

# Land Home

FINANCIAL SERVICES, INC.



# SELLER GUIDE

## TPO CORRESPONDENT LENDING DIVISION

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## **CHAPTER 1 - GENERAL OVERVIEW**

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### **ABOUT LHFS**

Land Home Financial Services, Inc. (LHFS), headquartered in Concord, CA is a nationwide correspondent investor, providing quality services since 1988. We are committed to delivering a superior experience to our clients. LHFS has embraced a relationship centric model in our correspondent division.

Our Correspondent Lending Division is a seasoned group of veteran mortgage professionals specializing in innovative Delegated programs.

Our main priority is to assist our partners efficiently, answer the needs of their customers in a cost-effective manner, and foster long-term mutually beneficial relationships.

#### **Our Promise**

- Our culture emphasizes consistent and prompt response times
- Superior service experience
- Provide Sellers with knowledgeable resources
- Comprehensive program training
- Prudent lending practices

## **CHAPTER 2 - SELLER ELIGIBILITY POLICY**

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### **OVERVIEW**

This policy outlines the eligibility requirements for conducting business, becoming an approved Seller, as well as the recertification process with LHFS.

To become an approved Seller, the applicant must:

- Satisfy all LHFS eligibility requirements defined in this policy.
- Execute the applicable agreements, documents, and forms that are applicable to the approval requested; and
- Submit all required documentation in conjunction with accurately completed and fully executed required documents, as defined in the Application Checklist.

LHFS will review the applicant's information to determine eligibility.

### **APPROVED STATES**

All States are allowed for all agencies. State-specific regulatory requirements supersede all Underwriting Guidelines established by LHFS.

### **PRODUCT APPROVAL**

Sellers must be approved by LHFS to submit or underwrite conventional and/or government loans. If approved for government loans, Delegated Sellers are required to have on staff:

- FHA Loans -- DE Underwriter(s)
- VA Loans -- LAPP-approved Underwriter(s)

### **JOINT VENTURE**

If a Seller has a Joint Venture (JV), the seller must provide the list of JV(s) along with JV agreements.

### **SPECIALTY DOWNPAYMENT PROGRAMS**

If the JV is closing and funding an LHFS Specialty Downpayment program in Seller's name:

- Seller must provide the list of JV(s) along with JV agreements.

If the JV is closing in the JV's name:

- Seller must provide the list of JV(s) along with JV agreements, and
- JV must sign the Specialty Downpayment program specific agreement (i.e., CAFA and SETH agreement).



## **MINIMUM REQUIREMENTS**

Sellers must:

- Originate loans directly through their Retail or TPO Channels (exception basis only).
- Possess and maintain all required licenses necessary to conduct business in each jurisdiction in which loans are originated.
- Close the loan in their name using their warehouse line (or self-funded).
- Be in compliance with all applicable Federal, State and local regulations and laws.
- Have been actively engaged in residential mortgage lending as a Correspondent Lender for a minimum of five (5) years preceding submission of Application to become an approved Seller with LHFS.
- Company owners/key company decision makers must have at least five (5) years of substantial residential mortgage lending; and
- Have a “good standing” rating with all governmental licensing and revenue collection agencies, including a public record clear of any significant civil or criminal judgments

A Seller whose firm has been suspended, is currently under investigation by any governmental agencies or has an open judgment in excess of \$25,000 will not be approved and will not be renewed to conduct business with LHFS.

## **MAINTAINING ELIGIBILITY**

Once approved to be a Seller with LHFS, Sellers must continue to meet the eligibility requirements outlined in this policy to maintain their eligibility and approval to participate.

## **GOOD STANDING**

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

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

- Actively participate in the products and programs offered by LHFS.
- Be in full compliance with all terms of the Agreements and the Seller Guide; which is a contractual document by reference in the Agreements; and
- Complete and submit within required timeframes all requested documents as part of the Annual Recertification process.
  - Failure to provide updated information is cause for termination.

## **EVENT OF DEFAULT**

Seller must provide written notice of any contemplated change in its organization, including copies of any filings with, or approvals from its regulators. LHFS requires written notice immediately but no later than seven (7) calendar days after the finalization of significant changes relating to the Seller that include, but is not limited to:

- Any mergers, consolidations or reorganizations.
- Any direct or indirect material change in ownership. An indirect change in ownership includes any change in the ownership of the Seller's parent, any owner of the parent, or any beneficial owner of the Seller that does not own a direct interest in the Seller.
- Any change in corporate name.
- Any change from a federal charter to a state charter (or vice versa) if the Seller is a savings and loans association or a Bank.
- Material adverse change in financial condition.
- Any change in authority evidenced by the Corporate Resolution or in banking relationships including warehouse lines or credit/wire instructions.
- Any change in Agency approval.
- Any change in fiscal year end date.
- Any change in management or key personnel or persons who oversee key Seller departments.
- Addition or closure of a branch or JV.
- Use of a new or different fictitious name, or any change regarding registration or licensure of a fictitious name.

## **COMPLIANCE REPORTING REQUIREMENTS**

For Sellers subject to the jurisdiction of any governmental agency or quasi-governmental agency (e.g., Fannie Mae, Freddie Mac, HUD, VA, FDIC, or Regulatory Agencies), the Seller must provide notification of any disciplinary action taken by such agency, including suspension or termination of the Seller's selling or servicing rights, within five business days of any such action.

## **RECERTIFICATION PROCESS**

LHFS continually monitors the performance of each Seller. In addition to performance monitoring, LHFS will periodically perform a comprehensive review of each Seller's financial, industry, credit, and overall performance.

Within 60-days of request for Recertification information, Seller must send to LHFS the following documentation:

- Audited Financial Statements with all appropriate Schedules and Attachments.
- Current unaudited interim financial statements no older than six (6) months signed by an Officer of the Company.
- Updated/current active state business license – LHFS will accept these upon their separate renewals instead of waiting for the annual certification.
- Updated Seller contact information.
- Roster of Employee names, job titles, and email addresses; and
- Any additional certifications or information requested by LHFS.

## **CHAPTER 3 - SELLER LOCK POLICY**

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### **OVERVIEW**

This policy addresses Seller pricing and lock requirements including rate lock and delivery options for Best Effort and Mandatory bulk commitments.

A lock specifies the number of days for which a loan's interest rate is guaranteed on an eligible loan program. Should interest rates rise during that period, LHFS will honor the committed rate. Should interest rates fall during that period, the Seller must honor the lock.

The interest rate market is subject to movements without advanced notice or warning. LHFS will suspend locking in the [Seller Portal](#) and send notifications to Sellers advising of price changes. Pricing and available rates will become effective immediately upon transmission by LHFS. Rate change notices are distributed through the same process as our rate sheet distribution. All rate lock requests after the price change will be subject to the new price whether or not notification was received.

The Seller must provide accurate data with all lock requests. Changes to the terms of the loan may change the terms of the lock commitment. Locking in a rate and price does not guarantee eligibility or approval of the subject loan. Locks are not transferable for any reason. A Pre-Purchase review is completed to ensure loans are funded as expected. Corrections to pricing will be made if priced incorrectly by the Seller. Corrections favoring the Seller will not be made. If the locked loan is not purchased, a pair-off fee will be assessed.

Pricing for both Best Effort and Mandatory bulk commitment options include the service release premium (SRP).

The complete and accurate loan file must be uploaded to the [Seller Portal](#) and cleared for purchase on or before lock expiration date. Pipelines should be managed properly to maximize execution and avoid extensions.

LHFS can provide information on Rate Sheet Forward Commitments and volume incentives to meet the Seller's needs.

## **BEST EFFORT RATE LOCKS**

All lock requests must be processed through the [Seller Portal](#). Pricing shown in the Seller Portal includes all Loan Level Price Adjustments (LLPAs). Lock days are based on calendar days not business days.

The Seller is responsible for ensuring that only their authorized employees enter into commitments with LHFS. LHFS does not maintain a list of employees authorized by the Seller to lock a loan.

Available lock periods are 12, 21, 30, 45, 60, 75, or 90 days (determined by product).

LHFS will provide a Lock Confirmation for each lock to the Seller within 24 hours of the request or will respond to the Seller requesting more information. The Seller must notify the Lock Desk at [Locks@CLD.LHFS.com](mailto:Locks@CLD.LHFS.com) within the 24-hour time frame if a confirmation has not been received. After the 24-hour time period has passed, LHFS may not be able to honor the lock request. When a lock is canceled or expires and is not extended prior to expiration, then current rates do not apply until 30 days have passed after the cancellation or expiration. The re-locked loan is then subject to worse case pricing.

LHFS delivers a Best Effort Rate Sheet on a daily basis to approved Sellers. Pricing reflected on LHFS's Best Effort Rate Sheet is indicative of specific market conditions and is subject to changes throughout the business day without prior notice. The rate sheet includes loan level price adjustments (LLPAs) as applicable to specific loan features. **Online pricing will supersede pricing on rate sheets.**

If the Seller selects an incorrect loan program within the Seller Portal to obtain better pricing, the loan will be subject to re-lock policy when the error is discovered.

Initial lock requests (locks that have not been extended) with weekend or bank holiday expiration dates will expire on the first business day following the stated expiration date.

Expired Best Effort locks that have not been canceled will have a negative effect on the Seller's pull through percentage and will affect Seller Eligibility.

Rate sheets give indications only, as market conditions may cause intra-day changes to pricing. It is the Seller's responsibility to keep abreast of price changes. The [Seller Portal](#) has the latest pricing available and supersedes all rate sheets. LHFS reserves the right not to honor the rate sheet price regardless of prior published indications in case of technical pricing errors. Intra-day price changes may occur due to fluctuating market conditions, and all lock requests received by Lock Desk after the re-price notice will be subject to the new pricing.

## **OFF-LINE LOCK REQUESTS**

In the event of extended technical difficulties, LHFS will send out notification when locks will be accepted via email for loans that have already been submitted:

- Please use LHFS's [Lock Request](#) form
- Email to [Locks@CLD.LHFS.com](mailto:Locks@CLD.LHFS.com) before 5:00 P.M. PST
- Lock confirmations will be emailed within 24 hours

Lock requests emailed to any other email address will not be acknowledged or accepted. Incomplete or incorrect lock requests will be rejected.

## **SPECIALTY PRODUCTS**

All CAFA and SETH programs (FHA & Conventional) must be locked between the hours of 9:00 A.M. and 5:00 P.M. PST.

All Within Reach™ programs (FHA & Conventional) must be locked between the hours of 9:00 A.M. and 2:00 P.M. PST.

## **CHANGE REQUESTS**

Requests to change an unexpired Best Effort lock must be made through the [Seller Portal](#) before 5:00pm PST on or before the lock expiration date.

If the program changes, the original lock date will remain in effect when the program change is:

- CONV to CONV
- FHA to FHA
- VA to VA
- USDA to USDA

The loan must be relocked with worst case pricing when the program change is:

- CONV to FHA, VA or USDA
- FHA to CONV, VA, or USDA
- VA to CONV, FHA, or USDA
- USDA to CONV, FHA, or VA
- Fixed Rate to ARM
- ARM to Fixed Rate

Worst case pricing also applies to property type and address changes.

## **RE-LOCKS**

The Seller has the option to re-establish a lock after the expiration date. Best Effort locks must be relocked if the loan is not delivered and purchasable by the Lock Expiration Date, and an extension is not requested or not allowable. The re-lock is subject to worst case pricing and a .125% re-lock fee. If a loan is locked and then canceled, worst-case pricing is applied when relocking.

Worst case pricing is determined as follows:

- **Base Price:** The lower of the current day's base price or original base price for subject loan
- **LLPA:** Loan-Level Price Adjustments associated with the current day's pricing
- **Other Adjustments:** Other Price Adjustments by adding any extension fees, and relock fees, and other manual negative price adjustments
- **Final Price:** The sum of Base Price + LLPA + Other Adjustments, subject to maximum net price caps
- Pricing of the most recent lock or relock, including accumulated extension and relock fees, plus the new relock fee - or -
- Current rate sheet price, including accumulated extension and relock fees, plus the new relock fee

Requests for relocks on Specialty Products are reviewed on a case-by-case basis and do not fall under these terms.

Relocks are permitted only 2 times within a 14-day time period, with a maximum cumulative term of 28 days.

Relock requests must be submitted via email to [Locks@CLD.LHFS.com](mailto:Locks@CLD.LHFS.com) prior to the Lock Desk daily cut-off time of 5:00 PM PST.

## **MANDATORY BULK COMMITMENTS**

Requests for Bulk Commitments should be emailed to [BulkBids@CLD.LHFS.com](mailto:BulkBids@CLD.LHFS.com). If the Seller participates in Resitrader or MCT BAM, LHFS can access the bid tapes through those systems. Sellers must request that LHFS is added to the distribution of the bid tapes.

Please include the time and time zone for the pricing deadline.

Pricing will be sent to the Seller, and if the Seller agrees to the terms of the Bulk Commitment, LHFS will provide a Mandatory Commitment Confirmation. The Seller must provide the FNMA 3.4 data file on each loan to LHFS on the trade date by 5:00 PM PST.

Unless otherwise requested, all bids are indicative pricing and are subject to due diligence review and market movement. All loan products offered by LHFS are available for Bulk Bids. Loan file documentation can be delivered to LHFS throughout the term of the commitment period but must be received by the Mandatory Delivery date. A 7-day grace period is provided to the Seller to deliver any requested documentation without incurring additional fees. The 7-day grace period starts on the day the Seller is provided loan conditions.

## **LOCK EXPIRATION**

Best Effort locks must be purchased by the lock expiration date or applicable extension and/or pair off fees will be charged thereafter at the Seller's cost.

Mandatory Bulk Commitments delivered on or before the Mandatory Delivery date will receive a 7-calendar day grace period starting from when loan conditions are requested from the Seller. A roll fee will be charged if the loan is not purchased after the 7-day grace period has expired.

## **EXTENSIONS**

### **BEST EFFORT LOCKS – STANDARD PRODUCTS**

Requests to extend an unexpired Best Effort lock must be done through the [Seller Portal](#) before 3:00pm PST on or before the lock expiration date. Expired rate locks cannot be extended; they must be re-locked using worst case pricing. Lock extensions will not be allowed to end on a weekend or a holiday.

Extensions are granted if:

- The loan program and current rates are available within the [Seller Portal](#)
- The loan program and current rates are posted on the LHFS rate sheet

Unposted or otherwise unavailable rates are considered for extension on a case-by-case basis.

If a lock has already been extended for 30 days past the original lock expiration date, and additional time is requested, approval will be granted on a case-by-case basis. LHFS will send the Seller a confirmation in the event LHFS elects to grant a second extension on a loan.



Within 24 hours of requesting the extension, LHFS will send email confirmation outlining the changed fee(s) and new expiration date or an explanation of extension denial. The maximum allowable lock duration is 90 days. If the loan is not purchased within this timeframe, it will be repriced based on the current market conditions.

## **AUTOMATIC EXTENSIONS ON DELIVERED LOANS**

If the file is delivered on or prior to the Lock Expiration Date, Sellers have up to ten (10) calendar days after the Lock Expiration Date for the loan to be reviewed and purchased. If the loan is not purchased within ten (10) calendar days from the Lock Expiration Date, the loan will automatically be extended seven (7) calendar days and assessed a 0.125% extension fee. This automatic extension and fee assessment will repeat every seven (7) calendar days up to a maximum of 30 days from the original Lock Expiration Date. If all suspense conditions are not cured and the loan is not purchased within thirty (30) calendar days from the original Lock Expiration date, LHFS has the option of continuing to extend the loan as indicated above or deciding that the loan is no longer eligible for purchase and returning the loan file to the Seller.

## **AFFORDABLE LENDING**

### **CAFA & SETH (CONVENTIONAL & GOVERNMENT)**

No grace period permitted. Loans must be purchased by the lock expiration date.

For loans that have not been purchased by the 60<sup>th</sup> day, a one-time 30-day extension fee of 0.25% of the mortgage loan amount shall be charged to Correspondent. If the loan has not been purchased by the 90<sup>th</sup> day, the loan will be repriced based on the current market conditions.

### **WITHIN REACH™**

No grace period permitted. Within Reach™ loan must be purchased by the lock expiration date. If the loan is not purchased by lock expiration date, a cost of 2.5 bps per day (up to a maximum total lock period of 90 days) will be charged. After the 90<sup>th</sup> day, the loan will be repriced to market conditions.

### **TRIO (FHA) LINK TRANSACTIONS**

Link transactions must be purchased by the lock expiration date.

If the loan is not purchased by lock expiration date, a cost of 2.5 bps per day (up to a maximum total lock period of 90 days) will be charged. After the 90<sup>th</sup> day, the loan will be repriced to market conditions.

## **MANDATORY BULK COMMITMENTS**

Request to extend a Mandatory Bulk Commitment must be sent to [\*\*BulkBids@CLD.LHFS.com\*\*](mailto:BulkBids@CLD.LHFS.com).

## **CANCELLATIONS**

The Seller must cancel any loan that will not be delivered to LHFS. Cancellation requests must be submitted via email to [Locks@CLD.LHFS.com](mailto:Locks@CLD.LHFS.com) prior to the Lock Desk daily cut-off time of 5:00 PM PST.

If a Best Effort lock is canceled but will be re-submitted to LHFS, the loan must be created as a new loan via the [Seller Portal](#).

LHFS reserves the right to charge an upfront fee for delivery commitments to Sellers with excessive fall-out. Confirmed duplicate Best Effort commitments will be subject to a pair-off fee. Renegotiation of loan terms and pricing of any existing delivery commitment is not allowed.

## **BEST EFFORT PAIR-OFF FEES**

If the subject loan closes, the respective Best Effort commitment becomes a Mandatory Commitment and is subject to pair-off fees.

LHFS will automatically pair-off the undelivered loan with the effective date of the first business day following the lock expiration date or the date the loan is canceled/withdrawn, whichever occurs first.

LHFS will advise the Seller that a pair-off fee has been assessed. This amount is due and payable immediately upon advisement.

Pair-off fees will **not** be incurred when:

- A closed loan delivered for purchase does not meet LHFS's eligibility requirements; the loan will be rejected, and the Best Effort lock will *not* be subject to a pair-off fee.
- Loan does not close, and lock is canceled. However, if the loan has been delivered for review and the lock is canceled, a pair-off fee will be charged.

Pair-off fees are calculated using a benchmark hedge instrument – the price of the instrument in effect on the day of lock vs. the price on the day of loan cancellation/withdrawal or the day after lock expiration, whichever comes first. The minimum pair-off fee is 12.5 basis points.

## **ROLL FEES – MANDATORY BULK COMMITMENTS**

Sellers may roll the commitment delivery due date of an undelivered Mandatory Bulk Commitment once for a maximum cumulative term of the lesser of thirty (30) calendar days or the original commitment term. LHFS may grant additional rolls by exception. LHFS will reduce the commitment price by the roll fee in effect at the roll date/time. Commitment stipulations may adversely impact the roll fee, requiring charges in addition to those in effect at the roll date/time. LHFS will notify Sellers of such additional restrictions or the potential for a higher roll fee at the commitment lock date/time.

Pair-off fees will be charged for Mandatory Bulk Commitments if the Seller fails to deliver the loan to LHFS by the Mandatory Delivery Date.

Roll fees will be charged on delivered loans if the loan is not purchasable after the 7-day grace period expires.

## **MANDATORY DELEGATED PRICING**

### **LOCK EXTENSIONS**

If Clients exercise a lock extension before the current expiration date, the following options are available:

- Extension Cost
  - 3 Days: .045%
  - 7 Days: .105%
  - 15 Days: .225%
  - 30 Days: .450%

Mandatory locks may be extended up to 3 times for a maximum of 30 days.

### **AUTOMATIC EXTENSIONS ON DELIVERED LOANS**

If the file is delivered on or prior to the Lock Expiration Date, Clients have up to ten (10) calendar days after the Lock Expiration Date for the loan to be reviewed and purchased. If the loan is not purchased within ten (10) calendar days from the Lock Expiration Date, the loan will automatically be extended seven (7) calendar days and assessed a .105% extension fee. This automatic extension and fee assessment will repeat every seven (7) calendar days up to a maximum of 30 days from the original Lock Expiration Date. If all suspense conditions are not cured and the loan is not purchased within thirty (30) calendar days from the original Lock Expiration date, LHFS has the option of continuing to extend the loan as indicated above or deciding that the loan is no longer eligible for purchase and returning the loan file to the Client.

### **LOAN SUBSTITUTIONS**

If a client is unable to deliver a loan that was committed under a mandatory lock, LHFS will allow the Client to substitute a similar loan in its place at no penalty. Substituted loans must be the same product code, note rate, and loan amount (within 2%) as the original loan.

## **PAIR-OFF FEES**

Clients are charged a mark-to-market pair-off fee if the client fails to deliver loans locked under a mandatory commitment. Pair-off fees are assessed to a client as of a pair-off assessment date that is determined by:

- The date the client notifies LHFS of an election to not deliver a loan, or
- The date the client notifies LHFS of an election to make a substitution (the pair-off will be applied to the difference, if any, between the original lock amount and the substituted loan amount), or
- The close of business of a lock expiration date (delivery date) if the loan is not delivered, or when LHFS determines that a loan delivered by the Client is not eligible for purchase.

## **PAIR-OFF CALCULATION AND THE PAYMENT OF PAIR-OFF FEES**

If the current market price (for the same interest rate) is higher (better) on the lock expiration or assessment date, a pair-off fee equal to the difference between the lock confirmation base price minus any extension fees and the posted current base price, as a percentage of the loan amount will be charged.

- Example:
  - \$200,000 loan locked at 101.000, current market at 102.000  $\$200,000 \times 1.000\% = \$2000.00$  Pair-off Fee.

If the current market price (for the same interest rate) is the same or lower (worse) on the lock expiration or assessment date, a .125% pair-off fee of the loan amount will be charged.

- Example:
  - \$200,000 loan locked at 101.000, current market at 100.000  $\$200,000 \times .125\% = \$250.00$  Pair-off Fee

## **CHAPTER 4 - UNDERWRITING POLICY**

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### **OVERVIEW**

This policy outlines the Underwriting standards and requirements for loans submitted to LHFS for purchase.

For all loan types and loan programs, a thorough review of loan documentation is required to determine the validity of the information provided by the borrower and other parties involved in the transaction. The Loan Purchase and Sale Agreement outlines the sole responsibility of the Seller for ensuring each mortgage loan sold to LHFS is originated in compliance with agency requirements and all applicable federal, state, and local laws, rules and regulations.

For Delegated loans, LHFS accepts loans underwritten to traditional and automated underwriting guidelines.

Upon receipt of the loan for purchase, LHFS will validate that the most recent AUS findings in the loan file matches the last AUS submission on record with the Agencies, and the most recent AUS findings match the terms upon which the loan closed. The loan will not be purchased until discrepancies are reconciled.

A loan submitted for purchase to LHFS must be approved by either:

- A Seller's underwriter if the Seller is approved to submit Delegated loans; or
- An LHFS underwriter

### **DELEGATED UNDERWRITING**

Delegated Sellers must be approved by LHFS to underwrite conventional and government loans.

- Conventional and USDA loans have no specific eligibility requirement
- FHA loans must be underwritten by a DE Underwriter
- VA loans must be underwritten by a LAPP approved underwriter

Manual Underwritten loans are not allowed unless required per the program guidelines.

A Delegated Seller will submit a complete loan package to LHFS for a Pre-Purchase review of the entire loan package. An Auditor will review and identify any conditions that are required to be satisfied prior to purchasing the loan, or they will proceed to purchase the loan if no conditions are required. When all conditions are satisfied the loan will be purchased.

Loans eligible for automated underwriting must be submitted through either Fannie Mae's Desktop Underwriter (DU) or Freddie Mac's Loan Product Advisor (LPA) *before* traditional underwriting may be considered.

## **TURN TIMES**

LHFS will post the current turn times on [CLD.LHFS.com](http://CLD.LHFS.com). Quick loan and condition review are a priority and every effort will be made to review documentation provided as quickly as possible.

## **QUALITY CONTROL PROCESS AND COMPLIANCE RESPONSIBILITIES**

The Seller is responsible for maintaining efficient and effective Quality Control (QC) procedures. The Seller must deliver a loan for purchase to LHFS that is in compliance with applicable Agency guidelines and all applicable governing statutes and regulations in effect at the time the loan was made.

LHFS will perform a Pre-Purchase review that includes a compliance check on every loan delivered for purchase. The Seller will be notified if any compliance issues exist or discrepancies have been found and will be given an opportunity to correct the issue, if possible. Issues that cannot be corrected may result in a surcharge to the Seller; or the loan may not be purchasable by LHFS.

The list below defines common regulations that the Seller must be in compliance with, but is not all-inclusive:

- Ability to Repay and Qualified Mortgage Requirements
- Anti-Money Laundering Requirements
- Appraisal Independence Requirements
- Consumer Credit Protection Act
- Dodd-Frank Act
- Equal Credit Opportunity Act
- Fair Credit Reporting Act
- Fair Housing Act
- Home Mortgage Disclosure Act
- Home Ownership and Equity Protection Act
- Mortgage Disclosure Improvement Act
- Office of Foreign Assets Control Sanctions list
- Patriot Act
- Real Estate Settlement Procedures Act
- Secure and Fair Enforcement for Mortgage Lending Act
- Truth-in-Lending Act
- Unfair, Deceptive, or Abusive Acts or Practices

## **CONDITIONS**

Conditions must be uploaded to the specific condition in the [Seller Portal](#). All efforts are made to review the conditions as soon as possible. After condition review, LHFS will send a response to the Seller advising of the current status of the loan.

Loans that have outstanding conditions required for purchase by LHFS must be cured within 30 calendar days from the date the Seller was informed about the conditions. LHFS may return the loan to the Seller and charge a pair-off fee if conditions are not received in this time period. If LHFS grants an exception for longer than 30 days, the daily per diem charge will continue to accumulate until the loan is purchased. LHFS may decide to re-price the loan to current market and all previously applied fees will remain on the loan.

## **FRAUD PREVENTION AND DUE DILIGENCE**

All parties involved in a loan transaction can experience substantial losses if either fraud or misrepresentation occurs on a loan. LHFS has a Zero Tolerance Policy for fraud or misrepresentation.

LHFS has an expectation that the Seller will perform the necessary due diligence when reviewing loan documentation. It is important to recognize red flags that appear in a loan file and perform the proper due diligence to ensure that no misrepresentations are made.

All Delegated loans must be delivered with an acceptable fraud tool such as LexisNexis or Interthinx. All warnings must be addressed in the loan file.

LHFS will obtain a fraud tool when it is not provided. Sellers will incur a \$35 fee for each loan at purchase.

## **LOAN QUALITY INITIATIVE**

The Seller is required to comply with Fannie Mae and Freddie Mac's Loan Quality Initiative (LQI) for all conventional loans.

## **HIGH COST AND ANTI-PREDATORY LENDING TESTING**

The Seller is responsible for:

- Verifying that the loan does not exceed state predatory lending laws and is not a high cost loan.
- Warranting that loans submitted for purchase meet all ATR/QM requirements.\*
- Not engaging in any unfair, deceptive and/or abusive acts or practices that are not in the best interest of the borrower.
- Engaging in responsible lending practices that provide a benefit to the borrower.
- Validating the borrower's ability to repay the loan and to supply evidence in the loan file delivered to LHFS; and
- Warranting that they use proper due diligence to ensure that the loan offered to the borrower is beneficial to meet borrower's situation and needs.

Evidence of High Cost, QM and Anti-Predatory lending testing must be provided for Delegated loans. LHFS will purchase loans that fail HPML or HPCT provided that Ability to Repay is satisfied, the loan has an impound account for taxes and insurance (Owner Occupied only), and there is no prepayment penalty. LHFS will not purchase loans that fail any Federal, State, or local high-cost laws or regulations.

LHFS reserves the right to perform high cost and QM testing on any loan and may refuse to purchase if testing fails.

\* HFA administered programs are exempt from ATR/QM

## **CONDOMINIUM REVIEWS**

Delegated Sellers must obtain a limited review approval for Fannie Mae eligible loans or a streamlined review on Freddie Mac eligible loans.

Delegated Sellers that have received appropriate training and are qualified may certify that an established condominium project meets all applicable Fannie Mae eligibility requirements. LHFS reserves the right to perform a condo review at its discretion for any loan (where the subject property is a condo) submitted to LHFS for purchase.



## **CHAPTER 5 - LOAN FILE DOCUMENTATION**

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### **AUS**

The initial and final AUS findings must be included in the loan file. All recommendations must be acceptable.

If the AUS has a finding for excessive submissions, a letter of explanation from the Seller will be required. LHFS will review and determine if the explanation is acceptable.

All red flags noted on the AUS must be addressed by the Seller.

Acceptable AUS recommendations are:

- DU “Approve/Eligible”
- LPA “Accept/Eligible”

Other AUS recommendations will require additional review by LHFS prior to purchase.

Occasionally, LHFS may need to re-run AUS after the loan is purchased. Sellers must be willing to provide AUS credentials to allow LHFS to re-run in their name.

### **CREDIT REQUIREMENTS**

Refer to current Agency guidelines on individual Agency websites.

### **LDP AND GSA**

The Seller must confirm that all parties involved in the loan transaction have been checked on the Limited Denials of Participation (LDP) and General Services Administration (GSA) Lists. The results of checking each party must be included in the loan file. If any parties appear on these lists, the loan will not be eligible for purchase by LHFS.

### **LOAN APPLICATION/1003**

An Initial and Final 1003, and any required addendums, must be provided in the loan file. Agency guidelines must be followed for signature requirements.

## **INCOME / ASSETS**

All Income and Assets must be documented per AUS findings and in accordance with Agency Guidelines.

On Delegated loans, an income worksheet must be delivered with the loan file that breaks down how the borrower's income used to qualify for the loan was determined. The calculation must be justified and reasonable.

## **TRUST INCOME**

A complete copy of the Trust is required when Assets are used from a Trust for which a Borrower is the Owner and has immediate access to the funds. Seller must provide documentation that clearly states the value of the trust account from either the trust manager or the trustee and the conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage.

## **4506T / IRS TAX TRANSCRIPTS**

Tax transcripts are required to be delivered with the loan file when:

- A borrower works for a family member.
- The program requires tax transcripts; or
- Agency or Investor guidelines require tax transcripts

Tax transcripts must be provided for the same years required by the AUS for tax returns. However, all borrower income must be verified based on the results of the 4506-T. Differences between the income validated by the tax return information provided, and the income used to qualify in the AUS results, must be reasonable and fully supported by additional documentation in the loan file.

Acceptable results are required on all borrower income for all loan programs (with the exception of FHA Streamline Refinances and VA IRRRL's) to be eligible for purchase. See [\*\*Tax Transcript Policy\*\*](#) for additional information)

## **APPRAISAL**

A color appraisal must be completed, including photos of the subject property and comparable properties. The appraisal must meet AIR requirements and is required for all loans except for FHA Streamline Refinances and VA IRRRL's.

The Seller must maintain the highest levels of quality and integrity for all aspects of real estate financing. Consequently, the Seller is required to adhere to the AIR requirements. Sellers must avoid all improper influences on appraisers.

Appraisers must not be listed on any of the following:

- Freddie Mac's Exclusionary List
- FHA's Procurement List
- Investor specific Appraiser Exclusionary List

The appraisal must be delivered to LHFS in the name of the Seller as well as confirmation of delivery of the appraisal to the borrower.

## **UNIFORM APPRAISAL DELIVERY SET (UAD)**

Appraisal forms 1004, 1073, 1075, and 2055 must meet UAD standards and comply with Agency UAD requirements effective September 1, 2011.

## **PROPERTY FLIPS**

On Delegated loans, the Seller is responsible for following Agency guidelines for documenting properties that qualify as a "flip". Property flips are not necessarily illegal or improper.

Legitimate property flips include:

- Properties sold by a Government Sponsored Enterprise (GSE) state or federally chartered financial institution, mortgage insurer, or federal state or local government agency.
- Properties sold for employee relocation purposes; and/or
- Properties where the increase in sales price from the cost of acquisition by the current owner is justified, because substantial improvements have been made to the property.

## **OCCUPANCY**

Owner-occupied transactions where address discrepancies or other red flags suggest the property may not be owner occupied must have documentation to justify proceeding with the transaction.

## **PURCHASE CONTRACT**

A fully executed legible copy of the sales contract, complete with all pages and addendums is required on Purchase transactions. If any state required disclosures are identified in body of the sales contract, the disclosures must be provided as well. The current owner(s) or Seller(s) on the contract must be the owner(s) of record per the title report.

At minimum, one borrower on the loan must be a purchaser on the sales contract. State specific requirements may mandate that all purchasers on the sales contract must be on the loan.

Sales price on the fully executed sales contract, final loan application, and appraisal must match as of the effective date of the appraisal. Explanations for any discrepancies must be documented and/or corrected.

The amount of the Seller Credit referenced on the sales contract, as of the effective date of the appraisal, must be considered in the appraiser's analysis. Changes to the sales contract after the effective date of the appraisal may not require appraisal updates. Contact LHFS for direction if this is in question.

Evidence of authorization to sign on behalf of the Seller is required when the Seller is a Bank or Investment Company.

## **POWER OF ATTORNEY**

If Power of Attorney was used for an initial loan application and initial closing disclosures, sufficient documentation is required to identify that the borrower who assigned Power of Attorney is aware that they are applying for a loan. This condition is satisfied if the borrower signs the closing documents themselves. Power of Attorney on the loan application, initial disclosures, and closing documents may be allowed under specific circumstances. Additionally, Power of Attorney is not allowed on a cash out refinance.

Refer to the [\*\*Loan Delivery Policy - Power of Attorney\*\*](#) section of the Seller Guide for more information.

## **CHAPTER 6 - DESIGNATED DISASTER AREAS POLICY**

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### **OVERVIEW**

It is the Seller's responsibility to be aware of man-made or natural disasters and their affect to the mortgage loans in areas which financing is being offered. When an area has had a Federal, State Agency Disaster, Emergency Declaration issued, or may become an area in which one may be issued, LHFS must be assured that the property is not damaged and that there are no proceedings pending for the partial or total condemnation of the property. To obtain this assurance the following procedures are required:

- If the property is located in a specified Disaster/Emergency area, an acceptable certification or recertification of the property and value (if applicable) is required prior to the loan closing. Refer to **Natural Disaster Affected Areas**.
- If the property is located in a currently active specified Disaster/Emergency area and the appraisal has not been completed regardless of the loan type, the appraiser must acknowledge whether the property was affected by the disaster. If the property was affected, the appraiser must note what damage was done, the amount of repairs completed and/or still outstanding. Additionally, they must address whether the marketability has been affected.
- If the property's appraisal was completed prior to the noted disaster/emergency occurrence and the loan has not closed/funded, or in the case of a closed FHA or VA loan that is not insured, the appraiser must complete a disaster inspection which must include interior/exterior photos, verifying the property's damage and whether the disaster event has had an impact on the property's value or marketability. The inspection should be performed by the original appraiser whenever possible. If they are unavailable, it may be performed by another licensed appraiser, by a licensed Property Inspector, or a nationally recognized field company.

### **CONVENTIONAL LOANS (FANNIE MAE AND FREDDIE MAC)**

If the property has been damaged and the damage does not affect the safety, soundness, or structural integrity of the property and the repair items are covered by insurance, the loan purchase may be allowed to proceed with prior approval from a Correspondent Lending Division representative. Documentation of the professional estimates of the repair costs and evidence that there are sufficient insurance proceeds available for the borrower's benefit to guarantee the completion of the repairs will be required.

If the property has been damaged and the damage is uninsured, or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired and re-inspected before the loan purchase can proceed. A re-inspection and form 1004D Appraisal update and/or Correction Report (Part B) must be provided to document that the repairs have been re-inspected and completed.

**USDA LOANS**

Typically, USDA will follow the above FHA disaster procedure requirements. However, prior to closing the USDA loan requirements must be confirmed with the local USDA office for the subject property.

**FHA LOANS**

Streamline Refinance transactions are allowed to proceed to closing and/or endorsement without any additional requirements. For FHA loans that are not closed prior to the declared incidental period and a damage inspection report reveals property damage, the appraisal validity period can be extended from 120 Days to a maximum of one year from the effective date of the original appraisal in these instances. Loans with appraisals having effective dates in excess of one year require a new appraisal.

**VA LOANS**

- VA Interest Rate Reduction Refinanced Loans (IRRRL’s) are allowed to proceed to closing and/or endorsement without any additional time requirements.
- VA loan closed prior to the date of the declared disaster is eligible for VA Guaranty without regard to the disaster.
- On purchases and full documentation refinance loans, where the appraisal is completed on or before the date of the declared disaster but not closed until after the declared disaster, an exterior inspection to determine the property’s condition by the original appraiser must be obtained. The document must indicate if the property, despite repairs will be worth less at the time of loan closing than it was at the time of appraisal. If this is the case, the VA appraiser must update the original value estimate.

**MORTGAGES PENDING CLOSING**

The following table shows re-inspection (Form 1004D) requirements that apply to mortgages on properties that have not yet closed:

<b>Pending Mortgage Closure</b>	
<b>If...</b>	<b>Then...</b>
The mortgage is not closed,	Inspect the property to determine if damage exist. Provide on-site inspection with interior/exterior photographs.
No damage exists,	Close Mortgage and document inspection.
Damage exists but repair costs are below \$5,000 <sup>1</sup> and property is habitable,	Complete repairs and close Mortgage.
Damage exists and repair costs are above \$5,000 <sup>1</sup> or the property is not habitable,	Do not close Mortgage. Repairs must be complete prior to closing.
<b>When....</b>	<b>Then...</b>
Repairs above \$5,000 are completed and inspected with interior/exterior photographs,	Document inspection and close Mortgage.

<sup>1</sup> Subject to additional requirements imposed by Agencies

**MORTGAGES PENDING ENDORSEMENT**

The following table shows inspection and escrow requirements that apply to Mortgages on Properties that have closed but are not yet insured:

<b>Pending Mortgage Endorsement</b>	
<b>If...</b>	<b>Then...</b>
The Mortgage is closed but not yet endorsed,	Inspect the property to determine if damage exists. Provide drive-by inspection with exterior photographs.
No damage exists,	Endorse Mortgage and document inspection.
Damage exists but is below \$5,000 <sup>1</sup> and property is habitable,	Complete repairs and endorse Mortgage.
Damage exists and is above \$5,000 <sup>1</sup> or the property is not habitable,	Do not endorse Mortgage.
<b>When....</b>	<b>Then...</b>
Repairs above \$5,000 are completed and inspected with interior/exterior photographs,	Document inspection and endorse Mortgage.

<sup>1</sup> Subject to additional requirements imposed by Agencies

## **CHAPTER 7 - SELLER LOAN DELIVERY POLICY**

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### **OVERVIEW**

This policy outlines the requirements for delivery of a closed loan to LHFS, including documentation required to avoid delays in the review and purchase of a loan.

Sellers must be a member in good standing of Mortgage Electronic Registration System (MERS).

### **LOAN DELIVERY**

Sellers are required to deliver the complete, true and accurate closed mortgage loan file by 3 p.m. PST on or prior to the Lock Expiration date. If a complete loan package is not received by 3 p.m. PST on or prior to the Lock Expiration Date, the commitment must be extended or re-locked as outlined in the Lock Policy. For bulk bids, a complete loan package must be received by LHFS no later than the “last day to deliver” reflected on the Mandatory Commitment Confirmation.

The mortgage loan file must include all documentation obtained or provided by the Seller in originating, processing, underwriting, and closing the loan. The mortgage loan file must evidence compliance with all Investor, Agency, insurer and regulatory requirements. The mortgage loan file must include all documents necessary to foreclose in the state in which the mortgage property is located.

The loan must close in the name of the Seller unless otherwise required by the program. No documents are to be drawn in the name of LHFS.

All documents must be free of whiteouts, erasures and all Borrowers must initial any corrections made. Documents must conform in all respects with FNMA, FHLMC, FHA, VA, USDA, Insurer, Agency and document custodial requirements, as applicable for the loan product and terms.

LHFS relies upon the Seller’s representations and warranties that all loans are fully negotiable and enforceable and can be serviced in accordance with the terms of LHFS’ Loan Purchase and Sale Agreement (“Agreement”). Seller agrees to indemnify and hold harmless LHFS from any claims, damages or losses suffered or otherwise incurred by LHFS which arise in whole or in part from any breach of the representations and warranties contained in this Guide or the Agreement. Seller further agrees that all determinations made by LHFS regarding whether a breach of these representations and warranties occurred shall be final.

Seller further represents and warrants that the loans fully comply with all applicable federal, state and local laws and regulations, including licensing requirements for the Seller and other parties involved in the origination of each loan.



## **MORTGAGE LOAN SEASONING**

Seasoned loans are defined as any loan that is closed and delivered to LHFS within 31-90 days of the closed date. These loans are allowable if:

- LHFS can purchase them at a balance.
- There are no transfer of servicing issues; and
- The loan has a current pay history with no delinquencies.

If insurance or tax escrow disbursements are due and have been paid, the following documentation must be provided:

- Payments from the escrow account, clearly shown on the payment history; or
- Copies of the checks used to pay the escrow amounts.

If LHFS cannot deliver the loan to the Agencies within 120 days of the note, the Seller will be required to provide a current 1004d to recertify the value of the property.

The following loans are not eligible for delivery:

- Loans closed more than 90 days prior to delivery.
- Loans previously rejected by or required to be repurchased from or indemnified by FHLMC, FNMA, FHA, VA or USDA.
- Loans previously rejected by or repurchased from LHFS; or
- Loans previously rejected by or required to be repurchased from a private Investor, unless such prior rejection / repurchase is fully and specifically disclosed to LHFS in the loan file and LHFS determines the loan is eligible for purchase regardless of the prior Investor's determination.

## **AVOIDING PURCHASE DELAYS**

To avoid purchase delays, please be sure to:

- Ship the original Note, or transfer Ownership and Servicing of the eNote, as soon as possible. Include a Bailee letter with each original Note.
- Submit information for new warehouse line changes to existing wire instructions as soon as they are obtained.
- Ensure that Borrower names and property addresses are identical on the Note, Mortgage/Security Instrument, Title Commitment, Appraisal, Flood Certificate, AUS findings, and all insurance policies.
- Review AUS findings to make sure the closed mortgage loan file documentation matches last AUS run.
- Ensure all AUS findings have been satisfied.
- Include an Income Calculation Worksheet, or an explanation of how the income was calculated qualifying income and assets.
- If applicable, release the DO findings to LHFS.

- Upload all required ULDD data to Fannie Mae or Freddie Mac for conventional loans.
- Submit UCD results from both Fannie Mae and Freddie Mac with “Successful” results.
- Review Early Check or LQA results (as applicable) on all conventional loans and clear as many issues as possible; and
- Upload documents to clear suspensions by 10 a.m. PST on or before the lock expiration date, or prior to the expiration of the grace period for Mandatory Bulk Commitments.

## **LOAN DOCUMENTATION STANDARDS**

Secondary Market loan documentation standards should be followed. The Borrower’s legal name must be used on the loan application and all loan documentation.

The Seller must ensure that:

- The Note does not allow negative amortization; and
- Interest is calculated based on a 30/360 calendar year. For purposes of calculating interest per diem between LHFS and the Seller, a 365-day calendar year is used.

## **PRE-SIGNING DOCUMENTS**

The closing loan documents cannot be signed prior to the computer-generated date on the documents. The notarization (of the security instrument and other documents that require notarization), must match the date the documents are signed by the Borrower.

## **ELECTRONIC AND STAMPED SIGNATURES**

An electronic or digital signature is one generated by a computer. All closing documents must be signed with wet signatures unless the loan closed as an eClosing with an eNote. Initial Disclosures, Re-Disclosures, and Third-Party documents (i.e., Sales Contract) are acceptable to be signed electronically.

Other Requirements:

- The electronic signature and date must be clearly visible and legible.
- The same level of due diligence must be applied with electronically signed documents as they would for paper documents with wet signatures.
- Electronic signatures must be in accordance with the Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA), as applicable; and
- If documents have been signed electronically, consent from the Borrower to receive electronic delivery must be included in the loan file.

## **SUBMITTING LOAN PACKAGES**

Loan packages (excluding original Notes, Bailee Letters / Wire Instructions, and the Trailing Documentation) must be submitted to LHFS utilizing the **Seller Portal**. When the loan is committed from a bulk bid, the MISMO FNMA 3.4 file and complete loan package must be submitted using the LHFS Secure Document Vault.

Images must be in PDF Format. Refer to the Delivery Stacking Sheet and Loan Submission Checklist for the preferred stacking order, which will facilitate and expedite purchase review.

All documentation obtained by the Seller in originating, processing, underwriting and closing the loan must be delivered to LHFS. If during purchase review it is determined that additional documents are required for legal, secondary marketing, or other reasons, the Seller is required to deliver these to LHFS upon request.

## **LOAN REVIEW**

All mortgage loan files are typically reviewed within 72 hours of receipt, or as per the latest communication regarding turn times from LHFS. The mortgage loan file and collateral package are reviewed to confirm:

- The correct documents were used to close the loan.
- Information on the documents is accurate, complete, consistent and executed properly; and
- All Underwriting conditions are included.

Should LHFS fail to review or discover any deficiency or error in a mortgage loan file, the Seller remains responsible for providing any required documentation or correcting any errors. LHFS still exercises its rights and remedies dictated by the Agreement, including the repurchase of the mortgage loan file.

## **LOAN FILE DOCUMENTATION**

### **NOTE**

A certified, true copy of the Note must be included with the loan file.

### **PAPER NOTES**

The original paper Note must be received by LHFS before the loan will be purchased. The original Note must be properly endorsed and should be shipped to:

**Land Home Financial Services, Inc.**

Attn: Correspondent Lending Division – Note Custodian

1355 Willow Way, Suite 250

Concord, CA 94520

The Note must be endorsed on the signature page of the Note as follows:

**PAY TO THE ORDER OF:** (leave name blank)  
**WITHOUT RECOURSE**  
**BY:** (Authorized signer)  
**NAME:** (Printed name of signer)

An Allonge is acceptable only if there is insufficient space on the Note for the endorsement. The content of the Allonge must comply with all applicable state, local, or other federal laws governing the use of an Allonge. The Allonge must be permanently affixed to the related Note by referencing at least the name of the Borrower(s), the date of the note, the amount of the Note and the address of the security property.

The individual endorsing the Note or Allonge must be authorized to sign on behalf of the Seller as evidenced in the Corporate Resolution provided to LHFS. Original signatures are required.

## **ENOTES**

eNotes are not shipped and are transferred electronically through the electronic vault tied into the MERS eRegistry. Before a loan can be purchased, the eNote must reflect Land Home's MERS Org Id #1001138 for Control, Location and Servicing:

**Controller:** Land Home Financial Services (Org ID# 1001138)  
**Location:** Land Home Financial Services (Org ID# 1001138)  
**Servicer:** Land Home Financial Services (Org ID# 1001138)

## **SECURITY INSTRUMENT AND RIDERS**

A fully executed Security Instrument signed by the Borrower(s) and any Accommodation Mortgagors, with all applicable riders required by FNMA, FHMLC, FHA, VA, or USDA must be included. The document must be marked as a certified true copy of the original.

The correct uniform document security instrument and applicable rider(s) must be used according to the product, property type and state as required by FNMA, FHMLC, FHA, VA, or USDA.

If any information on the Security Instrument is incorrect or incomplete, LHFS will require the error to be corrected and the Security Instrument re-recorded. A copy of the corrected Security Instrument and a letter of intent to re-record must be provided prior to purchase. If a required Rider is not signed at closing, the same process must be followed.

If the loan closed in the name of a Trust, the Borrower must sign individually and as Trustee. The complete name of the Trust is required on the signature line.

Only MERS Security Instruments are allowed. If the Seller's Org ID and MIN# (18 digit) are not on the Security Instrument, the Seller must take one of the following actions to correct:

- Execute a Mortgagee's Affidavit to be recorded
- Execute Mortgage Modification to be re-recorded
- Correct the Security Instrument and re-record

The Seller must register the loan through the MERS System within seven (7) calendar days of the Closing Date. The loan must be registered prior to LHFS purchasing the file.

A MERS Fraud Tools check verifying no undisclosed liabilities 24 hours prior to Closing must be provided prior to purchase.

## **POWER OF ATTORNEY**

The Power of Attorney (POA) must be fully executed prior to the date on the Note. POA's cannot be executed after the Note date, even in a dry funding state where the signing of closing documents occurs after the Note date. The closing documents must reflect the Power of Attorney verbiage on the signature lines as applicable. An example of an acceptable verbiage on the signature line is:

\_\_\_\_\_  
John Doe by Jane Doe, his Attorney-in-Fact

Follow the example above unless state requirements are different. The Borrower's and attorney-in-fact's names must match how they are dictated on the Power of Attorney.

The attorney-in-fact must sign on the signature line the way the verbiage reads:

*"John Doe by Jane Doe, his Attorney-in-Fact"*

"Attorney-in-fact" may be abbreviated as "ATF".

POA's are acceptable if they meet applicable legal, title insurer and program guidelines.

If a Power of Attorney is used by a Borrower to execute the Note, the original recorded POA or a certified copy of the original POA which has been sent for recording with the Security Instrument, must be included with the original Note. If the Note is an eNote, the original POA must be sent to LHFS prior to purchase.

## **POWER OF ATTORNEY REQUIREMENTS**

- Must comply with applicable state law and Agency and/or Investor requirements.
- Must be accepted by the title insurer. A POA related title policy exception or coverage limitation is not allowed.
- Must be recorded prior to or concurrently with the Security Instrument.
- Must be signed and dated by the party granting the POA.
- Must be signed by an appropriate witness if required by state law.
- Must identify the subject property by legal description matching the Security Instrument or a reference to the Assessor's Parcel Number.
- Must specifically provide for the execution of any and all documents pertaining to the mortgaging of real property.
- Must be notarized.
- Must be irrevocable even upon disability or incapacity of the granting party; and
- Must not be granted to an interested party to the transaction (e.g., realtor, broker, Seller, Closing Agent)

## **CONVENTIONAL AND FHA LOANS**

POA cannot be used for closing documents if the initial loan application was also signed using POA.

## **VA LOANS**

POA may be used for any documents necessary to obtain a VA guaranteed loan, including a Certificate of Eligibility. A Military Power of Attorney is acceptable.

To use a POA for closing, the Veteran must sign the sales contract and the initial loan application/26-1802a, or provide a POA or other document signed by the Veteran that includes all of the following:

- A clear intention to obtain a loan for the purpose identified (purchase or refinance).
- The specific property is identified and matches the loan file.
- The sales price, if applicable, or other relevant terms of the transaction are stated; and
- Indicates the Veteran's intention to use the property as an owner-occupied home or other appropriate VA occupancy requirement

An "Alive and Well" statement from the Veteran is required at the time of loan closing if POA was used for closing documents, whether or not the Veteran is still in the military. Hardship exceptions to VA's POA requirements must be made in writing by VA.

- If the Veteran is on Active Duty, the Veteran's Commanding Officer must complete the "Alive and Well" Statement, and state that the Veteran is not Missing in Action; or
- If an "Alive and Well" Statement cannot be obtained, contact VA for assistance. A Hardship Exception in writing from VA is acceptable.

Please note: An “Alive and Well” Statement is not required for VA IRRRL’s.

## **TRUSTS**

Inter Vivos Revocable Trusts are acceptable if allowed by the applicable Investor/Agency for the product, property and occupancy type. All other types of Trusts are not allowed. For Delegated loans, the Seller must review the nature and terms of the Trust and determine that it meets all applicable Investor/Agency requirements. The Trust documentation required by the applicable Investor/Agency must be provided in the loan file. .

The title insurer must also review the Trust documentation and make no related exceptions or coverage limitations.

The complete, legal name of the Trust must be included in the vesting on the Security Instrument, and on the signature line for all closing documents affected by the Trust.

All affected closing documents must be executed appropriately per the signature line. The Note and any Riders or Addendums to the Note must be signed as both individual and trustee. The Security Instrument and any Riders or Addendums to the Security Instrument must be signed as trustee. All other affected documents must be signed appropriate to the signature line verbiage.

## **BAILEE LETTER/WIRE INSTRUCTIONS**

LHFS will wire purchase proceeds to the Seller’s warehouse lender, or directly to the Seller if the Seller is self-funded. As part of the Seller approval process, and prior to wiring any funds, LHFS has the right to confirm the bank account wiring information.

To determine and confirm where the purchase proceeds should be sent, a Bailee Letter must be included in each loan file prior to purchase. A condition will be added to the loan prior to purchase if the Bailee Letter is not received.

## **PROPERTY INSURANCE**

The Seller must ensure that the insurance carrier, policy, and coverage meet all applicable Investor/Agency requirements. The loan file must contain a copy of the Policy or a Certificate of Insurance, Declaration Page, or Insurance Binder.

## **POLICY REQUIREMENTS**

- Policy term must be written for at least one year or be continuous until canceled.
- Refinances must have a remaining policy term of at least 45 days after closing. If the insurance is due to expire within 45 days of purchase, a paid receipt from the insurance agent for the next year’s premium is required or reflect the premium paid on the Closing Disclosure.
- For purchase transactions, the first-year premium must be paid on the Closing Disclosure or a paid receipt from the insurance agent reflecting payment in full can be provided.

- Binders are allowable if state laws allow lenders to close with a binder only. If an expired binder is provided, the loan cannot be purchased.
- For Condos, both the Master or Blanket policy of insurance and the individual unit Certificate of Insurance are required. The Master or Blanket policy must be compliant with Investor/Agency general liability insurance requirements. Individual unit insurance must cover both the exterior and interior (a.k.a “walls in”) coverage as required by the applicable Investor/Agency.

## **FLOOD ZONE DETERMINATION CERTIFICATION**

Sellers must provide, from the vendor of their choice, a FEMA Standard Flood Zone Determination Certificate with Life of Loan Monitoring. If the Certificate states the subject property is located within a Special Flood Hazard Area, satisfactory flood insurance must be included in the loan file or the loan is not eligible for purchase.

## **FLOOD INSURANCE**

If the Flood Zone Determination Certificate states that the subject property is located within a Special Flood Hazard Area, the file must contain:

- The Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance disclosure in accordance with the Flood Disaster Protection Act. The disclosure must be issued at least 10 days prior to signing closing documents. Electronic signatures are acceptable; and
- Evidence of flood insurance in effect as of the Closing Date. A copy of the Declarations Page or Application must be submitted with the loan file.

Flood insurance is required to be escrowed if the Borrower must provide a flood insurance policy.

## **POLICY REQUIREMENTS**

- Must be issued under the National Flood Insurance Program and meet all applicable Investor/Agency requirements.
- Policy term must be for at least one year or be continuous until canceled.
- Refinances must have a remaining policy term of at least 45 days after closing. If the insurance is due to expire within 45 days of purchase, a paid receipt from the insurance agent for the next year’s premium is required or reflect the premium paid on the Closing Disclosure.
- For purchase transactions, the first-year premium must be paid on the Closing Disclosure or a paid receipt from the insurance agent reflecting payment in full can be provided.
- The property coverage amount must be:
  - Equal to the amount of property insurance coverage; or
  - The maximum amount available of NFIP flood insurance coverage.
- The deductible cannot exceed Investor/Agency guidelines.



- The insurance underwriter must be acceptable based on Agency guidelines.
- Binders are allowable if state laws allow lenders to close with a binder only. If an expired binder is provided, the loan cannot be purchased.
- For Condos, the HOA must obtain a Master or Blanket policy of flood insurance covering the buildings and the associated contents if owned in common by the association members. Individual condominium unit coverage is generally not required if the Master policy meets all requirements.
- For units in PUDs, the PUD owner’s association must obtain a Master or Blanket policy to cover any common element buildings and other common property located in a SFHA. The Borrower must have an individual flood insurance policy to cover the unit and contents.

## **CLOSING PROTECTION LETTER**

An acceptable Closing Protection Letter (CPL) is required on every loan. If a CPL cannot be obtained, the Closing Agent’s Fidelity Bond Insurance and E&O coverage must be provided, each with minimum coverage of \$1,000,000.

The CPL must reflect the Closing Agent’s name and address, the file number (or title number), the Borrower’s name and the subject property address. The title insurance underwriter issuing the CPL must be the same title underwriter on the title commitment as well as on the final title policy. The CPL must be dated between the date of the title commitment and the date of the loan closing.

## **BORROWER’S AUTHORIZATION**

An executed Borrower’s Authorization form is required to verify information contained in the application. LHFS may use this authorization to re-validate information as needed for quality control purposes. The form must include verbiage authorizing “its successors and/or assigns.”

## **MORTGAGE INSURANCE CERTIFICATE**

For Delegated loans, an activated and accurate Mortgage Insurance (MI) Certificate is required on all Conventional loans with an LTV over 80% and must meet all applicable Investor/Agency and regulatory requirements. Information on the MI Certificate must match the loan terms and AUS findings.

If the MI Certificate shows any upfront premium due, the amount must be paid on the Closing Disclosure. If the MI Certificate also requires monthly premiums payable after closing, an escrow account must be established and reflected on the Initial Escrow Account Disclosure. If MI is monthly and is not deferred, the monthly premiums due or payable prior to the Borrower’s first payment must also be collected on the Closing Disclosure. A Notice Regarding PMI Disclosure or, if applicable, LPMI Disclosure, must be included for each loan that requires MI.

## **TITLE INSURANCE**

The title insurance commitment may be issued in either the Seller's name or LHFS' name. It must contain the verbiage "its successors and/or assigns, as their interests may appear ("ATIMA)". The title insurance binder/commitment must be delivered with the loan file. The final Title Policy must have valid and acceptable exceptions.

Title Commitment/Policy Requirements:

- Effective date cannot be older than 90 days as of the day of closing and cannot be earlier than the recording date of the Security Instrument
- Must be issued by an approved American Land Title Association (ALTA) title insurance company or California Land Title Association (CLTA) in California
- Coverage must be for the amount of the loan
- A 24-month chain of title showing the ownership history is required
- The owner of record must be the Seller referenced on the Sales Contract and Appraisal. (Purchases only)
- All applicable Investor/Agency continuity of ownership and seasoning/anti-flipping requirements must be met
- The mortgage must be in first lien position
- Must include all required and applicable endorsements for the loan and property terms/type
- Judgments and liens must be documented as paid off, subordinated or insured over

## **SURVEYS**

Surveys are only required when the state or title insurer requires a survey.

Survey Requirements:

- Must be acceptable to the title insurer.
- Must be based on the results of an instrument survey performed, dated and certified by a licensed civil engineer or registered surveyor; and
- Must document that the improvements are entirely contained within the boundaries of the defined legal description.

## **PROPERTY TAXES**

### **PURCHASES**

The following information must be provided in the loan file:

- All collecting tax authorities for the property.
- Last paid date of all taxes.
- Next due date of all taxes.

- The amount of reassessed taxes, based on the tax rates for all collecting tax authorities for the property and assessed value (this is the amount to be used for qualification and impounds if applicable).
- All applicable parcel ID numbers; and
- In cases where the Borrowers are exempt from paying real property taxes, proof of the tax exemption must be supplied with the loan file.

## **REFINANCES**

A current tax certificate or most recent tax bill must be provided in the loan file reflecting the tax amount. This is the amount to be used for qualification and impounds if applicable.

## **NEW CONSTRUCTION**

For new construction where the current tax amount is for land only:

- Use an estimated anticipated tax amount based on the tax rate for the county of the subject property and include any non-ad valorem taxes to qualify the borrower.
- If the loan has impounds, use the future payment based on the estimated tax amount as described above; and
- Documentation for how the tax payment was determined must be included in the loan file.
- Property tax bills that have a “due by” date within 60 days of the closing date must be paid at or before closing.

## **CLOSING DISCLOSURE**

All Closing Disclosures (CD’s) issued to the Borrower(s) and Accommodation Mortgagor(s) must be submitted with the loan file, along with evidence of receipt (not required for CD’s issued after disbursement). The Closing Disclosure must be complete with accurate information. The Borrower’s name(s), property address, and loan amount must be consistent with the Note, Security Instrument, 1003, AUS findings, Appraisal, and the Title Commitment/Policy. The terms of the transaction must be consistent with the Sales Contract for the subject property.

To document a post-closing cure for a RESPA tolerance violation, the Seller must provide LHFS a copy of the corrected CD and a copy of the check refunding the Borrower within 7 days from when the discrepancy is discovered.

## **NAME AFFIDAVIT**

A Name Affidavit covers all valid variations of a person’s name and/or signature. LHFS will compare all other signatures on the closing documents to the one identified as the Borrower’s “Legal” signature on the Name Affidavit. Signature variations that appear to be “less” than the “Legal” signature must be re-signed with the correct “Legal” signature. Signature variations that appear to be “more” than the “Legal” signature are acceptable.

If signature lines are available for each name variation on this document, the signature line must be acknowledged by the Borrower by signing the signature line, or writing “n/a” or “not known as” on the signature line.

## **FIRST PAYMENT LETTER**

A first payment letter is required to be in the closed loan package. The payment breakdown in the first payment letter must reconcile to the P & I indicated on the Note and the escrow account items as reflected on the Closing Disclosure and Initial Escrow Account Disclosure. The first and subsequent payment due dates must comply with applicable Investor/Agency requirements.

## **INITIAL ESCROW ACCOUNT DISCLOSURE**

The Initial Escrow Account Disclosure must be provided to the Borrower at closing for loans with monthly escrows/impounds. Flood insurance, when required, must be escrowed (unless provided by the HOA). If the loan has monthly mortgage insurance, it must be reflected on the Initial Escrow Account Disclosure and match the Mortgage Insurance Certificate. A two (2) month cushion should be used on the Initial Escrow Account Disclosure unless state law requires a lesser cushion amount.

## **ESCROW WAIVERS**

If the loan has no escrows collected on the CD, an Escrow Waiver Letter must be in the file and contain the following Borrower acknowledgments:

- Borrower(s) are responsible to pay the taxes/insurance on the subject property.
- Borrower(s) will provide the servicer with proof of payment of taxes/insurance; and
- Borrower(s) understand that if they fail to pay the taxes/insurance, the servicer has the right to revoke the escrow waiver and/or force place insurance, and/or pay the taxes and charge the Borrower accordingly.

Escrow waivers can only be used if allowed for the product.

## **CLOSING INSTRUCTIONS**

General and loan specific closing instructions must be included in the loan file. The Seller’s closing instructions must provide specific instructions to the Closing Agent to confirm the identity of the Borrowers utilizing at least one form of photo ID and a secondary form of ID, both forms of which must comply with the Patriot Act and all other applicable Investor, Agency and regulatory requirements.

## **W-9**

A completed and fully executed W-9 for each Borrower must be submitted with each loan file.

## **IRS FORM 4506-T AND TAX TRANSCRIPTS**

An IRS Form 4506-T must be signed at the time of application and at closing for all Borrowers, regardless of the Borrower's employment status (i.e., self-employed, salaried, commissioned, retired, etc.).

## **RIGHT OF RESCISSION**

The Right of Rescission form must be completed with the dates of the rescission period accurately stated. LHFS will not purchase any loan where a waiver to a required rescission period was granted.

The 3-day rescission period begins the day the Borrowers sign and date the Notice of Right to Cancel. If there are multiple Borrowers that sign on different days, the rescission period cannot begin until the day the last Borrower signs and dates the Notice of Right to Cancel.

## **DISCLOSURES**

The Seller is responsible for accurately preparing all applicable disclosures and providing them to the Borrower(s) in the appropriate time frame as determined by local, state and federal laws and regulations. Sellers must refer to their own legal counsel, compliance department and/or regulator for advice regarding required disclosures according to state and federal law.

## **GENERAL INFORMATION**

LHFS will purchase loans which are correctly underwritten to FNMA's Day 1 Certainty guidelines posted hereto: <https://www.fanniemae.com/singlefamily/day-1-certainty>

Interest credits at closing are allowed but cannot exceed 7 calendar days and must be used to reduce closing costs (e.g., cannot result in cash back to the Borrower at closing.)

If the loan closed with impounds, the escrow balance will be net funded from the Purchase Advice.

For refinances, payoff statements must be provided to support any mortgages paid off on the CD. Subordination agreements must be provided to support any CD charges or entries related to subordinating an existing mortgage.

## **CHAPTER 8 – PURCHASING AND POST CLOSING**

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### **PURCHASING**

An LHFS Closer will review the complete loan package submitted for purchase for completeness and accuracy and condition the loan for any outstanding items. When the Closer receives all outstanding conditions, they will set up the loan for purchase. Purchase wires are sent on the day of purchase in most cases.

The Seller is responsible for reviewing the price on the Purchase Advice to ensure it matches the lock confirmation/commitment. The Seller should carefully review the purchase advice to ensure accuracy in the Servicing Released Premium, discount, buy price, unpaid principal balance, loan amount, escrow account balance, fees, etc. The Seller should immediately address any adjustments to the wire amount after receipt of the purchase advice and funds. The Seller has a 30-day window from the date of purchase to report a discrepancy. Discrepancies not reported within the 30-day time period are forfeited.

Purchase Advice discrepancies are reported to:

**[ClientSupport@CLD.LHFS.com](mailto:ClientSupport@CLD.LHFS.com)**

LHFS prepares and submits 1098 forms for payments due LHFS. Sellers are responsible for 1098 tax information on payments and interest collected by and due to them.

LHFS reserves the right to contact the Seller after purchase to reconcile discrepancies with taxes, mortgage insurance, or other issues that would typically be discovered as the result of yearly escrow analysis.

Errors may occur during the purchase process, resulting in monetary overages/shortages. LHFS will make every attempt to resolve discrepancies as quickly as possible and send additional wires or checks when necessary. LHFS requests the same level of attention to the matter from its Sellers should money need to be returned due to an overage.

LHFS will purchase loans through the 14th of the month when the next payment due would be the 1st of the following month. After the 14th, LHFS will collect for the payment due after the 1st of the following month.

## **PURCHASE ADVICE**

LHFS will issue the Purchase Advice to the Seller the same day as the wire transfer to the Seller's bank or warehouse bank. The Purchase Advice will detail all financial calculations used to determine the final purchase amount for the loan. The following items will be netted from the Seller's purchase proceeds for:

- Escrow amounts including any payments due Seller
- LHFS fees, as applicable
- Potentially outstanding restitution owed to LHFS and at LHFS discretion

Interest is calculated based on 365 days per year and calculated off the unpaid principal balance.

The Seller is responsible for payment from the escrow account of any insurance or tax payments that were due or will be due on or before the first payment due date that LHFS will collect. If escrows have been waived and a bill for taxes and insurance is due, the Seller is responsible for obtaining proof of payment from the borrower.

LHFS can purchase loans with a principal reduction applied at time of purchase. If the Seller receives funds from a borrower for a principal reduction after the loan is purchased by LHFS but prior to the first payment date collected by LHFS, the Seller must forward the funds to LHFS within 5 days of receipt.

## **PURCHASE PRICE**

LHFS shall pay to Seller the Purchase Price for each loan on the date of purchase by wire transfer in immediately available funds. "Purchase Price" means the aggregate of the purchase price factor specified in the Mandatory Commitment or Lock Confirmation, multiplied by the outstanding principal balance of the Loan as determined by the first payment being collected by LHFS, as of date of purchase, less any fees due to LHFS, and less any escrow amounts collected by the Seller at closing. If there is an error in the Purchase Price or the wire amount transferred to the Seller, both parties shall work together to correct the error promptly, and adjustments shall be made to the appropriate party.

**FEES**

<b>Loan Type</b>	<b>Funding Fee</b>	<b>Tax Service Fee (Applicable on purchase money loans only)</b>
<b>Delegated Loans</b>	\$295	\$75
<b>Bulk Bids</b>	\$295	\$75
<b>Specialty DPA Programs</b>	\$595	\$83
<b>Trio FHA (Link Transactions)</b>	\$595	\$75

**WIRE INSTRUCTIONS**

Warehouse lines are established at the time of Seller approval, or on an as needed basis when new lines are acquired. When new lines are added, or lines are closed, the Seller must notify LHFS to have the line added or deactivated from the Seller’s account. A Bailee Letter or specific wire instructions must be provided for each loan prior to purchase, and the wiring instructions must match an approved warehouse line that is associated with the Seller’s account.

**LHFS WAREHOUSE LINES**

Eligible for C2C:

- Amerisbank
- Benchmark Bank
- City National Bank
- Customers Bank
- Flagstar Bank
- Prosperity Bank
- Texas Capital Bank



## **POST-CLOSING**

### **POST PURCHASE DOCUMENTS**

Post purchase documents should be sent to:

Land Home Financial Services, Inc.  
ATTN: Correspondent Final Docs  
1355 Willow Way Suite 250  
Concord, CA 94520  
855-995-5034

The Seller must send LHFS the original recorded security instrument and all associated riders and the final title policy. Documents should be delivered on an as-received basis. Documents must reference the Borrower's name and the property address.

### **MERS REGISTRATION**

The Seller is responsible for ensuring that each loan is registered with MERS correctly. All loans are required to be registered with MERS by the time the loan closes.

After LHFS purchases the loan, the Seller must execute a transfer of servicing (TOS) rights and transfer of beneficial (TOB) rights in the MERS system. Fees may apply if the servicing and beneficial rights are not transferred to LHFS (MERS ID 1001138) within 48 hours of loan purchase.

### **TRANSFER OF MORTGAGE SERVICING**

The Seller is responsible for providing the borrower with timely Transfer of Servicing Disclosures at loan purchase. This includes the Goodbye Letter, which is required to be issued to the Borrower no less than 15 days before the effective date of the transfer. The Seller must instruct the borrower to forward payments to:

Land Home Financial Services, Inc.  
1 Corporate Drive #360  
Lake Zurich, IL 60047-8945

Reference the Servicing loan number that shows on the Purchase Advice. Sellers are requested to email the Goodbye letter to [Servicing@CLD.LHFS.com](mailto:Servicing@CLD.LHFS.com) when it is issued to the borrower. LHFS will provide the Welcome Letter within 15 days of the effective date of the transfer.

## TRAILING DOCUMENTS

Following the closing, it is the Seller's responsibility to handle Trailing Documents as a post-closing procedure. The Seller is required to submit all necessary trailing documents to LHFS once the loan has been purchased.

Required Trailing Documents may encompass the following:

- Original recorded Mortgage or Deed of Trust (Security Instrument) and all applicable Riders
- Copy of recorded Deed transferring title on all purchase transactions
- Original recorded specific Power of Attorney or copy of Power of Attorney with origination recording receipt, if applicable
- Original recorded intervening Assignment(s), if any
- Original Title Insurance Policy and all applicable endorsements
- Any corrections and/or endorsements requested by LHFS as a result of our document review
- Insuring/Guaranty/Guarantee documents (e.g., Mortgage Insurance Certificate (MIC), Loan Guaranty Certificate (LGC), and Loan Note Guarantee (LNG))
- Second Deed of Trust (trailing, recorded)
- Transfer of FHA Holder
- MERS

Pending trailing document loan conditions can be found in the loan file, accessible through the DASH Seller Portal. Please upload trailing documents through the Portal.

LHFS requires that trailing documents be uploaded within 120 days of loan purchase. LHFS reserves the right to charge the Seller a penalty for late final documents, starting at \$100 per month for each loan with outstanding final documents beyond the 120-day limit.

## DOCUMENT DEFICIENCIES

LHFS requires document deficiencies be corrected and returned within 30 days after initial notice. If LHFS is in possession of a recorded document that requires re-recording, the original document will be returned to the Seller for correction. Status of the re-recording must be provided to the Final Docs department within 30 days if the re-recording has not occurred yet.

LHFS reserves the right to charge the Seller a penalty for late final documents, starting at \$100 each month for each loan with final documents outstanding for more than 120 days.

Re-recording fees for incorrect security instruments or any costs for additional endorsements are the responsibility of the Seller.

**INSURING**

**FHA LOANS**

The HUD required calculation must be used to determine any monthly MIP payments.

Within 45 days of purchase, the Seller must provide the MIC (Mortgage Insurance Certificate) as a trailing document. Within 60 days of purchase, the Current Holder in FHA Connection must be transferred to Land Home. Land Home’s Lender FHA ID is 7245500311.

**VA LOANS**

Within 45 days of purchase, the Seller must provide the LGC (Loan Guaranty Certificate) as a trailing document.

**USDA LOANS**

The file must contain the USDA GLS Lender Loan Closing Confirmation reflecting the correct fee amount. Within 45 days of purchase, the Seller must provide the LNG (Loan Note Guarantee) as a trailing document.

Form RD 3555-18E should be completed as follows:

<b>Servicing Lender</b> <i>(The lender that will be servicing the loan(s)):</i>		
Lender Tax ID: <u>362435132</u>	Agency Assigned Branch Number: _____	
Lender Name: <u>Dovenmuehle Mortgage, Inc.</u>		
Address: <u>1 Corporate Drive, Ste. 360</u>		
City: <u>Lake Zurich</u>	State: <u>IL</u>	Zip Code: <u>60047</u>
<b>Holding Lender</b> <i>(The RHS approved Lender who will be holding/owning the mortgage note - , i.e. Fannie Mae, Freddie Mac, etc., not Ginnie Mae):</i>		
Lender Tax ID: <u>68-0151632</u>	Agency Assigned Branch Number: _____	
Lender Name: <u>Land Home Financial Services</u>		
Address: <u>1355 Willow Way, Ste. 250</u>		
City: <u>Concord</u>	State: <u>Ca</u>	Zip Code: <u>94520</u>

Loans with an outstanding MIC, LGC or LNG after 60 days of purchase require a detailed explanation from the Seller regarding the reason the loan is not insured. If LHFS determines the loan is uninsurable, repurchase will be required.

## **INTERIM SERVICING**

To the extent a Seller services a loan after the related purchase date, the Seller (or its designee, which designee shall be approved in writing by LHFS) shall service the Loan in conformance with all Accepted Servicing Practices and Applicable Requirements until such time as the servicing of such loan is transferred to LHFS or its designee. Seller shall promptly follow LHFS instructions regarding transferring any such servicing. If applicable, the Seller shall, at its expense, mail the approved form of notification to Mortgagors under the Loans of the transfer of the Servicing Rights and instruct the Mortgagors to deliver all mortgage and related payments and all tax and insurance notices to LHFS after the purchase date.

## **RIGHT TO COLLECT**

LHFS reserves the right to collect outstanding fees incurred by the Seller in a lawful manner and may with prior notification deduct outstanding balances from a purchase wire or other payment due the Seller.

## **LOAN PAYOFF REQUESTS**

To obtain a payoff statement, contact Servicing at [Servicing@LHFS.com](mailto:Servicing@LHFS.com). Third party companies must include the borrower's signed authorization.

## **QUALITY CONTROL REVIEW**

On a random basis loans will be pulled for a QC audit. The Seller must comply with any request for documentation.

## **RECOURSE PROCESS**

If LHFS determines that a purchased loan contains deficiencies that may require some type of action from the Seller, the Seller will be issued a written notice which will:

Identify the deficiencies and allow the Seller 30 days to cure the deficiencies or provide a written explanation for its position to LHFS for review and approval.

At any time, within a twelve (12) month period, where five (5) loans have required deficiency cures, LHFS will then meet with Seller to review deficiencies and collectively establish a corrective action plan. If LHFS identifies two (2) additional loans where deficiencies are present from twelve (12) months after the corrective action plan has been established LHFS may terminate Seller.

Failure to provide LHFS with a cure in response to the notice may result in the Seller's being required to provide specific indemnification, a repurchase or other remedy as determined by LHFS.

LHFS reserves the right to terminate Seller at any time due to loan deficiencies, misrepresentations, errors, omissions, negligence, fraud, or similar occurrence.

## **CHAPTER 9 – INDEMNIFICATION, REPURCHASE**

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### **INDEMNIFICATION**

The Seller hereby agrees to Indemnify and hold LHFS and its officers, directors, employees and representatives harmless against any and all claims, losses, expenses, costs, obligations and liabilities, including reasonable attorney's fees and expense, which result or arise from the breach of any representation or warranty of the Seller or default in the performance of, any covenant of the Seller, contained in Application Documents. The Seller further agrees to Indemnify and hold LHFS and Its officers, directors, employees and representatives harmless against any and all claims, losses, expenses, costs, obligations and liabilities, including reasonable attorney's fees and expenses, resulting from: (i) any loan that fails to conform with the applicable requirements established by LHFS, (ii) the Seller's failure to deliver the loan file within the required time period, (iii) a loan that is not eligible for sale or pooling by LHFS, (iv) the default by any Take-out Investor on a mandatory delivery commitment assigned by the Seller to LHFS, or (v) the origination or servicing (prior to transfer of servicing to LHFS) of the loan, including, but not limited to, losses incurred from the withdrawal or reduction of insurance by FHA, VA, USDA or any mortgage insurance company, losses resulting from the violation of any local, state or federal law, losses caused by errors in servicing, and losses resulting from missing or incorrect loan documentation.

### **NO SOLICITATION**

It is understood and agreed that all rights and benefits relating to the solicitation of any Mortgagors and the attendant rights, title and interest in and to the list of such Mortgagors and data relating to the Mortgages (including insurance renewal dates) shall be transferred to LHFS pursuant to the Application Documents and the Seller shall take no action to undermine these rights and benefits. For the avoidance of doubt, the Seller agrees that LHFS has the express right to market, offer and sell any services and products to the Mortgagors.

### **RIGHT TO OFFSET**

In addition to any other rights and remedies available to LHFS, including, without limitation, the rights and remedies of LHFS under the Application Documents, LHFS shall have the right, at any time, and from time to time, with prior notification, to offset and to appropriate or apply any and all deposits of money or property or any other indebtedness at any time held or owing by LHFS to or for the credit of the account of Seller against and on account of the obligations and liabilities of Seller under the Application Documents or any other agreement between Seller and LHFS or between Seller and any of LHFS' parent entities, subsidiaries or affiliates, irrespective of whether or not LHFS shall have made any demand hereunder and whether or not said obligations and liabilities shall have matured.

For purposes of the right of offset, the determination as to whether Seller has any obligations and liabilities under the Application Documents or any other agreement between Seller and LHFS and the extent of such obligations and liabilities shall be made by LHFS in its sole and reasonable discretion. Unless otherwise agreed by the parties specifically in writing, such offset shall not be construed as an accord and satisfaction of any obligation due from Seller to LHFS.

## **REPURCHASE OF LOAN**

In addition to any other remedies to which LHFS may be entitled, Seller agrees to repurchase any loan, upon demand and pursuant to the procedures and at the Repurchase Price, in any of the following circumstances:

- The Seller breaches any representation, warranty or covenant in the Application Documents, or if a loan otherwise fails to conform to the applicable requirements.
- A complete loan file, containing all of the documents required by the applicable requirements or Application Documents, is not submitted to LHFS within 180 days from the purchase date of the loan.
- Any of the first four (4) payments due to LHFS on a loan is delinquent by ninety (90) days or more delinquent and such delinquency is not attributable to an error in servicing or other material error of LHFS or its affiliates (an Early Payment Default or "EPD"). See **EPD Reimbursement**
- A loan documentation problem exists which occurred prior to the date the loan was purchased by LHFS, regardless of when the defect was discovered.
- Any Agency or any other Investor to whom LHFS sells a loan or related security demands that LHFS repurchase such loan because of a breach of any representation or warranty made by Seller pursuant to the Application Documents.
- In the event a basis exists for LHFS to demand repurchase under the terms of the Application Documents, the Seller shall repurchase the loan at the Repurchase Price defined herein no later than thirty (30) calendar days after the receipt by Seller of a written demand to repurchase. LHFS may, at its option, exercise its right to offset and withhold the payment of the any amounts due to Seller, until such time as the Seller has complied with all outstanding demands for repurchase and provided all delinquent loan documentation. Seller shall pay all costs and expenses reasonably incurred by LHFS in effecting the re-conveyance of a purchased loan including, but not limited to, any recording costs. Upon completion of such purchase by Seller, LHFS shall forward to Seller all servicing records and all documents relating to such purchased loans, Seller's indemnification and repurchase obligations shall survive termination of the Loan Purchase and Sale Agreement.

In the event a "make whole" or repurchase demand from an Agency or Investor occurs as a result of a breach of any representation, warranty or covenant in the Application Documents or the failure of a loan to conform to the applicable requirements for such loan as set forth in the Application Documents; Seller shall remit the entire "make whole" or repurchase payment plus

any additional fees as outlined in the Guide no later than thirty (30) calendar days after the receipt by Seller of a written demand for payment of the "make whole" or repurchase amount.

LHFS may elect, in its sole discretion, to waive a repurchase requirement upon such terms and conditions as LHFS may establish, provided however, that any such election by LHFS as to such waiver shall not be deemed a waiver of LHFS' right to require repurchase as to any other loan.

In the event a loan is prepaid in full during the first 180 days following the applicable Purchase Date ("Early Payoff" or "EPO"), Seller, within 30 days after notice from LHFS, will reimburse LHFS for (i) an amount determined by LHFS as an Administrative Fee, plus (ii) return of any servicing release premium or other compensation (collectively "Reimbursement").

Reimbursement requirement will also apply, in addition to a repurchase requirement, if any loan is an EPD, as defined herein.

## **REPURCHASE PRICE**

The Repurchase Price equals the sum of (i) the aggregate unpaid principal balance of the loan on the date of repurchase, plus (ii) all accrued and unpaid interest of the loan on the date of repurchase; plus (iii) any servicing released premium, and any other above-par premium; plus (iv) all other un-reimbursed costs, expenses and advances, including but not limited to attorney's fees, taxes, insurance or payments authorized by the Note of the Mortgage or applicable law to protect LHFS' interest in the loan or related property incurred by LHFS or its successors or assigns, in connection with such loan after the Closing Date; plus (v) any other fees, costs or amounts relating thereto.

## **ADMINISTRATION FEES FOR REPURCHASES AND EARLY PAYMENT DEFAULT**

Without otherwise limiting LHFS remedies, LHFS reserves the right to also charge an administration fee of \$3,500 for FHA, VA, and USDA loans, and \$1,500 for conventional loans, in the event of a repurchase or early payment default (**EPD**).

## **CHAPTER 10 - GENERAL WARRANTIES**

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For any loan submitted to LHFS for purchase, despite any advance review of the loan by LHFS, the Seller shall not be released from any of the following representations and warranties, and in addition to any other representations, warranties and covenants contained in the Loan Purchase and Sale Agreement, and the Seller hereby further represents and warrants that the below are true and correct.

- **Ownership; Prior Involvement:** Seller has no ownership interest, direct or indirect, in any property acting as security for the loan. Seller has no affiliation or relationship with any other party having a financial interest in the loan or the loan transaction. Seller shall disclose the nature and extent of any relationship between its owners, officers, partners, agents or employees in writing at the time of the submission of any applicable loan to LHFS if (a) these parties have participated in the sale, financing or mortgage origination with respect to the property securing the loan, or (b) these parties have assisted a Borrower with obtaining prior financing, whether with respect to the property securing the loan or otherwise.
- **Delegated Errors & Omissions, and Net Worth:** Delegated Sellers shall at all times maintain Errors & Omissions insurance and net worth requirements in accordance with LHFS' Seller approval criteria, or the amounts required by applicable law, whichever is greater.
- **Acknowledgement of Disclosures:** The Mortgagor has duly executed and delivered appropriate evidence indicating that the Mortgagor has received any and all disclosure materials as required by applicable law and regulations.
- **Mortgage Loan Originators (MLOs):** Notwithstanding anything to the contrary contained in the Contract Documents, the Seller shall be liable for the acts and omissions of its officers, employees and agents, including, without limitation, its MLO.
- **No Adverse Selection:** The Seller will not use any means to adversely select loans for sale from the rest of the Seller's portfolio which is not the subject of the sale, including without limitation, identifying loans subject to additional levels of risk to LHFS which risks are known to the Seller, but not disclosed to LHFS.
- **Requirements; Unacceptable Investment:** Each loan submitted for purchase to LHFS, conforms to the specifications, terms, conditions and requirements set forth in this Guide and the Loan Purchase and Sale Agreement. There are no circumstances or conditions with respect to the Mortgage, the Mortgaged Property, the Borrower, the Mortgagor or the Borrower's or Mortgagor's credit standing that could be reasonably expected to cause: (a) LHFS not to purchase the loan; (b) private institutional investors or an Investor to regard the loan as an unacceptable investment; or (c) the loan to become delinquent or adversely affect the value or marketability of the loan. The Seller agrees not to submit a loan to LHFS if any of these circumstances exist. The Seller shall promptly disclose to LHFS any material information that reasonably could be expected to be a consideration in LHFS' decision to purchase a loan including, without limitation, discrepancies between information provided by the loan applicant and that obtained from other sources, factors bearing on the physical condition of the security property and any irregularities involving the purchase transaction



covering the security property or the relationship or involvement of any escrow depositories in connection therewith.

- **Enforceability of Loan:** The loan is not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Note or the Security Instrument, or the exercise of any right thereunder, render either the Note or the Security Instrument unenforceable, in whole or in part, Seller or of any other person.
- **Payments and Advances:** The Seller has not, and no person has, advanced any funds for and on behalf of a mortgagor for the purpose of enabling the mortgagor to make any required payments of principal or interest on the loan, or any tax, insurance, special assessment, sewer, utility or similar payments with respect to the property securing the loan, and no subordinate financing was used in the mortgagor's acquisition of the property securing the loan other than subordinate financing acceptable to LHFS, FNMA, FHLMC, USDA, HUD, or VA pursuant to their requirements in effect at the time of purchase of the loan by LHFS. The Borrower has made any down payment required in connection with the loan and has received no concession from Seller or any other third person, except as clearly disclosed on the Closing Disclosure submitted with the loan file.
- **Regulatory Compliance:** Seller has complied with, and each loan shall comply with, all applicable requirements by LHFS, VA, USDA, FNMA, or FHLMC requirements as applicable. Each loan shall comply with applicable law in all respects, including, but not limited to, High Cost and Compliance Testing, RESPA, the Flood Disaster Protection Act, the Federal Consumer Credit Protection Act, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Federal Fair Housing Act, the Home Ownership and Equity Protection Act, Gramm-Leach-Bliley Act, the Housing and Economic Recovery Act, Dodd-Frank/Wall Street Reform and Consumer Protection Act and applicable law governing fraud, lack of consideration, unconscionability, consumer credit transactions, consumer protection and consumer privacy, interest or other charges, licensing of mortgage brokers, lenders, servicers and Mortgage Loan Originators (MLOs), and mortgage insurance.
- **Approvals:** The Seller and each loan originator employed by or affiliated with the Seller, has obtained and shall maintain in full force and effect, without material impairment, suspension or revocation, all federal and state governmental approvals, registrations, qualifications, permits and licenses necessary both to perform its obligations hereunder and, if applicable, to conduct the origination business with FHA.
- **No Predatory Lending:** No predatory or deceptive lending practices, including but not limited to the extension of credit without regard for the Mortgagor's ability to repay the loan, and/or the extension of credit which has no apparent benefit to the Mortgagor, were employed in connection with the loan application. Each loan application is in compliance with the anti-predatory lending eligibility requirements of the Guide and all applicable Agency's or Investor's rules and regulations.

- **Damage; Condemnation:** The property securing the loan is free of damage, waste and environmental hazards; the property and its improvements are not in violation of any applicable zoning law or regulation, and there is no proceeding pending for the total or partial condemnation thereof.
- **Closing:** All loans approved to be purchased by LHFS are closed, in accordance with the terms and conditions set forth herein by closing agents that maintain errors and omissions insurance policies reasonably acceptable to the Seller and sufficient to indemnify the Seller against losses due to the closing agent's negligence, misconduct and/or failure to follow written closing instructions.
- **Funding:** Seller has fully funded the loan.
- **Disbursement:** The Closing Agent has fully disbursed all proceeds in accordance with the related Closing Disclosure (CD) form and any closing instructions. There is no requirement for future advances thereunder, any and all requirements as to completion of any on-site or off-site improvements have been complied with, any disbursements of any escrow funds have been made, all costs, fees and expenses incurred in making or closing the loan and recording the mortgage or deed of trust have been paid, all up front mortgage insurance premiums due at time of closing have been paid, and the mortgagor is not entitled to any refund of any amounts paid or due under the Note or the Security Instrument.
- **Application Package and Genuineness of Documents:** The application package contains each of the documents and instruments required by LHFS, FHA, VA, USDA, FNMA or FHLMC eligibility criteria and requirements, duly executed and in due and proper form and each such document or instrument is genuine and in form acceptable to Investors and Insurers and the information contained therein is true, accurate and complete. The loan was originated in accordance with Investor and Insurer underwriting standards in effect at the time the loan was originated.
- **Documentation:** All information submitted by the Seller in connection with a loan are in accordance with standard industry practices and in every respect valid and genuine and no fraud, error, omission, negligence or misrepresentation has occurred in connection with the origination, closing, funding or transfer of any loan. "All information" shall include any and all documentation (credit and otherwise) obtained from the applicant and any other sources submitted in connection with a loan application. The Seller and LHFS agree that LHFS may conclusively rely on all information, documents, and reports supplied to it and submitted by the Seller and the authenticity and accuracy contained therein. LHFS' failure to conduct an independent investigation with respect to the loan file shall not affect or modify the representations, warranties or covenants made by the Seller and other duties of the Seller or the rights and remedies available to LHFS for a breach thereof.
- **No Fraud; No Omissions:** No fraud was committed in connection with the origination of the loan. No action, error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to the loan has taken place on the part of any person, including, without limitation, the mortgagor, any appraiser, any builder or developer or property seller, or insurer or any party involved in the origination of the loan, or in the application for any insurance relating to such loan that might result in a denial, failure or impairment of full and timely coverage under any insurance policies required to be obtained or any pool insurance

policy covering the loan. LHFS' failure to conduct an independent investigation with respect to the loan file shall not affect or modify the representations, warranties or covenants made by the Seller and other duties of the Seller or the rights and remedies available to LHFS for a breach thereof. The Seller is solely responsible for the authenticity and accuracy of all information, documents, and reports contained in the loan file.

- **Compliance with Requests for Missing or Additional Documentation:** The Seller shall comply with any request by LHFS for missing, corrected or additional documentation related to a loan, and shall promptly comply with any such request, regardless of whether the request was made prior to or after the sale of the related loan and shall comply with any such request within seven (7) calendar days after receipt of a request from LHFS. The Seller shall be responsible for any penalty or re-pricing as a result of the Seller's failure to comply with any such request within the time frame set forth above, regardless of whether the failure is directly attributable to the Seller.
- **Appraisal:** All real estate appraisals provided in connection with any loan shall be true and correct appraisals of the property in question and shall comply with the requirements set out in the Guide and with all requirements of applicable laws and regulations. Delegated Sellers have established procedures with respect to real estate appraisers and appraisals in accordance with the requirements described in the Guide, and Title IX of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and implementing regulations. The appraiser for the loan was duly licensed or certified under the applicable law where the loan was originated and for each Government Loan was acceptable to the FHA or VA, as applicable, and for each Conventional Loan was acceptable to FNMA, FHLMC and/or the Investor, as applicable. The Seller will maintain documentation evidencing each appraiser's qualification and licensing or certification, which will promptly be provided to LHFS upon request. The loan file shall contain documentation that reflects the date and method of delivery for each appraisal sent to an applicant/borrower.
- **Attorney-in-Fact:** The Seller hereby irrevocably appoints LHFS as its true and lawful attorney, with full power of substitution, in its name and stead and on its behalf, for the purpose of taking any action with respect to, or effectuating any further sale, assignment, transfer or delivery of, any loan, Security Instrument, Note, or mortgaged property or any part thereof or any interest therein, and for the purpose of correcting any errors or omissions in any loan documents. The Seller is hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. If requested by LHFS, or any successor or assign of LHFS, the Seller shall ratify and confirm any such action, sale, assignment, transfer or delivery by executing and delivering all such instruments and other documents as may be designated in any such request.
- **MERS:** The loan was registered on the MERS System in accordance with the Guide requirements. The Seller further represents that it has (i) complied with the Electronic Tracking Agreement, the MERS Procedures Manual and any and all rules or regulations of MERS; and (ii) informed and confirmed with MERS or Electronic Agent, as applicable, that each loan has been electronically assigned on the MERS System to LHFS.
- **Government Loans:** Each Government Loan conforms with all applicable FHA or VA underwriting, lending, selling and servicing requirements and with all GNMA requirements

for the inclusion of the loan in a GNMA MBS pool, and the Seller will comply with all documentation requirements of LHFS and the document custodian within the time limitations described in the Contract Documents. If a Commitment is for an FHA-insured Loan, the loan is fully eligible for FHA insurance and is, or within 60 days after disbursement of the proceeds by the Seller will be, fully insured by the FHA. If a Commitment requires the loan to be guaranteed by VA, the loan is fully eligible for VA guaranty, and is, or within 60 days after disbursement of the proceeds by the Seller will be, fully guaranteed by VA.

- **Conventional Loans:** Each Conventional Loan conforms with all applicable requirements of LHFS, Agencies or applicable Investor, including, but not limited to, all requirements for the inclusion of such Conventional Loans in any pool of loans or private security as designated by LHFS, FHLMC Guarantor Program and the FNMA Mortgage-Backed Security Loan Program, and each Conventional Loan conforms with all pooling requirements of the Agency or Investor. The Seller will comply with all documentation requirements of LHFS and the document custodian within the time limitations described in the Contract Documents. If the Contract Documents require the loan to be insured by a policy of private mortgage insurance, the loan is fully eligible and qualified to be insured by such policy of private mortgage insurance, such policy is in full force and effect, and no event or condition exists which could give rise to or result in a revocation of or prevent title that is legally valid or effective. Immediately prior to the transfer and assignment of the loan to LHFS, the Seller was the sole owner of each loan, with good and marketable title to the loan, and had full right, title and authority, subject to no interest or participation of, or agreement with, any other party (other than a warehouse lender whose identity has been made known to LHFS), to sell, transfer and assign the loan to LHFS, and there has been no other sale, transfer, or assignment of security interest granted by the Seller to any other party, nor are there any other restrictions limiting the transfer of the loan.
- **Customary Provisions:** The payment due date of the loan is the first day of the month, interest on the loan is computed in arrears with payments (which may be reset periodically in accordance with the loan documentation) sufficient to fully amortize the loan, if applicable, by the stated maturity date over an original term as set forth in the loan documentation from commencement of amortization, the late charge on the loan is the lesser of five (5) percent for conventional loans, or four (4) percent for FHA loans, of the monthly payment or the amount permitted under state law, and the borrower is required to make monthly escrow payments (as applicable) for real estate taxes and insurance premiums unless restricted by law in the state where the loan was originated.
- **No Default:** The loan is current, and all payments have been made within the month such payments were due. There is no default, breach, violation or event of acceleration existing under the Security Instrument or the Note and no event which, with the passage of time or with any notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration under the Security Instrument or the Note.
- **No Mechanic's or Tax Lien:** There is no delinquent tax or assessment lien against the property securing the loan, and the Seller has paid all property tax bills which are or will become due within 60 days of closing the loan. As of the Purchase Date of the loan and as of the date the loan is transferred to LHFS, there are no mechanics' liens or claims that affect

the lien priority of the Security Instrument of trust relating to the loan. In addition to any other remedies provided herein, the Seller shall reimburse LHFS for any tax penalties incurred as a result of a breach of this provision.

- **Collection Practices and Escrow Deposits:** The origination and collection practices used by the Seller and each servicer of the loan have been in all respects in compliance with Accepted Servicing Practices, the Contract Documents, applicable laws and regulations, and have been in all respects legal and proper. With respect to escrow deposits and escrow payments, (other than with respect to each second lien mortgage loan and for which the mortgagee under the first lien is collecting escrow payments) all such payments are in the possession of, or under the control of, the Seller and there exist no deficiencies in connection therewith for which customary expense to the policy.

All escrow payments have been collected in full compliance with state and federal law. An escrow of funds is not prohibited by applicable law and has been established in an amount sufficient to pay for every item that remains unpaid but is not yet due and payable. No escrow deposits or escrow payments or other charges or payments due under the Note have been capitalized under the Security Instrument. Any interest required to be paid pursuant to state, federal and local law has been properly paid and credited.

- **No Litigation:** There is no pending and no threatened litigation, which may affect in any way, by attachment or otherwise, the title or interest of the Seller in and to the loan, the property securing the loan, or any related Note or Security Instrument.
- **Valid Note:** The original Note and the Security Instrument are genuine, and each is the sole legal, valid and binding obligation of the maker thereof, enforceable in accordance with their respective terms. All parties to the Note and the Security Instrument had the legal capacity to execute and deliver the Note and the Security Instrument, and the Note and the Security Instrument have been duly and properly executed by such parties. The Note is not and has not been secured by any collateral except the Security Instrument.
- **No Waiver:** The terms of each Note and Security Instrument have not been impaired, waived, altered or modified in any respect, except by a written instrument which has been recorded, if necessary, to protect the interest of LHFS. The substance of any such waiver, alteration or modification has been approved by the issuer of any related private mortgage insurance policy and the title insurer, to the extent required by the title insurance policy. No mortgagor has been released in whole or in part, except in connection with an assumption agreement approved by the issuer of any related private mortgage insurance policy and the title insurer to the extent required by the policy.
- **Delivery:** The Seller shall be obligated to deliver all loans locked under Best Efforts commitments to LHFS if: (i) Seller actually closes the loan or causes the loan to be closed with a third Person; and (ii) LHFS has not rejected such loan for purchase.
- **Due on Sale:** The Security Instrument contains a provision for the acceleration of the payment of the unpaid principal balance of the Note in the event that the property securing the loan is sold or transferred without the prior written consent of the mortgagee thereunder, unless otherwise permitted in accordance with the terms of the Contract Documents.
- **No Satisfaction:** The Security Instrument has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the property securing the loan has not been released from

the lien of the Security Instrument, in whole or in part, nor has any instrument been executed that would affect any such release, cancellation, subordination or rescission, except as permitted by LHFS, FNMA, FHLMC, GNMA, VA, FHA, or USDA applicable guidelines and except which does not materially and adversely affect the value of the property securing the loan.

- **Original Terms Unmodified:** The terms of the loan have in no way been changed, amended or modified from the terms that LHFS has approved and there shall be only one fully executed original document of each loan file unless otherwise specifically disclosed to LHFS.
- **Proceeds:** The proceeds of the loan have not been and shall not be used to satisfy, in whole or in part, any debt owed or owing by the Mortgagor to the Seller or any Affiliate or representative of the Seller except in connection with a refinanced mortgage loan.
- **Security Instrument:** A trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named therein, and no fees or expenses are or will become payable by LHFS to the trustee under the Security Instrument, except in connection with a trustee's sale after default by the mortgagor.
- **Valid Lien and Title Insurance:** Each Security Instrument is a valid and enforceable first lien on the property securing the loan and is insured by (i) An American Land Title Association (ALTA) lenders' loan title insurance policy issued by an underwriter acceptable to LHFS, or (ii) The type of policy uniformly acceptable where ALTA policies are not available, which policy is subject only to the lien of current real estate taxes and assessments, and covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such Security Instrument, such exceptions appearing of record and being acceptable to mortgage lending institutions generally or specifically reflected in the survey of the property securing the loan. The title insurance policy relating to the loan is in full force and effect and will be in force and effect upon the consummation of the transactions contemplated by this agreement. No claims have been made under such title insurance policy.
- **Type of Mortgaged Property:** The property securing the loan consists of a single parcel of real property with a single-family residence erected thereon, or a two-to-four family dwelling, an individual condominium unit, a co-operative housing unit, or an individual unit in a planned unit development. Such property meets the criteria for eligible property described in the Contract Documents. No portion of the property securing the loan is used for commercial purposes.
- **Taxes, Utilities and Assessments:** All taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due and owing have been paid, or an escrow of funds has been established in an amount sufficient to pay for every such item which remains unpaid and which has been assessed but is not yet due and payable. In addition to any other remedies provided herein, the Seller shall reimburse LHFS for any tax penalties incurred as a result of a breach of this provision.

- **Hazard Insurance:** The property securing the Loan is insured by a valid paid-up hazard insurance policy meeting the standards as described in the Guide, is issued by an insurer acceptable to LHFS, and names the Seller, LHFS or the assignee, in the mortgagee clause. The Security Instrument obligates the mortgagor thereunder to maintain the hazard insurance policy at the mortgagor's cost and expense, and on the mortgagor's failure to do so authorize the holder of the mortgage to obtain and maintain such insurance at such mortgagor's cost and expense, and to seek reimbursement from the mortgagor. The Seller has not engaged in and has no knowledge of the mortgagor's having engaged in, any act or omission which would impair the coverage of any such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of the policy. If the property is located in a flood hazard area, the property is insured by a flood insurance policy acceptable to LHFS, and all federal, state and local requirements with respect to both hazard and flood insurance have been complied with in all material respects.
- **Location of Improvements:** All of the improvements that were included in the determination of the appraised value of the property securing the loan lie wholly within the boundaries and building restriction lines of the property, and no improvements on adjoining properties encroach upon the property securing the loans.
- **Interest:** Interest on each loan is calculated in accordance with related loan documents and the applicable requirements, including, but not limited to, the applicable FHA Regulations. None of the loans are simple interest mortgage.
- **Communications Received by the Seller:** Within five (5) days of receipt, the Seller, shall forward to LHFS all communications, inquiries, and remittances which the Seller may receive with reference to the loan. Upon communication with the customer, the Seller will direct all communication to LHFS. The Seller shall promptly provide such other information as LHFS may reasonably request.
- **No Risk Sharing Agreements:** Notwithstanding any provision in this Guide, the Agreement or other Contract Documents to the contrary, loans sold to LHFS may not be subject to any risk sharing agreement between the originator and any mortgage insurance company, and the Seller shall cause any loan subject to such arrangement to be released from said arrangement prior to the related sale of the loan to LHFS or not sell the loan to LHFS.

## **CHAPTER 11 - DEFINITIONS**

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As used in this Chapter of this Guide, in the Loan Purchase and Sale Agreement, and the other Application Documents, the following terms shall have the meanings specified below:

**Advance:** Funds advanced by LHFS to, or on behalf of, a Mortgagor under a Loan.

**Affiliate:** With respect to any Person shall mean any other Person directly or indirectly controlling, controlled by or under common control with such Person.

**Agreement:** The Correspondent Loan Purchase and Sale Agreement between LHFS and Seller, and all exhibits, schedules and addenda to this Agreement, as the same may from time to time be amended or supplemented by LHFS in accordance with this Agreement.

**Applicable Requirements:** Shall mean and include with respect to the Loans: (a) All contractual obligations of Seller, including, but not limited to, those contractual obligations contained in the Correspondent Loan Purchase and Sale Agreement, this Guide, in any agreement with any Insurer or Investor of which Seller was aware or in the Loan Documents for which Seller was or is responsible; (b) All applicable federal, state and local legal and regulatory requirements (including statutes, rules, regulations and ordinances) binding upon Seller; including a complete and full disclosure to the loan applicant and LHFS of all fees and other payments including, without limitation, back-end points, etc., received by Seller in connection with the Loan (Seller shall provide such disclosures to Borrower and LHFS as required by applicable law); (c) All other applicable requirements and guidelines of each governmental agency, board, commission, instrumentality and other governmental body or office applicable to, and having jurisdiction over Seller, including, but not limited to, those of any Insurer; (d) LHFS Eligibility Criteria and the Guide; and (e) All other applicable final judicial and administrative judgments, orders, stipulations, awards, writs and injunctions applicable to Seller; in addition, Applicable Requirements shall include all pertinent requirements as LHFS may identify in any written format or product descriptions that LHFS makes available to or known to Seller from time to time either by delivery to Seller or posted on a website or webpage accessible by Seller.

**Application:** A written application by a person or persons for a Loan, signed by such person or persons. Such application shall be in a format acceptable to LHFS, its Investors and/or Insurers.

**Application Package:** The file containing all documents, reports, forms, appraisals, verifications, Applications, disclosures, statements, and other documents prepared, assembled or possessed by Seller in connection with each Loan, including, but not limited to, the Loan Documents, and all other documentation required for loan underwriting by LHFS and any other information possessed by Seller that would enable LHFS to make an informed judgment concerning any Loan.

**Assignment:** With respect to a Loan, an individual unrecorded assignment of the Mortgage Instrument, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to give record notice of the sale of the Mortgage to LHFS, all in accordance with Applicable Requirements.

**Borrower:** Any applicant for a Loan or any obligor under a Mortgage Note.



**Business Day:** Any day other than a Saturday, Sunday, or other day on which banking institutions in the State of California are required or authorized by Applicable Requirements or by executive order to be closed.

**Closing Date:** With respect to each Loan, the date: (a) That the Borrower(s) and Mortgagors execute the Loan Documents; and (b) On which the Seller assigns all right, title, and interest in and to the Loan and the related Servicing Rights to LHFS in accordance with the terms set forth in this Agreement.

**Confidential Information:** (a) Information, whether reduced to writing or not, disclosed by LHFS relating to LHFS' product development strategy and activity, corporate assessments and strategic plans, Customer lists, financial and statistical information (past, current and future), accounting information, hardware, firmware, software (including, but not limited to, object code and source code), systems, processes, formulae, inventions, product specifications, data, know-how, graphs, samples, research and development (past, current and future), distribution methods (past, current and future), Customer requirements (current and future), price lists, market studies, business plans, marketing plans, marketing methods, discoveries, policies, guidelines, procedures, practices, disputes or litigation; (b) Other confidential, proprietary or trade secret information of LHFS that is identified in writing (including, but not limited to, electronically) as such at the time of its disclosure; all other confidential, proprietary or trade secret information of LHFS, which a reasonable person employed in the mortgage industry would recognize as such or is recognized as such under Applicable Requirements; (c) Customer Information; (d) Compilations, notes or summaries that contain or reflect Confidential Information; and (e) The Contract Documents.

For purposes herein, any Proprietary Products and Proprietary Software are the Confidential Information of LHFS.

**Contract Documents:** (i) The Loan Purchase and Sale Agreement between the parties, (ii) LHFS' Correspondent Seller Guide (the Guide), (iii) LHFS News issued by LHFS and made available to the Seller from time to time hereafter (News), (iv) The loan commitment/lock confirmation (Commitment) which LHFS will issue to the Seller each time LHFS desires to purchase a Loan or Loans, (v) The trade confirmation setting forth the terms and conditions of each transaction describing the Loans to be purchased from Seller by LHFS (Trade Confirmation), and (vi) The letter issued by LHFS approving Seller as a Correspondent (Approval Letter).

**Customer:** Any customer of a Party, including, but not limited to, any person who: (a) Applies to a Party or an Affiliate thereof, either directly or indirectly, for a financial product or service, including a loan applicant; (b) Has obtained any financial product or service from a Party or an Affiliate thereof; and/or (c) Has a Loan serviced or sub-serviced by a Party or an Affiliate thereof.

**Customer Information:** Any personally identifiable information or records in any form (written, electronic, or otherwise) relating to a Customer, including, but not limited to: (a) A Customer's name, address, telephone number, loan number, loan payment history, delinquency status, insurance carrier or payment information, tax amount or payment information; (b) The fact that a Customer has a relationship with a Party; and (c) Any other personally identifiable information; provided, however, that Customer Information shall not mean any such information that a Party has obtained independently and not in connection with this Agreement.

**Damages:** Any direct or indirect demand, claim, payment, obligation, action or cause of action, assessment, loss, liability, cost, damage, deficiency or expense, including, but not limited to, penalties, interest on any amount payable to a third Person as a result of the foregoing, and any legal or other expense reasonably incurred in connection with investigating, defending, or responding to same, including, but not limited to, reasonable attorneys' fees, accountants' fees, expert witness fees and related fees and court costs.

**Delegated:** Seller is expressly approved by LHFS for delegated underwriting.

**Early Payment Default ("EPD"):** Occurs when any of the first four (4) payments due under the terms of the Loan is/are more than 90 days late.

**EPD Reimbursement:** A Mortgage Loan is considered delinquent if the payment has not been received and applied by the end of day immediately preceding the Mortgage Loan next due date. Receipt of payments originally due prior to the date on which LHFS purchases the Mortgage Loan will not satisfy EPD requirements.

Remedies for an Early Payment Default:

- Requires Repurchase or
- In lieu of Seller's obligation to Repurchase resulting from any Early Payment Default, LHFS, in its sole and absolute discretion, may allow Seller to indemnify LHFS for any future potential losses provided Seller:
  - Pay LHFS a fee of \$1,500 for Conventional or \$3,500 for Government Loans
  - Return all sums in excess of Par paid to Seller by Purchaser in connection with the purchase of said Mortgage Loan and
  - Sign a written indemnification agreement in the form and content provided by LHFS to Seller.

**Early Payoff ("EPO"):** Occurs when the unpaid Loan balance is paid off within the first one hundred eighty (180) days following funding of the Loan. EPO will subject Correspondent to certain penalties as specified herein and in other agreements.

**EPO Reimbursement:** An amount payable by Correspondent to LHFS in the event of an EPO, which shall be equal to the sum of (i) any servicing released premium, plus (ii) any other above-par premium; plus (iii) an Administrative Fee equal to Three Thousand dollars (\$3,000.00) for FHA and other government Loans, or Fifteen Hundred dollars (\$1,500.00) for conventional Loans.

**FHA:** The Federal Housing Administration or any successor thereto.

**FHA Regulations:** Regulations promulgated by HUD under the Act, codified in 24 Code of Federal Regulations, and other HUD issuances, including, but not limited to, related handbooks, circulars, notices and mortgagee letters.

**FHA Insurance:** An insurance policy granted by the FHA with respect to a mortgage loan under the applicable section of the National Housing Act, as amended from time to time.

**FHLMC (Freddie Mac):** The Federal Home Loan Mortgage Corporation, or any successor thereto.

**FNMA (Fannie Mae):** The Federal National Mortgage Association or any successor thereto.

**Insurer:** Any federal or state governmental agency or any federal or state quasi-governmental agency or governmental sponsored agency or entity or any private mortgage insurer that insures or guarantees any of the Loans and providers of hazard, title or other insurance with respect to any of the Loans or Mortgaged Property.

**Interagency Guidelines:** The Interagency Guidelines Establishing Standards for Safeguarding Customer Information published on April 1, 2001, by the federal banking regulators as the same may be amended from time to time.

**Investor:** Any investor to which LHFS sells or with which LHFS securitizes Loans.

**Loan:** A residential mortgage loan that is or will be secured by a Mortgage Instrument upon a one-to-four family dwelling (including condominiums, units in a planned unit development and manufactured homes) or other mortgage programs offered by or otherwise approved by LHFS, including any Proprietary Products.

**Loan Documents:** With respect to each Loan, the Mortgage Instruments, Mortgage Note, loan file and final title policies.

**Loan File:** The file containing the Loan Documents with respect to a Loan, as well as the Application package, credit and closing packages, custodial documents, servicing documents, escrow documents, mortgage documents and all other files, records and documents necessary to establish the eligibility of the Loans for purchase by LHFS, insurance by an Insurer or purchase or pooling by an Investor.

**MERS:** Mortgage Electronic Registration Systems, Inc., a Delaware corporation, and any successor thereto.

**Mortgage Instrument:** Any deed of trust, security deed, mortgage, security agreement, financing statement or any other instrument that constitutes a lien on the improved Mortgaged Property securing payment by a Mortgagor of a Mortgage Note.

**Mortgaged Property:** Any one-to-four family residence (at the time of origination) that is encumbered by a Mortgage Instrument.

**Mortgagor:** Any person who executes a Mortgage Instrument.

**Note:** The promissory Note executed by an obligor and secured by a Mortgage Instrument evidencing the indebtedness of the obligor under a Loan.

**Parties:** Seller and LHFS and Party means either Seller or LHFS, as the case may be.

**Person:** An individual, corporation, limited liability company, partnership, commercial banking institution, savings bank, other depository institution, joint venture, trust or unincorporated organization or a federal, state, city, municipal or foreign government or an agency or political subdivision thereof.

**Privacy Requirements:** The obligations imposed by: (a) Title V of the Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801 et seq.; (b) The applicable federal regulations implementing such act and codified at 12 CFR Parts 40, 216, 332, and/or 573; (c) The Interagency Guidelines; and (d) Other

applicable federal, state and local laws, rules, regulations, and orders relating to the privacy and security of Customer Information, including, but not limited to, the federal Fair Credit Reporting Act, 15 U.S.C. §§ 1681 et seq., and similar state laws.

**Proprietary Product:** Those proprietary Loan products of LHFS or an Affiliate thereof announced from time to time for which Seller may originate under an Addendum to this Agreement.

**Proprietary Software:** The proprietary computer programs of LHFS or an Affiliate thereof (including any third Person products licensed by LHFS and embedded in LHFS' computer programs) licensed to Seller by LHFS in connection with the origination of Loans under this Agreement.

**Purchase Date:** The date funds are wired to the Seller or their authorized warehouse lender by LHFS, or if later, the date funds are disbursed.

**Registration Date:** With respect to each Loan, the date that Seller registers the Loan with LHFS.

**Repair Set Aside Accounts:** Funds held by Seller with respect to a Loan necessary for disbursement after closing in order to pay for required repairs to the Mortgaged Property pursuant to Applicable Requirements.

**Repurchase Price:** Equals the sum of (i) The aggregate unpaid principal balance of the Loan on the date of repurchase, plus (ii) All accrued and unpaid interest of the Loan on the date of repurchase; plus (iii) Any servicing released premium, and any other above-par premium; plus (iv) All other un-reimbursed costs, expenses and advances, including but not limited to attorney's fees, taxes, insurance or payments authorized by the Note of the Mortgage or applicable law to protect LHFS' interest in the Loan or related property incurred by LHFS or its successors or assigns, in connection with such Loan after the Closing Date; plus (v) Any other fees, costs or amounts relating thereto; plus an Administrative Fee equal to Three Thousand dollars (\$3,000.00) for FHA and other government Loans, or Fifteen Hundred dollars (\$1,500.00) for conventional Loans.

**Purchase Date:** The date on which any Loan is purchased by LHFS from Seller hereunder.

**Security Instrument:** Any deed of trust, security deed, mortgage, security agreement, financing statement or any other instrument that constitutes a lien on the improved Mortgaged Property securing payment by a Mortgagor of a Mortgage Note.

**Servicing Rights:** The obligations to administer the Loans, make Subsequent Advances to a Mortgagor, pay taxes and insurance or ensure they are paid, provide foreclosure services, provide full escrow administration and any other obligations required by any owner of the Loans, collect the payments for the reduction of principal and application of interest, remit collected payments together with the right to receive the servicing fee income and any ancillary income arising from or connected to the Loans. Servicing Rights shall include administering Repair Set Aside Accounts and any tax and insurance set-asides or escrow or impound accounts with respect to the Loans for, among other things, the deposit and retention of interest and principal, taxes, assessments or ground rents, hazard and mortgage insurance and other related escrow or custodial items.

**LHFS Eligibility Criteria:** The eligibility criteria, policies, procedures, product guidelines and requirements for the origination, processing, closing, funding, acceptance of the Assignment, and making of Loans as may be communicated by LHFS from time to time to the Seller or as may be

otherwise posted on a LHFS website accessible by the Seller. LHFS Eligibility Criteria may be amended at any time by LHFS in its sole and absolute discretion and such LHFS Eligibility Criteria shall be effective as to any Application Package received from the Seller after notice is provided to the Seller or otherwise posted on a LHFS website accessible by the Seller.

**Subsequent Advances:** Advances made after loan closing to, or on behalf of, a Borrower and/or Mortgagor under a Loan.

**Termination for Cause:** LHFS may, in its sole discretion, immediately terminate its obligations hereunder without liability whatsoever to the Seller or any other person for claims, losses, expenses, costs, obligations and liabilities arising directly or indirectly therefrom, in the event of (i) the Seller's breach of any representation or warranty or default in the performance of any covenant in this Agreement or in any other loan purchase agreement between the Seller and LHFS (including LHFS' predecessors and affiliates) or (ii) LHFS in the exercise of its commercially reasonable judgment determines that Seller has acted in any manner (whether related to this Agreement or otherwise ) that might place LHFS at risk should it continue to purchase Loans from Seller.