrictions and price adjustments will apply. To be eligible to waive the property tax and/or homeowner's insurance escrow, the loan must meet program eligibility guidelines and qualifications. Check the current rate sheet for state specific information and adjustments. Property tax exemptions will be subject to all applicable price adjustments for non-escrowed loans.

14.3 Locked Loan Changes

Refer to Plaza's [Wholesale Lock Policies](#) for information regarding changes on locked loans.

14.3.1 Rate Lock Extensions

Refer to Plaza's [Wholesale Lock Policies](#) for information regarding changes on rate lock extensions.

14.3.2 Rate Lock/Commitment Expirations

Refer to Plaza's [Wholesale Lock Policies](#) for information regarding changes on rate lock expirations.

14.3.3 Intra-Day Pricing Changes

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

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Internet

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

Phone

Brokers that are in the Plaza 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. Brokers contacting the desk once re-pricing is in process will receive a message that Plaza is currently going through a rate change and will be asked to call back after the new prices are posted.

E-mail

All registrations, changes, and other time-sensitive requests will be honored if received by Plaza via email before the established rate change and are deemed complete. Pricing for loan registrations, changes or locks received after the price change has started will be subject to pricing as of the next available Rate sheet. Plaza does not allow lock request via fax.

14.3.4 Error Notification

Plaza will not be held responsible for incorrect registrations and/or loan lock errors. Errors, omissions, or mistakes that are reported to the Lock Desk within 24 hours after the incident occurs will be considered on a case-by-case basis for correction without penalty. It is the Broker's responsibility to contact the Plaza Lock Desk to report 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 loan be re-priced based on prevailing rates.

Section 15 Withdrawing or Canceling Loans

A Broker may request Plaza to cancel or withdraw a loan. Once cancelled or withdrawn for any reason, the loan immediately ceases to be price or guideline protected. There can be no reinstatement of that specific loan number. Should Broker request a loan reinstatement and should Plaza reinstate the loan, it will be re-registered and re-priced according to worst case pricing policies outlined in the [Wholesale Lock Policy](#). All extension fees remain with the loan. Cancellation may take place through the website or through the Registration or Lock Desk.

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

15.1 Declined Loans

In order to ensure Plaza's ability to comply with the HMDA and the ECOA, all loans underwritten by Plaza that result in the loan being declined will be declined regardless of lock expiration. The rate lock will be cancelled.

Resubmissions after the decline date will require a new registration and underwriting submission. The new loan will be subject to worst case pricing review if locked within 30 days after the previous rate lock was cancelled regardless of when the loan was actually declined.

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Section 16 Submitting Loans to Plaza

For each and every loan application submitted or to be submitted by Broker to Plaza for approval, Broker hereby agrees, prior to submission, to:

- Verify the veracity of the information submitted in the loan application, including, but not limited to, verifying the identity of the parties to the loan application, their SSNs, address, employment, assets and income.
- Obtain all necessary credit reports with respect to the potential borrowers from reputable independent credit reporting agencies.
- Verify that the procedures, eligibility requirements, forms and other aspects of the loan application are in accordance with the requirements of the Federal National Mortgage Association and/or Federal Home Loan Mortgage Corporation, and are in compliance with all applicable federal, state and local laws, rules, regulations and ordinances including, without limitation, the TILA, Regulation Z, the Real Estate Settlement Procedures Act, Regulation X, the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act (FACTA), the Home Mortgage Disclosure Act, the Federal Housing Administrations (FHA's) Tiered Pricing Rule, and the Consumer Credit Protection Act. Broker agrees to include written evidence of such compliance with each loan application submitted to Plaza by Broker.
- Make prompt, timely, full, accurate and truthful disclosure to Plaza of all information and documentation that Broker may know, suspect or have notice of, relating to the application, the borrower(s), or the security for the loan, or that could affect or has affected the validity, collectability, collateral value, security or enforceability of any loan submitted by Broker for funding by Plaza. Such obligation of Broker shall continue after the submission of the loan application to Plaza. **AND**
- Perform such other acts as would be reasonable or advisable under the circumstances to confirm the accuracy and authenticity of the application and the information provided therein and to ensure the absence of any fraud, misrepresentation, or erroneous statements in connection with such application on the part of the borrower(s) or any third party.

In addition to the foregoing, Broker agrees to promptly submit to Plaza all information Plaza may request from time to time with respect to an application. The contents of all loan applications and other information submitted to Plaza shall become the property of Plaza upon funding of the loan.

Section 17 Insurance and Survey Requirements

17.1 General Hazard Insurance Requirements

Carrier

The hazard insurance policy for a property securing any first mortgage including blanket policies for condos and PUDs, must be underwritten by one of the following carriers:

An Insurer with an Acceptable Rating

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- Carriers rated by A.M. Best Company.
- "B" or better Financial Strength Rating and a Financial Size Category of a least "III" in Best's Insurance Reports.
- "A" or better Financial Strength Rating and a Financial Size Category of "VII" or better 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

- "BBB" or Insurer Financial Strength Rating in Standard and Poor's Ratings Direct Insurance Service

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

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 (FAIR) plan, an underwriting association, a joint underwriting association or an insurance authority. The following are examples of such plans:

- Hawaii Property Insurance Association (HPA), **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 Premises are located.

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 Premises superior to the lien of the lender or any subsequent assignee.

Mortgagee Clause Endorsement

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

Government Loans

Plaza Home Mortgage, Inc.
 ISAOA
 P.O. Box 5954
 Springfield, OH 45501-5954

All Other Loans

Plaza Home Mortgage, Inc.
 ISAOA
 P.O. Box 961292,
 Fort Worth, TX 76161-0292

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Borrower and Property Information

The following must be accurate:

- Name(s) or Borrower(s) agree with the Note.
- Property address agrees with Note/Security Instrument.
- Mailing address is the same as the property address except on second homes and investment properties.

Policy Term

The policy must be written for at least a 1 year term or be continuous until cancelled.

Policy Effective Date

The policy effective date must be on or before the date the borrower's loan is funded.

Evidence of Insurance

At closing, the borrower must provide evidence that the 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 HOA is the named insured).
 - Name of mortgagee
 - 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. Example: Route 1, Box 5, is inadequate
 - Mailing address, if different from 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.
- AND**
- Signature of an authorized representative of the insurer, if required by law.

Purchase Transactions

At closing, the borrower's must provide a paid receipt for the first year's premium.

Refinance Transactions

If the insurance is due to expire within 30 days of closing, the borrower must submit a paid receipt for the next year's premium.

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Minimum Property Insurance Types and Amounts

1-4 Unit Properties:

Type of Coverage

At a minimum, the Mortgaged Premises must be protected against loss or damage from fire and other perils covered within the scope of the standard extended coverage endorsement. Correspondent Funding 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.

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.

Note: Properties located in mudslide zones or sinkhole areas may require additional coverage.

Deductible

The maximum allowable deductible is 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.

Condominiums and PUDs

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 association must maintain a master of 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 (HOA). 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 or blanket policy does not provide interior unit coverage, replacement of improvements and betterment coverage to cover any improvements that the borrower may have made, the borrower must obtain an HO-6 Policy or "walls-in" coverage.

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 HOA.
- The policy must be primary, even if unit owners have other insurance that covers the same loss.

Note: A Special Condominium Endorsement usually covers the above four requirements.

PUD Requirements

The HOA 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, excavations, etc. 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.

Impermissible Policies

The following are not permitted:

- A blanket policy that covers multiple unaffiliated condominium associations or projects.
- Self-insurance arrangements whereby the HOA 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.

Coverage

Insurance must cover 100% of the current 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.

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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.

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.

Name of Insured

The policy must show the HOA 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].

17.2 Earthquake Insurance

Plaza does not require earthquake insurance unless it is an agency requirement as listed in Plaza's program guidelines; however, if coverage is in place, the following applies:

Mortgage Clause Endorsement

Broker must ensure that the earthquake insurance policy contains a standard mortgagee clause identifying the first or second mortgage interest, and for second mortgage loans, it does not replace the mortgagee clause pertaining to the first mortgage loan.

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17.3 Lava Zone Insurance

Properties located in Lava Zones 1 are not insurable with standard hazard insurance and therefore, are not eligible.

17.4 Mine Subsidence Insurance (Pennsylvania only)

Mine Subsidence Insurance is required for Pennsylvania loans if RFG has notice that the property is undermined (tunnels). If notification has been received or if it has been determined that the 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 does allow individuals to key in their address to determine if their property requires Mine Subsidence Insurance, but the turnaround time can range from 2 days to 3 weeks depending on the research required.

Property Undermining Determination

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

- Purchase Contract
- Appraisal
- Title Commitment

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.

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 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.
- If the property is located in the Bituminous (soft coal) Region, an Assignment.

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General Flood Insurance Requirements Standard Flood Hazard Determination (SFHD)

Federally Available Flood Insurance

Flood insurance is generally required if any building, dwelling, structure, or improvement is located within an Standard Flood Hazard Area (SFHA) that has mandated flood insurance purchase requirements under the NFIP unless the mortgage is an FHA Section 240 mortgage. If flood insurance is not available because a community does not participate in NFIP, Plaza will not purchase loans secured by properties located in those areas.

Location of Property within the SFHA

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 loan.

Principal Structure Not Located Within an SFHA

If the principal structure on a property is not located within a SFHA, flood insurance generally is not required even if another detached structure on the property is located within the SFHA. However, if the detached structure is attached to the land and serves as part of the security for the loan, flood insurance is required for the detached structure and may be purchased through a separate policy on a general property insurance form, unless Plaza determines that the principal structure represents sufficient security for the loan and releases the detached structure from the security. If buildings are “carved out” from the security, the property must be marketable in the event of foreclosure and the “carve out” must be permissible under local zoning rules.

Waivers

Plaza will waive flood insurance requirements if the borrower obtains a letter from Federal Emergency Management Agency (FEMA) stating that its maps have been amended so that the buildings securing the loan are no longer in an SFHA.

Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance

If any part of the principal structure is located within a SFHA, the 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 loan file must contain evidence that the borrower received the Notice of Special Flood Hazards (NSFH) no later than 10 days prior to closing unless the loan file documents why it was not feasible to meet that time frame. The NSFH must be provided prior to the day of closing.

Flood Insurance Coverage

Flood insurance coverage in at least the minimum coverage required by the NFIP and in accordance with applicable government agency guidelines is required.

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Acceptable Policies

The flood insurance policy must be in the form of the standard policy issued under the NFIP. Policies that meet the NFIP requirements, such as those issued by licensed property and casualty insurance companies that are authorized to participate in the NFIP's "Write Your Own" program are acceptable.

Multiple Structures

If multiple buildings securing the loan are located in an SFHA in a participating community, the insurance agent must determine the amount of insurance required on each building and add these amounts together to determine the minimum amount of flood coverage. Each building securing a loan must be covered by a separate policy. The amount of total required flood insurance can be allocated among the secured buildings in varying amounts, but all buildings in an SFHA must have some coverage.

Policy Term

The policy must be written for at least a 1 year term.

Policy Effective Date

The policy effective date must be on or before the date the borrower's loan is funded.

Evidence of Insurance

At closing, the borrower must provide evidence that the 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.

Escrow Policy

Plaza requires flood insurance premiums to be escrowed, regardless of loan-to-value. This applies to all loans where the property is located in a flood zone, regardless of whether any other funds associated with the loan are escrowed; i.e. taxes, hazard insurance premiums, or any other fees or charges. In cases where flood insurance premiums are paid by a condominium association or homeowners association, flood insurance will not be required to be escrowed.

Deductible

The maximum allowable deductible is the maximum deductible available from the NFIP (currently \$5,000).

PUDS

Coverage Amount for Individual PUD Unit

The coverage amount is the same as for other 1-4 unit properties.

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Coverage Amount for PUD Project

The policy must cover any common elements buildings and any other common property located in an SFHA. The flood insurance coverage must equal the lesser of the following:

- 100% of the insurable value of the facilities
OR
- The maximum coverage available under the appropriate NFIP Program

Deductible

- **Individual Unit** - The maximum deductible available from the NFIP currently \$5,000.
- **PUD Project** - The maximum deductible available from the NFIP currently \$25,000.

Condominiums

Homeowners' Association (HOA)

The condominium HOA must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage's:

Building Coverage

Building coverage must equal the lesser of the following:

- 100% of the insurable value replacement cost of the building, including amounts to repair or replace the foundation and its supporting structure.
OR
- The total number of units in the condominium building times \$250,000.

Contents Coverage

Contents coverage must equal the lesser of the following:

- 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
- The maximum amount of contents coverage sold by the NFIP for a condominium building.

Unit Owner's Coverage

Flood insurance is generally not required for individual condominium units. However, if a HOA refuses to obtain a RCBAP policy or when the RCBAP policy does not comply with the requirements above, the borrower must obtain a dwelling policy on the individual unit equal to the minimum amount of coverage for a 1-4 unit property as specified above.

Deductible

- **Individual Unit (if required)** - The maximum deductible available from the NFIP currently \$5,000.
- **Condominium Project** - The maximum deductible available from the NFIP currently \$25,000.

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Properties Located in the Coastal Barrier Resources System or in an Otherwise Protected Area

Federal flood insurance may not be available for 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 loans. Coverage amounts and deductible must meet the requirements in this section. The carrier must meet the minimum rating requirements for insurance underwriters specified in the [Hazard Insurance](#) section.

17.6 Wind Storm Insurance

Windstorm coverage is generally included under the standard extended coverage policy through an endorsement. If the policy excludes or limits the windstorm coverage, it is not acceptable. The borrower must obtain a separate policy or endorsement from another commercial insurer that, with the existing policy, provides adequate total coverage.

The maximum deductible for windstorm coverage is the highest of:

- 5% of the face amount of the policy
- \$2,000
- The maximum allowed under state law.

17.7 Liability Insurance for PUDs and Condominiums

Type of Coverage

The HOA 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 HOA, 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 association must also maintain any additional coverage commonly required by private institutional mortgage investors for projects similar in construction, location, and use.

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. This coverage is not required for limited project review condos or established, attached PUD projects.

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 HOA or other unit owners.

Cancellation/Modification Requirements

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The policy must provide for at least 10 days written notice to the HOA 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.

17.8 Fidelity or Employee Dishonesty Insurance for Condominiums

Projects Requiring Fidelity Insurance

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

Minimum Property Insurance Types and Amounts

Type of Coverage

The HOA must maintain a blanket fidelity or employee dishonesty insurance policy covering losses resulting from dishonest or fraudulent acts committed by the association's directors, managers, trustees, employees or volunteers responsible for handling funds belonging to or administered by the HOA. The policy must provide coverage for anyone who either handles or is responsible for funds that the HOA holds or administers, whether or not that individual receives compensation for services. A management agent that handles funds for the HOA should be covered by its own fidelity insurance policy, which must provide the same coverage required of the HOA.

Coverage Amount

Coverage must equal the maximum amount of funds held by the HOA at any one time while the policy is in force. A lower coverage limit is acceptable if the project's legal documents require the HOA and any management firm to adhere to certain financial controls. However, in such case, the coverage limit must at least equal the sum of 3 months of assessments on all units in the condominium project. The financial controls must include at least one of the following:

- The condominium HOA 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 HOA 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.

Name of Insured

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

Cancellation/Modification Requirements

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

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17.9 Mortgage Insurance (MI)

If primary mortgage insurance is required by the loan program, as stated in Plaza's program guidelines, an escrow/impound account must be established at closing for monthly payment of future premiums, unless a single premium is paid in full at closing or unless the loan was priced with lender-paid mortgage insurance.

Note: Refer to Plaza's program guidelines for specific MI requirements for each program type.

Mortgage Insurance Requirements for Properties Located in New York

To ensure compliance with New York Insurance Law, use a LTV calculation based solely on the appraised value of the property to determine the MI requirement for loans secured by properties in the state of New York. If that LTV is \leq 80%, the loan will not require mortgage insurance regardless of the LTV calculated using the sales price.

- To determine when MI is required on any loan transaction, calculate the LTV by dividing the loan amount by the appraised value, regardless of whether the sales price is higher or lower.
- If MI is required, the standard LTV calculation of loan amount divided by the lesser of the appraised value or sales price must be used to determine the required percentage of coverage on purchase transactions.

Examples of MI Calculations for New York Properties

For all transactions and property types, determine whether MI is required by dividing the loan amount by the appraised value. If the LTV is greater than 80%, MI is required.

Example: The following LTV calculations are for the purpose of determining whether MI is required on New York loans.

Sales Price	Appraised Value	Loan Amount	LTV by Sales Price	LTV by Appraised Value	MI Required	Rationale
\$100,000.00	\$110,000.00	\$85,000.00	85%	77.27%	No	The LTV based on the appraised value is 80% or less. The LTV based on the sales price, although greater than 80%, is not a consideration.
\$110,000.00	\$100,000.00	\$85,000.00	77.27%	85%	Yes	The LTV based on the appraised value is greater than 80%. The LTV based on the sales price, although less than 80%, is not a consideration.

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Private Mortgage Insurance (PMI) Drop Off in Payment Schedules

The Homeowner's 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 TIL disclosure. If the PMI payment is dropped just above the 78% LTV, the payment schedule will show 1 month or more fewer PMI payments than if the PMI payment is dropped just below the 78% LTV.

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.

Cancellation: Original Borrower

The MI must be canceled if either it is required by law or all of the following conditions are met and the borrower requests:

- 2 years has elapsed since the origination of the Mortgage.
- The unpaid principal balance of the loan has been reduced to the LTV where mortgage insurance is not required under the loan programs, at the time the loan was purchased by Plaza, where value is:
 - Based upon the original appraised value of the property, and the Servicer represents that the current value of the Mortgaged Premises is at least equal to the original appraised value. **OR**
 - Based upon a current appraised value ordered by the Servicer from their approved appraiser list and paid for by the borrower. The applicable appraisal form must be used and it must have been performed within 120 days of the request for cancellation of the MI. Under certain circumstances based upon the structure of the pool a loan may be in, it may not be possible to cancel MI on an individual loan where a new appraisal is used as the basis of determining the current LTV.
- The borrower's monthly installment of principal, interest, and escrow/Impound was never more than 30 days past due for the 12 months immediately preceding the date insurance cancellation is requested and no payment 60 days or more past due in the past 24 months.
- There was no other default under the terms of the loan at any time during the same 12-month period.

17.10 Title Insurance

Title insurance must comply with the following requirements:

- The amount of coverage must be equal to the face value of the mortgage. Loans with either scheduled negative amortization, or the potential for it, require coverage that equals the original mortgage amount of the loan plus the maximum amount of potential negative amortization as stated in the Note and/or 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 Note and/or rider.
- All title Commitments and/or policies must be issued by an approved American Land Title Association (ALTA) insurance company. Prior to any loan disbursement, a marked-up title binder for an ALTA title policy,

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indicating Plaza'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.

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 Premises is located.

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.

Short Form Title Policy

Title insurance in the form of a Short-Form Residential Loan Policy is acceptable under the following conditions:

Eligible Property Types

- Single Family
- Condominium
- PUD (Attached/Detached)
- 1-2 Units

Note: Title Insurers may have restrictions on issuance of the ALTA Short Form Policy in conjunction with an owner's policy.

Ineligible Transactions

- Leasehold Properties require the use of a Standard ALTA Title Insurance Policy.
- Program Guideline restrictions – Refer to specific program guidelines

Requirements

- The loan file must contain a copy of the Warranty or Grant Deed (existing or new, based upon loan purpose).
- Contains Property Address and Legal Description in Paragraph 4 of Schedule A.
- Contains evidence of current vesting.
- Contains a 24-month chain of title.
- Always includes ALTA Form 100, Comprehensive Endorsement Form 9 for affirmative coverage and ALTA 8.1 Environmental Lien Endorsement.

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Policy Endorsement

- All applicable ALTA endorsements are included.
- For Condominium use ALTA Endorsement Form 4-Condominium.
- For PUD use ALTA Endorsement Form 5-PUD.
- For an Adjustable Rate (ARM) Loan use ALTA Endorsement Form 6-Variable Rate.
- For Restrictions, Encroachments and Minerals, Form 9

Restrictions

The standard ALTA Short Form Policy is NOT available in the following states:

- Iowa – Title insurance in the state of Iowa is issued by the Iowa Title Guaranty Division.
- Oregon – Standard ALTA Residential Loan Policy is required.
- Texas – Must use the TX Short Form Residential Loan Policy of Title Insurance and Addendum T-2R.
- New York – Must use NY ALTA Short Form Policy with TIRSA Amendments 1992.
- New Jersey – Must use NJ Enhanced Coverage Short Form Policy 2-12.
- New Mexico – Must use Short Form Residential Loan Policy 63.

Plaza 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, Plaza will accept an attorney's certificate of title in lieu of a title insurance policy, provided all the following conditions are met:

- The certificate must be addressed to Plaza and all of its successors in interest as evidenced by the Note and Security Instrument.
- 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.
- The certificate must state: "We (I) agree to indemnify you and your successors in interest in the Security Instrument opinioned 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."
- The certificate must not be subject to any exceptions, other than those permitted under the following [Title Exceptions](#) section.

Effective Date

The effective date of the title insurance policy must be no earlier than the date on which the Security Instrument was recorded.

Lien Requirements

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

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

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Acceptable Minimum Coverage

The acceptable minimum title insurance coverage must at least equal the current principal balance of the loan.

Exceptions

The title insurance policy must not be subject to any exceptions, other than those permitted under the [Title Exceptions](#) section.

Required Endorsements

Each title insurance policy must contain the following endorsements or provide equivalent affirmative coverage, if applicable to the loan: ALTA Endorsement form 8.0 (CLTA 110.8) or 8.1 (CLTA 110.9), Environmental Protection Lien Endorsement is required for all loans originated after 12/1/87. ALTA form 8.0 must be included with the 1987 ALTA form of title insurance policy. ALTA form 8.1 must be included with the 1970 ALTA form of title insurance policy.

- ALTA Endorsement form 4 (CLTA 115.1). Condominium Endorsement is required for all loans secured by a condominium unit.
- ALTA Endorsement form 5 (CLTA 115.2). PUD Endorsement is required for all loans secured by a PUD unit.
- ALTA Endorsement form 6.0 (CLTA 11.5) or 6.1 (CLTA 111.6) or 6.2 (CLTA 111.8). Variable Rate Mortgage Endorsement is required for all ARM loans. ALTA form 6.0 or 6.1 is required for all ARM loans.
- CLTA Endorsement form 100 and form 116. Comprehensive Endorsement and a Location Endorsement are required for all 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 Loans and all loans that have had the terms of the Security Instrument modified.

Title Exceptions and Impediments

Title Exceptions

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

Minor Impediments to Title

Title for a property is acceptable even though it may be subject to the following conditions, which Plaza 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 Premises or proposed improvements upon which the appraisal or 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 Premises 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

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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 affect on the fair market value of the Mortgaged Premises.
- Mutual easement agreements that establish joint driveways or Party Walls constructed on the Mortgaged Premises and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them.
- Encroachments of 1 foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a 10 foot clearance between the buildings on the Mortgaged Premises and the property affected by the encroachments.
- Encroachments on the Mortgaged Premises by improvements on adjoining property where these encroachments:
 - Extend 1 foot or less over the property line of the Mortgaged Premises. **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 Premises 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 Premises or impair its use for residential purposes.
- Liens for real estate or ad valorem taxes and assessments not yet due and payable.

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.

Properties with unexpired redemption periods have unacceptable title defects. If a loan is secured by a foreclosed property in a state where a redemption period is allowed, Plaza will not close 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 loan is ineligible.

17.11 Survey Requirements

Plat of Survey or Improvement Survey

Broker must submit a plat of survey or improvement survey with the title commitment it sends to Plaza. 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.

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 1 year from the date of issuance of the title insurance policy insuring a particular Mortgaged Premises. A survey more than 1 year old will be

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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 Plaza and the company furnishing the title insurance policy.

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.
- Any encroachments and the extent of any encroachments in terms of feet and inches upon the plot or any easement appurtenant to the plot.
- 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.

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.

Variations in Length of Property Lines

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 Premises.
- 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%.

The appraiser must provide a statement about any other variations, explaining how they affect the Mortgaged Premises' value. If MI is required, Plaza must obtain a statement from its carrier, stating that the variance will not affect the insurability of the Mortgage.

Section 18 Power of Attorney

18.1 Power of Attorney on Behalf of the Borrower

Plaza will permit the use of a Power of Attorney (POA) to designate an attorney-in-fact/ agent to execute closing documents for individual borrowers in certain instances when a borrower is unable to execute closing documents.

The POA language must be specific to the transaction, meaning the POA document must identify the transaction and property (however, for soldiers on active duty, a standard military POA may be used instead of a POA that is specific to the transaction).

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Borrower(s) names must match exactly the title commitment vesting section.

- The POA must be signed and dated prior to the Date of the Note.
- Be signed and dated by the party granting the POA.
- Be signed by an appropriate "witness" (if required by state law).
- Be in effect on the date of the closing transaction.
- Be notarized
- Recorded prior to closing or in correct sequence at time of recordation of all closing documents.
- No older than 6 months from the date of closing.
- Insured by the title company without exception to the POA.
- The attorney-in-fact must be a co-borrower on the loan or a disinterested third party. For example, the attorney-in-fact cannot be a realtor, loan officer, employee of the company, a party to the transaction, or a title company employee.
- POA may not be used when title is taken in the name of a trust.
- A POA may not be utilized in a Cash-Out Refinance Transaction. **Exception: Military personnel, using a Military POA, deployed abroad where permitted by the applicable financing program. Proof must be submitted verifying deployment abroad.
- POA for borrower in conservatorship is not allowed.
- The initial 1003 must be signed by the borrower(s) or for active military borrower only, follow VA guidelines.
- If multiple borrowers exist on the loan, at least one borrower must sign the closing documents. All borrowers cannot be represented by an attorney-in-fact on the same loan.
- Meet all state specific requirements.

A Durable POA may be acceptable. Durable POA 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 POA should always be notarized, especially if the Agent will be dealing with real property. Notarization allows the Durable POA to be recorded as a public record, if necessary.

18.2 Reverse Mortgage POA

Refer to program guidelines in the [Reverse Mortgage User Guide](#).

Closing documents may be executed via a POA provided the following conditions are met:

- A separate POA is prepared and executed for each borrower not attending the closing.
 - POA is specific or special to the transaction, is executed and notarized on or before date of closing and recorded or will be recorded with closing instruments before mortgage or deed of trust.
 - The original or certified copy of a POA must be included in the closing package.
 - The attorney-in-fact must execute all closing documents at settlement.
 - All POA signers must sign as follows:
Example: John Smith as attorney-in-fact for Jane Smith

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18.3 Veterans Use of a POA

Veterans who use General Military POA must include the "durable" language to be acceptable by Plaza.

- POA's on VA loans must meet all current VA requirements, including but not limited to all other POA requirements stated herein, as well as those additional requirements stated below.
- A POA may be used to make application for a VA loan.
- It must appear that the veteran intends to occupy the property upon his/her return from overseas service, or upon his/her termination from the Armed Forces.
 - An immediate family member must occupy the property during the veterans' absence.
 - A statement of intent to occupy the subject property as the veteran's primary residence must be included.
 - The POA must include the following information:
 - The specific property address of the subject property.
 - The sales price of the subject property if used for a purchase, unless the veteran has signed the sales contract.
 - A statement authorizing use of all or a specific amount of entitlement, for purchase or refinance.
 - If the veteran is currently in the Armed Forces, the commanding officer or other Armed Forces representative, as permitted by VA requirements, may attest to the veteran's signature.
 - Obtain proof veteran is alive and not in a missing-in-action status, in accordance with current VA requirements.

Section 19 Living Trust Policy

Overview

A "Living Trust" also called an "Inter Vivos Revocable" trust is simply a trust one can create while alive, rather than a trust that is created upon one's death. In certain circumstances, a "Living Trust", will be acceptable as a borrower.

A Inter Vivos or Living Trust is established when one person known as the grantor/trustor/settlor transfers legal title to certain assets to a second person known as trustee, in trust, who will hold and manage such assets for the benefit of a third person known as the beneficiary. In most cases, the grantor/trustor/settlor will be the same individual as the trustee and/or the beneficiary.

Definitions

- **Beneficiary:** The party that benefits from the property held by the living trust. For Plaza's lending purposes, the primary beneficiary must be a grantor/trustor/settlor.
- **Grantor/Trustor/Settlor:** The person(s) who established or created the living trust and contributed the property directly to the trust. The use of the term grantor, trustor, or settlor depends on the state where the living trust was created or originated.
- **Trustee:** A person who holds or controls property and manages it for the benefit of another (the beneficiary). It is the person who according to the living trust agreement, has been granted the power to mortgage, buy or sell the subject property and administer the living trust. For Plaza's lending purposes, the Trustee(s) must be or must include a grantor/trustor/settlor. An institutional trustee (i.e., bank, trust

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company or attorney) that customarily performs trust functions under the laws of the state may be a co-trustee

- **Inter Vivos Revocable Trust:** Inter Vivos is the Latin term for "between the living." Therefore, it is a trust that an individual creates and which becomes effective during the creator's lifetime.
- **Revocable:** A living trust is referred to as "revocable" when the grantor/trustor/settlor can change or cancel it at any time, for any reason, while she/he is living. This ability to revoke the living trust is important because it allows the grantor/trustor/settlor, who would otherwise own the property directly, to retain control of the property.
- **Irrevocable Trust:** An Irrevocable Trust is a permanent trust that cannot be altered, amended or revoked by the grantor/trustor/settlor, once it is created. Irrevocable Trusts are not eligible for financing at Plaza.
- **Blind Trusts:** A blind trust is an arrangement where financial holdings of a person are placed in the control of a fiduciary, typically to avoid a conflict of interest. Therefore, someone other than the borrower has control over the trust assets. Blind trusts are not eligible for financing at Plaza.
- **Life Estates:** A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, and upon whose death the right reverts to the grantor/trustor/settlor of his heirs. Life estates are not eligible for financing at Plaza.

Eligibility Requirements

Eligible Borrower: The borrower must be an individual(s). Normally, this is the grantor/trustor/settlor and the beneficiary of the trust.

Property Type: 1-4 units, owner-occupied (satisfied by Grantor/Trustor/Settlor and occupies the property), second homes and investments

Type of Trust Allowed: Inter Vivos/Living Trusts are allowed. All Inter Vivos/Living Trusts must be revocable.

Ineligible Trust:

- Irrevocable Trust
- Blind Trusts
- Life Estates

Program Eligibility

- Fixed and ARM Agency Loans
- Elite Jumbo
- FHA and VA
- Texas 50 (A)(6) are eligible

Refer to Plaza's program guidelines for specific eligibility.

Restrictions

- HECM transactions in the state of Texas are not eligible to close with a Trust.

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Required Documents

The following are required:

- Complete copy of the Trust certified by the borrower to be accurate.
- Attorney Opinion letter from the borrower's attorney verifying all of the following:
 - The trust was validly created and duly exists under applicable law.
 - The trust is revocable.
 - The borrower is the grantor/trustor/settlor of the trust and the beneficiary of the trust.
 - The trust assets may be used as collateral for a loan.
 - The trustee is:
 - Duly qualified under applicable law to serve as trustee.
 - Is the borrower
 - Is the settler
 - Is fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets.
- Completed Living Trust Checklist.
- Inter Vivos Revocable Trust Rider to the deed of trust/mortgage

Exception for Trust Certificate Authorized States

In lieu of the Attorney's Opinion letter and copies of Trust documents a title company Trust Certification is acceptable for the following states:

Alabama	Washington D.C.	Michigan	New Hampshire	Pennsylvania	Utah
Arizona	Idaho	Minnesota	New Mexico	South Carolina	Vermont
Arkansas	Iowa	Missouri	North Carolina	South Dakota	Virginia
California	Kansas	Nebraska	Ohio	Tennessee	Wyoming
Delaware	Maine	Nevada	Oregon	Texas	

The same terms and conditions apply as shown above for the Attorney Opinion letter.

Note: Trust Certificates completed by the title company are not allowed on HECM loans. HECM loans must have the Trust Documents and Attorney Opinion Letter.

Legal Title Requirements

Title may be held in the following manner only:

- One or more borrowers with one living trust. **OR**
- Two or more borrowers with separate living trusts. **OR**
- As an individual not a party to the trust and in the name of the Trust or the Trustee.

Title Insurance

The title insurance policy cannot list any exceptions arising from the trust ownership of the property.

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Executing the Loan Documents

Due to the multi capacity of parties involved in an Inter Vivos revocable trust the loan documents must be executed by all required parties and in a set manner.

The following delineates who must sign the trust documents. Only the documents noted in the following tables need to be signed by the trust. All other loan documents may be signed as individual borrowers.

Document Signature Requirements

The Note

- Each Trustee as individual or trustee of the trust (whether individual or corporate) must sign
- Each grantor/trustor/settlor whose income or assets were used to qualify for the loan, as an individual.
- Each individual, not a trustee whose income or assets were used to qualify for the loan.
- The date of the Trust must be reflected on the Note as part of the description below the trustee's signature, e.g. Jane Doe, Trustee of the Jane Doe Trust dated April 1, 2000.
- A Note with a Signature Addendum may be used if there is not enough space on the Note for the signatures of the trustee(s). The Note must clearly reference the existence of the Signature Addendum.
 - Each Grantor/Trustor/Settlor (regardless of whether they are also signing as a trustee) must sign individually in the Borrower's signature lines on the Note itself; only the signature(s) of the trustee(s) may be included on the Signature Addendum. The Signature Addendum must comply with all applicable laws and must result in a properly signed and legally enforceable Note. The Signature Addendum must be:
 - Permanently affixed to the Note
 - Clearly identify the Note by referencing the following:
 - Name(s) of Borrower(s)
 - Note Date
 - Property address
 - Original principal balance of the Note

Refer to the Signature Requirements section within this procedure for signature examples.

The Security Instrument and all Riders

- Each trustee as trustee of the trust, whether individual or corporate.
- Each individual who is a borrower and/or has an interest in the property.

The Inter Vivos Revocable Trust Rider

- Each trustee as trustee of the trust, whether individual or corporate.
- Each settlor whose income or assets were used to qualify for the loan, as an individual.
- Each individual that has an interest in the property.
- A Security Instrument Signature and Acknowledgement Form may be used if there is not enough space on the Security Instrument for the signatures of the Trustee(s). The Security Instrument Signature and Acknowledgement must be executed by the Trustee(s) on behalf of the trust, indicating the complete legal name of the trust, using the following format:

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Refer to the Signature Requirements section within this procedure for signature examples. Below is an example of a notary acknowledgement for the Security Instrument:

Settlor of the John Adams Smith Trust under Trust Agreement date _April 1, 2010, agrees that the term "Borrower" when used in this Security Instrument shall include the Settlor and the Settlor acknowledgements and agrees to be bound by all of the terms and covenants contained in this Security Instrument and any Rider to this Security Instrument.

SETTLOR:

Mary Smith_ (SEAL)

(Acknowledgement by notary public)

The Inter Vivos Trust as Borrower Acknowledgement

Each grantor/trustor/settlor whose income or assets were used to qualify for the loan, as an individual.

Signature Requirements

If a Note/Security Instrument is secured by a Mortgaged Premises held in a living trust (Inter Vivos or revocable), the Note must be signed by the borrower(s) as individual(s) and as trustee(s) on behalf of the trust. The Note/Security Instrument must clearly indicate the name of the trust on the signature page.

Trustees Use of POA

Loan documents cannot be executed through the use of a POA.

Section 20 Loan Documentation and Disclosure Requirements

20.1 Application (1003)

All of the following guidelines on the 1003 must be met:

- Plaza requires a completed fully executed 1003.
- Initial and final 1003s must be provided.
 - Initial must be complete; and signed by the loan officer and by the borrower(s).
 - Final must be complete and signed by the borrower(s).
 - All HMDA data must be completed.
 - Loan originator's name and NMLS ID
 - Company name and NMLS ID
 - Either the branch or the company NMLS ID number may be reflected on the initial and final 1003.

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20.2 Principal Curtailment Matrix

Plaza will allow Principal Curtailments under certain circumstances. Refer to Plaza's [Wholesale Lock Policy](#).

20.3 Escrows/Impounds

Establish Tax Due Date

Tax due date is determined by using the Discount Date or Economic Loss date provided by each taxing authority, which represent payment dates most beneficial to the borrower. The settlement agent is to provide Plaza with the next tax due dates for each loan submitted.

Delinquent Taxes

All delinquent taxes must be paid on or before the loan closing. Either a title binder showing these taxes as paid, or a paid receipt, must be included with the closing package.

Escrows for New Construction to Permanent and Purchase Transactions

To avoid "payment shock" Regulation X applies to escrows for new construction loans.

The Broker shall estimate the amount of escrow account items to be disbursed. In cases of new construction which has not been assessed at the time of closing, the Broker may base an estimate on the assessment of comparable residential properties in the market area. Plaza must close the loan using the most accurate assessment of what the property taxes on the subject property will be once assessed by the local jurisdiction.

Note: Supplemental tax bills are not sent to lenders and are the sole responsibility of the borrower even if the loan is impounded. However, if Plaza receives a request from the borrower to pay supplemental taxes from their impound account and provides a copy of the bill Plaza will disburse it from escrow. The borrower would be responsible for any penalties incurred if the request is not received in a timely manner. Escrow shortages resulting from payment of supplemental taxes will result an escrow analysis and increased payment due from the borrower.

Insurance Policy

Escrow accounts: The policy must have a remaining term of at least 120 days after closing. Escrow/impound accounts are not allowed on Reverse Mortgages.

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
- Quote with underwriting approval from a new company

On an annual basis, each loan is reviewed according to assure compliance with the state requirements.

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Loan Pricing

For the purpose of pricing, loans with partial escrow accounts are classified as non-escrow accounts.

Example: Property taxes are escrowed and hazard insurance is not collected.

For additional information regarding pricing, please contact the Sales Executive or refer to the Wholesale Lock Policy.

20.4 Buydowns

Note: Temporary Buydowns are unavailable at this time.

20.5 State and Federal Disclosures

The Broker is responsible for providing to the borrower all disclosures required of the broker in accordance with federal or state laws and regulations. The Broker is to provide to Plaza a complete copy of the Broker's loan file, including all disclosures. These disclosures are the broker's responsibility. All disclosures must be in compliance with state, federal and local mortgage lending laws and regulations.

20.5.1 Plaza will accept loans in which borrowers received initial federal and state disclosures electronically according to the requirements outlined by the Electronic Signatures in Global and National Commerce (E-SIGN) Act of 2000. Refer to Plaza's [Electronic Delivery & Signature Policy](#), for more details.

20.5.2 Plaza may offer accommodation services to the Broker whereby Plaza will provide access to its loan origination system so that the Broker may prepare the Loan Estimate (LE) disclosure and deliver it to the borrower electronically prior to the Broker's submission of the loan to Plaza. Plaza may also offer an alternative service whereby, upon Broker's timely submission of the loan to Plaza, Plaza will issue the initial LE in its own name to the borrower. However, Broker's use of either of these services does not relieve it of its responsibilities for compliance with the disclosure requirements, including issuance timing and diligence in providing cost and fee estimates in good faith. Broker is under no obligation to utilize Plaza's services.

20.5.3 Plaza may offer accommodation services to the Broker whereby Plaza will provide access to its loan origination system so that the Broker may prepare and deliver to the borrower a set of Broker disclosures intended to satisfy state and federal disclosure requirements of licensed mortgage brokers. However, by providing this service Plaza is not providing legal advice. Broker's use of this service does not relieve it of its responsibilities for compliance with disclosure requirements, including good faith diligence and timing. The disclosures may contain policy or process information that may not necessarily reflect the policies and practices of the Broker. Plaza provides no warranty that broker disclosures generated through Plaza's loan origination system meet all federal or state requirements or reflect the position of the Broker with respect to those disclosures. The Broker must satisfy itself as to the propriety and completeness of the disclosures. If Broker determines that the disclosures available through Plaza do not satisfy all the Broker's disclosure obligations, Broker must either supplement the disclosures with its own or not use Plaza's service. Broker is under no obligation to utilize Plaza's services. Should the Broker choose to use the disclosure service, Broker agrees that generation of the disclosures will constitute submission of the loan request to Plaza.

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20.5.3.1 Following is a list of disclosures available to the Broker through use of Plaza’s accommodation service. This list also reflects those disclosure components that are defaulted on the documents and may not be representative of the Broker’s policies or practices.

FEDERAL and AGENCY		Form Default Language
Cx20336	929200A / 1802A	
Cx16921	Anti-Steering Disclosure of Loan Options	
Cx17903	Appraisal Delivery Disclosure	
Cx22446	Borrower’s Cert and Auth form	
Cx20787	Demographic Addendum	
Cx4193	Loan Application	
Cx18565	Loan Estimate	
Cx14766	USA Patriot Act Disclosure	
Cx22444	Privacy Policy	discloses that Broker does not share information except as necessary in connection with the transaction, to respond to court orders and legal investigations, and consumer may not limit that sharing.
Cx20	Servicing Disclosure	discloses that Broker does not service loans and intends to assign, sell or transfer servicing prior to the first payment due
Cx19204	SSPL	
	FHA/VA Addendum to Loan Application	Only first two pages will generate; #19: title vesting for VA loans will be blank; #20: Purpose of Loan-for VA loans: 1) "Purchase Existing Home Previously Occupied" – Checked if 1-4 Unit Single Family Purchase; 4) "Refinance" – Checked if Refinance transaction; 6) "Purchase Existing Condo Unit" – Checked if property type is condo and Purchase transaction; 9) "Purchase Permanently Sited Manufactured Home" – Checked if property type is Manufactured Home and Purchase transaction; #22(a) defaults to "no"; #22(e) defaults to "no"; #25(2) box checked for FHA loans; #25(2)a: box checked for VA loans; #25(3)b: box checked for all loans; #25(6): box checked N/A for all loans.
	Preapplication Disclosures	If charging an application fee in advance, enter as POC
STATE SPECIFIC		
Cx4068	AL Mortgage Broker Agreement	discloses advance fee collected for services = N/A
Cx2783	AZ Advanced Fee Disclosure	
Cx16084	CA Advanced Fee/Application Disclosure	
Cx5188	CA Financing Law Statement of Loan - Brokers	applies to CA Finance Lender licensee
Cx19898	California REL Supplemental Disclosure	applies to real estate broker licensed by the CA BRE
Cx12873	Colorado Tangible Net Benefits	for Purchase transaction, discloses the new loan will enable borrower to purchase a home or other residential real estate in CO; for fixed rate no cash-out refi, discloses that new loan will have lower monthly payments than the current loan; for cash out refi, discloses that loan proceeds will be used for personal reasons and lists possible reasons; for ARM refi, discloses that borrower has considered length of time before new loan payment amount adjusts and the maximum interest rate.
Cx3751	CT Advance fee/Nonrefundability form	
Cx3583	DE Broker Agreement	discloses advance fee collected for services = N/A; number of days = 45
Cx2783	GA Advance Fee_App Disclosure	
Cx22577	ID Licensee Information Disclosure	

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Cx2783	IL Advance Fee_App Disclosure	
Cx1909	IL Loan Brokerage Agreement	discloses advance fee collected for services = N/A
Cx1908	IL Loan Brokerage Disclosure Statement	discloses current broker name as all names under which the Broker is licensed or has done business during the preceding 10 years; Broker's parent or affiliate = N/A; Broker brokers loans to multiple lenders
Cx 3828	IN Loan Brokerage Agreement	discloses advance fee collected for services = N/A
Cx 22576	KS Borrower Acknowledgement	
Cx4248	KS Loan Broker Disclosure	Discloses advance fee collected for services – N/A; names under which broker has, does or intends to conduct business = broker name as registered with Plaza; broker parent or affiliate = N/A; lists loan officer name, title, address; discloses broker in business > 2 years; number of loans brokered in past 12 months >5; number of loans brokered to funding in past 12 months > 5 and > \$600,000 aggregate; broker may obtain compensation upon loan closing
Cx11909	LA Application Fee Disclosure	
Cx4828	LA Mortgage Loan Origination Agreement	Box checked for broker not operating in the past, current or in the future under any other name; broker has no parent, affiliate or subsidiary company that provides settlement services; broker in business > 2 years; other duties, services or obligations = N/A
Cx4565	MD Broker Contract	discloses advance fee collected for services = N/A
Cx3764	ME Disclosure to Consumer	
Cx4517	ME Broker Agreement	Discloses advance fee collected for services = N/A; discloses no guarantees extended; unless specifically in writing, once fees and charges collected they are not refundable unless otherwise required by law; broker agreement effective for 30 days; payments made for itemized fees will be made either to the mortgage broker or to third parties whose services are necessary to process the application or close the loan.
Cx1907	MN Residential Mortgage Originator Contract	discloses advance fee collected for services = N/A; interest rate subject to loan program chosen and market conditions; percentage of loans funded as result of Broker's services during most recent 12 months = 90%; Broker entitled to disbursement from trust account = N/A
Cx2783	MO Advanced Fee Disclosure	
Cx3328	MO Loan Brokerage Agreement	
Cx2776	MT Mortgage Loan Origination Disclosure	
Cx15944	NC Fee Information From Your Mortgage Broker	
Cx1904	ND Money Broker Contract	Discloses advance fee collected for services = N/A; expiration of contract = 60 days; borrower to pay these fees: if loan not found = credit report fee; is loan not closed = appraisal fee and credit report fee
Cx3444	NE Loan Broker Disclosure Statement	Discloses that broker has, is currently and intends to do business only under name as registered with Plaza; broker identifies no parent or affiliate organizations; lists only the loan officer name and title as broker's officers and directors, principals for the past 5 years; broker in business > 2 years; broker entered >5 broker agreements in the past 12 months; has not obtained a loan for the prospective borrower within the last 12 months' broker entitled to compensation upon loan closing.
Cx2783	NH Advanced Fee/Application Disclosure	
Cx1030	NJ Authorization of Overnight Delivery Services	if applicable, Broker must inform borrower of charge, complete the form and instruct borrower to sign
Cx17071	NJ Broker Agreement	discloses advance fee collected for services = N/A; Broker places loans exclusively with 3 or fewer lenders = N/A
Cx2783	NM Advanced Fee Disclosure	

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Cx14305	NM Rate Lock Disclosure	
Cx2783	NV Advanced Fee Disclosure	
Cx3587	NY Pre-Application Disclosure and Fee Agreement for Licensed Brokers	
Cx2783	OR Advanced Fee Disclosure	
Cx3525	SC Mortgage Broker Fee Agreement for Financial Services	discloses advance fee collected for services = N/A; Broker has no agency relationships with others
Cx2783	TN Advance Fee_App Disclosure	
Cx3883	TX Residential Mortgage Loan Originator Disclosure	discloses advance fee collected for services = N/A
Cx2783	UT Advanced Fee Disclosure	
Cx3841	VA Mortgage Broker Agreement	discloses advance fee collected for services = N/A
Cx3594	VT Broker/Prospective Borrower Agreement	
Cx2783	WI Advanced Fee Disclosure	
Cx14546	WI Consumer Disclosure Statement	
Cx14547	WI Mortgage Broker Agreement	
Cx13452	WY Mortgage Broker Agreement	
	Not included in packages; if applicable, Broker must provide separately:	
	Dual Capacity Disclosure	
	Affiliated Business Arrangement Disclosure	
	CA Loan Broker Agreement (RMLA licensee)	

20.6 Loan Estimate

The Broker must provide an initial Loan Estimate (LE) disclosure, as applicable, to the borrower(s) as required by applicable federal, state or local law and Freddie Mac, Fannie Mae or other secondary market investors. The Broker is required to indemnify Plaza for any loss or costs incurred as a result of improper disclosure on the part of the Broker. Plaza is buying consumer credit transactions therefore; business purpose exemptions are not applicable. Investment properties are included in this definition and therefore do not fall under the business purpose exception.

Loan Estimate:

- The Loan Estimate (LE) and Settlement Services Provider (SSP) list
- All subsequent LEs in chronological order, including dates of issue.
- Plaza will require valid change circumstance cover letters with each re-disclosed LE, fully documenting any changed circumstance that led to an increase in one or more fees or charges and the date of such changed circumstance.
- The LE must have all fields completed as prescribed by regulation.
- The LE for a purchase money transaction must have a quote for owner's title insurance.
- The LE must have a quote for the amount of transfer taxes the borrower is expected to pay by law or by custom.
- Brokers may not issue revised LEs after the loan has been submitted to Plaza, but must notify Plaza of any valid change of circumstance.

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20.7 ECOA Appraisal Delivery Requirements

Plaza provides a copy of any appraisal report(s) or written valuation(s) concerning the borrower's property promptly upon completion and in any event no less than 3 business days prior to the closing of the loan. Borrowers must receive a copy of the appraisal(s) or written valuations(s) at least 3 business days prior to closing or they may waive their right to receive a copy. The waiver must be obtained at least 3 business days prior to closing.

20.8 ECOA Appraisal Delivery Waivers

Plaza allows waivers in certain circumstances. Appraisal delivery waivers are only to be used in the event that the timing of the appraisal completion conflicts with meeting the required delivery time frame based on the scheduled closing date. The practice of requiring a blanket waiver for the 3 business day delivery requirement on all loans is unacceptable. When the advance delivery requirement is waived by the borrower, a copy of the appraisal(s) or written valuation(s) is still required to be provided no later than closing (as defined in this Section). In all circumstances, the date and method of delivery of each appraisal to the borrower, even if delivered by hand at closing, must be documented in the delivered loan file. The waiver of the advance delivery of appraisals cannot be requested by the borrower at closing and must be acknowledged by the borrower at least 3 days prior to closing. FOR CLERICAL ERRORS ONLY: A borrower may request a waiver anytime up to and including the date of consummation.

The ECOA provision allowing a consumer to waive the requirement that the appraisal copy be provided 3 business days before consummation does not apply to HPML. The consumer of an HPML may not waive the timing requirement to receive a copy of the appraisal.

20.9 State Specific

New York State Consolidation and Extension Modification Agreement (CEMA)

The State of New York charges a mortgage recording tax whenever a new mortgage or refinance is recorded. To reduce tax liabilities to borrowers, refinances can be transacted by consolidating, extending and modifying the existing loan. Using this method, the borrower pays the recording tax only on any "new money" added to the original loan. In order to accomplish this, instead of the existing liens being paid off, they are effectively assigned and transferred to the new lender who consolidates, extends and modifies the term and structure of the existing loan(s), hence the name CEMA into new documents. Such CEMA activity could encompass multiple loans concurrently, as well as historically. It could be rolling a first and second lien together into a CEMA; it could also be a string of repeat refinances, such that the CEMA is actually modifying numerous liens. This string will continue until such time as there is a new transaction that does not utilize the CEMA process. In addition to refinance transactions, the state of New York allows purchases to be structured as CEMA transactions. Plaza will allow purchase transaction CEMA loans.

Ineligible Loan Programs

The following loan program is ineligible for a CEMA transaction:

- USDA

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Eligible Borrowers

Individual borrowers or qualified Inter Vivos Trusts

Closing and Closing Attorneys

Refer to Plaza's [New York CEMA Guidelines](#) for further information.

Plaza requires all CEMA transactions to be closed by one of Plaza's CEMA approved attorneys.

Texas Home Equity Section 50(a)(6)

Refer to Plaza's [Texas Home Equity 50 \(A\)\(6\) Guidelines](#) for more detailed information.

20.10 Appraisal

Refer to Plaza's program and underwriting guidelines for specific program requirement and required appraisal products.

20.11 Credit Report

A complete credit report is required on all loans. Refer to Plaza's program and underwriting guidelines for specific requirements based on loan program.

20.11.1 Rescoring and Credit Repair

Plaza prohibits the use of credit repair vendors designed to help a borrower falsely repair their credit profile by intentionally manipulating data to improve their credit score for purposes of loan eligibility, pricing improvement, and/or creditworthiness.

Loans where the borrower utilizes:

- Credit monitoring services
- Fraud alerts
- Non-profit credit counseling services, **OR**
- Credit reporting agencies as defined by the Fair Credit Reporting Act are eligible for purchase.

Plaza reserves the right to determine if the credit history and credit scores are legitimate, acceptable and meet guideline requirements. If usage of credit repair services is revealed at any time during the loan process, the loan will be deemed ineligible.

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20.12 Tax Transcripts

Plaza requires the execution of the 4506-T on all loans prior to funding, with the exception of VA IRRRLS and non-credit qualifying Streamlines. Transcripts may be required for all borrowers whose income is used in qualifying. Only the years of income used in qualifying the loan are required to be validated with transcripts.

20.13 Social Security Number Verification Form

If verification with the SSA 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 SSA website at <http://www.ssa.gov/cbsv/docs/FormSSA89.pdf>. Plaza must receive the SSA's response directly through its vendor or the SSA.

20.14 Repair Escrow

Plaza will permit escrow accounts established for postponed improvements provided they comply with Fannie Mae, Freddie Mac, FHA or VA, whichever is appropriate. Either Plaza or a disinterested third party may hold or administer escrow holdbacks. Refer to [FHA EEM and Repair Escrow Process and Procedures, FM-060](#) for details.

Section 21 Natural Disasters

21.1 Federal Emergency Management Agency (FEMA)

FEMA responds when:

- A disaster overwhelms a state's resources.
- **AND**
- When a state's governor requests FEMA's assistance.

When a specific county and/or independent city becomes a Federally Declared Disaster Area, FEMA designates if the area is eligible for federal aid assistance for:

- Individuals – individuals and households
- Public Sectors – state/local governments and certain private non-profit organizations

When natural disasters occur e.g., hurricanes, tropical storms, tornadoes, steps must be taken to assure that the "security" on each loan is protected. A re-inspection or inspection will be required on all properties located in the Federally Declared Disaster Areas if the value of the property was determined prior to the date of the natural disaster. These requirements apply to all loans regardless of processing style or appraisal requirements. Lending Operations will issue a memorandum citing the Federally Declared Disasters Areas and the application date, to help determine which loans must follow this policy.

Note: Plaza may define an area as a declared disaster area even if FEMA has not issued an official declaration.

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21.2 Disaster Policy Classifications

Standard Procedures

These areas are subject to the least restrictive requirements as they are:

- Impacted by the disaster, but the impact is not considered widespread throughout the area or zip code.
- Identified as having homes that may be damaged by wind or rain-related issues, some areas of flooding or environmental concerns.
- Identified to have no expected problems for the area and its local economy from a recovery perspective.

Expanded Procedures may be implemented for up to a year after a disaster.

These areas are subject to the most restrictive requirements as they are:

- Substantially impacted by the disaster.
- Determined to have, with respect to hurricanes, notable amounts of flooding and environmental concerns.
- Identified due to concern that the local economy will suffer to the point that the housing values and area employment may be impacted.

Effective Date of Disaster Policy

The disaster area policy becomes effective as of the incident period for the disaster/event. FEMA publishes the incident period, including the end date, along with the declaration date once the area is presidentially declared.

Counties eligible for individual assistance must follow the [Standard Procedures](#) of this Natural Disaster Policy.

21.3 Standard Procedures

Properties located in a Federally Declared disaster area will not be permitted to close without prior review and sign-off of the inspection or re-inspection notice by the Underwriter.

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Conventional

<p>Standard Appraisal was performed On or Before Disaster Incident Date</p>	<p>Property must be re-inspected by the original appraiser or acceptable inspection source (such as, nationally recognized field company or local professional licensed inspector).</p> <p>A Property Inspection or Disaster Inspection is required. The appraiser/property inspector must provide the following commentary/evidence:</p> <ul style="list-style-type: none"> Property is free from damage, and the disaster had no effect on the value or marketability; and provide exterior photos. <p>If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan.
<p>DU/LP was issued Prior To Disaster Incident Date and Returned Non-Standard Appraisal Finding</p>	<p>Non-standard appraisals are not allowed and a full appraisal is required prior to the loan being eligible to close.</p> <ul style="list-style-type: none"> The appraisal must show the property is free from damage. Preferable, all comparables should be post-disaster; however, if sufficient comparables are not available, the appraiser must provide current photos of the subject property and comparables. Multiple Listing Service (MLS) photos or photos used for previous appraisals are not acceptable. <p>If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan. <p>Note: The following are classified as non-standard appraisals; Property Valuation Update 1004D, PIW/PFW, HVE, 1075, 2055, 2075 and 2095)</p>
<p>Standard Appraisal Performed After Disaster Incident Date</p>	<p>When an appraisal is completed after a disaster incident, it must reflect the following:</p> <ul style="list-style-type: none"> The appraisal must show the property is free from damage. Preferable, all comparables should be post-disaster; however, if sufficient comparables are not available, the appraiser must provide current photos of the subject property and comparables. Multiple Listing Service (MLS) photos or photos used for previous appraisals are not acceptable. <p>If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan.

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<p>DU/LP was issued After the Disaster Incident Date and Returned Non-Standard Appraisal Finding</p>	<p>Non-standard appraisals are not allowed for 90 days after the incident period. A full appraisal is required and must reflect property is free from damage.</p> <p>All comparables should be post-disaster; however, if sufficient comparables are not available, the appraiser must provide current photos of the subject property and comparables.</p> <p>Multiple Listing Service (MLS) photos or photos used for previous appraisals are not acceptable.</p> <p>If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> • Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan. <p>Note: The following are classified as non-standard appraisals; Property Valuation Update 1004D, PIW/PFW, HVE, 1075, 2055, 2075 and 2095.</p>
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Fannie Mae DURP	
<p>Appraisals performed Prior To the Disaster Incident Date</p>	<p>Property must be re-inspected by the original appraiser or acceptable inspection source (such as, nationally recognized field company or local professional licensed inspector).</p> <p>A Property Inspection or Disaster Inspection is required. The appraiser/property inspector must provide the following commentary/evidence:</p> <ul style="list-style-type: none"> • Property is free from damage, and the disaster had no effect on the value or marketability; and provide exterior photos. <p>If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> • Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan. <p>Note: If an appraisal was performed after the disaster incident date and no damage is noted, no further action is required. If the appraisal does indicate damage, completion of repairs is required as evidenced with Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan.</p>
<p>DU returned PIW/PFW Prior To or for Up to 90 days After the Disaster End Date</p>	<p>Loans approved with a PIW/PFW before and up to 90 days after the incident period require the following:</p> <ul style="list-style-type: none"> • Property inspection or Disaster Inspection • Inspector to indicate if the property is free from damage and the disaster had no effect on the value or marketability and provide exterior photos. <p>If the inspection/re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> • Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan.

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Freddie Mac LPRR

<p>Appraisals performed Prior To the Disaster Incident Date</p>	<p>Property must be re-inspected by the original appraiser or acceptable inspection source (such as, nationally recognized field company or local professional licensed inspector).</p> <p>A Property Inspection or Disaster Inspection is required. The appraiser/property inspector must provide the following commentary/evidence:</p> <ul style="list-style-type: none"> Property is free from damage, and the disaster had no effect on the value or marketability; and provide exterior photos. <p>If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan. <p>Note: If an appraisal was performed after the disaster incident date and no damage is noted, no further action is required. If the appraisal does indicate damage, completion of repairs is required as evidenced with Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan.</p>
<p>LP returned HVE Prior To or for Up to 90-days After the Disaster End Date</p>	<p>Loans approved with a HVE before and up to 90 days after the disaster incident period require the following:</p> <ul style="list-style-type: none"> Property inspection or Disaster Inspection Inspector to indicate if the property is free from damage and the disaster had no effect on the value or marketability and provide exterior photos. <p>If the inspection/re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan.

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FHA/Rural Housing

<p>Appraisal Inspection completed Prior To the Disaster Incident Date</p>	<p>Property must be re-inspected by the original appraiser or any licensed FHA roster appraiser.</p> <p>The appraiser must include the following:</p> <ul style="list-style-type: none"> • Interior/Exterior inspection with photos • A statement as to the dwelling habitability • Property is free from damage and has not sustained any flooding and/or windstorm damage. • A statement as to whether sustained damage is above or below \$5000. <p>If the re-inspection indicates damage below \$5000 and the property is habitable, must meet one of the following prior to closing the loan:</p> <ul style="list-style-type: none"> • A re-inspection showing that repairs have been completed, OR • Established repair escrow (Refer to Plaza’s policy for Repairs Escrows). <p>If the re-inspection indicates damage above \$5000 or the property is not habitable, the following must be meet prior to closing the loan:</p> <ul style="list-style-type: none"> • An interior/exterior re-inspection showing that the repairs have been completed. • Appraiser must state that the property is habitable.
<p>Appraisal Inspection completed On or After Disaster Incident End Date</p>	<p>Full appraisal with interior/exterior inspection required. Appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability if the inspection occurs within 90 days of the incident end period.</p> <p>The appraiser must include the following:</p> <ul style="list-style-type: none"> • Interior/Exterior inspection with photos • A statement as to the dwelling habitability • Property is free from damage and has not sustained any flooding and/or windstorm damage. • A statement as to whether sustained damage is above or below \$5000. <p>If the inspection indicates damage below \$5000 and the property is habitable, must meet one of the following prior to closing the loan:</p> <ul style="list-style-type: none"> • A re-inspection showing that repairs have been completed, OR • Established repair escrow (Refer to Plaza’s policy for Repairs Escrows). <p>If the inspection indicates damage above \$5000 or the property is not habitable, the following must be meet prior to closing the loan:</p> <ul style="list-style-type: none"> • An interior/exterior re-inspection showing that the repairs have been completed. • Appraiser must state that the property is habitable.

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<p>FHA Limited without Appraisal Transaction</p>	<p>Exterior inspection performed by an FHA approved appraiser or compliance inspector is required if the disaster occurs prior to closing or the disaster end date occurred within the 90 days prior to the application date.</p> <p>Appraiser or inspector must address the physical condition of the site and improvements as well as the impact of any damages to marketability.</p> <p>The following is required:</p> <ul style="list-style-type: none"> • Property inspection or Disaster Certification Inspection • Inspector to indicate if the property is free from damage. <p>If the inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by:</p> <ul style="list-style-type: none"> • Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the closing of the loan.
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VA		
	Non IRRRL Transactions	VA IRRRL Transactions (with or without appraisal)
<p>Appraisal Inspection Completed Before Disaster Incident Period End Date</p>	<p>Exterior inspection performed by a VA-approved appraiser is required. Appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability and if damage is noted an interior inspection must also be performed.</p> <p>Veteran to complete and sign the Veteran Disaster Certification prior to disbursement of funds. For delegated COR, the Veteran Certification is only required if the disaster occurred PRIOR to the date of the loan closing.</p>	<p>Exterior inspection, with photos performed by a licensed appraiser or a professional licensed inspector is required. Appraiser/inspector must address the physical condition of the site and improvements as well as the impact of any damages to the property and marketability and if damage is noted an interior inspection must also be performed.</p> <p>Veteran to complete and sign the Veteran Disaster Certification prior to disbursement of funds. For delegated COR, the Veteran Certification is only required if the disaster occurred PRIOR to the date of the loan closing.</p>

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<p>Appraisal Inspection Completed After Disaster Incident Date and Within 90 days From the Disaster Occurrence</p>	<p>Full appraisal with interior and exterior inspection required. Appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability if the inspection occurs within the 90-days of the disaster end period.</p> <p>Veteran to complete and sign the Veteran Disaster Certification prior to disbursement of funds. For delegated COR, the Veteran Certification is only required if the disaster occurred PRIOR to the date of the loan closing.</p>	<p>Exterior inspection, with photos performed by a licensed appraiser or a professional licensed inspector is required. Appraiser/inspector must address the physical condition of the site and improvements as well as the impact of any damages to the property and marketability and if damage is noted an interior inspection must also be performed.</p> <p>Veteran to complete and sign the Veteran Disaster Certification prior to disbursement of funds. For delegated COR, the Veteran Certification is only required if the disaster occurred PRIOR to the date of the loan closing.</p>
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21.4 Inspections

The property inspection should be performed by the original appraiser, whenever possible. If the original appraiser is not available, another licensed appraiser is acceptable. The individual who performs the inspection should review the original appraisal report and be able to certify that the personal inspection of the property and neighborhood revealed no indication of significant disaster related damages. The inspector must address the physical condition of the site and improvements as well as the impact of the damages to the property value and marketability. If the condition of the property is acceptable, Plaza will accept the value conclusion made prior to the disaster.

Written Inspection Certification Statement

Plaza requires a written statement from all parties that perform property inspections, including the appraiser. The certification should be on company letterhead, bearing an original signature. The statement is required to contain text similar to:

"Having reviewed the original appraisal report and personally inspected the exterior of the property located at (subject address) and surrounding neighborhood on (date), I hereby certify that, to the best of my knowledge and belief, the inspection revealed no indications of moderate to significant physical damage to the property or neighborhood, needed repairs to the site or the improvements other than those that were noted in the original appraisal report and that the marketability and value of the property has not been adversely affected.

- *This inspector did not previously inspect this property for purposes of a real estate appraisal.*
- *This inspector did previously inspect this property for the purposes of a real estate appraisal and the condition of the interior is assumed the same as that noted in the original appraisal report."*

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Property Damage

Properties with Significant Damage

If the property was significantly damaged and/or the damage affects the structural integrity or livability of the property, the property must be re-inspected by a qualified home inspector, architect or engineer to assess the nature and degree of the damage, if the original re-inspection was performed by an appraiser. A significantly damaged property must be repaired before the loan is closed, as determined by a qualified home inspector, architect or engineer. A final 1004 will be required after completion of repairs.

Properties with Minor Damage

Plaza will not require a property with minor damage that does not affect the structural integrity or livability of the property to be repaired before closing the loan, as long as an adequate escrow holdback is arranged to guarantee the completion of the repairs. Appropriate steps must be taken to assure that accurate assessments of the costs are obtained for repairing the damages.

- Conventional: Escrow holdback must be 150% of the estimate provided by the appraiser, architect, engineer or home inspector for all damages. A final 1004D will be required after of completion of repairs.
- FHA, VA or Rural Housing: Escrow holdback must be 110% of the estimate provided by the appraiser, architect, engineer or home inspector for all damages. A final 1004D will be required after completion of repairs.

Section 22 Required Documents

22.1 Standard Submission Package

The following is not a complete list and Plaza reserves the right to ask for additional documentation:

- 4506-T current form, must include ISAOA after third parties company name on line 5
- Loan Estimate of closing costs (initial and any re-disclosed)
- Fee Worksheet or Itemization
- Any re-disclosed LEs must have a corresponding COC
- Settlement Service Provider list
- Net Tangible Benefit worksheet (if applicable)
- Credit Authorization
- Credit Score Disclosure
- Federal Equal Credit Opportunity Act Notice (ECOA)
- Preliminary Title Report
- Loan Application (1003) (signed and dated by the loan originator and borrower accordingly)
- Invoices for all third party services
- Loan Options Disclosure

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22.2 VA Loans

- VA Interest Rate Reduction Refinancing Worksheet (IRRRLs only)
- VA Loan Comparison (Old vs. New Worksheet) (IRRRLs only)
- Addendum to URLA (VA 26-1802a) all necessary fields must be complete.
- VA Federal Collection Policy Notice
- VA Child Care Statement (if applicable)
- VA Nearest Living Relative
- VA Rights of VA Loan Borrowers (active duty only)
- VA Counseling Checklist
- VA Assumption Notice for purchase only, aka Notice to Homeowner's Assumption of VA Guaranteed Mortgages or Rights of VA Loan Borrowers
- Amendatory Clause / VA Escape Clause for purchase only executed by all parties.

22.3 FHA Loans

- CAIVRS Authorization
- Addendum to URLA (92900A) Informed Consumer Choice Disclosure
- Important Notice to Homebuyers (92900B) (purchase only)
- Notice to Homeowners-Assumption of HUD/FHA Insured Mortgages
- Amendatory Clause executed by all parties (purchase only)
- Real Estate Certification executed by all parties (purchase only)
- For Your Protection, Get a Home Inspection (purchase only)

22.4 USDA Loans

- All required USDA Program Documents/Disclosures.
- ARM or Fixed PMI disclosure, depending on program

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